higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ECONOMICS N5

8 June 2021

This marking guideline consists of 9 pages.

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SECTION A

Mark all the questions in SECTION A.

QUESTION 1

1.1 B
1.2 D
1.3 B
1.4 C
1.5 B

(5 × 2) **[10]**

QUESTION 2

2.1 True
2.2 False
2.3 False
2.4 True
2.5 False
2.6 False
2.7 True
2.8 False
2.9 True
2.10 False

(10 × 2) **[20]**

QUESTION 3

3.1 L
3.2 B
3.3 N
3.4 D
3.5 M
3.6 E
3.7 O
3.8 I
3.9 K
3.10 R

(10 × 2) **[20]**

TOTAL SECTION A: 50

SECTION B

Mark any THREE of the four questions in SECTION B.

QUESTION 4

4.1 4.1.1

- Economic order and protection
  - Maintaining internal and external security
  - Provides a legal service rendered by courts (Any 1 × 1)
- Social welfare
  - Focus on the well-being of the nation, e.g. hospitalisation
- Economic welfare
  - Stimulates economic welfare by monetary control

(Any 3 × 2) (6)

4.1.2

- Total population – The higher the percentage of working population, the larger the supply of labour.
- Population growth rate – The higher the population growth rate, the more the supply of labour.
- Workforce/labour force partition rate – The higher this rate, the higher the rate of unemployment.
- Working hours – Currently employees prefer flexible working hours which improve their productivity and help to avoid peak hour traffic.
- Migration – The migration of workers to other countries reduces the labour supply, while immigration of workers from other countries increases the labour supply.
- Level of skills – South Africa has a shortage of highly skilled workers. (Any 5 × 2) (10)

4.1.3

- Transactional motive✓ - Relates to a person's need to have cash for carrying out day-to-day transactions.✓✓
- Precautionary motive✓ - Provision should be made for all possible contingencies.✓✓
- Speculative motive✓ - This motive depends a lot on what the individual expects regarding prices, postponing buying of goods when a dropping of prices is expected.✓✓ (3 × 3) (9)

4.2 4.2.1

- Households are the primary participants in the circular flow as they provide the factors of production, e.g. labour
- to the business sector and government in exchange for remuneration.
- The remuneration is used to buy goods and services to satisfy their own needs.

4.2.2
- The government acquires funds from the households by taxation.
- It provides goods and services by making use of the production factors.
- It makes decisions about the economy.

(2 × 3) (6)

4.3 4.3.1
- National income refers to the income generated by all the economic activities
- by the citizens of a country during a year.

4.3.2
- National expenditure refers to the expenditure by households, industries and the government
- in an open economy.

OR

- National expenditure refers to the way in which the nation
- spends its national income on goods and services.

(2 × 2) (4)

4.4 4.4.1 Poverty - A lack of material goods✓ and money✓

4.4.2 Equality - Everyone is equal before the law✓ and deserves equal protection and benefits of the law✓

4.4.3 Efficiency - Working productively with minimum wasted effort or expense,✓ making maximum use of all available resources

(3 × 2) (6)

4.5
- Engage in negotiations with the employer regarding e.g. wages.
- Represent the employee during negotiations when serious problems develop at work.
- Negotiate improved working conditions.
- Negotiate protection for the employee when there is a threat of dismissal.
- Assist in matters related to UIF.
- Ensure that part-time employees are treated fairly.
- Unite and organise workers in various industries. (Any 3 × 1) (3)

4.6 Capital market
- These markets refer to long-term financial instruments.
- Long-term borrowing and lending are taking place.
- Example: Home loans

Money market
- Referred to as short-term markets.
- Short-term borrowing and saving are taking place.
- Deals with deposits and investing for a short term. (Any 2 × 2) (4)

4.7 Inflation rate +- 3,88% (2)

[50]

QUESTION 5

5.1 5.1.1 Export < Import (2)

5.1.2 (a) Reasons: Exports pay for imports and contribute to economic development of a country.✓ It keeps agricultural and mining development competitive.✓

Objectives: To improve the international competitive position of a country's manufacturers. To optimise utilisation of resources.✓

(b) Reasons: A country should attempt to reduce its dependency on imports and at the same time stimulate growth of local industries. A nation can be more self-sufficient. The measures can have a positive influence on the Balance of Payments.✓

Objectives: Protect domestic industries from import competition and stimulate domestic economic growth.✓ Assist development of secondary industries which will stimulate employment.✓

(2 × 3) (6)

5.1.3 Balance of trade

Goods export	50 121	✓
+ Gold export	29 467	✓
- Goods import	(82 994)	✓
	(3 406)	✓✓

(5)

5.1.4
- Natural resources: A surplus of resources in some countries will be exported to countries with a lack of a certain resources.
- Climate: Many agricultural products can only be produced in a temperature and a specific type of soil. Countries trade with one another for those products that they cannot produce themselves or not in sufficient quantities.
- Labour skills, entrepreneurial qualities and technical knowledge: Some countries have certain skills to produce a certain commodity.
- Cost differences and comparative advantage: A country exports goods which produce a greatest advantage over other countries and imports goods which produce the least advantage over other countries. (4 × 2) (8)

5.2
- Provision of essential goods and services which are undervalued by the market mechanism✓ such as sanitation and public parks.✓
- Provision of huge capital outlay on certain goods and services, which the private sector cannot invest in,✓ e.g. trains.✓
- Involves decentralisation to achieve political and social aims,✓ e.g. RDP housing.✓
- Allows financial institutions to render certain collective functions on behalf of the state,✓ e.g. UIF.✓ (4 × 2) (8)

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5.3 Price of the final product✓
- The more reasonable the price of a product in relation to the value it provides, the higher the demand for the product. The higher the demand for the product, the more labour will be demanded to assist in the production process.✓✓

Marginal income product for labour✓
- The extra revenue generated when an additional worker is employed before the 'law of diminishing returns' is resulting in the labour demand curve.✓✓ (2 × 3) (6)

5.4 Collective bargaining is a method whereby trade unions✓ try to maintain and improve their members'✓ terms and conditions of employment.✓ (3)

5.5
- Money wages: The amount paid to a person for services rendered, irrespective of the inflation rate.
- Real wages: Wages which are adjusted for inflation. (2 × 2) (4)

5.6
- Fiscal policy:✓ The actions to influence an economy through taxation and government spending✓
- Monetary policy:✓ Focuses on increasing or decreasing the money supply in a country✓
- Income policy:✓ Ensures fairness regarding income received by citizens of a country✓
- Foreign economics:✓ Explains the flow of money across countries and the effect this has on the respective economies✓ (4 × 2) (8)

[50]

QUESTION 6

6.1 6.1.1
- Strikes:✓ This is damaging to the economy as lost man hours cannot be made up. It leads to a lack of productivity and reduces GDP.✓
- Lack of skills/training:✓ SA's shortage of skilled labour manifests in a low-tech economy where there is a shortage of capital investments and production of high value goods. This reduces export revenue potential.✓
- Migration:✓ The process of leaving the country results in a brain drain which has a negative effect on the skilled labour force.✓

(3 × 2) (6)

6.1.2
- Frictional unemployment
- Cyclical unemployment
- Structural unemployment
- Seasonal unemployment (4 × 2) (8)

6.2 6.2.1 False
6.2.2 False
6.2.3 True

(3 × 1) (3)

6.3
- State assets: Selling, renting or leasing to private institutions, e.g. Eskom
- Borrowing: Money is borrowed to fill a deficit in the budget
- Taxes: Personal tax, VAT
- Rendering administrative services which will be paid for
- Commercial income for providing goods and services (Any 2 × 2) (4)

6.4 Economic growth
- Concerns the increase in the real GDP per capita, as measured by the average increase in the quantity of goods and services per capita (head) of the population over time.
- Concentrates on things (goods and services).

Economic development
- It is the process whereby the standard of living of the majority of people in a country improves over time.
- Focuses on people (their standard of living, self-respect and freedom of choice). (2 × 2) (4)

6.5
- Encourages industrial development✓ by means of tariff protection✓
- Encourages private enterprise✓ by means of tax concessions✓
- Reduces✓ government spending✓
- Promotes exports✓ by means of subsidies✓
- Promotes decentralisation✓ of industries✓
- Stabilises economic growth✓ and combats inflation✓
- Reduces government debt✓ by using surpluses for capital projects✓
- Reduces the tax burden on individuals✓ by keeping the rate of taxation as
- low as possible✓ (for the lower- and middle-income groups) (Any 5 × 2) (10)

6.6 Call deposits
- This can be a savings account of a bank account.
- Instant access to the account is provided.
- A benefit on the savings account is to earn interest.

Coins
- Coins are regarded as change/to pay small amounts.
- Coins can be silver, nickel or bronze.

Paper currency
- Central banks (in SA, the Reserve Bank) have the right to issue banknotes by the coverage of gold.

Current accounts
- Money can be withdrawn or deposited at any time with a low interest rate.

(4 × 2) (8)

6.7
- Accuracy
- Double counting
- National versus real income
- Services not included
- Transfer payments (Any 3 × 2) (6)

6.8 True (1)

[50]

QUESTION 7

7.1 7.1.1 National income = wages✓ + rent✓ + interest✓ + profit✓ (4)

7.1.2 Increase (2)

7.1.3
- Nominal national income: Money at a specific time – the net salary which is taken home.
- Real national income: The amount of money you really get after price increases have been factored in. (2 × 2) (4)

7.1.4 (a) A = … at factor cost
C = … GDP at market price (2 × 2) (4)

(b) B = 943 + 844 + 355 + 45 – 16✓✓✓
= 2 171 bn✓ (4)

7.2
- Subsidies to decrease production costs
- Applying tax exemption in certain industrial areas to release tax pressure on businesses
- Cash grants to reduce total costs
- Trade missions by ministers for future trade agreements
- Credit facilities for those businesses who struggle to get loans
- Low cost and transport facilities.
- Technical advice and expertise (Any 3 × 2) (6)

7.3 7.3.1 Privatisation. The transfer✓ of appropriate functions, activities or property from the public to the private sector.✓

7.3.2 Deregulation. The reduction in regulations or restriction✓ that could hinder free competition in the supply of goods and services.✓

7.3.3 Nationalisation. The process whereby the state✓ takes over the ownership and management of private enterprises.✓

7.3.4 Affirmative action. Ensures that suitably qualified people from designated groups✓ have equal opportunities in the workplace.✓
(4 × 2) (8)

7.4
- Expenditure by households:✓ Households consume goods and services and they also provide production factors.✓
- Expenditure by industries/businesses:✓ This is the money spent by businesses when buying capital goods to be used to manufacture other goods and services. ✓
- Expenditure by government:✓ The government spends money to the good of and services that they provide to the citizens of the country. ✓
- Expenditure by the foreign sector:✓ Products purchased by private households, industries and the government are important sources.✓
(4 × 2) (8)

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7.5
- Price of production factors: Prices of labour, shortage of capital to invest in equipment and a lack of skilled people may fluctuate from time to time.
- Lack of productivity: Number of units coproduced in a certain time may fall if influenced by the weather or changes in the infrastructure.
- Energy cost: Rising prices in fuel or electricity will cause an increase in the price level of products and services.
- Power of trade unions: Strikes may cause the production of goods and services to fall over a period of time, which will have an effect on the price level.
- Migration: Emigration of skilled workers or immigration of workers will influence the price level of products. (5 × 2) (10)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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