



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

ECONOMIC ENVIRONMENT NQF LEVEL 4

(3011024)

**8 March 2018 (Y-Paper)
13:00–16:00**

This question paper consists of 9 pages.

TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
 2. Read ALL the questions carefully.
 3. Number the answers according to the numbering system used in this question paper.
 4. Write neatly and legibly.
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SECTION A**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 Used in the production of other goods:

- A Consumer goods
- B Capital goods
- C Non-durable goods
- D Semi-durable goods

1.1.2 Which ONE of the following is NOT the function of money?

- A Compare prices
- B Payment of debt
- C Alleviate poverty
- D Purchase of goods and services

1.1.3 For monetary policy and fiscal policy, the time it takes for the decided action to be implemented is known as ... lag.

- A decision
- B action
- C recognition
- D time

1.1.4 Which ONE of the following is NOT one of the objectives of the fiscal policy?

- A Balance of payment stability
- B Job creation
- C Formulation and implementation of fiscal policy
- D Poverty alleviation

1.1.5 Which ONE of the following forms part of the Human Development Index (HDI)?

- A GDP index
- B Producer price index
- C Consumer price index
- D GNP index

1.1.6 ONE of the key principles of the local economic development is that it ...

- A stimulates growth.
- B ensures price stability.
- C ensures equitable distribution of income.
- D ensures balance of payment stability.

1.1.7 Which ONE of the following is NOT part of the M2 money supply in South Africa?

- A Coins and banknotes
- B Long-term deposits
- C Short- and medium-term deposits
- D Demand deposits

1.1.8 ONE of the following is NOT the financial instrument used in the international trade:

- A Telegraphic transfers
- B Promissory notes
- C Factoring
- D Treasury bills

1.1.9 There are ... parties to a letter of credit.

- A four
- B two
- C three
- D five

1.1.10 ONE of the reasons for export control is to ...

- A uphold international agreements or laws.
- B earn income for the country.
- C protect the environment.
- D ensure that the laws of the country are upheld.

(10 × 1) (10)

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 Factors such as the inflation rate and exchange rate are examples of micro-economic objectives.

1.2.2 Opportunity cost refers to the value of all alternatives that could have been chosen but were not.

1.2.3 In terms of monetary and fiscal policy implementation, if there is a time lag, it means an action does not have an immediate effect.

- 1.2.4 If two things are correlated, it always implies that the one event causes the other event.
- 1.2.5 All economists use the same economic model and therefore agree on the analysis of economic problems.
- 1.2.6 A country where the value of imports is higher than the value of exports would have a surplus in its balance of payments.
- 1.2.7 Fiscal policy is defined as government's decision on its spending, taxation and borrowing.
- 1.2.8 Scarcity is an economic problem that relates to limited resources being used to satisfy unlimited wants and needs.
- 1.2.9 The current account of the balance of payments is used to record capital inflows and outflows.
- 1.2.10 An inflation spiral occurs when high inflation causes further inflation.
- (10 × 1) (10)
- 1.3 Choose the correct word/s from those given in brackets. Write only the word/s next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.
- 1.3.1 The (equilibrium point/break-even point) is the point on the graph where the demand curve and supply curve intersect.
- 1.3.2 (Utility/Efficiency) means the level of satisfaction.
- 1.3.3 (Malusi Gigaba/Pravin Gordhan) was South Africa's Minister of Finance in 2015.
- 1.3.4 A/An (open account/letter of credit) is more convenient to the exporter than to the importer.
- 1.3.5 The (real per capita GDP/real GDP) is used to measure the country's economic growth.
- (5 × 1) (5)
[25]

QUESTION 2

2.1 Write the following acronyms in full:

2.1.1 AsgiSA

2.1.2 HDI

2.1.3 GEAR

(3 × 2) (6)

2.2 What is the formula used to calculate the inflation rate? (2)

2.3 What is *local economic development*? (3)

2.4 Name FOUR parties that are involved in a letter of credit. (4)

[15]

TOTAL SECTION A: 40

SECTION B**QUESTION 3****Will SA meet challenge of global car market shifts?**

Johannesburg - The automotive global value chain (GVC) is undergoing profound changes that could fundamentally disrupt the production of and market for vehicles. A number of international experts have commented on these changes, attempting to understand their consequences for the multinational organisations and economies that dominate global production and consumption.

South African business might want to consider factoring should these changes be likely to play out in the more peripheral parts of the automotive GVC, over the next two decades.

[Source: <https://www.Industry News>, 22 June 2017]

- 3.1 If the business is short on cash, business might want to consider factoring.
- 3.1.1 In your own words, explain the term *factoring*. (2)
- 3.1.2 State SEVEN steps in the factoring process. (7)
- 3.1.3 Give FOUR advantages of using factoring to the exporter. (4)
- 3.1.4 Name and briefly explain THREE parties involved in the factoring process. (3 x 3) (9)
- 3.2 'Fiscal policy is a government's decisions regarding spending and taxing. If a government wants to stimulate growth in the economy, it will increase spending for goods and services.'
- Explain briefly how an increase in spending for goods and services can stimulate growth in the economy. (10)
- 3.3 Explain how a monopoly affects business and consumers. (8)
- [40]**

QUESTION 4

SERVICE DELIVERY PROTEST



Rural municipalities are experiencing a number of issues, ranging from unemployment, infrastructure, and financial constraints to institutional deficiencies and personnel problems.

At present, several smaller municipalities are struggling to operate and maintain their services infrastructure in a cost-effective and sustainable manner.

- 4.1 Define the term *unemployment*. (3)
- 4.2 Briefly explain how an improvement in infrastructure can benefit rural communities. (4)

- 4.3 State FOUR objectives of local governments. (4 × 2) (8)
- 4.4 Name THREE legislations applicable to local economic development. (3)
- 4.5 Briefly explain FIVE challenges faced by rural municipalities. (5 × 2) (10)
- 4.6 State FOUR challenges facing sustainable development in South Africa? (4 × 2) (8)
- 4.7 Explain why real GDP is a better measure of actual production than nominal GDP. (2 × 2) (4)
- [40]**

QUESTION 5

- 5.1 In your own words, explain the following terms:
- 5.1.1 Export licence
 - 5.1.2 Freight forwarder
 - 5.1.3 Bill of exchange
 - 5.1.4 Telegraphic transfer (4 × 2) (8)
- 5.2 Name SIX documents specified in a letter of credit that an exporter must present to their bank in order to be paid. (6)
- 5.3 Give FOUR reasons for export control. (4)
- 5.4 State SEVEN processes and procedures for establishing a letter of credit. (7 × 2) (14)
- 5.5 Explain the concept *inflation rate*. (4)
- 5.6 Give FOUR types of shipping terms used in the international trading environment. (4)
- [40]**

QUESTION 6

- 6.1 What is the difference between *budget deficit* and *national budget*? (2 × 2) (4)
- 6.2 Distinguish between M1, M2 and M3 money supply. (3 × 2) (6)
- 6.3 Use the information for JEANS MANUFACTURERS CC in the table below to answer the questions.

| PRICE (R) | DEMAND | SUPPLY |
|-----------|--------|--------|
| 40 | 20 | 14 |
| 60 | 18 | 15 |
| 80 | 16 | 16 |
| 100 | 14 | 17 |
| 120 | 12 | 18 |

- 6.3.1 On the same set of axes, draw the demand and supply curves. (5)
- 6.3.2 Calculate the new quantities demanded, if the quantity demanded increases by 20% at all price levels. (5)
- 6.4 What is the price elasticity of demand? (2)
- 6.5 What effect will an increase in the incomes of prospective buyers have on the demand curve? (2)
- 6.6 What effect will an improvement in technology have on the supply curve? (2)
- 6.7 Differentiate between an *increase in the quantity supplied* and an *increase in supply*. (2 × 2) (4)
- 6.8 The exchange rate is £1 = R16,50 and the rand depreciates by 5% against the pound.
- 6.8.1 Convert £6 000 into South African currency before the depreciation took place. (4)
- 6.8.2 What will be the new exchange rate after the depreciation of the rand? (6)

[40]

TOTAL SECTION B: 160
GRAND TOTAL: 200