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SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P1

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–D) of your choice in the ANSWER BOOK.

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

- 1.1.1 The circular-flow model of an open economy shows the functioning of an economy that includes the ... sector.
- A public
 - B business
 - C foreign
 - D domestic
- 1.1.2 A diagram that shows expansion and contraction periods of economic activities is called a(n) ... cycle.
- A business
 - B economic
 - C productivity
 - D inflationary
- 1.1.3 The removal of unnecessary restrictions by legislation is known as ...
- A regulation.
 - B deregulation.
 - C centralisation.
 - D decentralisation.
- 1.1.4 The term used to compare a country's export prices with its import prices by means of indices is called the ...
- A balance of payments.
 - B terms of trade.
 - C balance of trade.
 - D exchange rate.
- 1.1.5 An example of a social indicator is ...
- A education.
 - B business confidence.
 - C employment.
 - D production.

- 1.1.6 An increase in the real value of production in a country is known as economic ...
- A development.
 - B growth.
 - C integration.
 - D prosperity.
- 1.1.7 Which strategy failed in its objective to halve poverty and unemployment by 2014?
- A New Growth Path (NGP)
 - B Reconstruction and Development Plan (RDP)
 - C Accelerated and Shared Growth Initiative for South Africa (AsgiSA)
 - D National Development Plan (NDP)
- 1.1.8 A purpose-built industrial estate physically enclosed and linked to an international harbour or airport is known as a (n)...
- A corridor.
 - B special economic zone (SEZ).
 - C industrial development zone (IDZ).
 - D integrated development plan (IDP)
- (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	Households	A	penalty or punishment imposed by one country on another for some wrongdoing
1.2.2	Nationalisation	B	decrease in the value of the rand in terms of the pound due to market forces
1.2.3	Devaluation	C	transfer of ownership from the private sector to the public sector
1.2.4	Sanctions	D	consists of enterprises that produce the same kinds of products
1.2.5	Technology	E	ratio between output produced in the economy and input used to produce them
1.2.6	Industry	F	new scientific knowledge in the form of inventions and innovations
1.2.7	Standard of living	G	owners of the factors of production
1.2.8	Productivity	H	expressed by the real GDP per capita, life expectancy and level of literacy
		I	deliberate decrease in the value of the currency in terms of another currency

(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 business owned wholly or partly by the state and run by a public authority
- 1.3.2 The strategy used by the Reserve Bank that focuses on the amount of money in the economy
- 1.3.3 The value of a country's currency exchanged for another currency
- 1.3.4 The process whereby people move from rural areas into towns and cities
- 1.3.5 Labour force from the age of 16 to 60 years
- 1.3.6 Worldwide interaction of economies with trade as an important element

(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 TWO leakages from the economic circular flow. (2 x 1) (2)

2.1.2 What benefit will government enjoy from selling non-profitable state-owned enterprises? (1 x 2) (2)

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

SOUTH AFRICA'S GROSS DOMESTIC PRODUCT (GDP) – 2016	
	R million
Compensation of employees	1 892 721
Net operating surplus	1 065 200
Consumption of fixed capital	560 397
Gross value added at factor cost	3 518 318
Other taxes on production	81 307
Other subsidies on production	9 813
Gross value added at basic prices	3 589 812
Taxation on products	438 785
Subsidies on products	15 005
Gross domestic product at market prices	4 013 592

[Adapted from the *South African Reserve Bank Quarterly Bulletin*, June 2016]

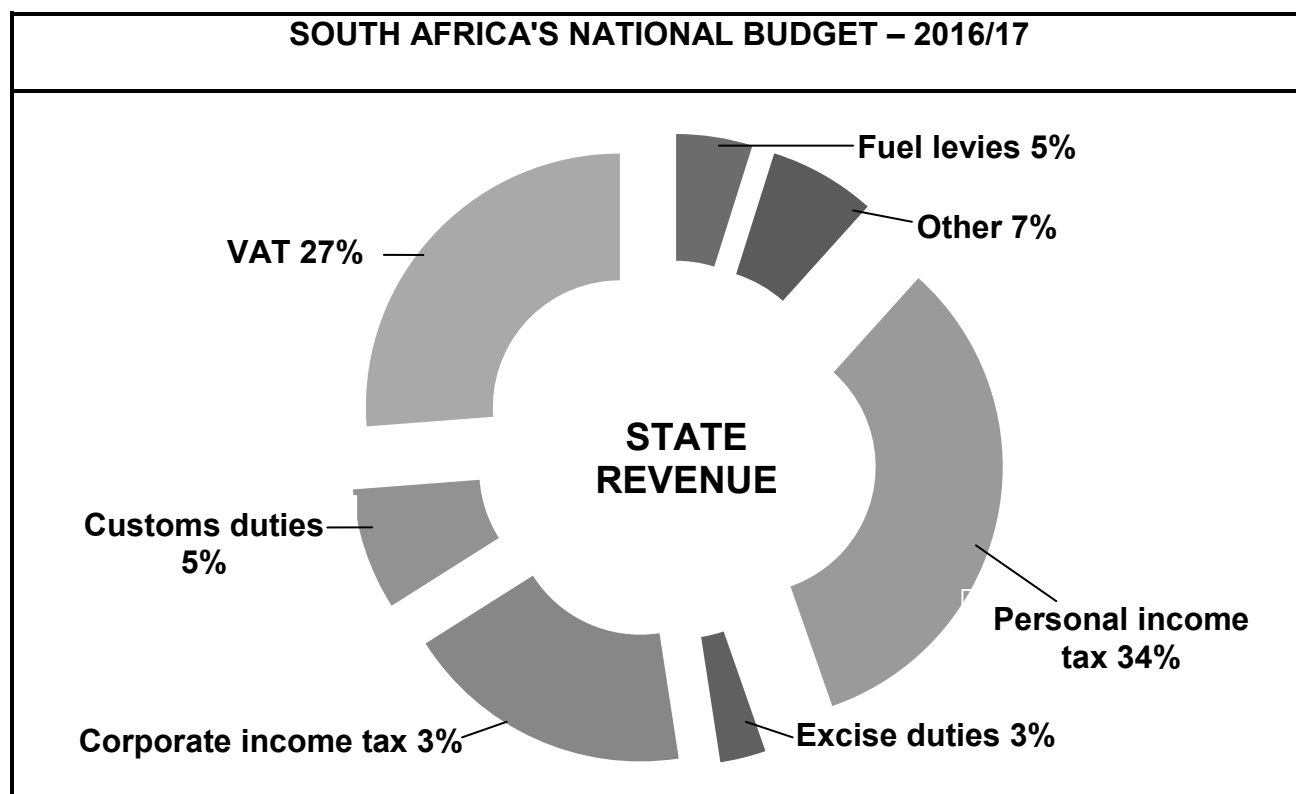
2.2.1 Name the method used to calculate the GDP in the table above. (2 x 1) (2)

2.2.2 Briefly describe the term *gross domestic product*. (2)

2.2.3 What is the main purpose of subsidies on production? (2)

2.2.4 Calculate the consumption of fixed capital as a percentage of the GDP at factor cost. Show ALL calculations. (4)

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



[Adapted from the 2016 Budget Speech]

- 2.3.1 Identify ONE form of an indirect tax in the information above. (1)
- 2.3.2 What type of tax will contribute most to state revenue during the 2016/17 financial year? (1)
- 2.3.3 Briefly describe the term *budget*. (2)
- 2.3.4 Give ONE reason why the government increased taxation (excise duties) on demerit goods during the 2016/17 financial year. (2)
- 2.3.5 How will an increase in corporate income tax impact negatively on economic growth? (2 x 2) (4)
- 2.4 Explain *natural resources* and *specialisation* as causes of international trade. (2 x 4) (8)
- 2.5 An international company invests R5 million in a business enterprise in South Africa. Calculate the multiplier effect of this investment on our economy if the marginal propensity to save (mps) is 0,6. Show ALL calculations. (8)
- [40]**


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

3.1 Answer the following questions.

3.1.1 Name TWO indicators related to production. (2 x 1) (2)

3.1.2 Why does the South African government focus on small businesses to promote economic growth? (1 x 2) (2)

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



'The development gap between the North and South has become a problem for the whole world to manage.' This statement has become somewhat outdated as the gap between the rich and the poor countries is closing.

Opportunities for more equal trade and flow of capital have allowed for some developing countries to develop faster. The availability and use of modern technology in agriculture and manufacturing and trade agreements, like the Africa Growth and Opportunity Act (AGOA), have added further value to the overall change.

[Adapted from SAIRR, October 2016]

3.2.1 Which trade agreement has given developing countries favourable export opportunities? (1)

3.2.2 Identify, in the data above, how technology may be used to combat poverty. (1)

3.2.3 Briefly describe the impact of activities in the North (North-South divide) on the world environment. (4)

3.2.4 In your opinion, how can countries in the South solve the problem of underdevelopment? (2 x 2) (4)

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

JOB CREATION IN PRIVATE SECTOR REMAINS WEAK

At the end of 2015 the unemployment rate was 24,3%. Among the unemployed, long-term jobseekers are 66%. This indicates the serious effects of lengthy exclusion from the labour market or skills and employment.

Job creation in the private sector remains weak. The public sector contributed 59% to 88% of the jobs in 2014, most of which were in public works programmes, state-owned entities and local government.

In the developing countries unemployment still remains the most important cause of poverty.

[Adapted from 2015 Budget Review]

- | | | |
|-------|--|--------------------|
| 3.3.1 | According to the extract above, which sector created the most jobs in 2014? | (1) |
| 3.3.2 | Identify the most important cause of poverty in the extract. | (1) |
| 3.3.3 | Briefly describe the concept <i>unemployment</i> . | (2) |
| 3.3.4 | Why is the high employment rate by the public sector sometimes viewed as a problem? | (2) |
| 3.3.5 | What can the private sector do to increase employment in South Africa? | (2 x 2)
(4) |
| 3.4 | Briefly discuss regional development in South Africa using competitiveness and sustainability as benchmark criteria. | (2 x 4)
(8) |
| 3.5 | How do the International Monetary Fund and the United Nations, as international organisations, play a role in the standardisation of the indicators of member countries? | (8)
[40] |

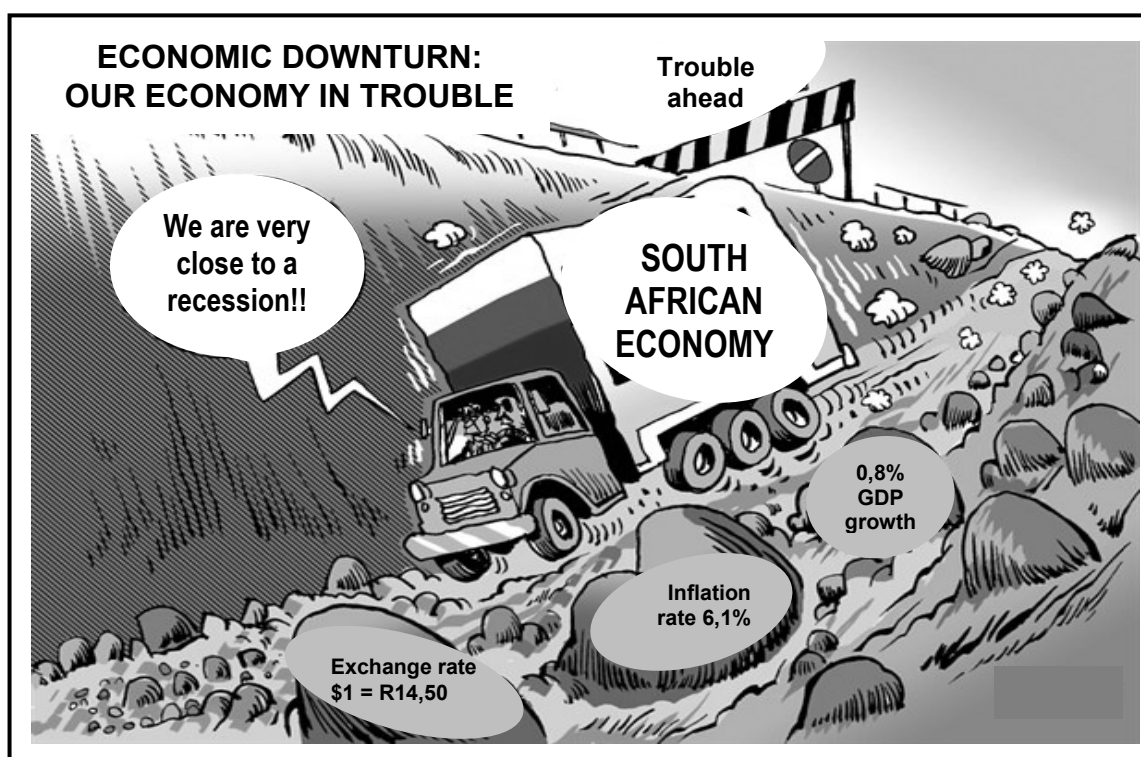
QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name TWO markets that form part of the economic circular flow. (2 x 1) (2)

4.1.2 What would be the impact on economic development if the population increased without an increase in the real gross domestic product (GDP)? (1 x 2) (2)

4.2 Study the cartoon and answer the questions that follow.



[Adapted from Google Images]

4.2.1 Identify TWO economic indicators in the cartoon above. (2 x 1) (2)

4.2.2 Briefly describe the term *recession*. (2)

4.2.3 How will the initial stages in an economic downturn influence interest rates in South Africa? (2)

4.2.4 What can the South African Reserve Bank do to increase economic growth in the country? (2 x 2) (4)

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

**DEPARTMENT OF TRADE AND INDUSTRY (dti)
FOR ECONOMIC GROWTH IN SOUTH AFRICA**

The dti believes in the ability to grow the economy, reduce unemployment, and enhance the equitable distribution of economic activity.

In their annual report the Department of Trade and Industry emphasised the implementation of the five key policy initiatives to support economic growth:

- National Industrial Policy Framework (NIPF)
- Industrial Policy Action Plan (IPAP)
- The finalisation of sectoral initiatives in industry, for example automotives
- The Automotive Production and Development Programme (APDP)
- The Clothing and Textiles Competitiveness Programme (CTCP)

[Adapted from the *dti Annual Report: 2015*]

- | | | |
|-------|---|-------------|
| 4.3.1 | Identify ONE key policy initiative developed by the Department of Trade and Industry in the extract above. | (1) |
| 4.3.2 | According to the extract, what is the main purpose of the Department of Trade and Industry? | (1) |
| 4.3.3 | Briefly describe the aims of the National Industrial Policy Framework. | (2 x 2) (4) |
| 4.3.4 | How would these key policy initiatives support the growth of the South African economy? | (2 x 2) (4) |
| 4.4 | Briefly discuss <i>distribution of income (economic equity)</i> and <i>price stability</i> as macroeconomic objectives. | (2 x 4) (8) |
| 4.5 | How can the government use incentives to encourage industrial development? | (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 The introduction is a lower-order response. <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
Body Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain 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. 26 Max. 10
Conclusion Any higher-order conclusion should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned • 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**

South Africa's international trade policy consists of export promotion and import substitution.

- Discuss *export promotion* as part of South Africa's international trade policy under the following headings:
 - Reasons (8)
 - Methods (8)
 - Disadvantages (10)
 (26)
- Analyse the arguments in favour of a free-trade policy. (10) **[40]**

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

In order to achieve economic growth and development the right approach is required.

- Examine the *demand-side approach* to growth and development in South Africa. (26)
- Evaluate the success of AsgiSA and Black Economic Empowerment (BEE) as government initiatives to promote growth and development. (10) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150