higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N340(E)(N20)H
NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

ECONOMICS N5

(22020095)

20 November 2014 (Y-Paper)
13:00–16:00

Calculators may be used.

This question paper consists of 11 pages.

BUSINESS STUDIES

Copyright reserved

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.
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.
6. Write neatly and legibly.

BUSINESS STUDIES

Copyright reserved

SECTION A (COMPULSORY)

QUESTION 1

Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.1–1.25) in the ANSWER BOOK.

1.1 Production on farms that is consumed on the farm, is included in calculations of the national product.

1.2 The work of housewives in the home is included in calculations of the national product.

1.3 The work of paid housekeepers is not included in the national product.

1.4 Income from illegal activities is not included in the national income.

1.5 Only final products are included in the GDP except intermediate products in process at the end of the year.

1.6 The GDP includes products but not services.

1.7 Business investment is a larger portion of the GDP than consumption expenditures.

1.8 The process of technological change harms the working population by causing unemployment, but it increases the quality of work for all.

1.9 Technological innovation can actually cause decreased wages for many by increasing the supply of unemployed labour.

1.10 Knowledge cannot be considered a factor of production as such because it is not a physical input like labour.

1.11 Conflict between labour and management is inherent in an economy based on private ownership of the means of production.

1.12 Labour and management must cooperate with each other in the modern economy.

1.13 An increase in the money supply tends to cause an increase in the interest rate.

1.14 Monetary measures are enforced by the government in order to control inflation.

1.15 The main difference between human capital and physical capital is that human capital earns income only if that particular person works.

BUSINESS STUDIES

Copyright reserved

1.16 In a closed economy national production, national expenditure and national income as three streams of the same economic activities are per definition equal to each other.

1.17 The transactions of the informal sector are noted in the official statistics on the economy.

1.18 Flea markets are an example of activities in the informal sector.

1.19 Employers voluntarily join a trade union of their choice.

1.20 Indirect taxes such as VAT are levied on individuals, while direct taxes such as PAYE are levied on goods and services.

1.21 A budget deficit means the government plans to spend less than the revenue it expects to collect.

1.22 The SARB can try to decrease the money supply by increasing the cash reserve requirement.

1.23 An excess demand for labour puts downward pressure on labour wages.

1.24 If there is an excess supply in the market then the market cannot be in equilibrium.

1.25 The resale of a house is not included in the calculation of the GDP.

(25 x 2) **[50]**

TOTAL SECTION A: 50

BUSINESS STUDIES

Copyright reserved

SECTION B

Answer any THREE questions in SECTION B.

QUESTION 2

2.1 Name the concepts defined in the following descriptions:

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

2.1.2 The sum total of the contribution of each production factor 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.

2.1.3 The monetary value of national income adjusted for price increases.

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

2.1.5 The capital invested in human ability.

(5 x 2) (10)

2.2 Use the information below to answer the question.

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

Calculate the following:

2.2.1 The GDP at market price

2.2.2 The national income

(2 x 2) (4)

BUSINESS STUDIES

2.3 Discuss *trade unions* under the following headings:

2.3.1 Definition

2.3.2 Aims

2.3.3 Functions

(3 x 4) (12)

2.4 Name the methods that South Africa can use to increase national income. (8)

2.5 The price of a basket of goods was R500 in 1990 but increased to R750 in 1996.

What was the price index in 1996? (3)

2.6 Discuss the labour demand in South Africa by answering the following questions:

2.6.1 Name the factors that determine the demand for labour.

2.6.2 List FOUR characteristics of labour in the RSA.

(2 x 4) (8)

2.7 Define the term *credit*. (2)

2.8 Is international trade important for South Africa?
Motivate your answer. (3)
[50]

AND/OR

QUESTION 3

3.1 Calculate a, b, c and d in the following table. Write only the answer next to the letter (a–d) in the ANSWER BOOK.

YEAR	NATIONAL INCOME	CHANGES IN GENERAL PRICE LEVEL (1990 = 100)	REAL NATIONAL INCOME
1990	20 000	100	a
1991	26 000	110	b
1992	30 000	150	c
1993	32 000	175	d

(4 x 1) (4)

Copyright reserved

BUSINESS STUDIES

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

Do you agree with this statement? Motivate your answer. (6)

3.3 3.3.1 Name FOUR factors that cause unemployment in South Africa.

3.3.2 Name FOUR types of unemployment.

3.3.3 Name FOUR measures for combatting unemployment.

(3 x 4) (12)

3.4 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 to calculate the following:

3.4.1 Balance of trade (4)

3.4.2 Balance on current account (4)

3.4.3 Basic balance (3)

3.5 Distinguish between the following forms of import duties:

3.5.1 Ad valorem tariffs

3.5.2 Specific tariffs

(2 x 2) (4)

3.6 Name FIVE requirements for a good system of taxation. (5)

BUSINESS STUDIES

Copyright reserved

3.7 Wine, cheese, bread and milk are the only four products produced in a certain country called Melmeck. The following table shows the market prices and quantities of each product consumed during one year.

Product	Price per product (R)	Quantity consumed (units)
Wine	R5	200
Cheese	R3	120
Bread	R1	500
Milk	R2	400

Use the information and calculate Melmeck's GDP. Show your calculations.

(8)
[50]

AND/OR

QUESTION 4

4.1 Differentiate between the following wage systems:

4.1.1 Time wage

4.1.2 Piece wage

4.1.3 Incentive wage

(3 x 2) (6)

4.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (4.2.1–4.2.4) in the ANSWER BOOK.

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

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

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

4.2.4 South Africa has a closed economy.

(4 x 2) (8)

BUSINESS STUDIES

4.3 Choose a term from COLUMN B that matches a description in COLUMN A. Write only the letter (A–D) next to the question number (4.3.1–4.3.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
4.3.1	Represents a contravention of the laws of the country	A	Regressive taxation
4.3.2	Percentage tax levied rises with an increase in the level of income	B	Tax evasion
4.3.3	Percentage tax levied diminishes with an increase in the level of income	C	Marginal tax rate
4.3.4	Percentage or proportion of each additional rand earned which has to be paid out in taxes	D	Progressive taxation

(4 x 2) (8)

4.4 How can South Africa use labour to increase national income? (10)

4.5 State whether the following are examples of demand-pull or cost-push inflation:

4.5.1 More expensive imported goods

4.5.2 The demand for goods and services rising more rapidly than production

4.5.3 Consumers taking up large amounts of credit by means of loans to buy goods and services

4.5.4 An increase in remuneration not accompanied by a proportional increase in productivity

4.5.5 A deliberate increase in profit margins

(5 x 2) (10)

4.6 Study the following economic events that add to the GDP. Indicate if these transactions are an example of consumption (C), investment (I), government expenditure (G), exports (X) or imports (M).

4.6.1 A new road is built.

4.6.2 Spur buys a new grill.

4.6.3 Cathy visits a doctor.

4.6.4 Your college purchases a bus to transport students.

(4 x 2) (8)

[50]

BUSINESS STUDIES

AND/OR

QUESTION 5

5.1 Name and explain the functions of the state. (18)

5.2 Suppose the current rand/dollar exchange rate is R2,50 : $1. Because of falling economic conditions the rand depreciates 20% against the dollar.

What will the new exchange rate be? (6)

5.3 Complete the sentence by filling in the missing word(s). Write only the word(s) next to the question number (5.3) in the ANSWER BOOK. (2)

The budget speech is usually delivered by the ...

5.4 How can capital influence economic growth? (4)

5.5 What is economic growth? (4)

5.6 Choose the correct answer. Write only the letter (A–E) next to the question number (5.6) in the ANSWER BOOK.

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)

5.7 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (5.7.1–5.7.2) in the ANSWER BOOK.

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

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

(2 x 2) (4)

BUSINESS STUDIES

5.8 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 your calculations.) (4)

5.9 Name the concept defined in each of the following descriptions:

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

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

5.9.3 An antidiscrimination measure that is reinforced by legislation and judicial intervention.

(3 x 2) (6)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

BUSINESS STUDIES

Copyright reserved