

**ECONOMICS AND INTERNATIONAL BUSINESS  
(CORE MODULE)****FINAL EXAMINATION****MODULE CODE: EIB9X02****EXAMINATION PERIOD: FORTH QUARTER 2021**

<b>Date:</b>	Saturday, 20 November 2021
<b>Time:</b>	08h30 – 11h30: start examination 11:45     submit examination
<b>Total Marks:</b>	100 (Weighting 50% of the total exam mark)
<b>Internal Moderator:</b>	Prof Hinaunye Eita
<b>External Moderator:</b>	Prof Abdul Latif Alhassan

**Please read these instructions carefully**

- This is an open-book examination.
- Please **answer 4** out of 5 questions provided in the exam
- Ensure that your questions are numbered correctly and start each question on a new page
- Type in your name, student number, and date on the first page of your answer booklet.
- This question paper consists of 5 pages including the cover page

**Students must use the naming convention given for their answer book as follows.**

- Last Name \_Initial\_ Student Number \_MBA Exam Module Title \_Date (dd\_mm\_yy)
- 
- Example: Nkosi\_M\_201036829\_ MBA Innovative Marketing \_01\_ 09\_ 20)
- Please make sure that your **laptops are fully charged** before the exam window period.
- We advise students to be at a location that has **reliable internet access**.
- Use font Arial 12, line spacing 1.5.
- All answer books and relevant attachments must be uploaded on **Blackboard**

## Plagiarism

**Please note that all exam answers will be submitted through the Turnitin similarity index to establish if there is a similarity. As this is an open book exam, you are required to use the APA academic referencing style. Where you quote verbatim from any source, the quotation must be in double inverted commas and the page number given as part of the reference.**

**Answer any 4 out of 5 questions****Question 1 [25 Marks]**

According to the data from Statistics South Africa, the tourism industry in South Africa was impacted by the Covid-19 pandemic. The data indicate that foreign arrivals dropped by 71% from just over 15, 8 million in 2019 to less than 5 million in 2020. This provides evidence that the COVID-19 pandemic impacted negatively on the tourism industry in South Africa. This is mainly due to the lockdown and travel restrictions that were imposed.

- 1.1 Use demand and supply analysis to explain what will happen to the demand curve of the SMEs that are in the tourism industry of South Africa [10 marks]
- 1.2 Explain graphically what will happen to the equilibrium price charged by the firm in the tourism industry [10 marks]
- 1.3 Assume that your SME is a member of a SMEs organisation. The organisation is established for the purpose of advancement and protection of the interests of the SMEs in the tourism industry. Explain what will you advise the South African government to do in order to ensure that the SMES in the tourism industry do not collapse [ 5 marks]

**Question 2 [25 marks]**

Assume that you own a SME that is in the diamond cutting and polishing industry. Diamond is considered as a luxury good. Answer the following questions.

- 2.1 Do you expect the demand for diamond to be elastic or inelastic? Explain why [5 marks]
- 2.2 If the demand for diamond is elastic, what should you do as the owner of the SME in terms of price decision? Should you increase or decrease the price of diamond? [10 marks]
- 2.3 What will happen to the sales or revenue of your SME if the demand for diamond is inelastic? Explain graphically [10 marks]

**Question 3 [25 Marks]**

According to the Annual Report of the South African Reserve Bank Prudential Authority of 2020, the banking industry in South Africa is dominated by five largest banks. These five banks account for 90 percent of the total banking assets in South Africa.

3.1 What type of market structure is the banking industry in South Africa? Explain [5 marks]

3.2 Do you think that type of market structure is conducive for other smaller firm to enter the industry? [10 marks]

3.3 Do you think that type of market structure is favourable for the promotion of competition in the market place? [5 marks]

3.4 What can the South African government do to ensure that the conduct of businesses promote completion in the market place? [5 marks].

**Question 4 [25 marks]**

Government is an important player in the South African economy. If the economy is on a downward trend or depressed, the government can come up with an economic recovery plan. This is normally conducted through its Ministry of Finance (Treasury). The government can pursue an expansionary fiscal policy in order to move the economy from below potential to full potential.

4.1 The government can pursue an expansionary fiscal policy through either a decrease in taxes or increase in expenditure. Explain which of these types of expansionary fiscal policy should be pursued to expand the economy and benefit SMEs. [10 marks]

4.2 Foreign direct take place when an international individual or business owns a significant proportion of a domestic company. According to the International Monetary Fund (IMF), if the investor owns at least 10 percent of the company, it gives controlling interest in the domestic company. It allows the investor to have influence over the operation and management of the company. Foreign direct investment is considered to be very important for developing economies. Explain the benefit of foreign direct investment for SMEs in developing economies. [9 marks]

4.3 If foreign direct investment is beneficial to SMES in developing economies, what are the policies that can be implemented in order to attract foreign direct investment to the domestic economy? [6 marks]

**Question 5 [25 marks]**

5.1 The exchange rate is one of the most important variables in international business. It impacts on the competitiveness of the country's firms (such as SMEs) and the overall economy. It also has an impact on the country's level of indebtedness.

5.1.1 Assume that the South African currency, the rand depreciates against the USA dollar, from 14 rand per one USA dollar to 20 rand per one USA dollar. If the USA is a key trading partner for South Africa, what will happen to foreign direct investment from USA to South Africa? [5 marks].

5.1.2 Assume that the depreciation of the South African rand against the USA dollar prevails for a long time, and leads to an increase in foreign direct investment to South Africa's construction sector. It is expected that some South African firms will benefit, while others may be impacted negatively. Explain which firms in the construction industry will benefit. You are also required to explain which firms will be negatively affected. [5 marks]

5.2 The African Continental Free Trade Area (AfCFTA) is a free trade area, which was created by the African Continental Free Trade Agreement among 54 African countries. It was founded in 2018 and trade under the AfCFTA commenced trade from 1 January 2021. In terms of the number of countries that are participating, it is the largest free trade area in the world.

5.2.1 Explain what are the benefit of the African Continental Free Trade Area for member states. [7 marks]

5.2.2 What can member states do to ensure that their firms/businesses benefit from the African Continental Free Trade Area? [8 marks]

**End**