higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

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NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

ECONOMICS N5

(22020095)

29 November 2016 (X-Paper)
09:00–12:00

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

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 (1.1–1.25) in the ANSWER BOOK.

1.1 An increase in supply means that…

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

1.2 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.

1.3 In a competitive market economy with full employment and no economic growth…

A no industry can expand because there are no unused resources.
B all industries can expand together as long as demand increases.
C all industries can expand together if the supply of money and credit increases.
D expansion of one industry can occur only if resources are shifted from other industries.
E there can be no changes in the allocation of resources because the economy will be in equilibrium.

1.4 Suppose that the demand for a good increases at the same time that the supply of that good decreases. Then the equilibrium price…

A will increase.
B will decrease.
C and quantity exchanged will increase.
D will increase, but quantity exchanged will decrease.
E and quantity exchanged will decrease.

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1.5 A demand schedule shows the relationship between the quantity demanded of a commodity and the…

A incomes of consumers.
B prices of other commodities.
C tastes of consumers.
D price of the commodity.
E All of the above

1.6 Which ONE of the following is *not* a factor of production:

A Profits
B Labour
C Machines
D Knowledge
E Raw materials

1.7 Technological change causes…

A diminishing returns.
B increased full employment.
C standards of living.
D capital accumulation.
E population growth.

1.8 An appropriate fiscal policy for combatting inflation would include…

A increased expenditures and no change in taxes.
B decreased expenditures and no change in taxes.
C reduced taxes and no change in expenditures.
D no change in either taxes or expenditures.
E increased taxes and increased expenditures.

1.9 Commercial banks create purchasing power by…

A buying government bonds.
B increasing their profits.
C permitting depositors to write cheques.
D making loans to consumers and business firms.
E All of the above

1.10 Transfer payments…

A increase total spending.
B decrease total spending.
C shift purchasing power from one group of people to another.
D decrease government debt.
E increase government debt.

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1.11 Easy money conditions are most likely to cause an/a…

A increase in government spending.
B fall in investment and other types of spending.
C rise in investment and other types of spending.
D decrease in taxes.
E increase in depreciation.

1.12 Government can reduce inflationary pressures by…

A increasing taxes.
B reducing expenditures.
C promoting tight money.
D All of the above
E None of the above

1.13 Which ONE of the following do economists consider to be real investment?

A Depositing money in a bank account
B Buying shares of common stock
C Buying bonds
D Building a new house
E Buying an automobile

1.14 GDP is the market value of all final goods and services ...

A produced in a given period of time.
B produced in a given period of time after deduction for indirect business taxes.
C produced in a given period of time after deduction for depreciation.
D produced in a given period of time after deduction of transfer payments.
E produced in a given period of time excluding exports.

1.15 When there is an increase in ONE of the following, it would likely lead to a decrease in national income:

A Consumption expenditure
B Plant and equipment investment
C Imports
D Residential construction
E Government expenditures on military goods

1.16 All of the following are examples of government fiscal policy *except* a/an:

A Reduction in the deficit of the federal budget
B Increase in social security taxes
C Increase in bank reserve requirements
D Increase in federal expenditures
E Reduction in excise taxes

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1.17 In the equation of exchange (MV = PQ), given that M = 200, V = 4 and Q = 800, if M and V do not change, but Q has doubled, what will be the value of P?

A 2
B 6
C 1
D 0,5
E 4

1.18 Which ONE of the following is not part of money's function as a medium of exchange:

A Means of payment
B Unit of value
C Debt inflator
D Standard of deferred payments
E Store of value

1.19 Which ONE of the following is NOT an investment in human capital?

A Programs for workers' training
B Aid to dependent children
C Health services
D Substitution of capital for labour
E Education

1.20 Which ONE of the following statements is correct?

A Taxes affect the level of private economic activity, but government expenditures do not.
B It is not possible to design a tax system that falls with equal impact on all.
C Goods and services provided by government could normally be provided more efficiently by private enterprise.
D Employment in the government sector has risen more slowly than in the private sector.
E Interest payments on the national debt are the largest portion of the federal budget.

1.21 The largest proportion of local government expenditures is for…

A community services.
B education.
C highways.
D welfare programs.
E housing and urban development.

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1.22 Which ONE of the following is NOT a function of the government budget?

A Stabilisation of the economy
B Maintenance of a highly competitive market economy
C Alteration of the market-determined use of resources
D Alteration of the income distribution
E Provision of desired social goods

1.23 If yesterday the rate of exchange between dollars and rand was 1 rand for 20 dollars and today it is 1 rand for 25 dollars, which ONE of the following statements must be true?

A The dollar has appreciated with respect to the rand
B The dollar has depreciated with respect to the rand
C The dollar has appreciated with respect to gold
D Yesterday the United States' balance of payments was in surplus with respect to South Africa
E Yesterday South Africa's balance of payments was in deficit with respect to the United States

1.24 Assume that the exchange rate between the U.S. dollar and the British pound is 2,4 dollars for 1 pound and the exchange rate between the U.S. dollar and the German mark is 0,40 dollars for 1 mark.

What must be the exchange rate between the British pound and the German mark?

A 1 pound for 6 marks
B 1 pound for 5 marks
C 1 pound for 4 marks
D 1 pound for 3 marks
E 1 pound for 2 marks

1.25 Continued development of the less-developed countries is hampered by…

A lack of adequate population control policies.
B political problems arising from great wealth alongside massive poverty.
C scarcity of capital.
D All of the above
E None of the above

(25 × 2) **[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 List the uses of national income figures. (3 × 2) (6)

2.3 What is the difference between *national* and *domestic* production? (4 × 2) (4)

2.4 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to each question number (2.4.1–2.4.5 in the ANSWER BOOK. (10)

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

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

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

2.4.4 South Africa has a closed economy.

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

(5 × 2) (10)

2.5 Provide concepts for the following definitions:

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

2.5.2 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.

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

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

2.5.5 The capital invested in human ability.

(5 × 1) (5)

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2.6 Use the following information and do the necessary calculations:

GDP @ market prices	R296 667
Net factor payments to foreign countries	R8 182
Indirect taxes	R35 120
Provision for depreciation	R47 007
Subsidies	R5 830

2.6.1 GNP @ market prices

2.6.2 NNP @ market prices

2.6.3 NNI @ factor prices

(3 × 2) (6)

2.7 Calculate the current value and real value in the following example:

YEAR	PHYSICAL QUANTITY FINAL GOODS AND SERVICES	MARKET PRICES (R)	CURRENT VALUE (R)	REAL VALUE (R)
1995	100	2	2.7.1	2.7.4
2000	130	4	2.7.2	2.7.5
2005	160	6	2.7.3	2.7.6

(6 × 2) (12)

2.8 What do you think is the aim of the RDP with regards to job creation? (5)

[50]

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QUESTION 3

3.1 Name THREE factors that influence the quality of labour. (3 × 2) (6)

3.2 What are natural resources? (3)

3.3 Look at the items listed below and explain why each import or export activity takes place:

3.3.1 Exports, such as agricultural products, will be processed elsewhere.

3.3.2 The USA imports computers.

3.3.3 A South African, who lives in China, imports biltong.

3.3.4 Switzerland specialises in making chocolate.

3.3.5 Durban only grows bananas.

3.3.6 South Africa exports coal to other countries.

3.3.7 Exported goods are introduced at exhibitions.

3.3.8 Internet and motor vehicles are imported.

(8 × 1) (8)

3.4 How can unemployment be combatted? (6)

3.5 Differentiate between the following kinds of wage systems:

3.5.1 Time wage

3.5.2 Piece wage

3.5.3 Incentive wage

(3 × 2) (6)

3.6 Discuss money by referring to the following:

3.6.1 Definition (4)

3.6.2 Name FIVE requirements of money. (5)

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

3.7.1 More expensive imported goods.

3.7.2 The demand for goods and services rising more rapidly than production.

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

3.7.4 An increase in remuneration not accompanied by a proportional increase in productivity.

3.7.5 A deliberate increase in profit margins.

(5 × 2) (10)

3.8 Monetary policy has the aim of influencing the … flow. (2)

[50]

QUESITON 4

4.1 Discuss TWO labour problems that South Africa is experiencing currently and provide (your opinion) possible solutions to these problems. (2 × 4) (8)

4.2 Explain with the aid of a graph the determination of the interest rate. (12)

4.3 Fiscal measures are aimed at influencing the … flow. (2)

4.4 Give a short description of the following non-monetary measures to counter inflation:

4.4.1 Price control

4.4.2 Stricter conditions for consumer credit

4.4.3 Personal saving

(3 × 2) (6)

4.5 Distinguish between the following types of inflation:

4.5.1 Reflation

4.5.2 Stagflation

4.5.3 Creeping inflation

(3 × 2) (6)

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4.6 Name FIVE reasons for the existence of international trade. (5)

4.7 Name FIVE forms of protection which can be used by the State to protect local industries against unequal competition from abroad. (5)

4.8 Answer the following questions with regard to South Africa's budget:

4.8.1 Define the term *budget.* (4)

4.8.2 The financial year of the State extends from … to … (2)
[50]

QUESTION 5

5.1 Summary of the financial transactions of Country M with the rest of the world in 2005– 2006:

	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 data to calculate the:

5.1.1 Balance of trade (5)

5.1.2 Balance on current account (4)

5.1.3 Basic balance (5)

5.1.4 Capital account (2)

5.1.5 Change in net gold and other foreign reserves (1)

5.2 Discuss the economic welfare function of the government. (5 × 2) (10)

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5.3 With reference to taxation:

5.3.1 Define the concept in your own words. (4)

5.3.2 Briefly explain the following concepts:

(a) Tax shifting
(b) Tax evasion
(c) Tax avoidance

(3 × 2) (6)

5.4 Explain the difference between growth and development. (2 × 2) (4)

5.5 South Africa has a low economic growth rate. Privatisation and deregulation are possible solutions to this problem.

Explain the above concepts. (2 × 2) (4)

5.6 Name THREE advantages and TWO disadvantages of Affirmative Action.

(3 + 2) (5)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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