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NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

ECONOMICS N5

(22020095)

14 November 2013 (Y-Paper)
13:00–16:00

Calculators may be used.

This question paper consists of 14 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. ALL the questions in SECTION A are COMPULSORY and must be answered by all the candidates.
2. Answer any THREE of the four 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

ALL the questions in SECTION A are COMPULSORY.

QUESTION 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 (1.1–1.4) in the ANSWER BOOK.

1.1 Consumers will tend to buy more of a product when …

A its price is reduced.
B their income rises.
C the prices of competing products rise.
D demand for the product increases.
E All the above mentioned

1.2 The position of labourers who find themselves temporarily between jobs, is referred to as … unemployment.

A frictional
B structural
C seasonal
D cyclical

1.3 The fiscal policy involves …

A the supply of money in a country.
B the financial policy of the state.
C control over state revenue and expenditure.
D the exchange rate of the RSA.

1.4 The interest rate is determined by the…

A interaction between the money supply and the demand for liquidity.
B yield on short-term securities.
C amount of credit.
D interaction between the money supply and the marginal value of investment.

Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.5–1.25) in the ANSWER BOOK.

1.5 Technological innovation can cause an increase in unemployment, which again causes wages to decrease.

1.6 Knowledge cannot be considered a factor of production, because it is not a physical input like labour.

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1.7 The chief difference between human capital and physical capital is that human capital earns income only if the human involved works.

1.8 Consumers offer factors of production to business in exchange for wages, profits, interest and rent.

1.9 GNP includes products, but not services.

1.10 National income measures only final goods and services.

1.11 A firm buys factors of production the way a consumer buys commodities.

1.12 Labourers and management must co-operate with each other in the modern economy.

1.13 In the present economy, rising living standards help to compensate for unsatisfying work relationships.

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

1.15 The value of money is determined by the general level of prices.

1.16 The level of debt has no effect on employment and output.

1.17 An increase in the money supply will tend to cause the rate of interest to increase.

1.18 Rapidly rising interest rates contribute to the acceleration of inflation.

1.19 The national debt can create an economic burden if the borrowed money is spent wastefully.

1.20 Fixed exchange rates are now used throughout the world.

1.21 The balance of payments must always balance.

1.22 The basic function of government is preservation of the economic order.

1.23 Social welfare is the responsibility of local governments.

1.24 A redistribution of income would increase savings, since it would give poor people more money.

1.25 A worker employed full time at the minimum wage will earn enough to support a family of four.

(25 × 2) **[50]**

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SECTION B

Answer any THREE of the four questions in this section.

QUESTION 2

2.1 Complete the following sentence by writing only one of the given options (A–D) next to the question number (2.1) in the ANSWER BOOK.

In order to calculate GDP according to the ... method, it is necessary to add up all payments made in respect of the four factors of production.

A expenditure
B value-added
C income
D production (2)

2.2 Why is the economic cycle a useful framework to explain the interdependence of all economic activities? (6)

2.3 To bake one bread the baker bought flour for R1,20 and sold the bread for R2,00. The miller bought wheat from the farmer for 75c.

Choose the correct amount for inclusion in the national income by writing only the letter (A–D) of the correct option next to the question number (2.3) in the ANSWER BOOK:

A R3,95
B R1,45
C R1,25
D R1,65 (2)

2.4 Which ONE of the following is NOT a method of calculating national income?

A Expenditure method
B Output method
C Income method
D Taxation method (2)

2.5 What does *unemployment of resources* mean? (2)

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2.6 Choose an item from COLUMN B that matches a term in COLUMN A. Write only the letter (A–E) next to the question number (2.6.1–2.6.5) in the ANSWER BOOK.

	COLUMN A		COLUMN B
2.6.1	Salaries/Wages	A	owners of capital
2.6.2	Interest	B	medical services
2.6.3	Services	C	jewellery
2.6.4	Durable goods	D	permanent residents
2.6.5	National expenditure	E	labourers

(5 × 2) (10)

2.7 Answer QUESTION 2.7.1 and 2.7.2 with reference to the following information:

Consumer spending	R35 000
Investment spending	R20 000
Government spending	R13 000
Net foreign spending (X-Z)	R10 000
Provision for depreciation	R7 000
Net factor payments to foreign countries	R6 000
Indirect taxes	R9 000
Subsidies	R6 000

2.7.1 The GDP at market price is …

A R78 000.
B R58 000.
C R65 000.
D R75 000. (2)

2.7.2 The national income is …

A R60 000.
B R56 000.
C R58 000.
D R62 000. (2)

2.8 Economic growth means an increase in the …

A total population.
B total industrial production.
C GDP.
D total primary production. (1)

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2.9 Study the following schedule:

PRICE	QUANTITY DEMANDED	QUANTITY SUPPLIED
R0,25	45	5
0,50	37	22
0,75	30	30
1,00	22	36
1,25	15	40

2.9.1 Construct the demand and supply curves. (5)

2.9.2 At which point is the equilibrium determined? Motivate the answer. (2)

2.9.3 Where would a surplus situation exist in the market? (1)

2.9.4 Where would a shortage situation exist on the market? (1)

2.10 Full employment refers to a situation where …

A there is a hundred percent employment figure.
B everybody who is able to work has work.
C everybody who wants to work has work.
D seasonal workers have work throughout the year. (2)

2.11 Name TWO labour problems that SA experiences at the moment. (4)

2.12 Give THREE reasons for the greater supply of women in the South African labour market. (3 × 2) (6)

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QUESTION 3

3.1 Macro-economics …

A studies the functioning of the economy in its entirety.
B offers explanations for variations in economic processes over time.
C measures economic processes over time.
D All the above-mentioned (2)

3.2 Define the following concepts:

3.2.1 Private households

3.2.2 National product

3.3.3 National expenditure

(3 × 2) (6)

3.3 Name and give an example of the FOUR production factors. (8)

3.4 Indicate whether the following statement is TRUE or FALSE by writing only 'true' or 'false' next to the question number (3.4) in the ANSWER BOOK.

A rise in wages will always make workers prepared to work longer hours. (2)

3.5 Discuss the supply of labour with reference to:

3.5.1 Working hours

3.5.2 Migration

3.5.3 Level of skill

(3 × 2) (6)

3.6 What is the difference between *money wages* and *real wages*? (4)

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3.7 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A–J) next to the question number (3.7.1–3.7.10) in the ANSWER BOOK.

COLUMN A		COLUMN B
3.7.1	Postponed payments	A call deposits
3.7.2	Transactional motive	B influenced by government transactions
3.7.3	Demand for money	C credit
3.7.4	Precautionary motive	D banker of the state
3.7.5	Speculative motive	E opposite in meaning to inflation
3.7.6	Supply of money	F need to hold money
3.7.7	Quasi money	G influenced by income and price level
3.7.8	Component of money	H savings deposits
3.7.9	SARB	I provision for unforeseen expenditure
3.7.10	Deflation	J related to store of value function of money

(10 × 2) (20)

3.8 Indicate whether the following statement is TRUE or FALSE, by writing only 'true' or 'false' next to the question number (3.8) in the ANSWER BOOK.

Inflation is the general increase in the prices of goods and services because the buying power of money has declined. (2)

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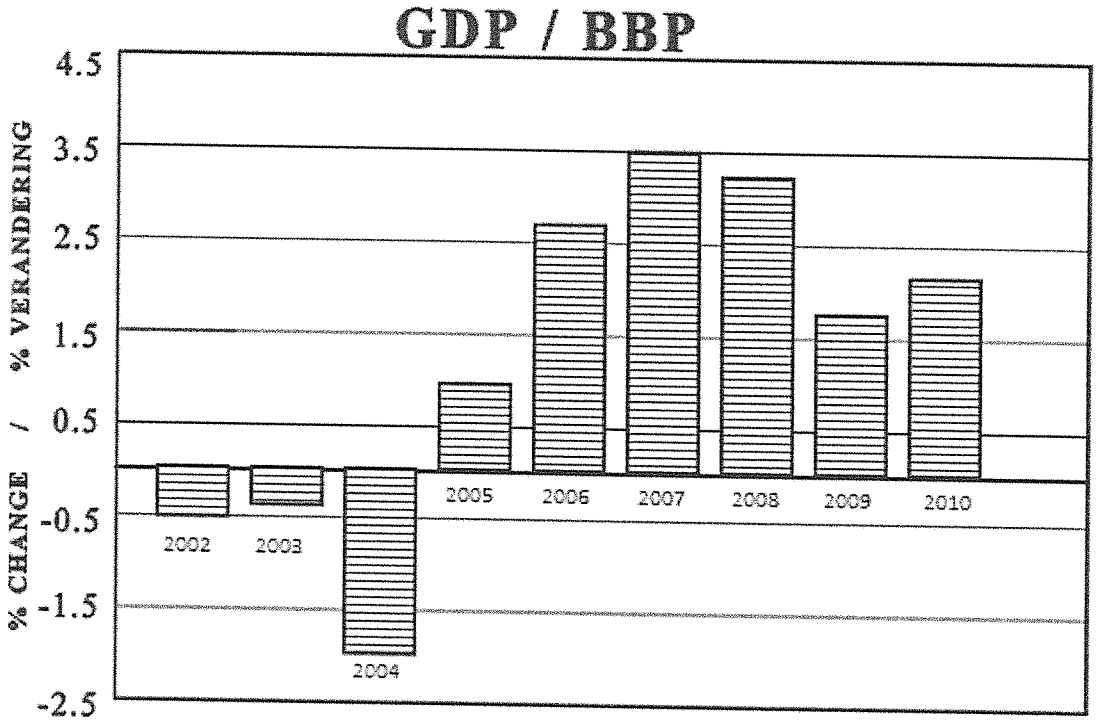
QUESTION 4

4.1 Study the following graph and answer the questions that follow:



4.1.1 Give the definition of GDP. (2)

4.1.2 What was the growth for 2010? (1)

4.1.3 Name and define the methods of calculating GDP. (6)

4.2 Name THREE kinds of wage systems. (6)

4.3 Who is the Minister of Labour? (1)

4.4 Discuss the supply of money by answering the following questions:

4.4.1 Definition (4)

4.4.2 Name the components of money. (8)

4.4.3 Name the factors that influence the supply of money. (6)

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4.5 Choose the correct option given below by writing only the letter (A–D) next to the question number (4.5) in the ANSWER BOOK.

International trade involves international economic …

A trade.
B relations.
C payments.
D All the above-mentioned (2)

4.6 Describe international trade in your own words. (4)

4.7 Choose an item from COLUMN B that matches a description in COLUMN A. Write only the letter (A–E) next to the question number (4.7.1–4.7.5) in the ANSWER BOOK.

COLUMN A		COLUMN B
4.7.1	This refers to the person who ultimately has to pay the tax	A proportional taxation
4.7.2	When a tax is levied on one person, who shifts it on to the shoulders of someone else	B average tax rate
4.7.3	The legitimate methods the taxpayer uses to reduce a tax load	C incidents of taxes
4.7.4	The tax levied remains a constant percentage with an increase in the level of income	D tax avoidance
4.7.5	The percentage or proportion of income paid out in tax	E tax shifting

(5 × 2) (10)
[50]

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QUESTION 5

5.1 Indicate whether the following statement is TRUE or FALSE by writing only 'true' or 'false' next to the question number (5.1) in the ANSWER BOOK.

South Africa maintains extensive economic ties with other countries. (2)

5.2 Which concept is defined by the following definition?

The difference between the value of the visible exports and the value of the visible imports for a given period. (2)

5.3 Complete the following formulae:

5.3.1 Visible exports - ? = balance of trade

5.3.2 Visible balance + invisible balance = ?

5.3.3 Current balance - balance of trade = ?

5.3.4 Capital account = ? + ?

5.3.5 Capital + ? = official reserve

(5 × 2) (10)

5.4 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 (5.4–5.5) in the ANSWER BOOK.

Free floating exchange rates mean that exchange rates are …

A determined by demand and supply of foreign exchange.
B determined by government decree.
C fixed with gold. (2)

5.5 A form of import duty in which the tariff is levied as a certain amount per unit, mass or size, is … tariff.

A ad valorem
B specific
C plural
D single
E composite (2)

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5.6 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (5.6.1–5.6.3) in the ANSWER BOOK.

5.6.1 The balance of payments reflects the economic communication between South Africa and the rest of the world.

5.6.2 The state is responsible for establishing and maintaining transport.

5.6.3 Public debt is incurred when the government borrows money.

(3 × 2) (6)

5.7 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (5.7) in the ANSWER BOOK.

Value added tax is fixed on the …

A government.
B salesman.
C producer.
D consumer. (2)

5.8 What is the difference between direct and indirect tax? (4)

5.9 5.9.1 What is a budget? (3)

5.9.2 Name TWO forms of government revenue. (2)

5.10 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 (5.10–5.14) in the ANSWER BOOK.

The chief reason for the success of development programs among the less-developed countries has been …

A strong reliance on private enterprises.
B national policies to promote economic development.
C increased purchasing power due to programs of income redistribution.
D reduced consumption though inflation.
E large loans from the developed countries. (2)

5.11 The vicious circle of underdevelopment includes low …

A productivity of labour.
B income.
C domestic investment.
D purchasing power.
E All the above-mentioned (2)

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5.12 The chief reason for poverty is …

A the system of welfare payments and other income transfers to the poor.
B large holdings of wealth by a few families.
C low wages and lack of employment opportunities.
D poor education and low skills among the poor.
E international competition from low-cost producers. (2)

5.13 Import substitution is an economic development strategy based on …

A reducing imports by developing manufacturing for domestic markets.
B importing consumer goods to raise living standards.
C importing capital to develop export industries.
D reducing exports of raw materials in favour of increased imports of consumer goods and capital.
E developing exports based on low-wage labour. (2)

5.14 Modernisation of health, nutrition and sanitation in less-developed countries has led to …

A reduced rates of population growth.
B increased rates of population growth.
C decreased labour productivity.
D Both B and C
E None of the above-mentioned (2)

5.15 Name FIVE causes of poverty. (5)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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