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higher education & training

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REPUBLIC OF SOUTH AFRICA

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JUNE EXAMINATION

NATIONAL CERTIFICATE

ECONOMICS N5

(22020095)

23 May 2013 (Y-Paper)
13:00–16:00

Calculators may be used.

This question paper consists of 13 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
ECONOMICS N5
TIME: 3 HOURS
MARKS: 200

NOTE: If you answer more than the required number of questions, only the required number of questions will be marked. All work you do not want to be marked must be clearly crossed out.

INSTRUCTIONS AND INFORMATION

1. SECTION A is COMPULSORY and must be answered by ALL the candidates.
2. Answer any THREE questions in SECTION B.
3. Read ALL the questions carefully.
4. Number the answers according to the numbering system used in this question paper.
5. Write neatly and legibly.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–E) next to the question number (1.1.1–1.1.9) in the ANSWER BOOK.

1.1.1 Even if a nations' stock of capital does not increase, increase in productivity will result if there is …

A technological innovation.
B population growth.
C an increase in profits.
D less unemployment.
E diminishing returns.

1.1.2 Within the circular flow of spending …

A producers supply products in exchange for wages, salaries, rent, interest and profit.
B consumers supply products in exchange for wages, salaries, rent, interest and profit.
C business firms hire factors of production in exchange for wages, salaries, rent, interest and profit.
D business firms hire factors of production and supply them to consumers.
E depreciation is a leakage.

1.1.3 Unemployment caused by economic changes that eliminate jobs is called … unemployment.

A cyclical
B structural
C frictional
D seasonal
E hidden

1.1.4 A decrease in supply means …

A that there has been a decrease in demand.
B that the supply curve has shifted to the right.
C that the supply curve has shifted to the left.
D that there has been an increase in demand.
E None of the abovementioned

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1.1.5 The interaction of demand and supply determines the …

A amounts producers are willing to sell.
B preferences of consumers.
C location of the demand curve.
D location of the supply curve.
E market price.

1.1.6 Which ONE of the following best defines liquidity?

A Ready acceptability in exchange
B Ability to earn interest
C High risk
D Legal tender
E High earning power

1.1.7 When banks make loans, …

A they increase purchasing power.
B they increase the supply of money.
C they increase the total number of assets.
D they create income-earning assets for themselves.
E all of the abovementioned happen.

1.1.8 Which ONE of the following trade entries does NOT appear on the debit side of the balance of payments?

A Visible imports
B Insurance premiums paid to other countries
C Long- and short-term loans from other countries
D Interest and dividends paid to foreign countries

1.1.9 Which ONE of the following tax categories provides the largest percentage of tax revenue?

A Individual income tax
B Excise tax
C Property tax
D Employment tax

(9 × 2) (18)

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1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.2.1–1.2.16) in the ANSWER BOOK.

1.2.1 GNP measures the flow of spending on final products.

1.2.2 When income rises, personal income tax liabilities rise more rapidly.

1.2.3 Consumer spending is not affected by changes in the money markets.

1.2.4 Technological improvements that reduce production costs tend to bring market prices down.

1.2.5 Households conclude both buying and selling agreements with the business sector.

1.2.6 Collective bargaining between labour and management is the chief means of managing conflict.

1.2.7 Immigrants increase the supply of labour, while emigrants decrease it.

1.2.8 The demand for money as an asset changes as expectations about the future change.

1.2.9 The rate of interest is the price paid for borrowed money.

1.2.10 When interest rates are high, people want to hold more cash, because then they can make more loans.

1.2.11 The most common way to keep out imports is through tariffs.

1.2.12 Revaluation means that the value of a given currency is officially reduced relative to other currencies.

1.2.13 Government expenditure and taxation will always have consequences for the distribution of income.

1.2.14 Value-added tax tends to be regressive.

1.2.15 An equal distribution of income will increase the economy's growth potential.

1.2.16 Rapidly growing populations can be found in most third world countries.

(16 × 2) (32)
[50]

TOTAL SECTION A: 50

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SECTION B

Answer any THREE questions from this section.

QUESTION 2

2.1 What is macroeconomics? (2)

2.2 What is the difference between *domestic* and *national production*? (4)

2.3 Give ONE word/term for each of the following descriptions. Write only the answer next to the question number (2.3.1–2.3.5) in the ANSWER BOOK.

2.3.1 The payment which one person (or group) receives and then pays over to another person (or group) without a productive service being rendered

2.3.2 The sum total of the contribution of each factor of production in the process of producing goods and services consisting of the costs of the production factors in the production process, namely wages, salaries, rent, interest and profit

2.3.3 The monetary value of national income adjusted for price increases

2.3.4 The process whereby the productive capacity of the economy increases over time so that there is an increase in the level of national income

2.3.5 The capital invested in human ability

(5 × 2) (10)

2.4 Supposing that the national income for the base year is R2 000 million and the index 100. If the national income increases to R2 700 million and the index to 150, the real national income will be …million.

A R1 350
B R1 800
C R2 700
D R4 050 (2)

2.5 What is national income? (4)

2.6 When the flow of spending increases …

A savings and investment are unequal.
B prices rise.
C savings decrease.
D government deficits increase.
E economic activity increases. (2)

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2.7 Refer to the information given below and answer the questions.

• Consumer spending	R40 000
• Investment spending	R35 000
• Government spending	R18 000
• Net foreign spending (X–Z)	R15 000
• Provision for depreciation	R12 000
• Net factor payments to foreign countries	R11 000
• Indirect taxes	R14 000
• Subsidies	R11 000

2.7.1 The GDP at market price is …

2.7.2 The national income is …

(2 × 2) (4)

2.8 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (2.8.1–2.8.5) in the ANSWER BOOK.

2.8.1 The law of supply guarantees low prices for all goods for which the supply is high.

2.8.2 Other things being equal, an increase in demand will lead to an increase in price and quantity.

2.8.3 If supply decreases and demand increases, then quantity exchanged in the market will surely decrease.

2.8.4 A market demand schedule shows the various amounts of a commodity that consumers will buy at various alternative prices, under the assumption that other variables remain fixed.

2.8.5 A market is said to be in equilibrium when all needs of consumers are satisfied.

(5 × 2) (10)

2.9 Explain trade unions by using the following headings:

2.9.1 Definition

2.9.2 Aims

2.9.3 Functions

(3 × 4) (12)
[50]

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QUESTION 3

3.1 Complete the TABLE below by calculating the real national income for the years indicated. Write only the answer next to the question number (3.1.1–3.1.4) in the ANSWER BOOK.

YEAR	NATIONAL INCOME	CHANGES IN GENERAL PRICE LEVEL (1990 = 100)	REAL NATIONAL INCOME
2005	20 000	100	(3.1.1)
2006	26 000	110	(3.1.2)
2007	30 000	150	(3.1.3)
2008	32 000	175	(3.1.4)

(4 × 1) (4)

3.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (3.2.1–3.2.2) in the ANSWER BOOK.

3.2.1 Labour markets are an important factor in the establishment of labour relations.

3.2.2 The workforce participation rate consists of that part of the population which offers labour for remuneration on the labour market.

(2 × 2) (4)

3.3 Unemployment influences the economy of South Africa both positively and negatively.

Do you agree with this statement? Give reasons for your answer. (6)

3.4 Answer the following questions based on unemployment:

3.4.1 State FOUR factors that cause unemployment in South Africa.

3.4.2 Name FOUR types of unemployment.

3.4.3 Name FOUR measures for combating unemployment.

(3 × 4) (12)

3.5 Discuss money under the following headings:

3.5.1 Definition (4)

3.5.2 FIVE requirements of money (5 × 2) (10)

3.5.3 The functions of money (5 × 2) (10)

[50]

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QUESTION 4

4.1 Complete the TABLE below by calculating the current value and the real value for the years indicated. Write only the answer next to the question number (4.1.1–4.1.6) in the ANSWER BOOK.

YEAR	PHYSICAL QUANTITY FINAL GOODS AND SERVICES	MARKET PRICES (R)	CURRENT VALUE (R)	REAL VALUE (R)
2000	120	3	4.1.1	4.1.4
2005	150	6	4.1.2	4.1.5
2010	180	9	4.1.3	4.1.6

(6 × 2) (12)

4.2 Differentiate between the following kinds of wage systems:

4.2.1 Time wage

4.2.2 Piece wage

4.2.3 Incentive wage

(3 × 2) (6)

4.3 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (4.3.1–4.3.4) in the ANSWER BOOK.

4.3.1 An increase in the supply of labour tends to lower the wage rate.

4.3.2 It is usually cheaper for a firm to promote from within than to hire from outside.

4.3.3 Recent research shows that workers would be better off without labour unions.

4.3.4 South Africa has a closed economy.

(4 × 2) (8)

4.4 In the equation of exchange (MV = PQ), M = 200, V = 4, P = 1 and Q = 800. If V and P do not change, but M increases with 10%, the value of Q will be …

A 840
B 880
C 920
D 960
E 1 000

(2)

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4.5 Which ONE of the following statements can be regarded as a cause of international trade?

A Raw materials are unevenly distributed.
B Raw materials are evenly distributed.
C The costs of exploiting raw materials do not differ. (2)

4.6 Summary of the financial transactions of country X with the rest of the world in 1990–1991:

	R million
• Exports of goods	1 530
• Imports of goods	1 810
• Invisible receipts	770
• Invisible payments	160
• Loans to foreign governments	90
• Investments overseas	130
• Net gold exports	9 120
• Investments by foreigners in X	140
• Additions to short-term balances	90

Use the information given above to calculate the following:

4.6.1 Balance of trade

4.6.2 Balance on current account

4.6.3 Basic balance

4.6.4 Capital account

4.6.5 Change in net gold and other foreign reserves

(5 × 2) (10)

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4.7 Choose a term in COLUMN B that matches the description in COLUMN A. Write only the letter (A–D) next to the question number (4.7.1–4.7.4) in the ANSWER BOOK.

	COLUMN A	COLUMN B
4.7.1	This represents a contravention of the laws of the land	A regressive taxation
4.7.2	The percentage tax levied rises with an increase in the level of income	B tax evasion C marginal tax rate
4.7.3	The percentage tax levied diminishes with an increase in the level of income	D progressive taxation
4.7.4	The percentage or proportion of each additional rand earned which has to be paid out in taxes	

(4 × 2) (8)

4.8 The major source of revenue for the federal government is the …

A individual income tax.
B corporation income tax.
C property tax.
D sales tax.
E excise tax. (2)

[50]

QUESTION 5

5.1 Deflation can be defined as a decline in the …

A price of certain goods and services.
B wages of all workers.
C general price level.
D GDP.
E unemployment rate. (2)

5.2 Name the key aspects of inflation. (3 × 2) (6)

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5.3 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (5.3.1–5.3.2) in the ANSWER BOOK.

5.3.1 Inflow of money into the country is treated as a credit on the balance of payments and outflow of money is treated as a debit.

5.3.2 The term *protection* means that steps are taken to safeguard the local industries from foreign military attacks.

(2 × 2) (4)

5.4 An ad valorem duty is levied …

A as a certain amount per unit imported.
B according to a fixed percentage plus a certain amount per unit imported.
C according to a fixed percentage of the value of the goods.
D with the sole purpose of increasing state revenue. (2)

5.5 The following figures are those of a country's balance of payments:

- Visible exports R300
- Visible imports R230
- Invisible exports R220
- Invisible imports R200
- Capital inflow R260
- Capital outflow R180

Calculate the trade balance of the year.

(Show ALL the calculations) (4)

5.6 Give TWO reasons for international trade. (2)

5.7 State the functions of the government. (3 × 2) (6)

5.8 Answer the following questions based on finance:

5.8.1 What is a budget? (5)

5.8.2 Explain tax as a very important source of government income. (3)

5.9 Name the instruments of the fiscal policy. (3)

5.10 Indicate whether the following statement is TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (5.10) in the ANSWER BOOK.

Economic growth concentrates on standards of living, human dignity and freedom of choice. (2)

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5.11 Give ONE word/term for each of the following descriptions. Write only the word/term next to the question number (5.11.1–5.11.4) in the ANSWER BOOK.

5.11.1 The process through which the measures taken by the state to regulate transactions between private parties, are brought in line with objectives

5.11.2 The transfer of appropriate functions, activities or property from the public to the private sector

5.11.3 An antidiscriminational measure that is reinforced by legislation and judicial intervention

5.11.4 The takeover of control of major industries by the state or a new government

(4 × 2) (8)

5.12 Name THREE factors that influence economic growth. (3)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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