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# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS P1**

**FEBRUARY/MARCH 2017**

**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. Write down the question number (1.1.1–1.1.8), choose the answer and make a cross (X) over the letter (A–C) of your choice in the ANSWER BOOK.

**EXAMPLE:****1.1.9****A****B****C****~~D~~**

- 1.1.1 The point where economic contraction is at its lowest is called a ...
- A trough.  
B peak.  
C trend.
- 1.1.2 The reduction or removal of tariffs that prevent the free flow of goods and services between countries is called ...
- A protectionism.  
B trade embargo.  
C trade liberalisation.
- 1.1.3 The new economic paradigm that relates to the smoothing of business cycles is rooted in ...-side policies.
- A demand-and-supply  
B only demand  
C only supply
- 1.1.4 A form of economic integration that removes all tariffs between member countries is called a ...
- A free-trade area.  
B customs union.  
C common market.
- 1.1.5 The Reserve Bank uses the ... policy to influence aggregate money supply.
- A fiscal  
B monetary  
C budgetary

1.1.6 The gap between rich and poor has widened because the demand for ... workers has decreased globally.

- A unskilled
- B skilled
- C highly skilled

1.1.7 An industrial policy that encourages industrial development in a few urban areas is called ...

- A decentralisation.
- B privatisation.
- C centralisation.

1.1.8 A regional development initiative that focuses on the socio-economic development of Southern Africa is known as the ...

- A African Union.
- B Southern African Growth Initiative.
- C Southern African Development Community.

(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, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Multiplier effect	A	economic fluctuations affected by causes outside the market system
1.2.2	Department of Trade and Industry	B	does not change until after the business cycle has changed
1.2.3	Exogenous factors	C	reflects the demographic and gender composition of a country
1.2.4	Lagging indicator	D	sets out the broad approach to industrialisation of government
1.2.5	Wealth tax	E	ratio between inputs and outputs
1.2.6	Employment equity	F	small initial change in spending produces a proportionally larger increase in national income
1.2.7	Productivity	G	programme to improve competition in the agricultural sector
1.2.8	National Industrial Policy Framework	H	coordinates trade and promotes locally manufactured products worldwide
		I	levied on high-income earners

(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 A set of accounts that shows a systematic record of the trade and financial transactions between a country and the rest of the world

1.3.2 The curve that shows the relationship between tax rates and tax revenue

1.3.3 The market engaged in the buying and selling of foreign currencies

1.3.4 A spatial area that forms a passageway, allowing access from one area to another as part of regional development

1.3.5 It is used to measure the performance and trends of economic variables over time

1.3.6 The withdrawal of money from the circular flow (6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

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

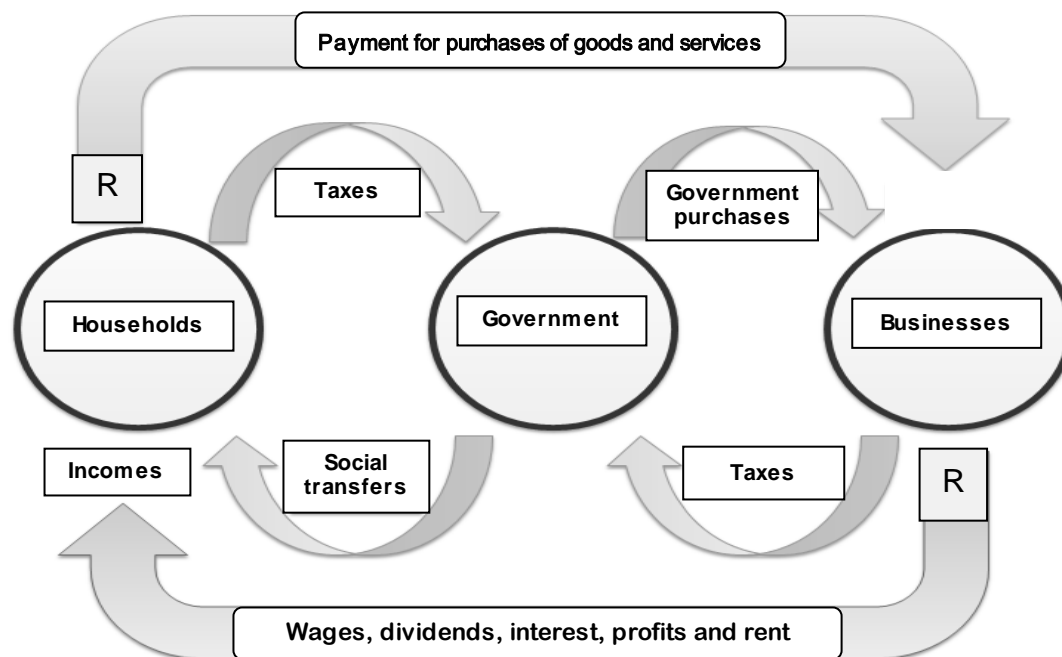
**QUESTION 2: MACROECONOMICS****40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO monetary policy instruments. (2 x 1) (2)

2.1.2 Identify ONE benefit of import substitution for domestic households. (1 x 2) (2)

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

**THE CIRCULAR FLOW OF INCOME AND SPENDING**

[Adapted from Google Images 2015]

2.2.1 Identify ONE injection in the diagram above. (1)

2.2.2 Name the type of economy portrayed by the above diagram. (1)

2.2.3 Briefly describe the term *circular flow*. (2)

2.2.4 What is the main objective of social transfers? (2)

2.2.5 Briefly explain the importance of the factor market in the circular flow. (2 x 2) (4)

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

**BUY LOCAL AND BOOST THE SOUTH AFRICAN ECONOMY**

The Proudly South African campaign requested the support of all South African producers. South Africa currently faces the challenge of competing in an unfair global economy. All South Africans should buy home-grown products and contribute to job creation.

Our own industries need protection until they establish a base. Korea's giant brands like Samsung and Hyundai are not only big in their own country; they are also global giants and major providers of jobs.

[Adapted from *Finweek*, 12 October 2015]

- 2.3.1 Identify the challenge faced by South Africa to succeed in international markets from the extract above. (1)
- 2.3.2 Name ONE brand from the extract which is imported from Korea. (1)
- 2.3.3 Briefly describe the term *protectionism*. (2)
- 2.3.4 What measures can government take to ensure that local industries are protected? (2)
- 2.3.5 In your opinion, how can local support boost the South African economy? (4)
- 2.4 Distinguish between the *amplitude* and *trend line* as features underpinning forecasting. (2 x 4) (8)
- 2.5 How can the establishment of more labour-intensive industries benefit South Africa? (8)
- [40]**



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

3.1 Answer the following questions.

3.1.1 Name any TWO aspects that can be used to differentiate countries in the North-South divide. (2 x 1) (2)

3.1.2 What is the relationship between *economic growth* and *economic development*? (1 x 2) (2)

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

**GROWTH AND DEVELOPMENT PLANS OF SOUTH AFRICA**

The National Development Plan (NDP) foresees a South Africa where everyone feels free, yet bounded to others, where everyone embraces their full potential. Realising such a society will require transformation of the economy and focused efforts to build the country's capabilities. Poverty and inequality should be reduced and the economy must grow faster in ways that benefit all South Africans.

The RDP, on the other hand, was an integrated, coherent socio-economic policy framework structured around its overall goal namely, a better life for all.

[Adapted from *OECD Economics Survey 2015*]

3.2.1 Identify ONE growth and development plan for South Africa in the extract above. (1)

3.2.2 What is the main aim of the RDP? (1)

3.2.3 What message is depicted in the cartoon above, in an economic context? (2)

3.2.4 What role has the RDP played in improving the lives of people since 1994? (2)

3.2.5 In your opinion, how can the NDP bring about 'a better life for all'? (4)

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

**AFRICA MUST DIVERSIFY**

The Minister of Trade and Industry has called for the African economies to diversify in order to attract foreign direct investment. He warned that economic integration in Africa was facing a threat if infrastructure development did not take place. Economies were inward looking and focused on the exports of raw materials to shore up its gross domestic product.

The recent global slump in oil and commodity prices due to slowing demand, particularly from China, required a new approach to doing business on the continent that would be consumption-based. Countries should diversify into a common market.

[Adapted from *Business Report*, 5 October 2015]

- 3.3.1 According to the Minister of Trade and Industry, why is it important for African economies to diversify? (1)
- 3.3.2 What new approach should countries follow in doing business? (1)
- 3.3.3 Briefly describe the term *common market*. (2)
- 3.3.4 Give ONE reason why developing countries diversify as part of their import substitution policies. (2)
- 3.3.5 How can South Africa benefit by focusing on value-added production? (4)
- 3.4 Discuss *competitiveness* and *investment in human capital* as benchmark strategies for industrial development. (2 x 4) (8)
- 3.5 How can the development of small businesses benefit the South African economy? (8)
- [40]**

**QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS****40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO forms of import substitution. (2 x 1) (2)

4.1.2 What impact will an increase in the VAT rate have on the standard of living of the poor? (1 x 2) (2)

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

<b>BALANCE OF PAYMENTS (BoP) THE CURRENT ACCOUNT (R MILLIONS)</b>		
	<b>2012</b>	<b>2015</b>
Merchandise exports	751 332	973 778
Net gold exports	71 050	67 662
Service receipts	144 789	191 656
Income receipts	48 501	98 016
Less: Merchandise imports	859 172	1 075 850
Less: Payments for services	155 243	197 643
Less: Income payments	136 837	198 382
Current transfers	-31 369	-33 533
<b>Balance on current account</b>	<b>-166 949</b>	<b>-174 298</b>

[Adapted from SARB Quarterly Bulletin, June 2016]

4.2.1 Which institution provides the statistics above? (1)

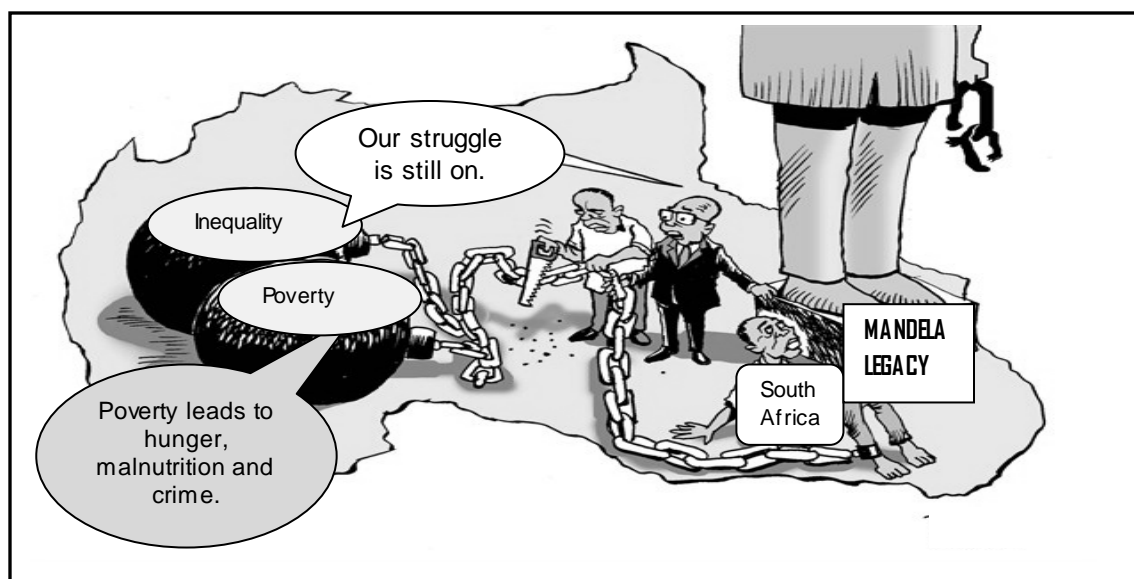
4.2.2 Which item records transactions relating to donations and gifts to other countries? (1)

4.2.3 Briefly describe the *capital transfer account* as part of the BoP. (2)

4.2.4 Give ONE reason for the decline in gold exports. (2)

4.2.5 Calculate the trade balance for 2015. Show ALL calculations. (4)

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



[Source: [Paresh cartoons.com](http://Pareshcartoons.com)]

- 4.3.1 Identify ONE major challenge in the cartoon above. (1)
- 4.3.2 State ONE negative consequence of poverty in the cartoon above. (1)
- 4.3.3 What does the 'Mandela Legacy' refer to? (2)
- 4.3.4 Suggest ONE way in which South Africa can be freed from inequality. (2)
- 4.3.5 How can human resources be targeted to be more effective in solving the problems in the cartoon above? (4)
- 4.4 Briefly discuss *special economic zones* as part of the industrial development plan of South Africa. (4 x 2) (8)
- 4.5 How can South Africa benefit from trading in global markets? (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
<b>Introduction</b>	Max. 2
<b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate  <b>Additional part:</b> 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. 26  Max. 10
<b>Conclusion</b> Any higher-order conclusion should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or valued judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5: MACROECONOMICS****40 MARKS – 40 MINUTES**

The state plays a significant role in a mixed economic system and is therefore one of the largest sectors in the economy.

- Discuss the macroeconomic objectives of the state. (26)
- How successful is the implementation of South Africa's fiscal policy? (10)

**[40]****QUESTION 6: ECONOMIC PURSUITS****40 MARKS – 40 MINUTES**

Economic and social indicators are used globally to compare and describe economic performances of countries.

- Examine the following social indicators:
  - Demographics
  - Education
  - Nutrition and health (26)
- What can the South African government do to improve the delivery of social services to its citizens? (10)

**[40]**

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