



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

**ECONOMIC ENVIRONMENT
NQF LEVEL 4**

(3011024)

**20 November 2019 (X-Paper)
09:00–12:00**

This question paper consists of 10 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 ... was the Minister of finance of South Africa In 2018.

- A Trevor Manuel
- B Praven Gordhan
- C Nhlanhla Nene
- D Gill Marcus

1.1.2 ... is used to measure economic growth.

- A Real per capita GDP
- B Real GDP
- C Nominal GDP
- D GDP

1.1.3 ... erodes the value of money.

- A Unemployment
- B Inflation rate
- C Exchange rate
- D Interest rate

1.1.4 M3 money supply is constituted by ...

- A $M2 + D$
- B $C + D$
- C $M1 + \text{short-term and medium-term deposits}$
- D $M2 + \text{long-term deposits}$

1.1.5 ... is calculated at a prescribed percentage of the value of an imported item.

- A A quota
- B A specific tariff
- C Protection duty
- D Ad valorem tariff

1.1.6 What effect will the increase in imports have on the balance of payment?

- A Deficit in the current account
- B Surplus in the financial account
- C Deficit in the financial account
- D Surplus in the current account

- 1.1.7 ... refers to a state where all other things remain the same.
- A Constant
 - B Ad hoc
 - C Free ride
 - D Ceteris paribus
- 1.1.8 The aim of the monetary policy is to ...
- A eradicate poverty.
 - B protect the value of the currency.
 - C create more job opportunities.
 - D establish equitable distribution of income.
- 1.1.9 ONE of the following Acts is NOT applicable to local economic development:
- A Skills Development Act, 2001 (Act 110 of 2001)
 - B Local Government Municipal Structure Act, 1998 (Act 117 of 1998)
 - C Development Facilitation Act, 1995 (Act 67 of 1995)
 - D Local Government Municipal Structure Act, 2000 (Act 32 of 2000)
- 1.1.10 Which of the following parties are involved in the establishment of a letter of credit?
- A Applicant, issuing bank, advising bank, paying bank
 - B Applicant, issuing bank, advising bank, paying bank, government
 - C Applicant, issuing bank, advising bank, paying bank, beneficiary
 - D Applicant, issuing bank, advising bank, beneficiary
- (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 Nominal GDP is used to measure the standard of living of the citizens.
- 1.2.2 Producer price index is one way of measuring the inflation rate.
- 1.2.3 Income distribution is one of macroeconomic policy objectives in South Africa.
- 1.2.4 Globalisation entrenches the dominance of rich countries over poor countries.
- 1.2.5 Taxes are an injection to the circular flow as they provide government with funds to spend in the economy.

- 1.2.6 The repurchase rate is the tool used by monetary authorities to implement a monetary policy.
- 1.2.7 Transit risk cover protects the exporter against the political risk of the country to which the goods are exported.
- 1.2.8 Promissory note is a signed undertaking to pay a stated sum to a specified person at a specified account or on account.
- 1.2.9 The forward exchange contract helps cover the exporter against the possibility of the weakening of the local currency.
- 1.2.10 The import factor is the one that applies the letter of credit in order for the exporter to be paid.

(10 × 1) (10)

- 1.3 Choose a term from COLUMN B that matches a description in COLUMN A. Write only the letter (A–L) next to the question number (1.3.1–1.3.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.3.1	Used to calculate the inflation rate	A	quotation
1.3.2	The percentage change in the quantity demanded over the percentage change in the price of a good	B	cross elasticity of demand
1.3.3	An insurance that protects an exporter against unfavourable exchange rate fluctuations	C	treasury bills
1.3.4	An offer to sell goods at a specific price under certain conditions	D	advising bank
1.3.5	A short-term debt instrument issued by government when it wishes to borrow money	E	issuing bank
1.3.6	A financial transaction in which accounts receivable are sold at a discount	F	liquidation
1.3.7	A process by which a company is brought to an end and assets thereof disposed	G	price elasticity of demand
1.3.8	Government's plan with respect to taxation, spending and government borrowing	H	currency options
1.3.9	The money a business has in the bank with which to pay its suppliers and employees	I	consumer price index (CPI)
1.3.10	Bank that opens a documentary credit at the request of its customer	J	cash flow
		K	fiscal policy
		L	factoring

(10 × 1) (10)
[30]

QUESTION 2

Study the table below and answer the questions.

PRICE (R)	QUANTITY SUPPLY	QUANTITY DEMAND
10	50	350
20	100	300
30	150	250
40	200	200
50	250	150

- 2.1 Identify the *equilibrium price* and *equilibrium quantity* in the table. (2)
- 2.2 If the quantity supplied were to increase by 10% at each price level, calculate the new quantities supplied for each price level. (5)
- 2.3 Give the formula for the price elasticity of supply. (2)
- 2.4 State ONE determinant of supply. (1)

[10]**TOTAL SECTION A: 40**

SECTION B**QUESTION 3**

3.1 Read the following extract and answer the questions.

SA UNEMPLOYMENT RATE STEADY AT 26,7%



The country's unemployment rate remained at 26,7% over the first quarter of 2018 compared to the fourth quarter of 2017, according to the quarterly labour force survey released by Statistics South Africa (Stats SA) on Tuesday.

The agricultural sector recorded 3 000 jobs. The expanded unemployment rate increased by 0,4 of a percentage point in the first quarter, to 36,7% quarter-to-quarter. South Africa's stubbornly high unemployment rate, especially among the youth, is one of the major challenges facing the government.

[Source: <https://www.Fin 24.com>, 15 May 2018]

- 3.1.1 Define the term *unemployment* in full. (3)
- 3.1.2 Explain FOUR causes of unemployment. (4)
- 3.1.3 Explain FIVE ways in which unemployment negatively impacts on the South African economy. (5 × 2) (10)
- 3.2 What is the difference between the *nominal GDP* and *real GDP*? (4)
- 3.3 State FIVE macroeconomic goals of the fiscal policy. (5)
- 3.4 Define *gross national income*. (4)
- 3.5 Name and explain THREE measures of *money supply* in the economy. (6)
- 3.6 Differentiate between the *producer price index* and the *consumer price index*. (4)

[40]

QUESTION 4

Read the following extract and answer the questions.

RAND NEARLY 1% DOWN AGAINST DOLLAR IN EARLY TRADE



The rand weakened in early trade on Monday morning, losing almost 1% against the dollar. At 10:04 it was trading at R13,84/\$, down 0,85% on the day. Analysts say geopolitics – especially the trade war between China and the US over market access and tariffs – are likely to keep local currency on the back foot.

Look data set for release on Monday includes the Purchasing Managers' Index (PMI) and vehicle sales. 'These are likely to come in very firm and weak numbers will add to the pressure on the rand,' said Bianca Botes of Peregrine Treasury Solutions in a morning note.

The US will also be releasing PMI, as well as manufacturing data, which could boost the greenback if positive, said Botes. She expects the rand will trade in a narrow band between R13,50/\$ and R14,00/\$ this week. NKC African Economics, meanwhile, said in a research that it expects the local currency to trade between R13,50/\$ and R13.85/\$.

[Source: <https://www.Fin24.com>, 02 July 2018]

4.1 Define the following terms that are applicable to international trade:


4.1.1 Dumping 

4.1.2 Ad valorem tariff

4.1.3 Import quota

(3 × 2) (6)

4.2 The exchange rate to a US dollar is R13,84 (i.e. \$1 = R13,84).

4.2.1 Calculate the exchange rate before the rand appreciated by 0,85% to its current value. Show ALL the calculations. 

4.2.2 What would be the new exchange rate if the rand depreciates by 1% by the next day? Show ALL the calculations.

(2 × 5) (10)

- 4.3 Name SIX documents that an exporter should submit to the issuing bank for the letter of credit. (6)
- 4.4 Briefly explain FOUR types of insurance covers an exporter can take out when exporting goods overseas. (4 × 2) (8)
- 4.5 How would it impact on the economy if the rand loses value against foreign currencies? (5 × 2) (10)
- [40]**

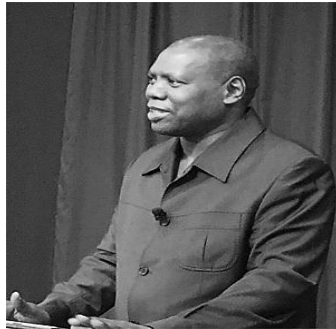
QUESTION 5

- 5.1 Name FOUR processes of a monetary policy. (4)
- 5.2 Define the term *market*. (3)
- 5.3 Name THREE types of consumer goods and give ONE example for each. (6)
- 5.4 Name and briefly explain FIVE parties that are involved in a letter of credit. (5 × 2) (10)
- 5.5 What are the challenges facing sustainable development in South Africa according to the United Nations Development Plan (UNDP)? (5 × 2) (10)
- 5.6 Name SEVEN financial instruments associated with international trade. (7)
- [40]**

QUESTION 6

Read the following extract and answer the questions.

**REVIEW DEBT STRUCTURE BETWEEN MUNICIPALITIES AND
ESKOM, SAYS MKHIZE**



Minister of Cooperate Governance and Traditional Affairs Zweli Mkhize has told Parliament's Standing Committee on Public Accounts that whether or not municipalities owing Eskom money repay their debts, their payment structure must be reviewed.

Mkhize briefed Scopa on Thursday morning, the day after ten municipalities struggling to settle their Eskom debts briefed the same committee on why they had failed to pay.

Among other things, Mkhize suggested Eskom could stop imposing scheduled power interruptions to defaulting municipalities. The interministerial committee he leads is making headways in addressing the issue, he said.

[Source: <https://www.Fin24.com>, 15 June 2018]

- 6.1 Give FIVE key concepts central to local economic development. (5 × 2) (10)
- 6.2 Name THREE legislations that are applicable to local economic development. (6)
- 6.3 Globalisation brings about opportunities and threats on local economic development (LED).
- 6.3.1 What are the opportunities presented by globalisation to South Africa's local economic development (LED)? (4 × 2) (8)
- 6.3.2 What are the challenges presented by globalisation to South Africa's local economic development (LED)? (2 × 2) (4)
- 6.4 In which account of the balance of payment is portfolio investments from abroad recorded? (1)
- 6.5 Give FIVE key principles of local economic development (LED). (5 × 2) (10)
- 6.6 Which sector that is legally registered, is required to pay taxes? (1)

[40]

**TOTAL SECTION B: 160
GRAND TOTAL: 200**