higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

ECONOMICS N5

(22020095)

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09:00–12:00

Calculators may be used.

This question paper consists of 10 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 will be marked. Cross out ALL work you do NOT want to be marked.

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–D) next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

1.1.1 Custom duties that are levied as a fixed amount per unit on goods that are imported are known as … duties.

A ad valorem
B multiple
C specific
D double

1.1.2 … refers to a situation where people move from rural areas to towns and cities for better employment opportunities.

A Nationalisation
B Privatisation
C Urbanisation
D Deregulation

1.1.3 Taxation is used by the public sector to provide …

A foreign sector expenditure.
B household expenditure.
C services to the public.
D business goods.

1.1.4 To calculate Gross Domestic Product (GDP) according to the … method, it is necessary to add up all payments made in respect to the four factors of production.

A income
B taxation
C output
D expenditure

1.1.5 If last month the exchange rate between the United States dollar and the Rand was R1 for $20 and last week it was R1 for $17, it means that …

A the dollar has depreciated in respect to gold.
B the dollar has depreciated in respect to the Rand.
C South Africa will pay more for imports.
D the dollar has appreciated in respect to the Rand.

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1.1.6 The most important challenge when applying a system of import quotas is …

A that the government is not clear as to who qualifies for subsidies.
B that it is difficult to determine a base period.
C an increase in the administration costs of the exporters.
D that importers must pay a large deposit before the goods can be imported.

1.1.7 ALL government employees use of the Government Employees Medical Scheme (GEMS) if they want to take care of their medical needs. This is ONE example of a … motive.

A transactional
B precautionary
C speculative
D holding

1.1.8 Economic growth is measured by an increase in the …

A real GNP.
B GDP per capita.
C real GDP per capita.
D quantity of goods and services produced in a country over a period of time.

1.1.9 This Act promotes equal opportunities and fair treatment of labourers at work:

A Employment Equity Act
B Skills Development Act
C Labour Relations Act
D Basic Conditions of Employment Act

1.1.10 Suppose the national income for the base year is R420 000 million and the index is 100, if the national income increases to R510 000 and the index to 150, the real national income will be … million.

A R420 000
B R90 000
C R340 000
D R420 000

(10 × 2) (20)

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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 (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 Indirect taxation can be shifted to someone else, i.e. to a consumer.

1.2.2 Unemployment normally increases during an upswing of the economy.

1.2.3 If labour demand increases while labour supply decreases, the equilibrium wage rate will increase.

1.2.4 To convert the GDP to the Gross National Product (GNP), the primary income from the rest of the world must be deducted.

1.2.5 Income policy can be used by economists as a fiscal policy instrument.

1.2.6 The incentive wage system enables the employer to buy a specific service at a given price.

1.2.7 Consumers offer production factors to businesses in exchange for wages, profits, interest and rent.

1.2.8 An increase in imports will likely lead to a decrease in national income.

1.2.9 The largest component of GDP from the expenditure approach is domestic investment.

1.2.10 Macroeconomics is primarily concerned with how individual economic choices are coordinated by markets, and how prices and demand are determined in individual markets.

(10 × 2) (20)

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1.3 Choose a description from COLUMN B that matches an item in COLUMN B. Write only the letter (A–E) next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.3.1	Balance of trade	A	circumstance where the inflation of a nation increases gradually
1.3.2	Creeping inflation		
1.3.3	Double counting	B	when anything is added twice when calculating national income
1.3.4	Wages	C	income expressed in terms of its monetary value with no account taken of its purchasing power
1.3.5	Reconstruction and development (RDP)	D	economic factors inhibiting growth and investment
		E	difference between visible imports and visible exports

(5 × 2) (10)
[50]

TOTAL SECTION A: 50

SECTION B

Answer any THREE questions from this section.

QUESTION 2

2.1 Discuss poverty under each of the following headings:

2.1.1 Definition of poverty (3)

2.1.2 FOUR causes of poverty. (12)

2.2 Read the extract below and answer the questions.

Fiscal policy measures

'South Africa raises tax revenue to fund most public spending. When the budget is in deficit, government borrows to meet the shortfall. The proposed budget for 2017/18 totals R1.56 trillion, of which revenues cover R1.41 trillion. The remainder – R149 billion – will be borrowed.'

[Source: *http://www.treasury.gov.za/national*]

2.2.1 Explain the meaning of *budget deficit*. (3)

2.2.2 Briefly explain the term *budget.* (3)

2.2.3 Name the TWO sources of a budget. (2)

2.3 Use the information given and calculate the following:

	R billion
Exported goods	4 960
Imported goods	5 640
Invisible receipts	900
Invisible payments	420
Loans to foreign country	180
Overseas investment	310
Net gold exports	1 520
Foreigners' investments	195
Additions to short-term balances	110

2.3.1 Balance of trade (4)

2.3.2 Balance on current account (4)

2.3.3 Basic balance (5)

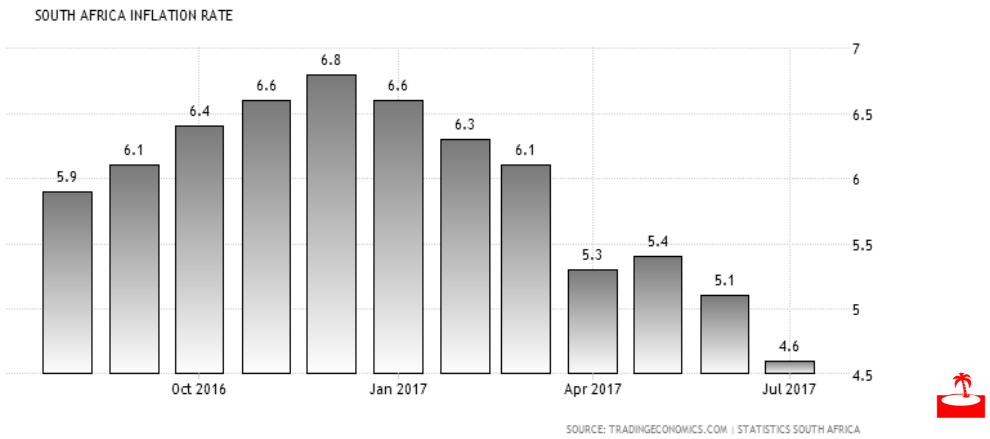
2.3.4 Capital account (4)

2.4 Discuss the economic welfare function of the government. (10)

[50]

QUESTION 3

3.1 Use the information provided below and answer the questions.



3.1.1 Which month has the highest inflation rate? (2)

3.1.2 A motor car was bought for R338 000 in October. What will the price of the same motor car be in November? Show ALL calculations. (4)

3.1.3 Explain the possible reason for the increase in inflation in December 2016. (3)

3.1.4 Discuss the general consequences of inflation on the different groups in the economy. (12)

3.2 Give ONE term for each of the following monetary characteristics by choosing a term from the list below. Write only the term next to the question number (3.2.1–3.2.5) in the ANSWER BOOK.

divisibility; durability; acceptability; relative supply; portability

3.2.1 A 20-dollar bill can be exchanged for other denominations, such as a 10, a 5, four 1s, and 4 quarters. A cow, on the other hand, is not divisible.

3.2.2 While the cow is difficult to transport to the store, the currency can easily be put in my pocket.

3.2.3 In order to maintain its value, money must have a limited supply.

3.2.4 A cow is fairly durable, but a long trip to the market runs the risk of sickness or death for the cow and can severely reduce its value.

3.2.5 Even though cows have intrinsic value, some people may not accept cattle as money.

(5 × 2) (10)

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3.3 Explain *availability of production factors* as ONE of the methods to increase national income. (8)

3.4 Differentiate between *gross national product* and *gross domestic product*. (2 × 2) (4)

3.5 Name THREE aims of RDP with regards to job creation. (6)

3.6 Indicate whether the following statement is TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (3.6) in the ANSWER BOOK.

CPI stands for Consumer Price Index. (1)

[50]

QUESTION 4

4.1 The information below gives an indication of South Africa's unemployment rate. Study the graph and answer the questions.



4.1.1 Which month has the lowest unemployment rate? (2)

4.1.2 Calculate the change in percentage in unemployment between January 2016 and July 2016. Show ALL calculations. (3)

4.1.3 Define the term *unemployment.* (3)

4.1.4 Name any THREE different types of unemployment. (6)

4.2 Give FOUR factors that lead to the inequality of wages. (8)

4.3 Discuss the role of the government as a legislator in the economy. (6)

4.4 Name any TWO reasons for international trade. (4)

4.5 Calculate the current value and the real value in the table below:

YEAR	PHYSICAL QUANTITY FINAL GOODS AND SERVICES	MARKET PRICES (R)	CURRENT VALUE (R)	REAL VALUE (R)
2014	100	3	4.4.1	4.4.2
2015	125	6	4.4.3	4.4.4
2016	150	9	4.4.5	4.4.6

(6 × 2) (12)

4.6 Differentiate between *time wage* and *piece wage*. (2 × 2) (4)

4.7 Complete the following sentence by filling in the missing word(s). Write only the word(s) next to the question number (4.7) in the ANSWER BOOK.

Payment which a person or group receives and pays to another group or person is called … . (2)

[50]

QUESTION 5

5.1 Give the FOUR functions of trade unions. (4 × 2) (8)

5.2 List FIVE types of financial institutions used in South Africa. (10)

5.3 Give an overview of the general aims of fiscal policy. (9)

5.4 Differentiate between each of the following concepts:

5.4.1 Growth and development

5.4.2 Floating exchange rate and fixed exchange rate

5.4.3 Privatisation and nationalisation

5.4.4 Money wages and real wages

(4 × 4) (16)

5.5 Explain the term *migration* as one of South Africa's labour problems. (3)

5.6 Describe how *equilibrium price* is formed in the labour market. (4)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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