



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

ECONOMIC ENVIRONMENT NQF LEVEL 4

(3011024)

**3 December 2020 (X-paper)
09:00–12:00**

This question paper consists of 9 pages.

255Q1N2003

**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. Start each section on a new page.
 5. Use only a black or blue pen.
 6. Write neatly and legibly.
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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 One of the following countries is NOT part of the economic bloc BRICS:

- A Chile
- B China
- C Brazil
- D Russia



1.1.2 An increase in the number of potential buyers causes the ...

- A demand curve to shift to the right.
- B demand curve to remain constant.
- C supply curve to shift to the left.
- D demand curve to shift to the left.

1.1.3 The ... function describes how the total real gross domestic product in an economy depends on available inputs.

- A aggregate spending
- B total expenditure
- C aggregate income
- D aggregate production



1.1.4 Imports are goods ...

- A sold to other countries.
- B produced in other countries.
- C bought from other countries.
- D produced domestically.

1.1.5 One of the following is not part of the objectives of investment:

- A Safety
- B Consumption
- C Growth
- D Income

1.1.6 Inflation rate is a/an ... phenomenon.

- A international economic
- B microeconomic
- C development economic
- D macroeconomic



1.1.7 Money in the bank with which a business pays its suppliers and other costs is referred to as ...

- A cash injection.
- B recapitalisation.
- C cash flow.
- D bank draft.



1.1.8 ... is the reason for market failure.

- A Excess demand
- B Negative externality
- C Disequilibrium
- D Excess supply

1.1.9 The ... method is not used to calculate gross domestic product.

- A expenditure
- B income
- C investment
- D production

1.1.10 ... government is guided, among others, by the Development Facilitation Act 67 of 1995.



- A Regional
- B National
- C Provincial
- D Local

(10 × 1) (10)

1.2 Indicate whether the following statements are TRUE or FALSE by writing only 'True' or 'False' next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 Expectations is one of the factors that influence consumption spending.

1.2.2 Leakage exists because of a decrease in circular flow of income and spending.


1.2.3 Because of the complexity of the transaction, exporting goods requires an expert.

1.2.4 An exporter is not allowed to insure currency fluctuations.






1.2.5 South Africa exports labour intensive goods to first world countries.

1.2.6 Entrepreneurship is the essential resource for local economic development.

- 1.2.7 Local economic development legislation is not that important as the municipal Financial Management Act guides local municipalities.
- 1.2.8 Without effective local economic development, poverty will remain a problem in South Africa. 
- 1.2.9 Local people should not make an effort to know all local economic development legislations as it is a lawyer's duty to do so.
- 1.2.10 Municipalities must ensure that they cater for business people as they make local economic development possible. (10 × 1)
- (10)**
[20]

QUESTION 2

- 2.1 Define each of the following concepts:
- 2.1.1 Fiscal policy
- 2.1.2 Budget  (2 × 2) **(4)**
- 2.2 Write the following acronyms in full:
- 2.2.1 GDP
- 2.2.2 GNP
- 2.2.3 LED (3 × 1) **(3)**
-  2.3 Name FOUR mechanics and instruments of monetary policy. **(4)**
- 2.4 Describe FOUR economic problems faced by South Africa. **(4)**
- 2.5 Indicate whether the following statements constitute capital INFLOW or capital OUTFLOW by writing only 'inflow' or 'outflow' next to the question number (2.5.1–2.5.5) in the ANSWER BOOK.
- 2.5.1 Toyota South Africa is building an assembly plant in Germany.
- 2.5.2 South African government sends its student doctors to study in Cuba. 
- 2.5.3 South African tourism data shows that more than two million tourists visited the country in December 2019.

2.5.4 Mr J.E. Blose, a wheat farmer, sells 2 000 tons of wheat to the British government.



2.5.5 Most of South Africa's capital goods are purchased from Europe. (5 x 1) (5)

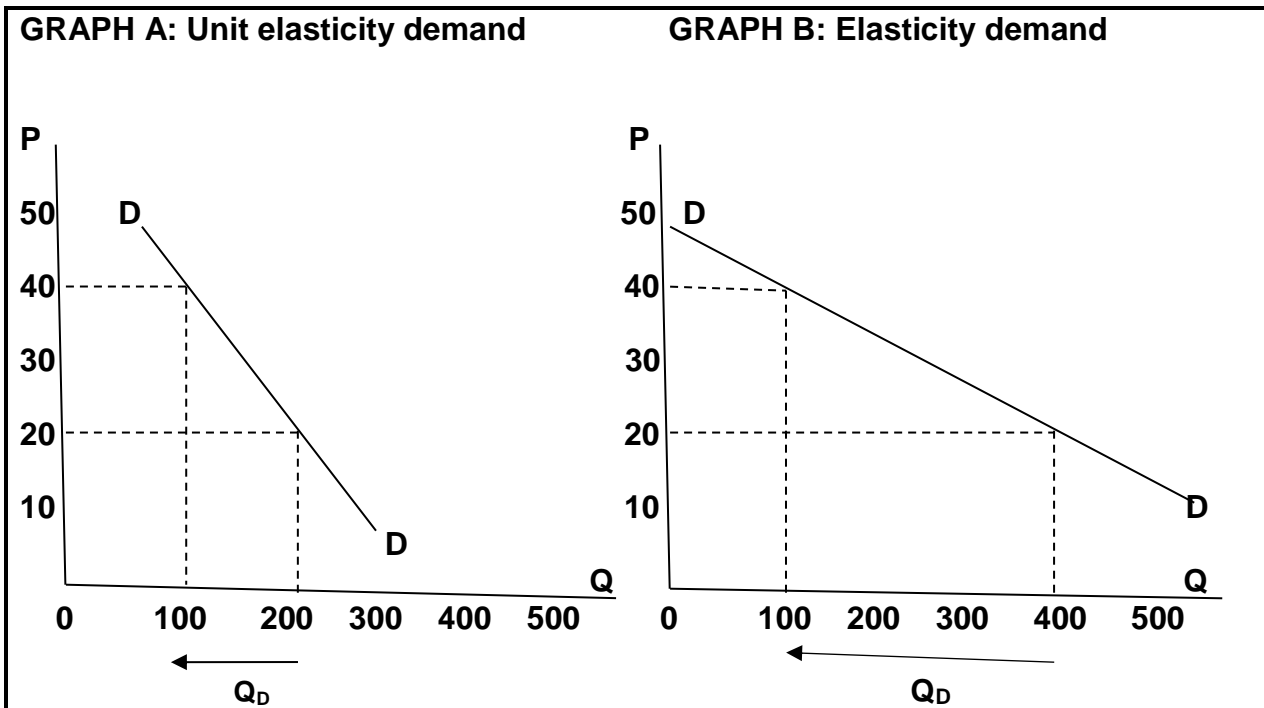
[20]

TOTAL SECTION A: 40

SECTION B

QUESTION 3

3.1 Study the different graphs of price elasticity of demand and answer the questions. Notice that one of the demand curves has a steeper slope than the other one.



3.1.1 Define the concept *price elasticity of demand*. (2)


3.1.2 Explain the effects of Graphs A and Graph B above. (4)

3.1.3 Give TWO examples of the goods that are represented by Graph B. (2)

3.1.4 List FIVE factors that would determine elasticity of demand. (5)

3.1.5 Calculate the price of elasticity of demand in the following situations. Show all the calculations.

An increase in the price from R20 to R40, as shown in the demand curves of Graph B, leads to a decrease in the quantity demanded from 400 to 100. (7)

- 3.2 Briefly explain THREE objectives of local governments. (3 × 2) (6)
- 3.3 Explain THREE types of consumer goods.  (3 × 2) (6)
- 3.4 What can the economy of South Africa do to ensure that there is equitable distribution of income? (4 × 2) (8)
- [40]**

QUESTION 4



- 4.1 Read the following extract and answer the questions.

HAVE THE MARKETS UNDERESTIMATED THE GLOBAL EPIDEMIC?

Given the weaker rand, exchange rate and higher commodity prices, the Resource 10 index has surged by 2, 4%. On the foreign exchange market, the rand started to recover sharply on Friday after it had depreciated strongly during the middle of last week.

At one stage, the currency had traded at R15,12/\$, but moved much stronger against the greenback to trade at R14,95 on Friday afternoon, only R0,05 weaker than the R14,90/\$ close of the previous Friday. Against the pound, the rand ended stronger last week at R19,39 against R19,43 a week ago. Against the euro, the rand also traded sideways last week, losing R0,09 to close on R16,20 on Friday.

[Source: <https://www.iol.co.za/business-report/>, 24 February 2020]

- 4.1.1 Explain the term *exchange rate*.  (2)
- 4.1.2 Who controls the exchange rate? (1)
- 4.1.3 Given that the exchange rate is R19,39 to a British pound sterling.
Calculate the new exchange rate if the rand depreciates by 0,85%.
Show all the calculations. (4)
- 4.1.4 What would the new exchange rate be if the rand further appreciated by 1% against the dollar? Show all the calculations. (4)
- 4.1.5 What would the new exchange rate be if the rand appreciated by 0,5% against the euro? Show all the calculations. (4)
- 4.2 Name the TWO main sources of finance. (2)
- 4.3 Give THREE major types of foreign exchange risks. (3)
- 4.4 List FOUR parties associated with import or export factoring. (4)
- 4.5 Name FOUR different participants in the economic cycle.  (4)
- 4.6 Briefly explain FOUR types of insurance that can be obtained to manage risk associated with international trade. (4 × 3) (12)

[40]

QUESTION 5

Read the following extract and answer the questions.



WINE INDUSTRY WARNS OF COLLAPSE IF HARVESTING, EXPORTING HALTED



South Africa's wine industry has warned of the collapse of the industry if the government does not allow it to continue harvesting and exporting during the 21-day national lockdown. Photo: Reuters

President Cyril Ramaphosa announced the 21-day lockdown on Monday as a measure to contain the spread of the coronavirus.

South Africa's wine industry has warned of the collapse of the industry if the government does not allow it to continue harvesting and exporting during the 21-day national lockdown.

According to the regulations, only food products, including non-alcoholic beverages, were listed as essential products and the trade and manufacturing of alcoholic products were scheduled to cease during the lockdown.

Yesterday, the industry held talks with various government departments to reverse the lockdown regulations that will result in the shutting down of cellars and a ban on wine exports. 'This is an extremely important aspect for current and future economic sustainability and socio-economic stability,' said Basson.

The wine industry employs about 290 000 people and exports on average between 420 million and 450 million ℓ of wine a year.

'The fact is that if we do not export, there will be a knock-on in the industry and some farmers may lose everything. The issue is that lockdown is 21 days, and it might be extended beyond,' said Calow.

Distell, Africa's leading producer of spirits and wines, has announced that it would begin producing hand sanitisers and other hygienic products to curb the spread of coronavirus in South Africa. Chief Executive Richard Rushton said that the company had committed 100 000 ℓ of alcohol, which would be used to produce sanitisers and a variety of other hygienic and sanitising products.


'We want communities to benefit from our presence and we are determined to rise to the challenge,' said Rushton.

[Source: <https://www.iol.co.za/business-report/economy>, 20 February 2020]




5.1 Explain what the 21-day national lockdown means to South African citizens. (2)

5.2 Explain FOUR economic benefits of the wine industry for South Africa. (8)



- 5.3 Give FOUR reasons why local economic development is important. (4)
- 5.4 Name the THREE socio-economic indicators that measures the level of economic development in a country.  (3)
- 5.5 Describe THREE ways in which local economic development initiatives can produce competitively priced goods and services. (3)
- 5.6 Give FOUR reasons for export promotion by local business such as wine industry. (4)
- 5.7 List FIVE documents required by the authorities in South Africa to export goods abroad. (5)
- 5.8 Name THREE factors that affect foreign exchange rates.  (3)
- 5.9 Discuss FOUR factors that can lead to widespread poverty. (8)
- [40]**

QUESTION 6

- 6.1 What is the role of the local government in South Africa. (2)
- 6.2 Explain the difference between *command economy* and *mixed economy*. (4 + 4) (8)
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- 6.3 The balance of payment has two very important accounts.
- 6.3.1 In which account of the balance of payment are portfolio investments from the rest of the world recorded? (1)
- 6.3.2 In which account of the balance of payment would trade transactions be recorded? (1)
- 6.4 Explain THREE ways in which economic growth is measured.  (6)
- 6.5 List SIX documents that an exporter should submit to the issuing bank for a letter of credit. (6)
- 6.6 Give FOUR ways in which a factoring house can reduce its business risks. (4 x 2) (8)
- 6.7 Briefly explain FOUR negative effects of globalisation in developing countries. (8)
-  (8)
- [40]**

TOTAL SECTION B: 160
GRAND TOTAL: 200