basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS P1

NOVEMBER 2015

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.

INSTRUCTIONS AND INFORMATION

1.   Answer FOUR questions as follows in the ANSWER BOOK:

         SECTION A: COMPULSORY
         SECTION B: Answer TWO of the three questions.
         SECTION C: Answer ONE of the two questions.

2.   Answer only the required number of questions. Answers in excess of the required number will NOT be marked.

3.   Number the answers correctly according to the numbering system used in this question paper.

4.   Write the question number above each answer.

5.   Read the questions carefully.

6.   Start EACH question on a NEW page.

7.   Leave 2–3 lines between subsections of questions.

8.   Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.

9.   Use only black or blue ink.

10.   You may use a non-programmable pocket calculator.

11.   Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1   **30 MARKS – 20 MINUTES**

1.1   Various options are provided as possible answers to the following questions.
        Choose the answer and write only the letter (A–C) next to the question
        number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 C.

        1.1.1   Savings flow back into the circular flow as …

                  A   government spending.
                  B   investment.
                  C   exports.

        1.1.2   The severity of cyclical fluctuations in business cycles is indicated
                  by …

                  A   amplitudes.
                  B   moving averages.
                  C   extrapolations.

        1.1.3   Public goods for which consumers have to pay are known
                  as … goods.

                  A   community
                  B   private
                  C   collective

        1.1.4   The financial account in the balance of payments records
                  transactions related to …

                  A   production.
                  B   assets and liabilities.
                  C   net gold exports.

        1.1.5   The practice of selling goods in a foreign country at lower prices
                  than in the country of origin is known as …

                  A   exportation.
                  B   importation.
                  C   dumping.

        1.1.6   According to the United Nations' classification, South Africa falls in
                  the … human development index (HDI) group of countries.

                  A   low
                  B   medium
                  C   high

1.1.7   Money paid by the government to businesses as incentives to decrease their cost of production is known as …

    A   subsidies.
    B   tariffs.
    C   sureties.

1.1.8   Demographics, as a social indicator, deals with …

    A   mortality rates.
    B   nutrition.
    C   housing.   (8 x 2)   (16)

1.2   Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–I) next to the question number (1.2.1–1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B
1.2.1 Portfolio investment	A	price of one country's currency in terms of another country's currency
1.2.2 Leading indicators		
	B	rich industrial countries of the world
1.2.3 Medium-term expenditure framework	C	a trade policy that leads to an increase in local production
1.2.4 Exchange rate	D	aims to reduce the centralisation of industries
1.2.5 Import substitution		
1.2.6 G8	E	education and health
1.2.7 Social indicators	F	give advance warning of changes in economic activity
1.2.8 Regional development		
	G	collective term for developing countries
	H	shows income and expenditure estimates for three years
	I	buying and selling equities/shares

                                                                   (8 x 1)   (8)

1.3   Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.6) in the ANSWER BOOK.

     1.3.1   The process whereby a relatively small change in injections results in a proportionally larger increase in national income

     1.3.2   A market for short-term savings and loans

     1.3.3   Goods and services, like education, that benefit society as a whole

     1.3.4   The sector that needs to be included for the economy to be regarded as an open economy

     1.3.5   The coefficient that measures the inequality of income

     1.3.6   The number of years a person is expected to live   (6 x 1)   (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS   **40 MARKS – 30 MINUTES**

2.1   Answer the following questions.

2.1.1   Give TWO examples of injections in the circular flow.   (2 x 1)   (2)

2.1.2   What effect will quotas have on imports?   (1 x 2)   (2)

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

NATIONAL INCOME ACCOUNTS OF SOUTH AFRICA		
	R millions	
	2012	**2013**
Compensation of employees	1 451	1 576
Net operating surplus	922	961
Consumption of fixed capital	406	443
Gross value added at factor cost	**2 779**	**2 980**
Other taxes on production	56	64
LESS: Subsidies on production	15	14
… **(A)** …	**2 820**	**3 030**
Taxes on products	338	374
LESS: Subsidies on products	20	19
Gross domestic product at market prices	**3 138**	**3 385**

[Adapted from *SARB Quarterly Bulletin*, September 2014]

2.2.1   What method of calculation was used in the table above to determine the gross domestic product?   (1)
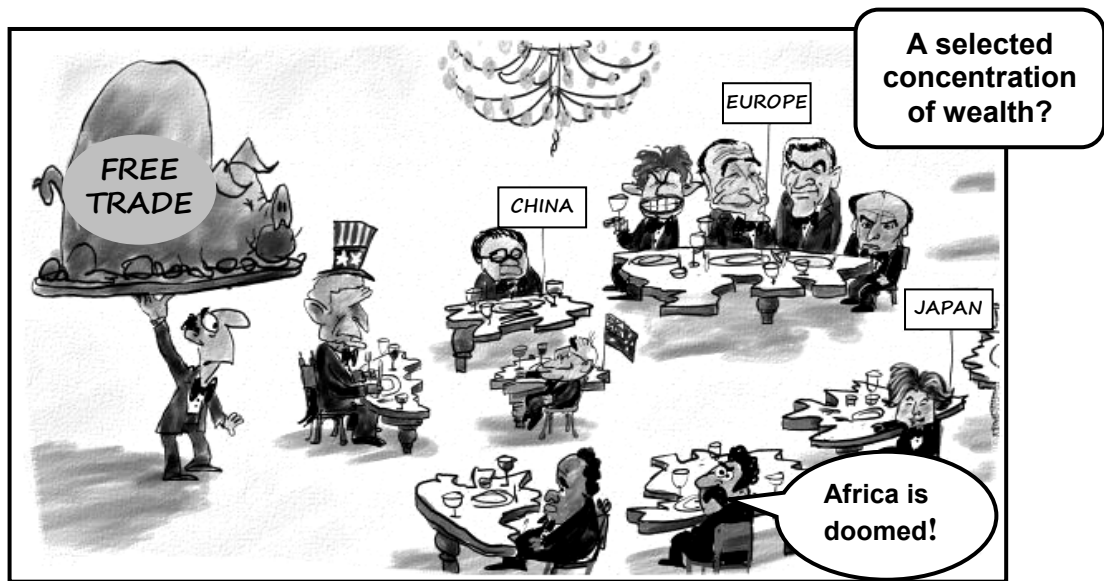
2.2.2   Give ONE example of taxes on products.   (1)

2.2.3   Name the missing item labelled (**A**).   (2)

2.2.4   How would you convert GDP to GNP?   (2)

2.2.5   Calculate the compensation of employees as a percentage of GDP at market prices in 2013. Show ALL calculations.   (4)

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

[Adapted from www.economicscartoons.com]

2.3.1   What message is conveyed in the cartoon above?   (2)

2.3.2   Which international organisation promotes free trade?   (2)

2.3.3   Suggest ONE way in which a country can be disadvantaged by
        free trade.   (2)

2.3.4   How does South Africa benefit from trade relations with China?   (4)

2.4   Briefly explain the different kinds of tariffs as a method of import substitution.
                                                                    (4 x 2)   (8)

2.5   How can the household, as an important participant in the circular flow model,
        contribute to building the economy?   (4 x 2)   (8)
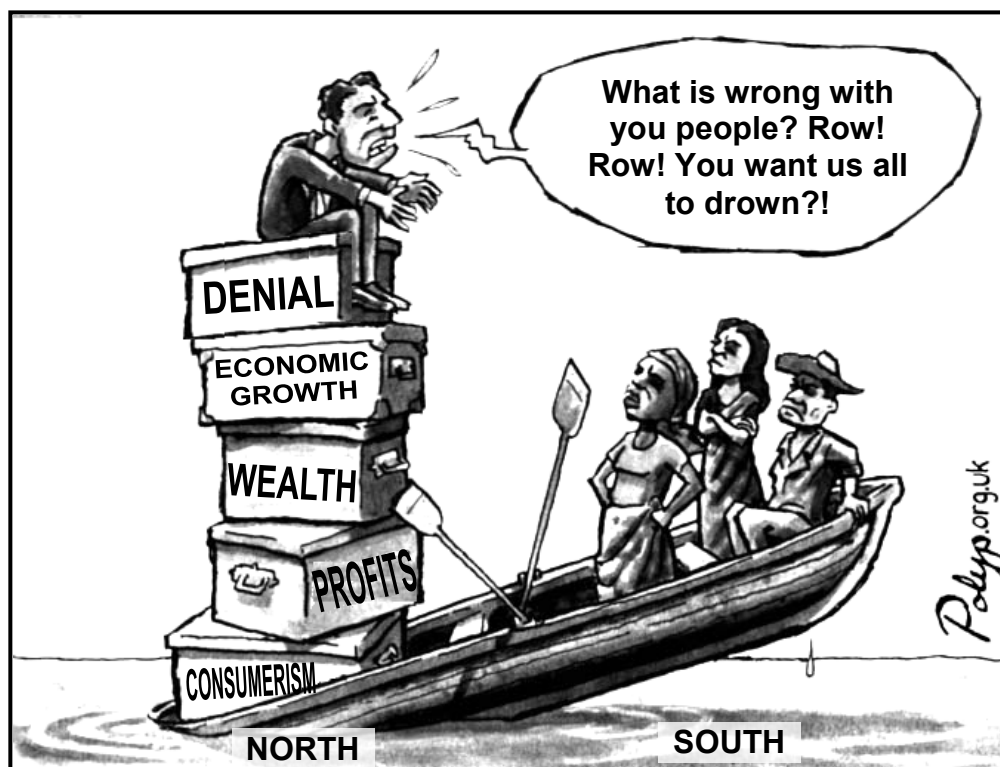
                                                                                [40]

QUESTION 3: ECONOMIC PURSUITS   **40 MARKS – 30 MINUTES**

3.1   Answer the following questions.

    3.1.1   Name any TWO redress measures currently used in South Africa.
                                                                        (2 x 1)   (2)

    3.1.2   How does economic growth relate to economic development?
                                                                        (1 x 2)   (2)

3.2   Study the cartoon below and answer the questions that follow.

[Source: Poly.org.uk, October 2014]

    3.2.1   What is the difference in the per capita income between countries
              in the North and countries in the South?   (2)

    3.2.2   What message is conveyed in the cartoon above?   (2)

    3.2.3   Why will the subsidising of agricultural produce by wealthy
              countries make it difficult for developing countries to participate?   (2)

    3.2.4   How do countries in the North contribute to the destruction of the
              environment?   (2 x 2)   (4)

3.3   Study the extract below and answer the questions that follow.

THE SOUTH AFRICAN EXPERIENCE IN SDIs

In 1996 the SDI was developed in South Africa as an integrated planning tool.

It was modelled on the highly successful route between Gauteng and Mpumalanga in South Africa and the port of Maputo in Mozambique.

A strong local, regional and international investment profile continues to respond to the improving logistics and policy environment created by the participating governments. To date, the private sector has committed an estimated figure of well beyond R35 billion worth of investments in southern Mozambique and Mpumalanga.

[Adapted from Report on SEZ, DTI]

3.3.1   What does the abbreviation *SDI* stand for?   (2)

3.3.2   Give ONE example of an SDI in South Africa.   (2)

3.3.3   Explain the term *corridors*.   (2)

3.3.4   How will South Africa benefit from SDIs?   (2 x 2)   (4)

3.4   Briefly discuss special economic zones (SEZs) in South Africa.   (4 x 2)   (8)

3.5   To what extent has the government's fiscal policy succeeded in ensuring a desirable redistribution of income?   (4 x 2)   (8)
                                                                                [40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1   Answer the following questions.

4.1.1   Name any TWO phases of a business cycle.   (2 x 1)   (2)

4.1.2   How would a high level of education influence the ability of an individual to become employed?   (1 x 2)   (2)

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

SOUTH AFRICA: TERMS OF TRADE			
Year	Index of import prices	Index of export prices	Terms of trade
2010	141	171	121.3
2011	153	191	**A**
2012	163	200	122.7
2013	179	214	119.6

[Source: *SARB Quarterly Bulletin*, March 2015]

4.2.1   Identify the institution responsible for publishing the data above.   (1)

4.2.2   What is the trend in the index of import prices?   (1)

4.2.3   Explain the term *terms of trade*.   (2)

4.2.4   Briefly explain why an increase in the terms of trade will have a positive effect on the welfare of the country.   (2)

4.2.5   Calculate the terms of trade for 2011 (**A**). Show ALL calculations. Round off your answer to ONE decimal place.   (4)

4.3   Study the graph below and answer the questions that follow.

THE EFFECTS OF TAXATION
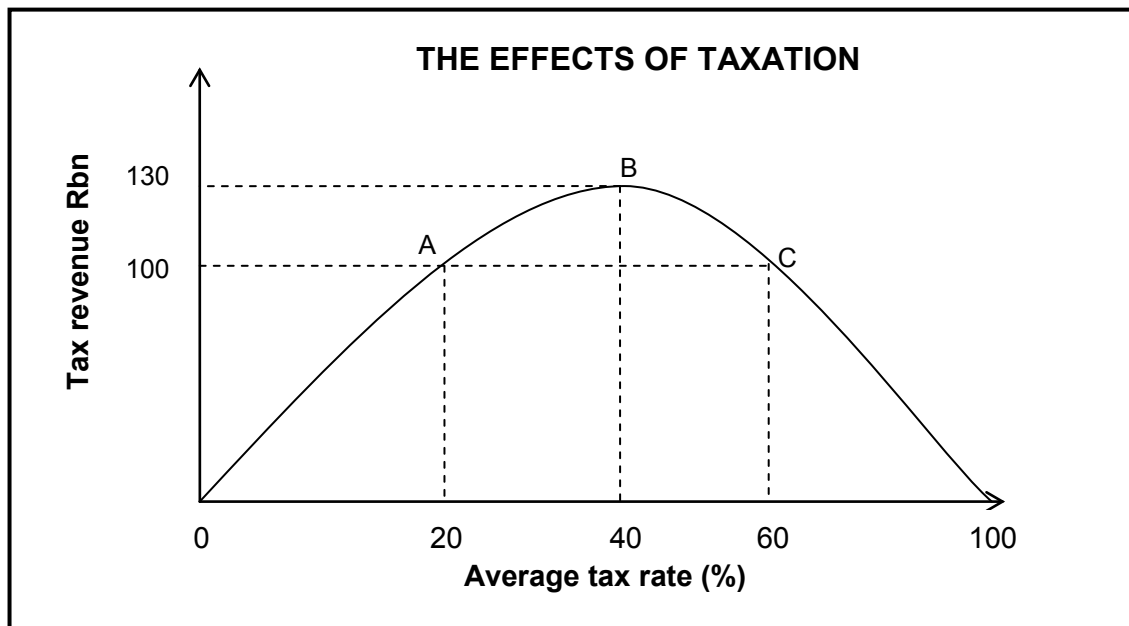
4.3.1   Which curve is depicted in the graph above?   (2)

4.3.2   What tax rate will generate maximum revenue for the government?   (2)

4.3.3   What is the correlation between a tax rate of zero and a tax rate of
         100% for the government?   (2)

4.3.4   Explain the implication of a tax rate of 60% on the taxpayer.   (4)

4.4   Differentiate between the *devaluation* and *appreciation* of a currency.   (2 x 4)   (8)

4.5   How can the South African government improve the efficiency of service
        delivery?   (4 x 2)   (8)
                                                                                    [40]

                                                        TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/ Explain/Assess/Debate	Max. 26
Additional part: Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/Compare/ Explain/Distinguish/Interpret/Briefly debate/How?/Suggest	Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned in the body • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS   40 MARKS – 40 MINUTES

The new economic paradigm is embedded (rooted) in demand-and-supply-side policies to influence the economy.

* Discuss the use of monetary and fiscal policies to influence demand and supply in the smoothing of business cycles.   (26 marks)
* How has the Keynesian (endogenous) school of thought influenced business cycles?   (10 marks)   **[40]**

QUESTION 6: ECONOMIC PURSUITS   40 MARKS – 40 MINUTES

Economists use different indicators to help with decision-making.

* Discuss, in detail, the following economic indicators that are used to assess the performance of the economy:
  - Inflation rate
  - Employment   (26 marks)
* How successful is the South African Reserve Bank in stabilising prices on the different markets as its main objective?   (10 marks)   **[40]**

TOTAL SECTION C: **40**
GRAND TOTAL: **150**