



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ECONOMICS N5

15 June 2023

This marking guideline consists of 10 pages.

SECTION A

Candidates had to answer all the questions in SECTION A.

QUESTION 1

- 1.1 D
- 1.2 B
- 1.3 B
- 1.4 B
- 1.5 C
- 1.6 C
- 1.7 D
- 1.8 A
- 1.9 B
- 1.10 D
- 1.11 D
- 1.12 B
- 1.13 A
- 1.14 D
- 1.15 D
- 1.16 D
- 1.17 B
- 1.18 D
- 1.19 B
- 1.20 C
- 1.21 C
- 1.22 D
- 1.23 C
- 1.24 A
- 1.25 A

(25 × 2) [50]

TOTAL SECTION A: 50

SECTION B

Mark only THREE questions answered in this section.

QUESTION 2

- 2.1
 - 2.1.1 Free market
 - 2.1.2 Free trade
 - 2.1.3 Real prices
 - 2.1.4 Oligopoly
 - 2.1.5 Welfare

(5 × 2) (10)

2.2	2.2.1	• GNP is the total value of final goods and services produced by the permanent residents of a country. • GDP is the total value of final goods and services produced within a country's borders for a specific period. (2 × 2)	(4)
	2.2.2	A – Factor cost C – Taxes (2 × 2)	(4)
	2.2.3	$R1\,978\text{ bn} \checkmark + R82\text{ bn} - R9\text{ bn} \checkmark = R2\,051\text{ bn} \checkmark \checkmark$	(4)
	2.2.4	Compensation of employees	(3)
2.3	2.3.1	Proportional tax	(2)
	2.3.2	• Regressive – Higher-income groups are taxed at a lower rate than lower-income groups. • Progressive – Higher-income groups are taxed at a higher rate than lower-income groups. • Average tax rate is the ratio between the amount of tax earned and the taxable income. (3 × 2)	(6)
	2.3.3	$\text{Income after tax} = R500\,000 - (R500\,000 \times 30\%) \checkmark$ $= R500\,000 - R150\,000 \checkmark$ $= R350\,000 \checkmark \checkmark$	(4)
2.4	2.4.1	(a) Unemployment refers to a condition in which qualified people are looking for a job but cannot find one. (b) Poverty refers to a condition of not having enough money to live a comfortable life (people's basic needs are not being met). (c) Full employment is an economic situation in which all available labour resources are being used in the most efficient way possible. Full employment embodies the highest amount of skilled and unskilled labour that can be employed within an economy at any given time. (3 × 2)	(6)
	2.4.2	Seasonal unemployment – Unemployment relates to the seasons of the year. Certain economic activities require more labour during a specific season of the year and less during the rest of the year. Structural unemployment – Structural changes occur within the economy, e.g. changing production techniques. (2 × 3)	(6)
	2.4.3	30%	(1)

[50]

QUESTION 3

- 3.1
- 3.1.1 Balance of payments
 - 3.1.2 Balance of trade
 - 3.1.3 Capital goods
 - 3.1.4 Barriers to entry
 - 3.1.5 Budget deficit
 - 3.1.6 Reserve bank
 - 3.1.7 Consumer confidence
 - 3.1.8 Depression
 - 3.1.9 Economic system
 - 3.1.10 Entrepreneur
- (10 × 2) (20)
- 3.2
- 3.2.1 International Monetary Fund (2)
- 3.2.2
- The IMF's fundamental mission is to help ensure stability in the international system.
 - It does so in three ways: keeping track of the global economy and the economies of member countries,
 - lending to countries with balance of payments difficulties and giving practical help to members.
- (3)

3.2.3

DIRECT TAXES	INDIRECT TAXES
It is levied on income and activities conducted. ✓	It is levied on products or services. ✓
The burden of tax cannot be shifted in the case of direct tax. ✓	The burden of tax is shifted to indirect taxes. ✓
It is paid directly by the person concerned. ✓	It is paid by one person but he/she recovers the same from another person, i.e. the person who bears the tax, the ultimate consumer. ✓
It is paid after the income reaches the hands of the taxpayer. ✓	It is paid before goods/services reach the taxpayer. ✓
Tax collection is difficult. ✓	Tax collection is relatively easy. ✓
Examples: Income tax, wealth tax, etc. ✓	Examples: VAT, excise duty, customs duty, sales tax, service tax ✓
Taxes can be either direct or indirect.	
The taxpayer pays the direct tax directly to the government. These taxes cannot be shifted to any other person or group. ✓	Indirect tax can be passed on or shifted to another person or group by the person or business that owes it. ✓

(Students can define each and must also provide distinguishing aspects of each. (Any relevant answer) (Any 6 × 2) (12)

	3.2.4	Increased taxation would reduce disposable income, causing people to spend less.		(2)
	3.2.5	15%		(1)
3.3	3.3.1	Merchandise exports 528 877,00✓ Net gold exports 469 042,00✓ 997 919,00 (Merchandise imports) 1 120 829,00✓ Trade balance -1 22 910,00✓✓ (2 marks for an answer only)		(5)
	3.3.2	- Exports refer to selling goods and services that are produced in the home country, to other markets. - Imports are derived from the conceptual meaning of bringing goods and services into the port of a country. - An import in the receiving country is an export to the sending country.	(2 × 2)	(4)
	3.3.3	Platinum		(1)
				[50]

QUESTION 4

4.1	4.1.1	- A transactional motive is holding money for daily transactions,✓✓ - i.e. money to buy bread.✓✓		
	4.1.2	- A precautionary motive is holding money because of unforeseen circumstances,✓✓ - i.e. if someone gets sick.✓✓	(2 × 4)	(8)
4.2	4.2.1	GDP at basic prices R millions Compensation of employees ✓120 000,00 + Net operating surplus ✓-12 000,00 + Compensation on fixed capital ✓8 000,00 = GDP at factor cost 116 000,00 + Other taxes on production ✓15 060,00 -Other subsidies on production ✓(39 364,00) = GDP at basic prices ✓ <u>R91 696,00</u>		

4.2.2 GNP at market prices

	R millions	
GDP at basic prices	✓91 696,00	
+ Taxes on products	✓20 200,00	
- Subsidies on products	✓(35 000),00	
= Real GDP at market prices	76 896,00	
+ Primary income from the rest of the world	✓19 500,00	
- Primary income to the rest of the world	✓(21 800),00	
= GNP at market prices	✓ <u>R74 869,00</u>	
	(2 × 6)	(12)

- 4.3 4.3.1
- The monetary policy aims to influence money flow to bring price stability. ✓
 - Monetary authorities, i.e. the Reserve Bank, can apply certain measures to curb inflation. ✓
 - Fine balance must be maintained between goods and services and the monetary sector (money supply). ✓
 - High interest rates encourage savings. ✓
 - Monetary authorities restrict credit granting by banks to reduce excessive credit. ✓

- 4.3.2
- This policy aims to influence the flow of goods. ✓
 - If there is excess demand in the economy which stimulates inflation, fiscal policy authorities lessen the demand by increasing direct tax. ✓✓
 - Indirect tax (VAT) can be increased. ✓✓

(Any relevant answer) (2 × 5) (10)

- 4.4 4.4.1
- A trade union is an organised group of workers in a particular enterprise, industry, trade or profession seeking to establish a relationship with management via the process of collective bargaining. (3)

- 4.4.2 Congress of South African Trade Unions (1)

- 4.4.3
- It can create unemployment. If labour markets are competitive, and trade unions are successful in pushing for higher wages, it can cause disequilibrium unemployment.
 - They ignore non-members.
 - Lost productivity
 - Wage inflation
- (Any 3 × 2) (6)

- 4.4.4 (a) Piece-wage system
Under this system, the rates of wages are determined according to the quantity and quality of work and the workers are paid according to these rates.
- (b) Time-wage system
In this system of wage payment, the workers are paid the wages based on time per hour, per day, per week, per fortnight or per month, etc. This system does not consider the production of the employees during this time.
- (2 × 2) (4)
- 4.5
- The term quasi-money refers to assets which can be easily converted to cash because they are in high demand and are issued by entities with excellent creditworthiness.
 - Examples of quasi-money include gold certificates, bonds issued by creditworthy governments and certificates of deposit issued by creditworthy banks.
 - Book money, such as account balances at commercial banks, may also be considered quasi-money because it is assumed that the bank will repay the debt in base money upon request. Other forms of quasi-money include liquid cash equivalents such as traveller's checks, gift cards and vouchers which have fixed redemption values.
- (3 × 2) (6)
- [50]**

QUESTION 5

- 5.1 5.1.1 4,6% (1)
- 5.1.2 (a) • If the inflation rate is higher than the effective interest earned on an investment, it means a loss for the investor.
• This also means the savings disappear completely. (2 × 2) (4)
- (b) • Debtors are also advantaged over creditors because they pay their debts with money that has depreciated.
• The buying power of money has decreased to such an extent that far fewer goods can be bought with the same amount of money. (2 × 2) (4)

5.1.3 Cost-push inflation is rare. It only occurs under five special circumstances. In all of these circumstances, demand is inelastic.

1. Monopoly✓

Companies that achieve a monopoly over an industry can create cost-push inflation. A monopoly reduces supply to meet its profit goal.✓

A good example is the Organisation of Petroleum Exporting Countries. It sought monopoly power over oil prices. Before OPEC, its members competed with each other on prices. They did not receive a reasonable value for a non-renewable natural resource. OPEC members now produce 42% of oil each year. They control 80% of the world's proven oil reserves.

OPEC members created cost-push inflation during the 1970s oil embargo.

When OPEC restricted oil in 1973, it quadrupled prices. In 2014, shale oil producers challenged OPEC's monopoly power. Prices dropped as a result. They created a U.S. shale oil boom and bust.

2. Wage inflation✓

Wage inflation occurs when workers have enough leverage to force through wage increases. Companies then pass higher costs through to consumers. The U.S. auto industry experienced it when labour unions were able to push for higher wages. Thanks to China and the decline of union power in the United States, it hasn't been a driver of inflation for many years. This is sometimes called wage-push inflation.✓

3. Natural disasters✓

Natural disasters cause inflation by disrupting supply. COVID-19 disrupted the supply of food and goods. It also occurred after Hurricane Katrina. When the storm destroyed oil refineries, gas prices soared.✓

The depletion of natural resources is a type of natural disaster. It works the same way, by limiting supply and causing inflation. For example, fish prices are rising due to overfishing. Recent U.S. laws try to prevent it by limiting the catch for fishermen.

4. Government regulation and taxation✓

A fourth driver is government regulation and taxation. These rules can reduce supplies of many other products. Taxes on cigarettes and alcohol were meant to lower the demand for these unhealthy products. That may have happened, but more importantly, it raised the price and created inflation.✓

Government subsidies for ethanol production led to soaring food prices in 2008. Agribusinesses grew corn for energy production, taking it out of the food supply. Food prices were so high that there were food riots around the world that year.

5. Exchange rates✓

The fifth reason is a shift in exchange rates. Any country that allows the value of its currency to fall, will experience higher import prices. The foreign supplier does not want the value of its product to drop along with that of the currency. If demand is inelastic, it can raise the price and keep its profit margin intact.✓

(Any relevant answer) (5 × 2) (10)

- 5.2 5.2.1 (a) 'Rand crashes most' means the Rand weakened significantly against other currencies. It lost value. (1)
- (b) 'SA's currency traditionally among the most volatile' means that the Rand is prone to major fluctuations and sensitive to speculation that affects its value. (2)
- 5.2.2 (a) Devaluation occurs when a country makes a conscious decision to lower its exchange rate to a fixed or semifixed exchange rate.
- (b) Depreciation is when there is a fall in the value of a currency in a floating exchange rate. (2 × 2) (4)
- 5.2.3 • The value of the Rand is controlled by COVID-19.✓✓
• The pandemic caused the death of the Rand.✓✓
(Any relevant TWO messages) (2 × 2) (4)

- 5.3 The fiscal policy seeks to:
- ensure a sound and sustainable balance between the government's spending, tax and borrowing requirements.
 - improve domestic savings to support a higher level of investment and reduce the need to borrow abroad.
 - keep the government's consumption spending at an affordable level, contributing to lower inflation and a sustainable balance of payments.
 - support an export-friendly trade and industrial strategy to improve South Africa's competitiveness.
 - ensure that pay increases within the public sector, is market and productivity-related, and is fiscally sustainable.
- (Any relevant answer) (5 × 2) (10)

- 5.4 Nationalisation advocates that the government runs an industry. Privatisation advocates the ownership of an industry by other means than the government.

Advantages of nationalisation

When an industry is run by the government and, as such, has the security of guaranteed government funding, this industry can be best utilised for the needs of the people as identified by the government.✓ Social policies can then become a focus of the industry, i.e. environmental, health, welfare policies, etc.✓

The profits also don't often get 'wasted' in the same way that they would in a privatised industry because the profits are - if done correctly, allocated on a needs basis and ensure that individuals don't necessarily become rich at the expense of potential social development.✓ As a result, this can often lead to lowers costs, which generates higher levels of consumption and improved job security and work potential.✓✓

Advantages of privatisation

Private property is the right of the individual as is the right to own private business ventures.✓ Privatisation creates an environment where there is an incentive to work hard because the natural reward is capital. Individuals and companies alike have an increased incentive for the development of new and more efficient ideas.✓ As a result, the consumer will get the best possible product, sometimes at a slightly higher cost, and can be sure in the knowledge that they are being valued by the industry.✓

Freedom away from centralised and heavily regulated environments leads to a freedom to innovate more readily. With a workforce, business leaders can then steer the industry in a way that demands the highest amount of input possible simply because the rewards are so lucrative.✓ Privatisation does not also guarantee higher costs to the consumer because the most efficient route can be sought rather than a focus on the direct social effects of the industry. Private industry is also away from political interference and the possibility that an industry will be used as a political football in the bid for political appeal.✓

(Any relevant answer) (5 × 2)

(10)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200