



education

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SUBJECT GUIDELINES

ECONOMIC ENVIRONMENT

NQF Level 4

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ECONOMIC ENVIRONMENT – LEVEL 4

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INTRODUCTION

A. What is Economic Environment?

Economic Environment introduces students to the world of macro and micro-economics. Students are made aware of the workings of the South African economic system and the basics of international trade. By defining important concepts such as scarcity, choice, supply and demand, students develop an understanding of the world as set of interrelated systems.

Economic Environment develops students' skills of analysing, organising and critically evaluating information when they must assess the dynamics at play in the South African economy and business environment. In this subject, the role of government in the South African economy is identified and explained, which will encourage students to be active citizens of our country and to contribute to the prosperity of the country.

B. Why is Economic Environment important in the Finance, Economics and Accounting programme?

Regardless the degree of involvement (as an employee, owner, etc.) a sound knowledge of economics and economic principles serves as a usable foundation for all role-players involved in any organisation. Economic Environment prepares students for the world of work in general and for the execution of specific functions within a small business. The subject also encourages an understanding of broad economic principles as these apply to businesses in South Africa

C. The link between the Economic Environment Learning Outcomes and the Critical and Developmental Outcomes

In Economic Environment, students develop the skill to identify causes and provide possible solutions to problems by recognising events in the environment that could affect a business sector or industry. Students acquire the ability to interpret economic information meaningfully so that they can understand and adapt to the social environment in their future lives.

Students learn to communicate effectively by presenting information from the news of events in the physical, economic and social environments that could affect a business sector or industry. They will eventually demonstrate an understanding of the world as a set of interrelated systems by recognising the impact that the different environments can have on a business sector or industry. Students can also explore educational and career opportunities in researching the business sector or industry and current events.

D. Factors that contribute to achieving the Economic Environment Learning Outcomes

A student interested in the field of commerce or the business world will benefit from doing Economic Environment. Furthermore, this subject can give a student insight into the economic environment in which an enterprise functions in order to make economically sound decisions.

Students who have developed specific characteristics such as creative thinking and analytical reasoning will enjoy Economic Environment. Students who have experience of being an entrepreneur can learn about the economic principles required to run an enterprise by considering current legislation.

1 DURATION AND TUITION TIME

This is a one year instructional programme comprising 200 teaching and learning hours. The subject may be offered on a part-time basis provided the candidate meets all the assessment requirements.

Course preparation should consider students with special education needs.

2 SUBJECT LEVEL FOCUS

Explain the effects of local and international influences on a small business.

3 ASSESSMENT REQUIREMENTS

3.1 Internal assessment (50 percent)

3.1.1 Theoretical Component

The theoretical component will form 60 percent part of internal assessment.

Internal assessment of the theoretical component of Economic Environment NQF Level 4 will take the form of observation, class questions, group work (informal group competitions with rewards), group and individual discussions with students, class tests, topic tests, semester tests, internal examinations. Daily observation can be done of previous day's lesson by making use of class questions, group or individual discussions and class tests

Assignments, case studies and tests can be done at the end of a topic. Tests and internal examinations must form part of internal assessment.

3.1.2 Practical Component

Practical components include applications. All practical components must be indicated in a Portfolio of Evidence (PoE).

The practical component will form 40 percent of internal assessment.

Internal assessment of the practical component of Economic Environment NQF Level 4 will take the form of assignments, practical exercises, case studies, practical examination in a simulated business environment.

Students can complete practical exercises on a daily basis and be assessed on a daily basis. Assignments, research and case studies can be done at the end of a topic. A practical examination can form part of the internal practical assessment.

- **Some examples of practical assessments include, but are not limited to:**

- A. Presentations (lectures, demonstrations, group discussions and activities, practical work, observation, role play, independent activity, synthesis and evaluation)
- B. Exhibitions by students
- C. Visits undertaken by students based on a structured assignment task
- D. Research
- E. Task performance in a simulated/structured environment

- **Definition of the term "Structured Environment"**

"Structured Environment" for the purposes of assessment refers to an actual or simulated workplace, or workshop environment. A practicum room would be advisable on each campus for students to do practical assessments.

- **Evidence in practical assessments**

All evidence pertaining to evaluation of practical work must be reflected in the student's PoE. The assessment instruments used for the purpose of conducting such assessments must be part of the evidence contained in the PoE.

3.1.3 Processing of internal assessment mark for the year

A year mark out of 100 is calculated by adding the marks of the theoretical component and the practical component of the internal continuous assessment.

3.1.4 Moderation of internal assessment mark

Internal assessment is subjected to both internal and external moderation procedures as contained in the *National Examinations Policy for Further Education and Training College Programmes*.

3.2 External assessment (50 percent)

A national examination is conducted annually in October or November each year by means of a paper set, marked and moderated externally.

Details in respect of external assessment are contained in the *Assessment Guidelines: Economic Environment Level 4*.

4 WEIGHTED VALUES OF THE TOPICS

TOPICS	WEIGHTED VALUE
1. Macro economic principles as they apply to the South African business environment	35%
2. Basic economic concepts central to local economic development in South Africa	15%
3. The environment of local economic development in South Africa.	15%
4. Requirements of import and export factoring for discounting	35%
TOTAL	100

5 CALCULATION OF FINAL MARK

Internal assessment: Student's mark/100 x 50 = a mark out of 50 (a)

Examination mark: Student's mark/100 x 50/1 = a mark out of 50 (b)

Final mark: (a) + (b) = a mark out of 100

All marks are systematically processed and accurately recorded to be available as hard copy evidence for, amongst others, purposes of moderation and verification, as well as purposes of reporting.

6 PASS REQUIREMENTS

The student must obtain at least fifty (50) percent in ICASS and fifty percent (50) in the examination.

7 SUBJECT AND LEARNING OUTCOMES

On completion of Economic Environment Level 4 the student should have covered the following topics:

7.1 Topic 1: Macro economic principles as they apply to the South African business environment

7.2 Topic 2: Basic economic concepts central to local economic development. In South Africa

7.3 Topic 3: The environment of local economic development in South Africa

7.4 Topic 4: Requirements of import and export factoring for discounting

7.1 Topic 1: Macro economic principles as they apply to the South African business environment

7.1.1 Subject Outcome 1: Explain basic economic principles.

Learning Outcomes

The student should be able to:

- Explain the concepts of scarcity, choice, efficiency, use of marginal analysis and opportunity cost.
- Distinguish the concept of macro economics from that of micro economics.
- Identify the common errors in economic thinking and sources of disagreement amongst economists.
Range: Bias, fallacy of composition, cause and effect between economic variables, levels and rate of change, value judgements, interpretation of facts and data, opinion, the impact of time perspectives and ceteris paribus.
- Explain the concepts of supply and demand and the elasticity of supply and demand with the use of a graphical illustration.
- Identify the impact of different economic systems.
Range: Market economy, command economy and mixed economy.
- Explain the role of the economy in producing goods and services.
Range: Capital, entrepreneurship, labour and natural resources.

7.1.2 Subject Outcome 2: Measure the macro economy.

Learning Outcomes

The student should be able to:

- Describe the circular flow of the market economy.
- Explain and measure the concepts of Unemployment, Consumer Price Index, Producer Price Index and Inflation.
- Explain and measure the main constituents of Gross Domestic Product (consumer spending, government investment spending, exports, imports and savings).
- Explain the concepts of Gross Domestic Product (GDP), Gross National Product, Gross Domestic Expenditure, Gross Domestic Income, the Balance of Payments and Exchange Rates.
- Explain the performance of the South African economy in the last 20 years in terms of the above factors.
- Calculate the Gross Domestic Product and the Gross National Product.

7.1.3 Subject Outcome 3: Demonstrate an understanding of trends in the world economy.

Range: Economic growth, full employment, price stability, balance of payments stability and equitable distribution of income.

Learning Outcomes

The student should be able to:

- Understand the importance of major macro economic objectives.
- Describe the nature and consequences of globalisation on the world economy.
- Describe the recent performance of the South African economy within the context of the performance of the world economy.

7.1.4 Subject Outcome 4: Describe the role of money in economy and monetary policy.

Learning Outcomes

The student should be able to:

- Describe the functions of money.
Range: Medium of exchange, store of value, unit of account.
- Describe the measures of money.
- Describe and explain the objectives, instruments and mechanics of monetary policy.

7.1.5 Subject Outcome 5: Describe the workings of fiscal policy.

Learning Outcomes

The student should be able to:

- Understand and define fiscal policy.
- Describe the difference between monetary and fiscal policy as well as their interdependence.

- Explain how fiscal policy is working in conjunction to meet the macro economic objectives.
- Explain the role the budget in the fiscal policy.

7.2 Topic 2: Basic economic concepts central to local economic development

7.2.1 Subject Outcome 1: Explain the interaction of supply and demand in the South African political economy.

Learning Outcomes

The student should be able to:

- Explain the concept of consumer demand with reference to the South African economy and population.
- Explain the concept of supply with reference to a range of parties, both government and non-government, in the South African economy.
- Explain the concept of a market in terms of the place where supply and demand meet.

7.2.2 Subject Outcome 2: Identify the role of government in the South African economy.

Learning Outcomes

The student should be able to:

- Explain the role of government in raising and spending taxes with reference to the South African economy.
- Explain the role of government in setting fiscal and monetary policy with reference to the South African economy.
- Compare/contrast the South African situation with that of other political economies.

7.2.3 Subject Outcome 3: Identify and explain the nature of developments economics with specific reference to South Africa.

Learning Outcomes

The student should be able to:

- Define development economics as a separate field within the economics discipline.
- Compare the development economics with traditional economics and political economics.
- Discuss a range of issues in development economics with reference to the local economic development environment in South Africa.

7.2.4 Subject Outcome 4: Illustrate the key economic concepts central to local economic development in the form of a presentation with examples from own work context.

Learning Outcomes

The student should be able to:

- Identify a range of key economic concepts in the local economic development environment.
- Discuss the key components (identified above) within own work context.
- Prepare and deliver a presentation of the key components in a format that is appropriate to a specified target audience.

7.3 Topic 3: The environment of local economic development in South Africa

7.3.1 Subject Outcome 1: Define and explain the purpose of local economic development in South Africa.

Learning Outcomes

The student should be able to:

- Define the nature of the growth and development sought in local terms.
- List the resources available with reference to a specific location.
- Discuss the beneficiaries and the benefits anticipated in the current socio-political and economic context.

7.3.2 Subject Outcome 2: Identify and describe legislation that impacts on local economic development.

Learning Outcomes

The student should be able to:

- List the legislation applicable to local economic development.
- Summarise the key principles of local economic development in the form of a presentation.

- Discuss the application of legislation in terms of local economic development in South Africa.
- Discuss the effects of legislation on local economic development practice in own work context.

7.3.3 Subject Outcome 3: Explain the current challenges for local economic development.

Learning Outcomes

The student should be able to:

- Identify and discuss the changing needs on the local economic development context.
- Identify and discuss the challenges in terms of how they impact on local economic development functions.
- Discuss methods for addressing challenges in own work context.

7.3.4 Subject Outcome 4: Explain the role of municipalities in local economic development.

Learning Outcomes

The student should be able to:

- Identify legislation which defines the responsibilities of municipalities in local economic development.
- List and explain municipal functions in terms of their possible contributions to local economic development.
- Identify and discuss municipal processes in terms of their necessary interactions with local economic development functions.

7.4 Topic 4: Requirements of import and export factoring for discounting

7.4.1 Subject Outcome 1: Demonstrate knowledge and understanding of international trade.

Learning Outcomes

The student should be able to:

- Understand and explain the nature and structure of international trade transactions for importing and exporting goods according to generally accepted business practice.
- Explain the internationally accepted procedures for conducting import transactions according to accepted international business protocol.
- Explain the internationally accepted procedures for conducting export transactions according to accepted international business protocol.
- Specify the general risks associated with international trade transactions according to generally accepted business practice and in line with the financier's policy and procedure.
- Specify the specific risks associated with fluctuations in foreign exchange according to generally accepted business practice and in line with the financier's policy and procedure.
- Identify the nature and type of insurance that can be obtained to manage the risk associated with international finance according to generally accepted business practice and specify the general risks associated with international trade transactions according to generally accepted business practice in line with the financier's policy and procedure.
- Understand and explain the meaning of different shipping terms according to accepted international business protocol.

7.4.2 Subject Outcome 2: Demonstrate a knowledge and understanding of basic international finance.

Learning Outcomes

The student should be able to:

- List and explain the different types of financial instruments associated with international trade according to generally accepted international business.
- Understand and explain the concepts of banks and country risk according to international banking and factoring practice.
- Explain the concept of exchange rate risk in international trade finance with examples.
- Interpret and explain five reported exchange rates – include their meaning according to the value of the currencies in relation to each other.
- Convert five currencies to rand according to the daily reported exchange rate.
- Convert rand into five currencies according to the daily reported exchange rate.
- Specify the standard financial products and services for minimising exchange rate risk according to accepted business and banking practice.

Range: Financial instruments include bills of exchange, promissory notes, drafts, telegraphic transfers, international loans, guarantees, letters of credit. Evidence of competence across the entire range is required.

7.4.3 Subject Outcome 3: Compare import/export factoring with letter of credit.

Learning Outcomes

The student should be able to:

- Compare the process and procedures for establishing a letter of credit to those associated with import/export factoring according to accepted international banking and factoring practice.
- Compare the parties in establishing a letter of credit to those associated with import/export factoring according to accepted international banking and factoring practice.
- Compare the rights and responsibilities of the parties to a letter of credit to those associated with import/export factoring according to international banking and factoring practice.
- Compare the basic costs of the two modes of finance according to local banking and factoring practice.
- Compare the basic risks to the client of the two modes of finance according to accepted international business practice.
- Compare the basic risks to the agent/financier of providing the two modes of finance according to accepted banking and factoring practice.
- Compare the financier's/agent's recourse in the event of default on the agreed payment and terms according to accepted banking and factoring practice.
- Specify the conditions that would indicate which form of finance would be more appropriate according to accepted banking and factoring practice.

7.4.4 Subject Outcome 4: Demonstrate knowledge and understanding of the process of initiating import/export factoring.

Learning Outcomes

The student should be able to:

- Explain the process and procedure regarding how an import/export factoring transaction would take place according to accepted international practice and the financier's factoring policy and procedure.
- Explain the nature of relationships and rules of co-operation between local and international factoring houses according to accepted international practice and the financier's factoring policy and procedure.
- Specify the general legal and statutory requirements for an importer according to the current local legislation.
- Specify the general legal and statutory requirements for an exporter according to the current local legislation.
- Explain the process, procedure and requirements to collect money due from a local buyer for an invoice factored by a foreign exporter according to the company's factoring policy and procedure.
- Explain the process, procedure and requirements for a local exporter wishing to factor invoices for goods sold to a foreign buyer according to the company's factoring policy and procedure.

7.4.5 Subject Outcome 5: Describe risk management principles associated with import/export factoring.

Learning Outcomes

The student should be able to:

- List the risk management principles associated with import/export factoring from the client's perspective according to the financier's factoring policy and practice.
- List the risk management principles associated with import/export factoring from the financier's perspective according to the company's factoring policy and practice.
- List and explain the approaches to management of the key risks associated with export factoring in line with the financier's factoring policy and practice.
- List and explain the approaches to management of the key risks associated with import factoring in line with the financier's factoring policy and practice.
- List and explain the details of specific risk management practices according to the financier's factoring policy and procedure.
- Explain the implications of the risk management practices for the administration of import factoring in line with factoring policy and practice.
- Explain the implications of the risk management practices for the administration of export factoring in line with factoring policy and practice.

8 RESOURCE NEEDS FOR THE TEACHING OF ECONOMIC ENVIRONMENT - LEVEL 4

8.1 Physical resources

The following teaching aids should be made available, if possible:

- **Practicum room:**
 - A simulated office environment, provided with the basic office furniture and equipment
 - Necessary electronic equipment, e.g. adding machine, cash register, calculators, filing cabinet, computer, printer
 - The latest development in electronic equipment must be available.
 - The computer must be provided with internet connection to enable the facilitator to demonstrate website browsing for research purposes.

- **Media centre:**
 - Availability of computers and printers for students to complete assignments/case studies and do research
 - Access to internet for students
 - Research software, e.g. Encarta, etc.
 - Subject related magazines (e.g. Finance and Technique, etc.), daily newspapers and subject related reference books for research by students
 - Subject related DVDs/videos
 - List of stakeholders prepared to be involved in the learning process through presentations or acting as guest speakers or providing the opportunity for students to gain practical experience
 - Applicable legislation/Acts for use by lecturers during lessons and students for research purposes
 - Stock room to store video/DVD machines, televisions, etc.
 - Security for stock room, media centre and practicum room.

- **Class room:**
 - Computer and data projector or latest technology to electronically project data for students, must be available for facilitator
 - Flash disk for facilitator to store information
 - Presentation program on computer to be used by facilitator to provide students with visual information on Learning Outcomes.
 - White board, black board and pull down screen
 - Desks big enough for students to work on using many resources e.g. newspapers, documents, etc.

8.2 Human resources

- **Lecturer/facilitator:**
 - Applicable subject related qualification on NQF Level 5
 - It will be to the advantage if facilitators/lecturers have been declared competent as assessors and/or moderators
 - Trained in Outcomes Based Education (OBE)

- Full time media centre manager (with knowledge of computers, website browsing, research and reference books)

8.3 Other resources

- Text books
- Answer books, with exercises which students must complete for practical assignments
- Calculator for each student
- Lever arch file for each student to serve as portfolio of evidence
- Lever arch file for practical Assessment Portfolio.
- Subscription fees for internet, subject related magazines, newspapers