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# basic education

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

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS P1**

**NOVEMBER 2018**

**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–D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

1.1.1 An open economy is best described as a ... sector economy.

- A one
- B two
- C three
- D four

1.1.2 Investment is an example of a/an ... in the circular flow model.

- A leakage
- B injection
- C withdrawal
- D loss

1.1.3 Fiscal policy is an action taken by government in respect of taxation and ... to influence economic activity.

- A exchange control
- B money supply
- C expenditure
- D credit control

1.1.4 Economies of scale are associated with ...

- A mass production.
- B limited output.
- C long-term average cost increases.
- D increased wastage.

1.1.5 Production by the citizens of a country, locally and abroad, is called the ... product.

- A gross national
- B gross domestic
- C net national
- D net domestic

1.1.6 A physically enclosed area next to a harbour or airport where production for exports is encouraged through incentives, is known as the ...

- A spatial development initiatives.
- B industrial development zone.
- C special economic zone.
- D foreign investment grant.

1.1.7 The comparison of a country's export prices with import prices by means of indexes is referred to as the ...

- A exchange rate.
- B conditions of trade.
- C terms of trade.
- D inflation rate.

1.1.8 Economic development is measured in terms of the ...

- A per capita gross domestic product.
- B increase in the productive capacity.
- C nominal gross domestic product.
- D money supply.

(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 numbers (1.2.1 to 1.2.8) in the ANSWER BOOK.

| COLUMN A                                | COLUMN B   |
|---|--|
| 1.2.1 Nationalisation                   | A number of years a person will live after birth   |
| 1.2.2 Medium-term expenditure framework | B persuasion of banks by the South African Reserve Bank (SARB)   |
| 1.2.3 System of national accounts       | C indicator used to measure the change in the price of goods produced locally when it leaves the factory floor |
| 1.2.4 Money flows                       | D measures income inequality and wealth  |
| 1.2.5 Protectionism                     | E movement of income and expenditure between participants in the economy                                       |
| 1.2.6 Gini coefficient                  | F shows income and expenditure estimates for a three-year period   |
| 1.2.7 Life expectancy                   | G prescribed by the United Nations to compile gross domestic product figures                                   |
| 1.2.8 Production price index            | H trade policy that tries to keep the domestic economy safe by restricting the import of goods and services    |
|   | I transfer of functions and ownership of entities from the private to the public sector                        |

(8 x 1) (8)

1.3 Give ONE term for EACH of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 A systematic record of all trade and financial transactions between one country and other countries for a particular period of time

1.3.2 Money paid by the government to a person/institution without any counterperformance

1.3.3 When a product is sold on a foreign market at a price that is lower than the cost of production in the country of origin

1.3.4 Increase in the productive capacity of a country

1.3.5 The rate at which commercial banks borrow money from the South African Reserve Bank

1.3.6 The policy that aims to stabilise prices by combating inflation (6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

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

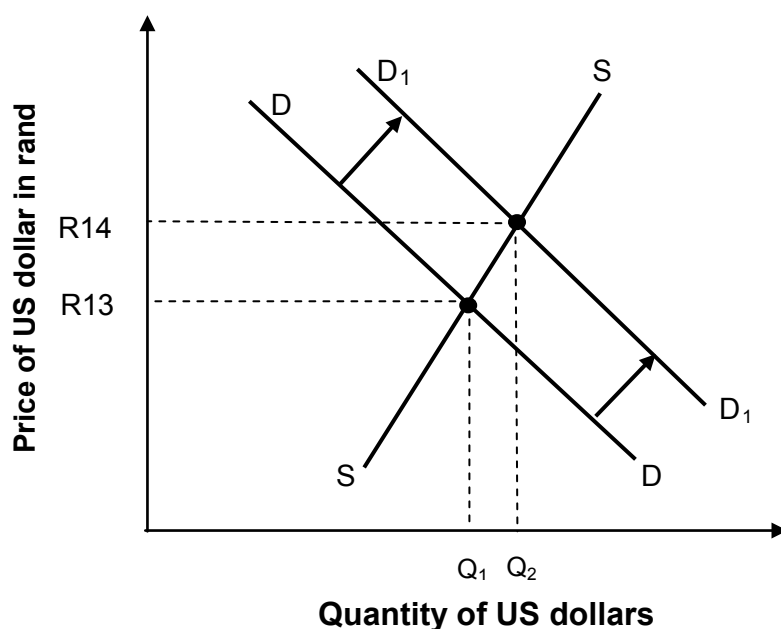
**QUESTION 2: MACROECONOMICS****40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name the TWO financial markets in the circular-flow model. (2 x 1) (2)

2.1.2 What effect will a decrease in income levels have on international trade? (1 x 2) (2)

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

**EXCHANGE RATES – THE RAND IS AT THE MERCY OF THE MARKET**

2.2.1 Identify the exchange rate system in the graph above. (1)

2.2.2 What was the original rand/dollar exchange rate before the demand for US dollars increased? (1)

2.2.3 Briefly describe the term *exchange rate*. (2)

2.2.4 How has the increased demand for US dollars affected the value of the rand? (2)

2.2.5 What could the South African Reserve bank do to strengthen the value of the rand against the dollar? (2 x 2) (4)

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

| <b>NATIONAL ACCOUNT AGGREGATES – SOUTH AFRICA</b>                |                           |
|--|---------------------------|
| <b>SUMMARY OF GROSS DOMESTIC PRODUCT<br/>(AT CURRENT PRICES)</b> | <b>R million<br/>2016</b> |
| Compensation of employees  | 2 051 326                 |
| Net operating surplus  | 1 130 210                 |
| Consumption of fixed capital                                     | 613 605                   |
| <b>Gross value added at factor cost</b>                          | <b>3 795 141</b>          |
| Other taxes on production  | 86 008                    |
| Other subsidies on production                                    | 9 935                     |
| <b>Gross value added at basic prices</b>                         | <b>3 871 214</b>          |
| Taxes on products  | 484 059                   |
| Subsidies on products  | 16 415                    |
| <b>Gross domestic product at market prices</b>                   | <b>(A)?</b>               |

[Source: Quarterly Bulletin SARB, June 2017]

- 2.3.1 Identify the factor of production in the table above that receives the biggest portion of the national income. (1)
- 2.3.2 Which method was used to calculate the figures above? (1)
- 2.3.3 Briefly describe the term *basic prices*. (2)
- 2.3.4 Briefly explain how subsidies can influence production. (2)
- 2.3.5 Calculate the gross domestic product at market prices (A). Show ALL calculations. (4)
- 2.4 Briefly discuss *pricing policy* and *parastatals* as problems of public sector provisioning. (2 x 4) (8)
- 2.5 Calculate the change in aggregate income if there is an injection of R20 billion into the economy with a marginal propensity to save of 0,3. Show how the multiplier effect could influence the government to create more jobs. Show ALL calculations. (8)
- [40]**



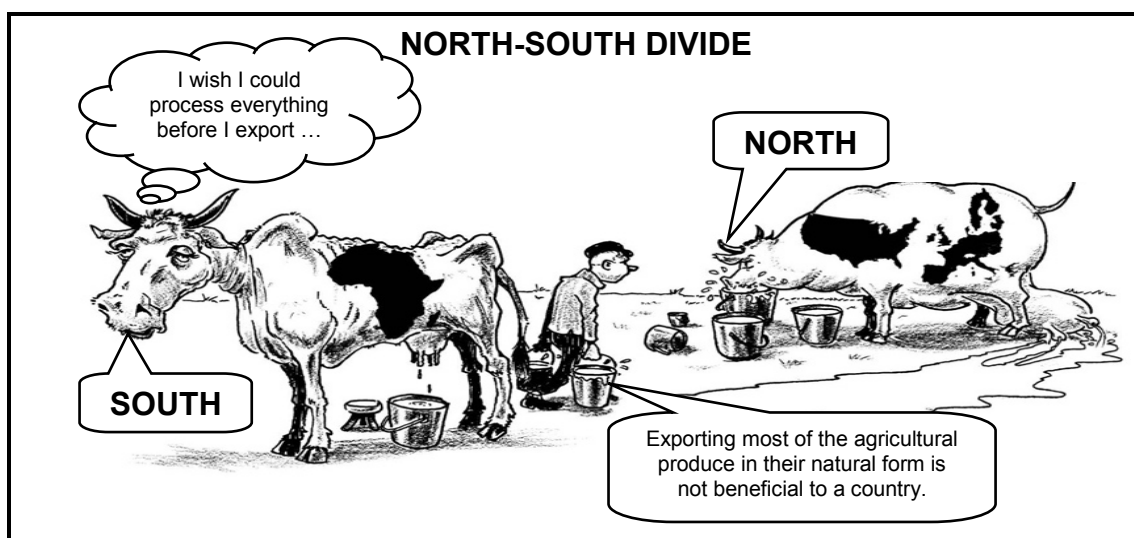
**QUESTION 3: ECONOMIC PURSUITS****40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO redress policies that South Africa has used since 1994. (2 x 1) (2)

3.1.2 What effect will increased urbanisation have on the economy? (1 x 2) (2)

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

[Adapted from [www.wikipedia](http://www.wikipedia), 2016]

3.2.1 Name any ONE agricultural product exported to countries in the north. (1)

3.2.2 Give any reason for the poor economic conditions of the countries in the south. (1)

3.2.3 Briefly describe the term *North-South divide*. (2)

3.2.4 Explain *standards of living* of countries in the Northern Hemisphere. (2)

3.2.5 What positive impact will globalisation have on the North-South divide? (2 x 2) (4)

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

**SMALL BUSINESS DEVELOPMENT IN SOUTH AFRICA**

Small, medium and microenterprises are the engines of growth in South Africa, and contribute between 52% and 57% of the GDP. It provides 60% of all jobs, compared to the corporate and public sectors combined. The government provides training, employment subsidies and financing to SMMEs.

[Adapted from *Stats SA Quarterly Labour Force Survey*, 2016]

- |       |  |             |
|-------|--|-------------|
| 3.3.1 | What positive effect could small business development have on markets?   | (1)         |
| 3.3.2 | Why is it important that the government provides financial aid to SMMEs?   | (1)         |
| 3.3.3 | Briefly describe the term <i>economically active population</i> .  | (2)         |
| 3.3.4 | Briefly explain how the Department of Trade and Industry (DTI) supports small business development in South Africa.                        | (2)         |
| 3.3.5 | How can the establishment of more SMMEs be promoted in South Africa?   | (2 x 2) (4) |
| 3.4   | How can the Critical Infrastructure Programme (CIP) and the Foreign Investment Grant (FIG) improve industrial development in South Africa? | (2 x 4) (8) |
| 3.5   | Evaluate the potential success of special economic zones in South Africa.  | (8)         |
|       |  | <b>[40]</b> |

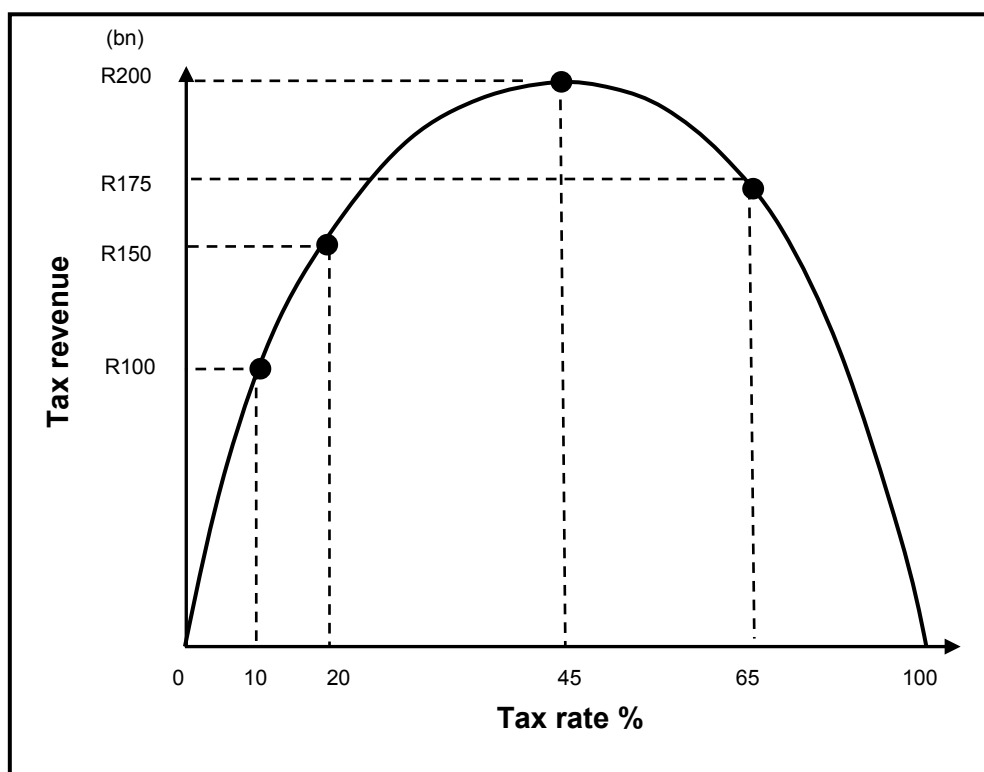
**QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**  
**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Give any TWO examples of production indicators. (2 x 1) (2)

4.1.2 Why do developed countries favour the idea of free trade? (1 x 2) (2)

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



4.2.1 Identify the curve in the graph above. (1)

4.2.2 At what tax rate will government revenue be maximised? (1)

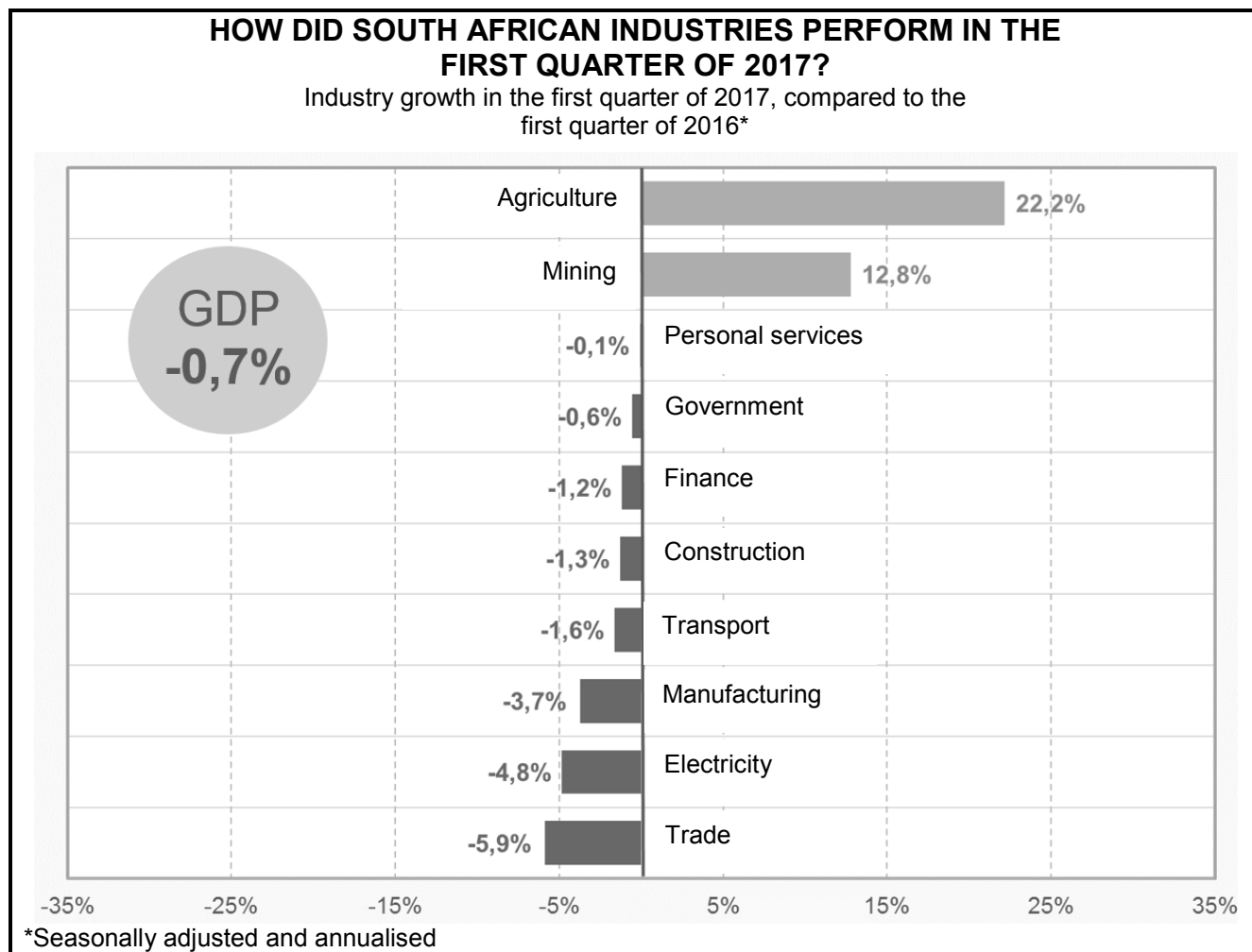
4.2.3 How much revenue will the government receive if the tax rate is 100%? (2)

4.2.4 What effect will a decrease in the tax rate from 65% to 45% have on tax revenue? (2)

4.2.5 What consequences could a 1% VAT increase have on the different role players in the South African economy? (2 x 2) (4)

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

### GROSS DOMESTIC PRODUCT – AN ECONOMIC INDICATOR



[Adapted from Stats SA GDP, 2017]

- 4.3.1 Which figure indicates that the GDP growth rate was not satisfactory? (1)
- 4.3.2 Identify the sector that contributed least to the GDP above. (1)
- 4.3.3 Give a reason why trade performed so poorly in respect of the total GDP. (2)
- 4.3.4 Why are only real GDP figures used to compare economic production that occurred in different years? (2)
- 4.3.5 What can the South African government do to ensure a better economic growth performance? (2 x 2) (4)
- 4.4 Briefly discuss *health* as a social indicator. (4 x 2) (8)
- 4.5 How can developing countries ensure the survival of labour-intensive industries in a global economy? (8)

[40]

**TOTAL SECTION B: 80**

**SECTION C**

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

Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

| STRUCTURE OF ESSAY  | MARK ALLOCATION |
|---|-----------------|
| <b>Introduction</b><br>The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid mentioning in the introduction what you are going to discuss in the body.</li> </ul>  | Max. 2          |
| <b>Body</b><br><b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain  | Max. 26         |
| <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. 10         |
| <b>Conclusion</b><br>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 value 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**

- Discuss ALL the features underpinning the forecasting of business cycles, excluding the economic indicators. (26 marks)
- Why is price stability important to prevent extreme fluctuations in business cycles? (10 marks)

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

- Discuss the demand-side approach in promoting economic growth. (26 marks)
- Evaluate the success of the expanded public works programme to reduce poverty and unemployment. (10 marks)

**[40]**

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