



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE (VOCATIONAL)

**ECONOMIC ENVIRONMENT
NQF LEVEL 4**

9 March 2020

This marking guideline consists of 8 pages.

SECTION A**QUESTION 1**

1.1	1.1.1	D		
	1.1.2	D		
	1.1.3	C		
	1.1.4	D		
	1.1.5	A		
	1.1.6	B		
	1.1.7	D		
	1.1.8	B		
	1.1.9	C		
	1.1.10	C		
			(10 × 1)	(10)
1.2	1.2.1	False		
	1.2.2	True		
	1.2.3	True		
	1.2.4	False		
	1.2.5	False		
	1.2.6	False		
	1.2.7	True		
	1.2.8	False		
	1.2.9	True		
	1.2.10	False		
			(10 × 1)	(10)
1.3	1.3.1	L		
	1.3.2	H		
	1.3.3	E		
	1.3.4	I		
	1.3.5	J		
	1.3.6	A		
	1.3.7	B		
	1.3.8	F		
	1.3.9	K		
	1.3.10	C		
			(10 × 1)	(10)
				[30]

QUESTION 2

2.1	• An increase in the number of prospective buyers			
	• An increase in the income of consumers			
	• Tastes of prospective buyers			
	• An increase in the price of substitute products			
	• A decrease in the price of complementary products		(Any 2 × 1)	(2)

2.2 $20 - 60 = -40$ ✓✓

This is a shortage, because the quantity supplied is less than the quantity demanded. ✓ OR The quantity demanded is more than the quantity supplied. (3)

2.3 $\mathcal{E}_s = \frac{\% \Delta Q_s}{\% \Delta P}$ ✓ OR $\frac{\text{Percentage change in quantity supplied}}{\text{Percentage change in price}}$

$$= \frac{40 - 20}{40} \times \frac{100}{1} \div \frac{R8 - R4}{R8} \times \frac{100}{1}$$

$$= 20/40 \times 100 \div R4/R8 \times 100$$
 ✓

$$= 0.5 \times 100 \div 0.5 \times 100$$
 ✓

$$= \underline{1}$$
 ✓

(5)
[10]

TOTAL SECTION A: 40

SECTION B

QUESTION 3

- 3.1
- ABSA Bank
 - Standard Bank
 - First National Bank
 - Nedbank
- (Any other relevant answer) (4)

- 3.2
- Money as a medium of exchange: ✓ Used to pay for goods and services. ✓
 - Money as a standard of deferred payment: ✓ Used to settle debts. ✓
 - Money as an accounting unit or measure of value: ✓ Used to compare prices of goods and services. ✓
 - Money as a store of value: ✓ Durable and can be used over and over again. ✓
- (6)

- 3.3
- 3.3.1 Monetary policy refers to changes made by a central bank to manage the money supply ✓ and interest rate, ✓ and to achieve macro-economic objectives, ✓ such as inflation, consumption, growth and liquidity. ✓ (4)

- 3.3.2
- If the Reserve Bank wishes to increase the money supply in the economy, it buys Treasury bills or government securities from a broker or commercial bank. ✓✓
 - The Reserve Bank receives a Treasury bill. ✓✓
 - The owner of the Treasury bill receives money from the Reserve Bank. ✓✓
 - The individual deposits the money with the commercial bank. ✓✓
 - There is more money in the commercial bank to lend out and create more credit.
 - There is, therefore, more money in the economy.
- (Any other relevant answer) (8)

- 3.3.3
- Accommodation policy is the mechanism used by the central bank to lend money to commercial banks. ✓✓
 - This is done through repurchase agreements between the central bank and the commercial banks. ✓✓
 - Commercial banks sell financial instruments, such as Treasury bills, Reserve Bank debentures and government bonds to the SARB. ✓✓
 - The repurchase agreement lasts for seven days. ✓✓
 - The commercial bank will repurchase its Treasury bill from SARB in seven days' time. ✓✓
 - When the commercial bank sells its Treasury bill to the SARB, more money is available to lend out and create more credit.
 - The commercial bank will pay the amount they had borrowed and the interest rate is called the repo rate.
- (Any other relevant answer) (8)

- 3.4
- Households' disposable income decreases.
 - Less money available for consumers to buy goods and services.
 - Consumption expenditure decreases.
 - Production of goods and services decreases.
 - Firms lay off some of their workers.
 - Unemployment increases.
 - Economic growth declines.
- (Any relevant 5 × 2) (10)
[40]

QUESTION 4

- 4.1
- 4.1.1 Unemployment: The number of people who are able to and are actively looking for work, but who are not working.
- 4.1.2 Labour policy: Outlines what is fair and what is not fair for employers and employees in the labour market.
- 4.1.3 Economic growth: An increase in the real gross domestic product. (3 × 3) (9)
- 4.2
- Households
 - Government
 - Firms
 - Financial institutions
 - Foreign sector
- (5)
- 4.3
- Current expenditure: The spending by government ✓ on its employees' wages and salaries, and all operational items. ✓
 - Capital expenditure: All the money spent by government ✓ on infrastructure, such as roads, buildings and airports. ✓ (2 × 2) (4)

- 4.4
- Life Expectancy Index:✓ Measures the likelihood of being able to live a long and healthy life.✓✓
 - GDP Per Capita Index:✓ The measure of people's ability to afford a decent standard of living.✓✓
 - Education Index:✓ The measure of people's ability to communicate and participate in their community.✓✓
- (9)
- 4.5 United Nations Development Plan (1)
- 4.6 Private firms provide private goods✓✓ whereas government provides public goods.✓✓ (4)
- 4.7
- LED and local participation in the economy
 - LED democratises all levels of society
 - LED attracts investment in the local economy
 - LED works towards social and economic equity and equality
- (4 × 2) (8)
- [40]**

QUESTION 5

- 5.1 Customs union: An agreement between countries✓ to remove all trade barriers between them. ✓ (2)
- 5.2
- Creating an enabling environment
 - Making suitable land available
 - Ensuring the personal safety of workers and all other stakeholders
 - Ensuring the safety of capital equipment (Any 3 × 2) (6)
- 5.3
- Payment in advance
 - Open account
 - Factoring
 - Letter of credit (4)
- 5.4
- Import factor
 - Export factor
 - Importer
 - Exporter (4)
- 5.5
- 5.5.1
- For a new customer whose methods of trading and payment are new to the exporter.
 - For a customer who is willing to apply for a letter of credit.
 - For a customer whose country does not deal in factoring agreements.
- 5.5.2
- For regular customers whom the exporter deals with often.
 - For good customers who may import from someone else if they cannot pay on open account.
- (2 × 2) (4)

- 5.6
- To protect raw material
 - To uphold international agreements and law
 - To control foreign currency
 - To encourage the growth of local businesses
 - To protect national assets
- (5 × 2) (10)
- 5.7
- Effective use of scarce local resources.
The IDP enables municipalities to use their available resources most efficiently by focusing on the most important local communities.
 - Helps to speed up delivery.
The IDP enables the municipalities to identify the least serviced and most impoverished areas so that municipality funds may be spent there.
 - Helps to attract additional funds.
Public and private sectors are willing to fund LED activities of municipalities with clear development plans.
 - Strengthens democracy and helps overcome the legacy of apartheid.
The IDP ensures that through the participation of all important stakeholders, decisions are made in a democratic and transparent manner.
 - Promotes coordination between national, provincial and local government.
Three levels of government work together to tackle the development needs in a local area.
- (5 × 2) (10)

[40]**QUESTION 6**

- 6.1 6.1.1 $R13,71 \times \frac{0,6}{100} = 0,08$ ✓
= R13,71 – R0,08✓
= R13,63✓
Therefore the new exchange rate is \$1 = R13,63✓ (5)
- 6.1.2 $R13,71 \times \frac{0,3}{100} = 0,04$ ✓
= R13,71 + R0,04✓
= R13,75✓
Therefore the new exchange rate is \$1 = R13,75✓ (5)
- 6.1.3 The base currency is the one unit of a currency that must be bought with the term currency.✓✓ The term currency tells us how many units of a term currency are needed to buy one unit of a base currency.✓✓ (4)

6.2	<ul style="list-style-type: none"> • Must have a good credit record with a bank • Must maintain a good credit risk • Must not exceed the credit limit • Must communicate with the export factor and not an exporter • Payments must be made on agreed dates • Administration costs must be paid to the import factor 	(6)
6.3	<p>6.3.1 Yen</p> <p>6.3.2 Rupee</p>	(2 × 1) (2)
6.4	<ul style="list-style-type: none"> • Checking the creditworthiness of their customers. • Checking the creditworthiness of the client's customers before factoring an invoice. • Checking the invoice to be factored very carefully. • Checking the customer's business records regularly. • Searching information on the Internet about a customer, a country or a factoring house. 	(Any 4 × 1) (4)
6.5	<ul style="list-style-type: none"> • Instant access to a correspondent network in more than 60 countries. Training opportunities for management and staff. • Standardised procedures around a state-of-the-art communication system. • Arbitration services in case of conflicts with correspondents. • The opportunity to rub shoulders with the worldwide factoring industry at regular FCI meetings. 	(Any 5 × 2) (10)
6.6	<ul style="list-style-type: none"> • Opportunity to increase sales • Opportunity to supply bigger customers • Opportunity to conclude new trade contracts 	(Any 2 × 2) (4) [40]
TOTAL SECTION B:		160
GRAND TOTAL:		200