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INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

SUMMATIVE ASSESSMENT VERSION 2

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

Unit Standard No: **230071**

Unit Standard Credits: **5**

NQF Level: **5**

Assessment Type	Learner's score	Maximum score	%	Competent / Not Yet Competent
Formative		76		
Summative		34		

Assessor signature: _____ Moderator signature: _____

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Summative Assessment

SECTION A

(8)

1. State whether the following statements are True or False.

1.1 If the supply for a product or service increases the price will decrease.

Answer: _____

1.2 CPI is used in economy to provide an index for industrial activity.

Answer: _____

1.3 If the inflation rate appears to be under control and the economy is moving into recession, the reserve bank could reduce interest rates to stimulate the economy.

Answer: _____

1.4 Fiscal policy includes setting of taxes to gather income for the state, setting budgets for expenditure and setting goals for the economy of SA.

Answer: _____

1.5 If the GDP is dropping this means that the economy is improving and productivity is improving.

Answer: _____

1.6 Nominal interest rate or nominal rate of interest refers to the rate of interest before adjustment for inflation.

Answer: _____

1.7 The Repo rate indicates the rate of interest at which banks lend money to favoured customers, i.e., those with high credibility.

Answer: _____

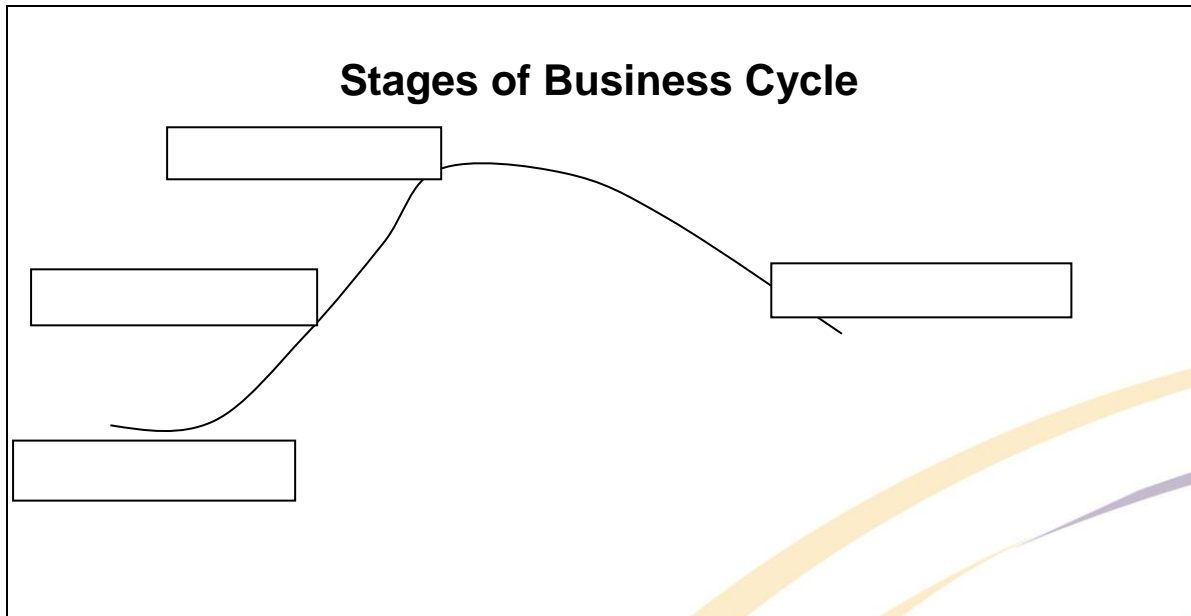
1.8 The Consumer Price Index is an economic indicator that affects asset classes should be taken into account before making an investment.

Answer: _____

SECTION B
Short Knowledge Questions

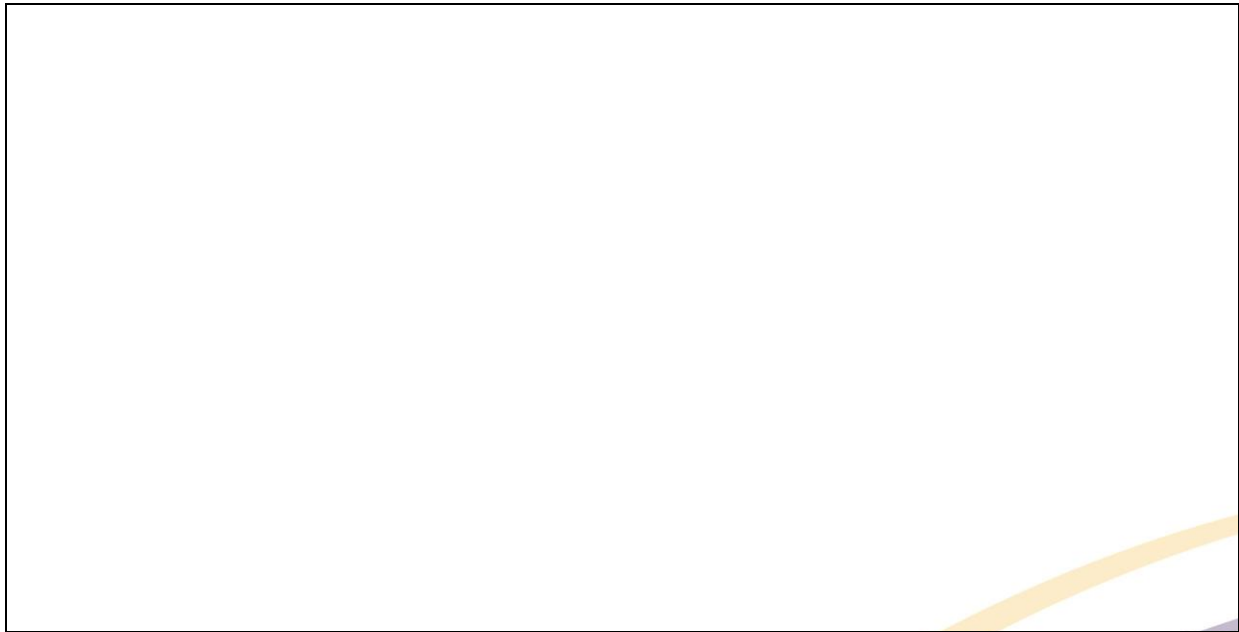
(16)

- 2 Provide labels on the schematic drawing of the phases of the Economic Cycle.
Explain the terms: Recession, Depression, Recovery and Boom. (8)



Terms:

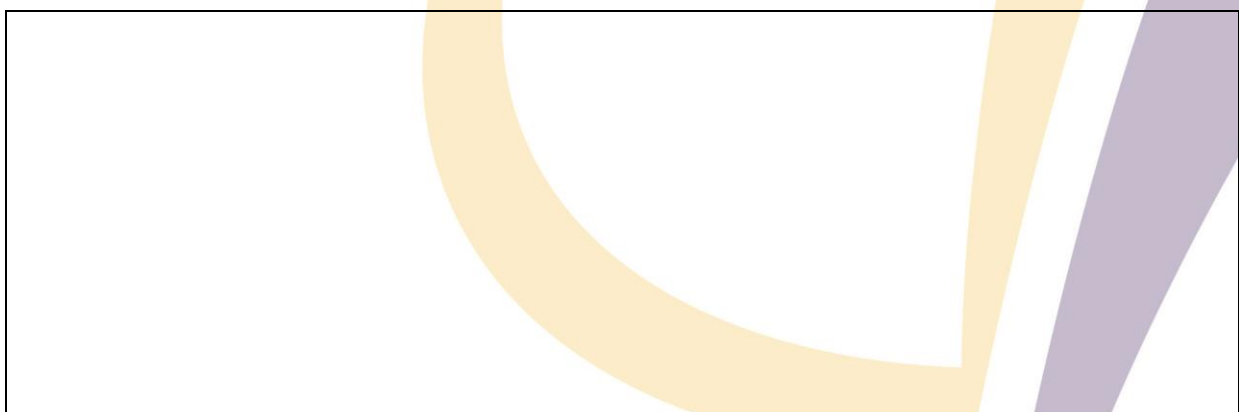
3 Explain the terms: headline inflation, core inflation, CPIX and deflation. (4)



4 Explain monetary policy with reference to interest rates and inflation. (2)



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



SECTION C**(10)****Long Questions**

Answer the following question in Essay format:

- 6 Discuss 4 economic indicators that affect asset classes and global geographic selection and that you would take into account before making an investment. Write notes on the advice that you would give an investor in terms of the best return that he might get in the present economic climate.