higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N370**(E)**(N27)H

NATIONAL CERTIFICATE

ECONOMICS N5

(22020095)

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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 will be marked. Clearly cross out ALL work you do NOT want to be marked.

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.
5. Round of ALL calculations to TWO decimals.
6. 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–D) next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

1.1.1 In his 2017 budget speech, the Minister of Finance, Mr Pravin Gordhan, announced that those employees who earned more than R1 million would be charged 45% taxation.

This is an example of …

A regressive taxation.
B progressive taxation.
C proportional taxation.
D incidence of tax.

1.1.2 The fiscal policy involves …

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

1.1.3 If there is a shortage of labour in the market, one can conclude that the …

A price is lower than the equilibrium position.
B quantity demanded has decreased.
C price is higher than the equilibrium position.
D supply exceeds the demand.

1.1.4 The biggest contributor to national income is …

A personal services.
B social services.
C the construction industry.
D the manufacturing industry.

1.1.5 In a closed economy, … does/do not play part in economic processes.

A households
B the foreign sector
C the business sector
D the government

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

A cyclical
B seasonal
C frictional
D structural

1.1.7 The largest component of GDP from the expenditure approach is …

A private consumption expenditure.
B domestic investment.
C transfer payment.
D government purchases.

1.1.8 The measure enforced by government to reduce the value of its monetary unit in terms of gold or other currencies:

A Devaluation
B Depreciation
C Revaluation
D Appreciation

1.1.9 Which ONE of the following is a characteristic of a developing economy?

A Low birth rate
B High productivity
C High dependency on primary industries
D Sound infrastructure

1.1.10 A positive consequence of inflation is that it …

A benefits creditors.
B enhances inflation.
C benefits debtors.
D increases the prices of goods to high earners only.

(10 × 2) (20)

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 (1.2.1–1.2.10) in the ANSWER BOOK.

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

1.2.2 If demand for labour increases, equilibrium tends to increase.

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1.2.3 One of the disadvantages of affirmative action is putting less qualified people into positions.

1.2.4 In order to convert the GDP to the GNP, the primary income from the rest of the world must be deducted.

1.2.5 Micro-economics is the study of aggregates in the economy.

1.2.6 National income can only be determined by the market value of intermediate goods.

1.2.7 The economic progress of South Africa can be compared with that of Japan by making a study of the general price level.

1.2.8 Old-age pensions are an example of transfer payments.

1.2.9 The study of the role of the State in the economy is known as monetary economics.

1.2.10 The most effective way to increase productivity is to increase the unemployment rate.

(10 × 2) (20)

1.3 Give one term for each of the following descriptions. Write only the word or a term next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

1.3.1 The concentration of the population in the cities.

1.3.2 Occurs in the budget when the State's expenses exceed the revenues.

1.3.3 Inflation is characterised by a moderate inflation rate over a relatively long period advancing at a reasonably speed.

1.3.4 When unemployment is measured, certain questions are included to determine the economic status of the population of the country.

1.3.5 The part of the individual's money balance into which the individual does not need to dip in the course of recurring transactions.

(5 × 2) (10)

[50]

TOTAL SECTION A: 50

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SECTION B

Answer any THREE questions from this section.

QUESTION 2

2.1 Choose a correct word or words from those given in brackets. Write only the word or words next to the question number (2.1.1–2.1.5) in the ANSWER BOOK.

2.1.1 When economic growth occurs, (per capita income/rate of inflation) increases.

2.1.2 National income can only be determined by the market value of (finished goods/intermediate goods).

2.1.3 (Economic growth/Productivity) is the process whereby productive capacity of the economy increases over time so that there is an increase in the level of national income.

2.1.4 The gross national product refers to national production (within the boundaries of a country/by citizens of the country).

2.1.5 (Added value/Double counting) is the sum total of the contribution of each production factor in the process of producing goods and services.

(5 × 2) (10)

2.2 Read the extract below and answer the questions.

WORK EFFECTIVELY WITH TRADE UNIONS

Although trade unions look after the interests of their members, they also recognise the advantages of working in partnership with employers. This is because a successful, profitable business is good for workers and, therefore, good for the union and its members. An employer and a recognised trade union interact with the workplace in a number of ways.

nibusinessinfo.co.uk

2.2.1 Define the term *trade union*. (3)

2.2.2 Discuss the aims of a trade union. (6)

2.2.3 Differentiate between *industrial courts* and *industrial councils*.

(2 × 2) (4)

2.3 Read the extract below and answer the questions.

XY INVESTS IN A TAX-FREE PLAN

Imagine the peace of mind that comes from having an investment that allows you to save for your dreams and goals, gives you access to your money at any time, and offers you payment flexibility without any penalties. A tax-free savings account in South Africa is an investment where you get your full investment return without being taxed on any of the growth you have earned.

2.3.1 Define the term *savings* in an economic sense. (2)

2.3.2 Discuss THREE motives for savings and provide example for each. (3 × 3) (9)

2.4 "Despite a higher marginal income tax rate of 45% being introduced on taxable income over R1.5m, the national budget maintained fiscal prudence."

In light of the above statement, answer the questions.

2.4.1 Define the term *budget*. (3)

2.4.2 Differentiate between *direct* and *indirect taxation*, and give examples of each. (6)

2.4.3 Pravin Gordhan made an announcement in his budget speech that there would be an increase in sin tax.

2.4.3.1 Briefly explain what sin tax is and give an example of it. (3)

2.4.3.2 What is the economic reason for an increase in sin tax? (2)

2.4.4 A financial year starts on 1 February to 31 January each year. TRUE/FALSE? (2)

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QUESTION 3

3.1 Read the extract below and answer the questions.

SOUTH AFRICA'S INTEREST RATE FROM 1998 TO 2017

The South African Reserve Bank left its benchmark repo rate on hold at 7% at its meeting on 21 July, as widely expected. Policymakers said that inflation was expected to accelerate further this year and that the economy was anticipated to have a weak recovery despite the contraction in the first quarter.

www.tradingeconomics.com/south-africa/interest-rates

3.1.1 Define *interest*. (2)

3.1.2 With the aid of a graph, explain what happens with the interest rate if the money supply increases. (10)

3.1.3 In order for a monetary policy committee to decrease the demand for money, the interest rate must (increase/decrease). (2)

3.2 Briefly discuss South African labour problems. (12)

3.3 The table below shows calculations related to GDP according to the income method. Use the information to answer the questions.

Table 2 Calculation of GDP (bn)

Compensation of employees	943.00
Net operating surplus	844.00
Consumption of fixed capital	355.00
Gross value **……..(A)**	**2 142.00**
Taxes on production	45.00
Subsidies on production	16.00
Gross value added at basic prices	**(B)**
On products	332.00
Subsidies on production	(16.00)
……..(C)	**2 487.00**
Primary income from the rest of the world	56.00
Primary income to the rest of the world	208.00
GNP at market price	**2 335.00**

3.3.1 Label A and C. (4)

3.3.2 Calculate the value of B. (4)

3.3.3 List any THREE uses of the per capita income figures. (6)

3.4 3.4.1 Briefly explain the term: *international trade.* (2)

3.4.2 Give any FOUR reasons for the existence of international trade. (4 × 2) (8)

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QUESTION 4

4.1 The table below represents average inflation rates in South Africa per year.

Use the information to answer the questions.

Table 1: Average inflation South Africa (CPI) – by year

AVERAGE INFLATION	YEAR	INFLATION RATE (%)
CPI South Africa	2016	6.59
CPI South Africa	2015	4.51
CPI South Africa	2014	6.12
CPI South Africa	2013	5.77

4.1.1 Define the term *inflation.* (3)

4.1.2 Calculate the average inflation rate between 2013 and 2016. Show ALL calculations. (4)

4.1.3 If the price of mealie meal was R69,99 in 2015, calculate the price that was charged for the same product in 2016. Show ALL calculations. (4)

4.1.4 What does the abbreviation CPI stand for? (1)

4.2 List FIVE factors influencing economic growth. (5 × 2) (10)

4.3 The exchange rate has an effect on the trade surplus (or deficit), which, in turn, affects the exchange rate. In general, however, a weaker domestic currency stimulates exports and makes imports more expensive. In light of this statement, answer the questions.

4.3.1 Define the term *exchange rate*. (2)

4.3.2 Give the currencies of each of the following countries:

4.3.2.1 South Africa
4.3.2.2 America
4.3.2.3 Brazil

(3 × 1) (3)

4.4 Discuss each of the following fiscal policy instruments:

4.4.1 Income policy (4)

4.4.2 Investment policy (4)

4.5 Distinguish between *tax shifting* and *tax avoidance*. (4)

4.6 What does the abbreviation RDP stand for? (1)

4.7 List FIVE causes of unemployment. (5 × 2) (10)

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QUESTION 5

5.1 5.1.1 Define the term *economic cycle.* (3)

5.1.2 Briefly describe the role of households, businesses, government and the foreign sector with reference to an economic cycle. (12)

5.2 Distinguish between *stagflation* and *hyperinflation*. (4)

5.3 The information below relates to the demand and supply of labour. Study the table below and answer the questions.

WAGE (W)	LABOUR DEMAND (LD)	LABOUR SUPPLY (LS)
R1 000	150	80
R1 500	120	90
R1 800	100	100
R2 100	80	110
R2 400	70	120

5.3.1 What is the equilibrium price and quantity?

5.3.2 Is there a (shortage/surplus) of labour at the wage rate of R2 100?

5.3.3 Show ALL calculations to support your answer to QUESTION 5.3.2.

(3 × 2) (6)

5.4 Briefly explain the following problems encountered when calculating national income:

5.4.1 Transfer payment

5.4.2 Services not included

(2 × 2) (4)

5.5 Use the information related to Balance of Payments and answer the questions.

International Trade Balances (2012 Figures)

Figures in billions	(bn)
Export of goods	1 530.00
Import of goods	1 810.00
Invisible receipts	770.00
Invisible payments	160.00
Loans to foreign government	90.00
Overseas investments	130.00
Net gold exports	120.00
Investments by foreigners	140.00
Additions to short-term balances	90.00

5.5.1 Calculate the balance of trade. (4)

5.5.2 Calculate the balance on the current account. (4)

5.5.3 Due to climate change in South Africa, most agricultural products were imported from other countries.

What effect did this have on South Africa's balance of payment? (2)

5.6 The post office is regarded as one of the financial institutions in South Africa. TRUE/FALSE? (1)

5.7 Distinguish between the following:

5.7.1 *Money wages* and *real wages* (4)

5.7.2 *Standard wage* and *standard time* (4)

5.8 Briefly explain the concept behind the *Employment Equity Act.* (2)
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TOTAL SECTION B: 150
GRAND TOTAL: 200

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