



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATION – 2008

ECONOMICS

HIGHER GRADE

MAY/JUNE 2008

MARKS: 400

TIME: 3 hours

This question paper consists of 20 pages.

INSTRUCTIONS AND INFORMATION

Read the following instructions/information carefully before answering the questions.

1. Answer only SEVEN questions.
2. This question paper consists of THREE sections, namely SECTION A, SECTION B and SECTION C.

SECTION A: QUESTION 1 is COMPULSORY and must be answered by ALL the candidates in the ANSWER BOOK.

SECTION B: Answer any FOUR questions from this section in the ANSWER BOOK.

SECTION C: Answer any TWO questions from this section in the ANSWER BOOK.
3. If you answer more than the required number of questions, only the required number of questions will be marked in the order in which they appear in the answer book. ALL work you do NOT want to be marked must be clearly crossed out.
4. Use only black or blue ink. Answers in pencil will NOT be marked.
5. Number the answers correctly according to the numbering system used in this question paper.
6. Read the questions carefully and start the answer to EACH question on a NEW page.
7. Leave 2 to 3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format and content of your answers comply with the cognitive levels of the questions.
9. Non-programmable calculators may be used.
10. Write neatly and legibly.

SECTION A**QUESTION 1 (COMPULSORY)****1.1 MULTIPLE-CHOICE QUESTIONS**

Various possible options are provided as answers to the following questions. Choose the answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.20) in the ANSWER BOOK.

NATIONAL INCOME

- 1.1.1 When we refer to the term 'domestic expenditure', we include expenditure ...
- A on factors of production.
 - B by permanent residents.
 - C within the boundaries of a country.
 - D excluding the foreign sector. (3)
- 1.1.2 In South Africa, the largest percentage of workers is employed by the ... sector.
- A agricultural
 - B manufacturing
 - C mining
 - D services (3)
- 1.1.3 If the GNI of a country is R100 000 million per annum and it has a population of 50 million, the GNI per capita is ...
- A R2 000.
 - B R3 000.
 - C R6 000.
 - D R20 000. (3)
- 1.1.4 Households spend most of their disposable income on ... consumer goods.
- A durable
 - B luxury
 - C non-durable
 - D semi-durable (3)

PRICE FORMATION

- 1.1.5 When only a limited quantity of an article is required to satisfy a want, it is known as a/an ... want.
- A unlimited
 - B limited intensity
 - C complementary
 - D limited
- (3)
- 1.1.6 The extra satisfaction gained from an extra unit of goods is called ... utility.
- A total
 - B marginal
 - C diminishing
 - D increasing
- (3)
- 1.1.7 An increase in the quantity demanded will result in the demand curve shifting to the ...
- A right.
 - B left.
 - C bottom.
 - D origin.
- (3)
- 1.1.8 The market price is a ... price.
- A short-term
 - B medium-term
 - C long-term
 - D constant
- (3)

ECONOMIC DEVELOPMENT, REGIONAL DEVELOPMENT AND URBANISATION

- 1.1.9 Economic development focuses on an increase in ...
- A production.
 - B sales.
 - C standard of living.
 - D the GDP.
- (3)
- 1.1.10 Regional development refers to human, economic and physical development in specific ...
- A countries.
 - B geographical areas in a country.
 - C coastal regions.
 - D provinces of a country.
- (3)

- 1.1.11 Most of the economic services which are labour intensive, are found in ...
- A rural areas.
 - B industries.
 - C less-developed areas.
 - D cities.
- (3)
- 1.1.12 One example of a developed country is ...
- A Brazil.
 - B Nigeria.
 - C China.
 - D Australia.
- (3)

INTERNATIONAL ECONOMICS

- 1.1.13 An advantage of import substitution is ...
- A inefficient local manufacturing.
 - B implementation of further restrictions.
 - C the creation of employment.
 - D increased costs.
- (3)
- 1.1.14 The financial account of the balance of payments records international transactions of ...
- A goods and services.
 - B gold.
 - C service receipts.
 - D assets and liabilities.
- (3)
- 1.1.15 A form of taxation that discourages imports is ...
- A customs duty.
 - B company tax.
 - C income tax.
 - D transfer duty.
- (3)
- 1.1.16 An increase in the value of the rand relative to the British pound may lead to ... the United Kingdom.
- A lifting trade restrictions with
 - B a decrease in exports to
 - C an increase in exports to
 - D an increase in imports from
- (3)

THE STATE

- 1.1.17 The state acts as an entrepreneur when certain goods and services require huge/much ...
- A capital outlay.
 - B profit.
 - C markets.
 - D work. (3)
- 1.1.18 The budget speech is normally read by the Minister of ...
- A Labour.
 - B Economic Affairs.
 - C Trade and Industry.
 - D Finance. (3)
- 1.1.19 The financial year of the state is from ...
- A 1 January to 31 December.
 - B 1 April to 31 March.
 - C 1 March to 28/29 February.
 - D 1 July to 30 June. (3)
- 1.1.20 Tax avoidance refers to ...
- A illegal methods used by individuals to avoid paying tax.
 - B legal methods used by individuals to reduce the tax burden.
 - C illegal methods used to shift the incidence of tax.
 - D legal methods used to shift the incidence of tax. (3)

- 1.2 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number (1.2.1 – 1.2.10) in the ANSWER BOOK.
- 1.2.1 There are three participants in an open economy. (2)
- 1.2.2 $GDP(E) = C + I - G + X - M$. (2)
- 1.2.3 Wants and the satisfaction of wants is the motivation behind all economic activities. (2)
- 1.2.4 The supply curve has a negative slope. (2)
- 1.2.5 An essential element for economic growth and development in a country is the formation of capital. (2)
- 1.2.6 One of the aims of the Spatial Development Programme is to create employment. (2)
- 1.2.7 The value of all transactions in goods and services is recorded in the current account. (2)
- 1.2.8 Incentives are measures offered to producers to encourage exports. (2)
- 1.2.9 VAT is known as a progressive tax system. (2)
- 1.2.10 A surplus in the state's revenue account occurs when expenditure exceeds revenue. (2)

- 1.3 Give ONE word/term for each of the following descriptions by choosing a word/term from the list below. Write only the word/term next to the question number (1.3.1 – 1.3.10) in the ANSWER BOOK.

Eskom; wage subsidies; real income; economic growth; wages; Sasol; productivity; economic development; monopoly; economic integration; PPI; nominal income; tax; profit; social integration

- | | | |
|--------|--|-----|
| 1.3.1 | Income expressed at prices of a certain base year | (2) |
| 1.3.2 | Barriers restricting rivals from entering the market | (2) |
| 1.3.3 | The increase in the country's capacity to produce goods and services | (2) |
| 1.3.4 | A closer economic liaison and co-operation between areas and countries | (2) |
| 1.3.5 | A compulsory payment to the state by individuals and businesses | (2) |
| 1.3.6 | The remuneration of employees | (2) |
| 1.3.7 | The relationship between real output and real input | (2) |
| 1.3.8 | A measure for combating unemployment | (2) |
| 1.3.9 | A measure of prices that is determined by producers | (2) |
| 1.3.10 | The manufacturer of fuel and chemicals from coal | (2) |

TOTAL SECTION A: 100

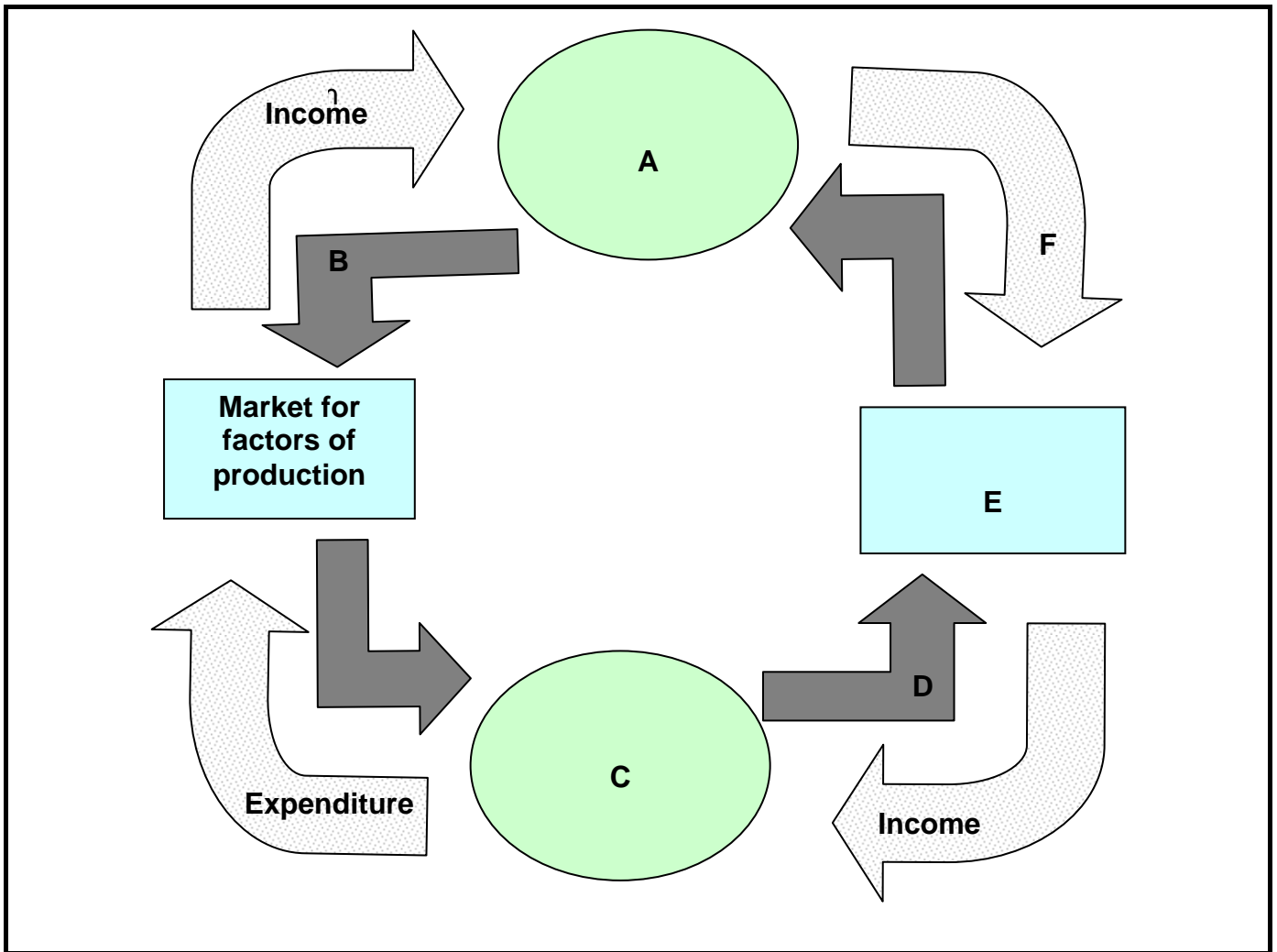
SECTION B

Answer any FOUR questions from this section in the ANSWER BOOK.

QUESTION 2: NATIONAL INCOME

- 2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (2.1.1 – 2.1.4) in the ANSWER BOOK .
- 2.1.1 Goods produced and still to be processed are called (final/intermediate) goods. (2)
- 2.1.2 The (GDP/GNP) is the total value of all final goods and services produced in a specified period within the boundaries of a country. (2)
- 2.1.3 A long-term shift in the contribution of the various sectors of the economy is known as (structural/social) change. (2)
- 2.1.4 The study of the effects of inflation on the economy is referred to as (macro/micro)-economics. (2)
- 2.2 State any THREE methods used to increase the national income. (6)

2.3 Study the diagram below and answer the questions that follow.



2.3.1 Identify the following labels from the diagram:

- (a) A
- (b) B
- (c) C
- (d) D
- (e) E
- (f) F

(6 x 3) (18)

2.3.2 What phenomenon is depicted in the diagram?

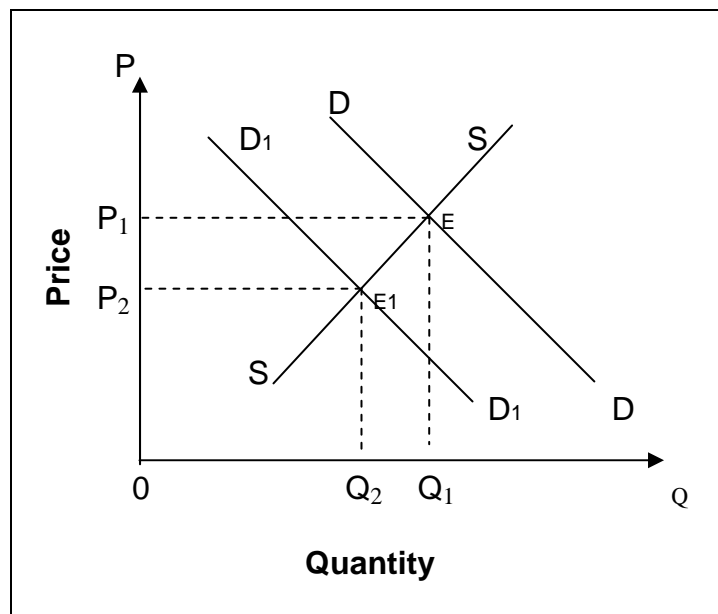
(2)

2.4 Explain *services that are not included* and *accuracy* as two of the problems in determining national income.

(16)
[50]

QUESTION 3: PRICE FORMATION

- 3.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.
- 3.1.1 The sacrifice, in money terms, of one article in order to purchase another is called (price/opportunity) cost. (2)
- 3.1.2 The (reserve/market) price is the price below which suppliers are not prepared to sell their products. (2)
- 3.1.3 The marginal utility of (diamonds/food) will stay constant. (2)
- 3.1.4 Goods that command a price are known as (economic/free) goods. (2)
- 3.2 State any THREE characteristics of a monopoly. (6)
- 3.3 Study the graph of supply and demand of books below and answer the questions that follow.



- 3.3.1 What is the initial equilibrium price? (3)
- 3.3.2 What is the initial equilibrium quantity? (3)
- 3.3.3 As a result of increased television sales, the demand for books decreased. Which curve represents the new demand for books? Substantiate your answer by using the information from the diagram. (6)

- 3.3.4 What will be the long-term effect on supply and price? (6)
- 3.3.5 Define the term *equilibrium price*. (2)
- 3.4 Explain *relatively elastic* and *relatively inelastic* demand curves. Use graphs to illustrate your answer. (16)
- [50]

QUESTION 4: ECONOMIC DEVELOPMENT, REGIONAL DEVELOPMENT AND URBANISATION

- 4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.
- 4.1.1 A macro-economic strategy of the state for economic development is (GEAR/RDP). (2)
- 4.1.2 An institution involved in development strategies is (DTI/IDT). (2)
- 4.1.3 The base theory states that all the economic growth in a region is determined by its (imports/exports). (2)
- 4.1.4 Building up of capital in a country requires a sacrifice in immediate (consumption/production). (2)
- 4.2 List any THREE development corridors within South Africa. (6)
- 4.3 Study the two pictures below and answer the questions that follow.

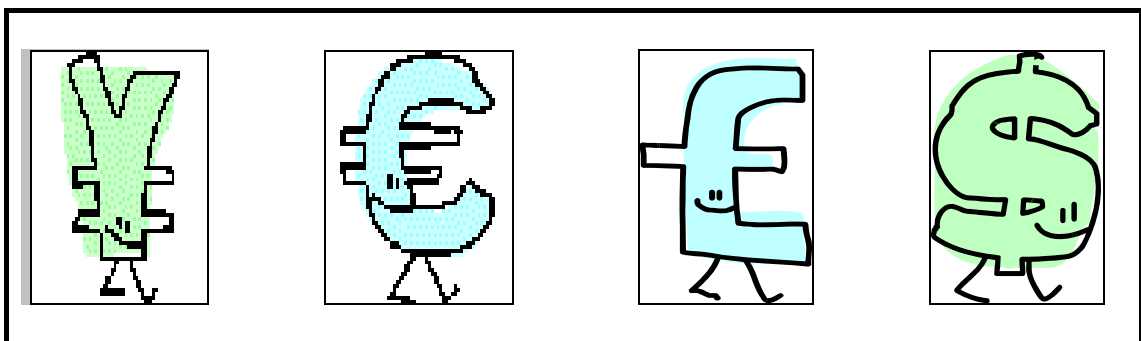


- 4.3.1 What is Sector B called? (3)

- 4.3.2 Name any THREE characteristics of Sector B. (9)
- 4.3.3 State any TWO contributions that Sector B can make to the South African economy. (6)
- 4.3.4 Give an example of Sector B. (2)
- 4.4 Discuss any FOUR disadvantages of urbanisation. (16)
- [50]**

QUESTION 5: INTERNATIONAL ECONOMICS

- 5.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (5.1.1 – 5.1.4) in the ANSWER BOOK.
- 5.1.1 The (balance of payments/budget) is the document in which all transactions concluded with foreigners are recorded. (2)
- 5.1.2 A measure enforced by government to increase the exchange value of its monetary unit is known as (revaluation/appreciation). (2)
- 5.1.3 When previously imported goods are replaced with locally produced goods, it is known as import (promotion/substitution). (2)
- 5.1.4 When goods are sold cheaper in a foreign country than in the country of origin, it is called (cost cutting/dumping). (2)
- 5.2 State any THREE differences between national and international trade. (6)
- 5.3 Study the following cartoon characters of money symbols and answer the questions that follow.



- 5.3.1 Identify any THREE of the above characters. (9)
- 5.3.2 Name the currency that has the highest unit cost in terms of the rand. (3)

- 5.3.3 Name the most recent currency illustrated above. (3)
- 5.3.4 Which is the most popular currency in the world? (3)
- 5.3.5 Name the currency of Botswana. (2)
- 5.4 Explain any FOUR forms of economic integration. (16)

[50]**QUESTION 6: THE STATE**

- 6.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (6.1.1 – 6.1.4) in the ANSWER BOOK.
- 6.1.1 The aim of (monetary/fiscal) policy is to control the flow of money and credit. (2)
- 6.1.2 When the state takes over the ownership of private enterprises, it is known as (privatisation/nationalisation). (2)
- 6.1.3 The second stage of the financial procedure in the drafting of the state budget is (execution/authorisation). (2)
- 6.1.4 The principal form of (direct/indirect) taxation is income tax. (2)
- 6.2 Name THREE categories into which state expenditure can be classified. (6)
- 6.3 Study the table below and answer the questions that follow.

Statutory rates of tax applicable to individuals	
WHERE TAXABLE INCOME:	
Does not exceed R112 500	18% of each R1 of the taxable income
Exceeds R112 501 but does not exceed R180 000	R20 250 plus 25% of the amount by which the taxable income exceeds R112 500
Exceeds R180 001 but does not exceed R250 000	R37 125 plus 30% of the amount by which the taxable income exceeds R180 000
Exceeds R250 001 but does not exceed R350 000	R58 125 plus 35% of the amount by which the taxable income exceeds R250 000
Exceeds R350 001 but does not exceed R450 000	R93 125 plus 38% of the amount by which the taxable income exceeds R350 000
Exceeds R450 001	R131 125 plus 40% of the amount by which the taxable income exceeds R450 000
Tax rebates for 2007	
Rebates: Primary rebate R7 740 – 65 years and older R4 680	

- 6.3.1 Name the personal tax system used in South Africa. (3)
- 6.3.2 Is the above tax system progressive or regressive? Motivate your answer. (6)
- 6.3.3 Calculate the tax that a 45-year-old individual with a taxable income of R300 000 p.a. will pay, taking the primary rebate into account. Show ALL calculations. (9)
- 6.3.4 Name the organisation that administers and controls South Africa's tax system. (2)
- 6.4 Discuss *impartial* and *convenient* as two requirements of a good tax system. (16)
- [50]**

QUESTION 7: (CHOICE MODULES) IMPORTANT SOUTH AFRICAN ECONOMIC TOPICS

Choose any TWO of the following topics. Make use of clear headings to indicate the topics of your choice.

7.1 LABOUR RELATIONS

- 7.1.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the letter (a – b) in the ANSWER BOOK.
- (a) The labour force participation rate consists of people not older than (60/65) years. (2)
- (b) In South Africa there is a (shortage/oversupply) of highly skilled workers. (2)
- 7.1.2 Name any TWO factors that determine the supply of labour in South Africa. (4)
- 7.1.3 Read the following newspaper extract and answer the questions that follow.

NUM close to wage deal with Anglo Ashanti

The NUM says it is close to sealing a deal with major gold producer Anglo Ashanti. The NUM is demanding a 12% increase while the Chamber of Mines is only offering 4,5%. This offer is not acceptable for workers; it's still short of workers' inflation, which is at 5,7%. Workers are waiting for a better offer.

[Source: *Daily Dispatch*, 9 August 2005]

- (a) Give ONE reason why NUM did not accept the wage increase of 4,5%. (3)
- (b) What was the inflation rate at that time? (3)
- (c) What does the abbreviation *NUM* stand for? (3)
- 7.1.4 Explain the limitations of labour unions. (8)
- [25]**

AND/OR

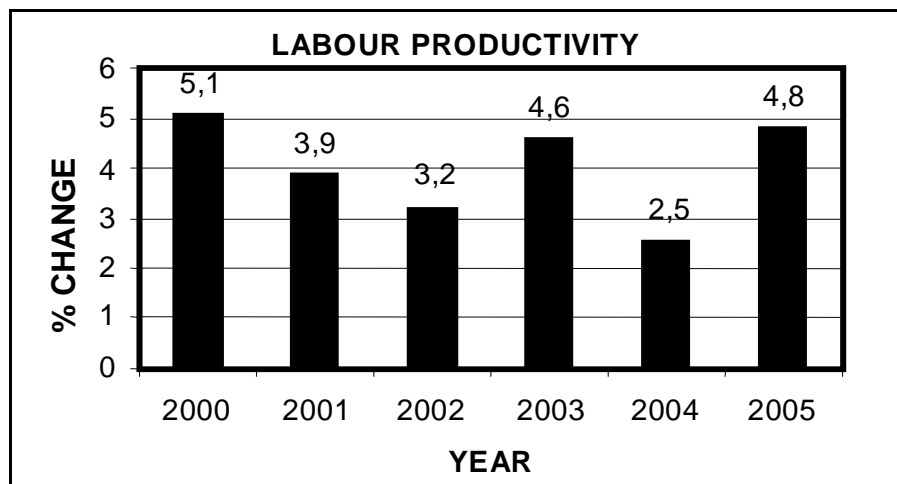
7.2 PRODUCTIVITY AND UNEMPLOYMENT

7.2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the letter (a – b) in the ANSWER BOOK.

- (a) The basic source of improvement in real wages is a/an (increase/decrease) in productivity. (2)
- (b) One problem in measuring labour productivity is that it is (elastic/inelastic). (2)

7.2.2 State any TWO consequences of unemployment. (4)

7.2.3 Study the bar graph below and answer the questions that follow.



[Adapted from: SARB Quarterly Bulletin, March 2006]

- (a) In which year was labour productivity the highest? (3)
- (b) What was the trend of labour productivity between 2000 and 2005? (3)
- (c) Write down the formula that is used to measure productivity. (3)

7.2.4 Briefly discuss *structural unemployment*. (8)
[25]

AND/OR

7.3 INFLATION

7.3.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the letter (a – b) in the ANSWER BOOK.

- (a) An increase in VAT will cause (cost-push/demand-pull) inflation. (2)
- (b) A condition in which high rates of unemployment and inflation occur at the same time is known as (hyperinflation/stagflation). (2)

7.3.2 State any TWO characteristics of demand-pull inflation. (4)

7.3.3 Study the table below and answer the questions that follow.

INFLATION IN CPIX COMPONENTS		
% change over 12 months		
	Weights	October 2006
Food and soft drinks	26,9	9,1
Alcoholic beverages and tobacco	3,1	8,4
<i>Services excluding housing and transport ...</i>	16,5	5,2
<i>Other goods (not included elsewhere) ...</i>	17,5	4,7
<i>Transport services ...</i>	3,9	3,7
Transport running costs ...	5,7	0,8
Vehicles ...	5,7	-0,8
Furniture and equipment ...	3,2	-0,8
Clothing and footwear ...	4,1	-9,5
Total CPIX ...	100	5,0

Italics denote components that fall inside the inflation target range.

[Source: SARB Quarterly Bulletin, December 2006]

- (a) Which component shows the highest percentage change? (3)
- (b) What is the inflation target for the year 2007/8? (3)
- (c) What does *CPIX* refer to? (3)

7.3.4 Discuss any TWO key aspects of the definition of inflation. (8)
[25]

AND/OR

7.4 STRATEGIC RESOURCES

- 7.4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the letter (a – b) in the ANSWER BOOK.
- (a) The Koeberg power station near Cape Town is a (nuclear/coal-firing) power station. (2)
- (b) The largest single user of water in South Africa is (agriculture/mining). (2)
- 7.4.2 Name any TWO renewable energy sources that can be used to generate electricity. (4)
- 7.4.3 Study the extract below and answer the questions that follow.

SAVE ENERGY**Eskom's energy crisis pulls plug on investment**

To save energy Eskom is to distribute five million energy-saving light bulbs in the province this month. It will also introduce insulator blankets for geysers and ripple relay switches to reduce the loss of heat in geysers. Government is also looking at incentives for people to buy solar heaters.

[Source: *Sunday Times, Business Times*, 12 March 2006]

- (a) State any TWO governmental initiatives to save energy. (6)
- (b) What serious consequence will a power shortage have on the economy? (3)
- 7.4.4 Briefly discuss the importance of water conservation in the secondary sector of South Africa. (8)
- [25]**

TOTAL SECTION B: 200

SECTION C

Answer any TWO questions from this section in the ANSWER BOOK.

Essays must be well structured and presented in a systematic format. Responses should have an introduction, body and conclusion.

QUESTION 8: NATIONAL INCOME

'Upswings and downswings are regarded as essential features of the market economy.'

Discuss this statement by referring to the nature and causes of business cycles. **[50]**

AND/OR

QUESTION 9: PRICE FORMATION

'In South Africa the market system is mainly used in the satisfaction of our wants.'

With reference to the above statement, explain the conditions for a perfect market. **[50]**

AND/OR

QUESTION 10: ECONOMIC DEVELOPMENT, REGIONAL DEVELOPMENT AND URBANISATION

'A comparison between the developed countries and the developing countries indicates a development gap.'

Discuss the characteristics of developing countries with reference to the above statement. **[50]**

AND/OR

QUESTION 11: INTERNATIONAL ECONOMICS

Explain how the rate of exchange is determined in a system of free-floating exchange rates. Use graphs to illuminate your answer. **[50]**

TOTAL SECTION C: 100

GRAND TOTAL: 400