



# inseta

INSURANCE SECTOR EDUCATION  
AND TRAINING AUTHORITY

<b>Learner Name</b>	
<b>ID Number</b>	
<b>Organisation</b>	

## FORMATIVE ASSESSMENT: LEARNER WORK FILE VERSION 1

Unit Standard Title: **Apply basic economic principles to the financial services sector**

Unit Standard No: **230071**

Unit Standard Credits: **5**

NQF Level: **5**

### Mark information:

Specific Outcome/Section	1	2	3	4	5	Total	%	C / NYC
Maximum marks	22	15	11	12		60	100	

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## Formative Activities

### Section 1: 22 marks

#### Activity 1

Explain the Economic Cycle in terms of Recession, Depression, Recovery and Boom. Make a schematic drawing of this cycle after you have briefly explained what each of the aforementioned terms means. (10)

A large empty rectangular box with a thin black border, intended for the student to draw a schematic of the economic cycle. The box is mostly empty, with some faint, large, stylized background graphics in yellow and purple visible on the right side of the page.

**Activity 2**

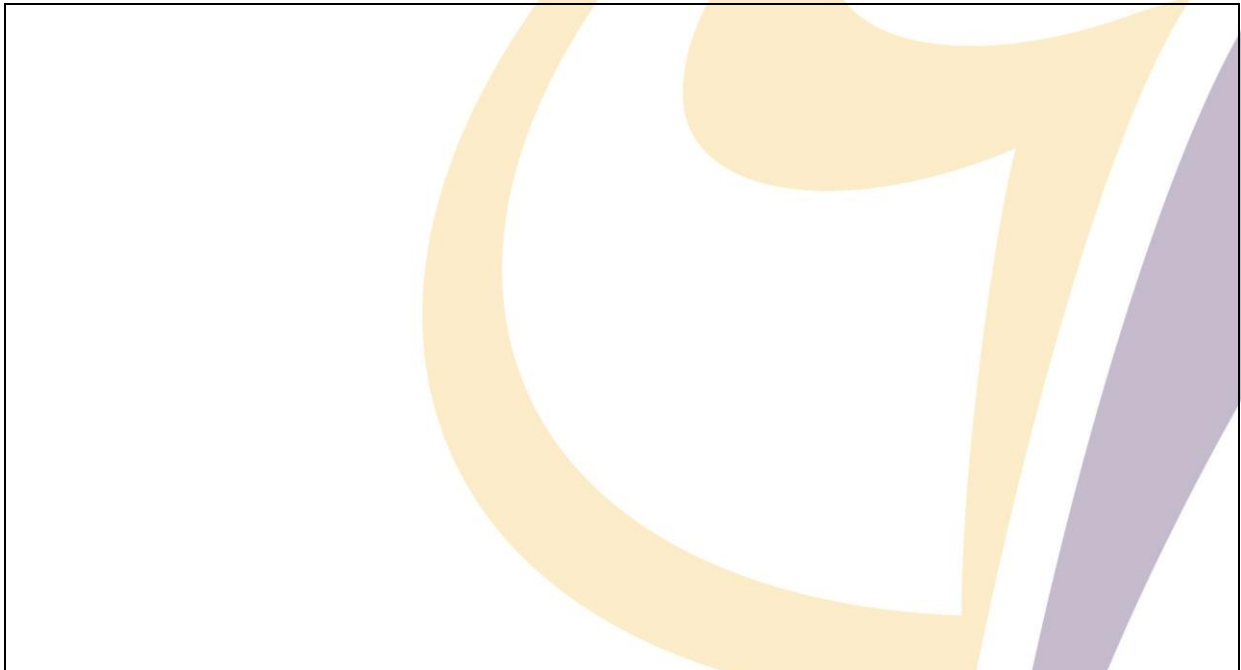
Explain in your own words what you understand from the terms 'supply', 'demand' and 'equilibrium'. Make use of examples to illustrate your understanding.

(2 x 3 = 6)

**Activity 3**

What is the difference between nominal interest and effective/real interest? Briefly mention how each of these influence the GDP.

(6)



**Section 2: 15 marks**

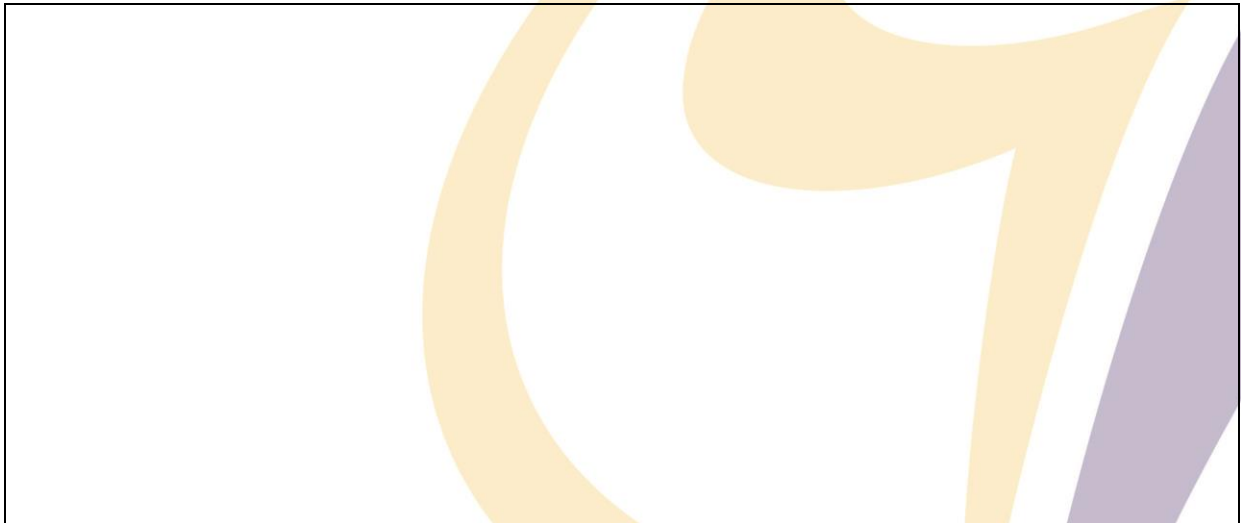
**Activity 4**

Explain the terms: Headline Inflation, Core Inflation, CPIX and Deflation. (4)



**Activity 5**

Discuss the GDP concept in terms of consumer expenditure, investment and export minus trade balance (C+I+G+(X-M)). (3)



**Activity 6**

Discuss interest rates to demonstrate the difference between prime, money markets, repo and borrowing rates. (4)

**Activity 7**

Discuss the interrelationship between the following economic indicators: interest rates, money supply, commodities and currency. (4)

**Section 3: 11 marks**

**Activity 8**

What is the monetary policy with reference to interest rates and inflation? (2)

**Activity 9**

Briefly explain the fiscal policy in terms of the GDP, spending and tax. (2)

**Activity 10**

Do your own research and report on what you have researched in terms of the government's current stance on fiscal and monetary policy. Also indicate what the implications of current investment policies are. (5)

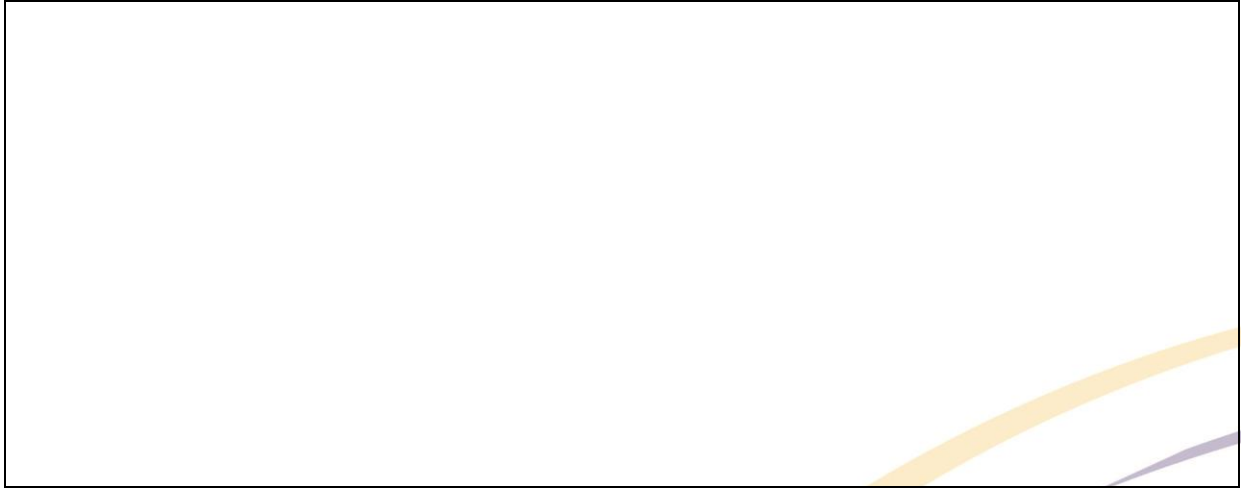
**Activity 11**

List at least one current government initiative that has a potential impact on the economy in South Africa. (2)

**Section 4: 12 marks**

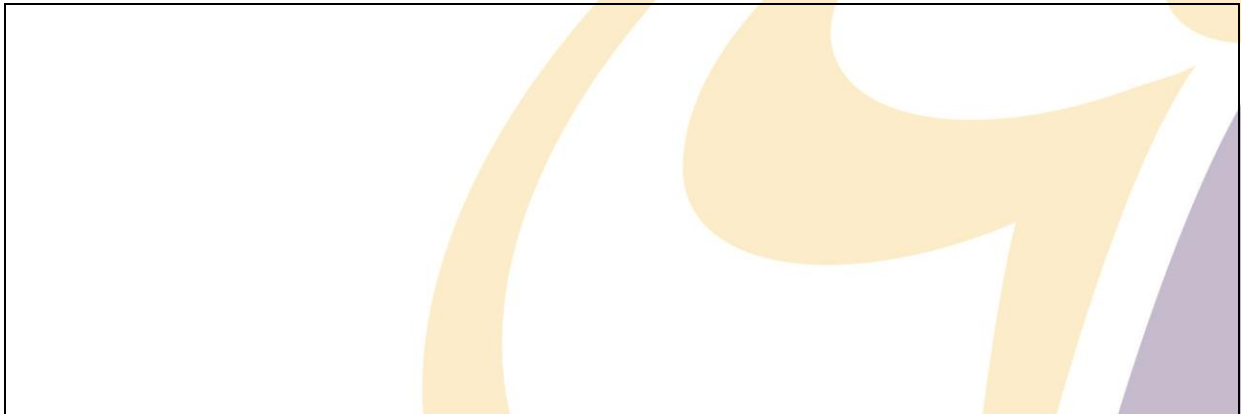
**Activity 12**

What, in your opinion, would the market response be to economic performance that is higher than anticipated in terms of cash, bonds, stocks and properties? (4)



**Activity 13**

List at least 4 economic indicators that affect asset classes and global geographic selection and that you would take into account before making an investment. (4)



**Activity 14**

Do research on one of the financial institutions' websites. Retrieve the current economic forecast. Write notes on the advice that you would give an investor in terms of the best return that he might get. (4)



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**SOUTH AFRICAN QUALIFICATIONS AUTHORITY  
REGISTERED UNIT STANDARD:**

**Apply basic economic principles to the financial services sector**

<b>SAQA US ID</b>	<b>UNIT STANDARD TITLE</b>			
230071	Apply basic economic principles to the financial services sector			
<b>ORIGINATOR</b>		<b>ORIGINATING PROVIDER</b>		
SGB Insurance and Investment				
<b>QUALITY ASSURING BODY</b>				
-				
<b>FIELD</b>			<b>SUBFIELD</b>	
Field 03 - Business, Commerce and Management Studies			Finance, Economics and Accounting	
<b>ABET</b>	<b>UNIT</b>	<b>OLD NQF</b>	<b>NEW NQF</b>	<b>CREDITS</b>



<b>BAND</b>	<b>STANDARD TYPE</b>	<b>LEVEL</b>	<b>LEVEL</b>	
Undefined	Regular	Level 5	New Level Assignment Pend.	5
<b>REGISTRATION STATUS</b>		<b>REGISTRATION START DATE</b>	<b>REGISTRATION END DATE</b>	<b>SAQA DECISION NUMBER</b>
Reregistered		2009-11-03	2012-06-30	SAQA 0160/05
<b>LAST DATE FOR ENROLMENT</b>		<b>LAST DATE FOR ACHIEVEMENT</b>		
2013-06-30		2016-06-30		

In all of the tables in this document, both the old and the new NQF Levels are shown. In the text (purpose statements, qualification rules, etc), any reference to NQF Levels are to the old levels unless specifically stated otherwise.

This unit standard replaces:

<b>US ID</b>	<b>Unit Standard Title</b>	<b>Old NQF Level</b>	<b>New NQF Level</b>	<b>Credits</b>	<b>Replacement Status</b>
14517	Apply basic economic principles to the financial services sector	Level 5	New Level Assignment Pend.	5	Complete

### **PURPOSE OF THE UNIT STANDARD**

This Unit Standard requires learners to apply basic economic principles to the financial services sector. It is intended to promote an in depth knowledge and understanding of the financial services industry in order to ensure knowledgeable and informed workers in the sector. It will be useful for Intermediaries, Product Developers, Trustees, Underwriters, and Managers in Financial Services Organisations as well as other sectors.

The qualifying learner is capable of:

- Explaining the basic principles of economics.
- Explaining the use of economic indicators.
- Explaining the importance of government policies in the investment environment.
- Applying the fundamentals of economics to the financial services environment.

### **LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING**

It is assumed that learners are competent in Communication, Mathematical and

Financial Literacy at NQF Level 4.

### **UNIT STANDARD RANGE**

The typical scope of this Unit Standard is:

- Basic economic principles and the use of economic indicators in relation to the financial services environment in general and investment in particular. Government initiatives include, but are not limited to, Integrated Development Planning for urban areas and Government Housing Policy.

### **Specific Outcomes and Assessment Criteria:**

#### **SPECIFIC OUTCOME 1**

Explain the basic principles of economics.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

The economic cycle is explained with reference to recession, depression, recovery and boom.

##### **ASSESSMENT CRITERION 2**

The concepts of demand, supply and equilibrium are explained with examples from a selected sector.

##### **ASSESSMENT CRITERION 3**

The concepts of nominal and effective/real are compared with reference to interest rates and how these affect the Gross Domestic Product (GDP).

#### **SPECIFIC OUTCOME 2**

Explain the use of economic indicators.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

The concept of inflation is explained in terms of headline inflation, core inflation, CPIX and deflation.

##### **ASSESSMENT CRITERION 2**

The concept of GDP is explained in terms of consumer expenditure, government expenditure, investment and export minus trade balance (C+I+G+(X-M)).

##### **ASSESSMENT CRITERION 3**

The concept of interest rates is explained in terms of prime, money markets, reproto and borrowing rates.

#### **ASSESSMENT CRITERION 4**

The concept of an economic indicator is explained and an indication is given of the relationship between inflation, GDP, interest rates, money supply, debt, currency, current account, trade account, gold, platinum and oil.

#### **SPECIFIC OUTCOME 3**

Explain the importance of government policies in the investment environment.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

The concept of monetary policy is explained with reference to interest rates and inflation.

##### **ASSESSMENT CRITERION 2**

The concept of fiscal policy is explained in terms of GDP components, spending and tax.

##### **ASSESSMENT CRITERION 3**

The government stance on fiscal and monetary policy is explained and an indication is given of the implications of current policies for the investment environment.

##### **ASSESSMENT CRITERION 4**

Current government initiatives that potentially impact on the economic environment are identified with examples.

#### **SPECIFIC OUTCOME 4**

Apply the fundamentals of economics to the financial services environment.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

Market response to economic performance that is higher, lower or in line with anticipated results is explained with reference to the effect on cash, bonds, stocks and properties.

##### **ASSESSMENT CRITERION 2**

Economic indicators that affect asset classes and global geographic selection are identified and economic forecast is applied to asset classes in order to make an investment selection.

**ASSESSMENT CRITERION 3**

The current economic forecast is used to suggest and substantiate an asset selection proposal.

**UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS**

- Anyone assessing a candidate against this Unit Standard must be registered as an assessor with the relevant ETQA or ETQA where a Memorandum of Understanding (MOU) exists with the relevant ETQA.
- Any institution offering learning that will enable achievement of this Unit Standard must be accredited as a provider through the relevant ETQA or ETQA where a Memorandum of Understanding (MOU) exists with the relevant ETQA.
- Moderation of assessment will be overseen by the relevant ETQA according to the moderation guidelines and the agreed ETQA procedures.

**UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE**

N/A

**UNIT STANDARD DEVELOPMENTAL OUTCOME**

N/A

**UNIT STANDARD LINKAGES**

N/A

**Critical Cross-field Outcomes (CCFO):****UNIT STANDARD CCFO IDENTIFYING**

The learner is able to identify and solve problems in which responses show that responsible decisions using critical and creative thinking have been made in suggesting and substantiating as asset selection proposal.

**UNIT STANDARD CCFO COLLECTING**

The learner is able to collect, organise and critically evaluate information in order apply economic forecast to make an investment selection.

**UNIT STANDARD CCFO COMMUNICATING**

The learner is able to communicate effectively using visual, mathematics and language skills in the modes of oral and/or written presentations in explaining and illustrating the concepts in the Unit Standard.

## **UNIT STANDARD CCFO DEMONSTRATING**

The learner is able to demonstrate an understanding of the world as a set of related systems in explaining the relationship between the different economic indicators and the investment environment.

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