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Department:
Basic Education
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SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P1

2016

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 Earnings received from the export of goods and services are called ...
- A leakages.
 - B injections.
 - C investments.
- 1.1.2 Estimating unknown data based on a pattern of known data is called ...
- A the amplitude.
 - B a trend.
 - C extrapolation.
- 1.1.3 Countries with fundamental balance of payment problems can apply for financial support from the ...
- A International Monetary Fund.
 - B Federal Bank.
 - C Reserve Bank.
- 1.1.4 The mini-budget that covers a period of three years, which is tabled in October each year, is called the ...
- A main budget.
 - B medium-term expenditure framework.
 - C short-term budget.
- 1.1.5 Government expenditure forms part of the ... policy.
- A monetary
 - B fiscal
 - C Reserve Bank's
- 1.1.6 An important aim of industrial development is to increase ...
- A imports.
 - B economic growth.
 - C foreign aid.

1.1.7 The nationwide government intervention plan to create employment for the poor and vulnerable is called the ...

- A Expanded Public Works Programme.
- B Industrial Policy Action Plan.
- C Strategic Investment Programme.

1.1.8 A high standard of living is directly related to ...

- A good education.
- B low economic growth.
- C a decrease in expenditure.

(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 Disequilibrium	A also known as the labour force
1.2.2 Terms of trade	B consists of enterprises that produce similar products
1.2.3 Moving averages	C represents the real flow in the economy
1.2.4 Free trade	D evens out short-term fluctuation in economic data
1.2.5 Aggregate money supply	E provides goods and services promptly and in the desired quantity and quality
1.2.6 Efficiency	F compares a country's export prices with its import prices by means of an index
1.2.7 Economically active population	G when leakages are more than injections
1.2.8 Industry	H absence of barriers and restrictions
	I managed by the Reserve Bank

(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 An account in the balance of payments that shows records of investments by South Africans in other countries
- 1.3.2 Primary participants and owners of the factors of production
- 1.3.3 The worldwide interaction of economies
- 1.3.4 An indicator that measures the number of babies who die before the age of one
- 1.3.5 Spatial areas that offer particular advantages to mining and other businesses along a particular trade route
- 1.3.6 The government's plan for revenue and expenditure for the coming fiscal year (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

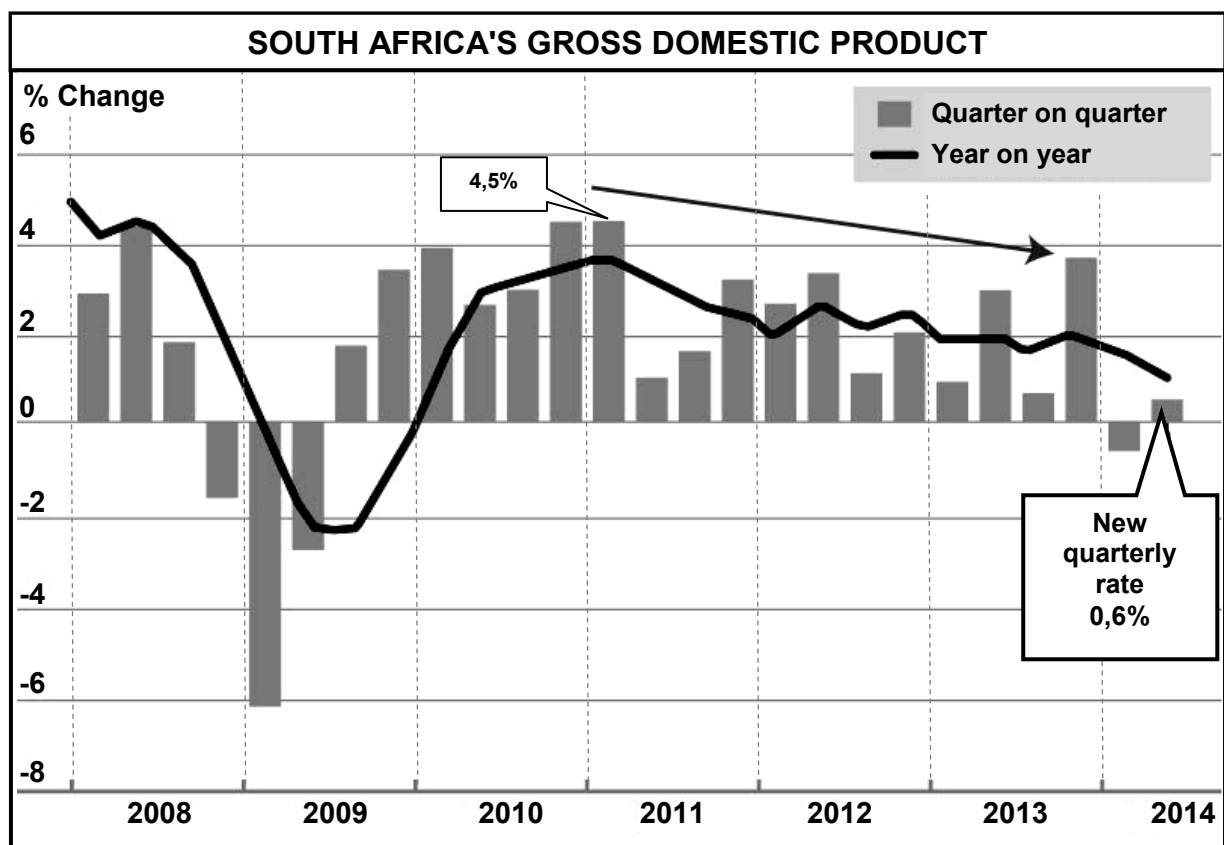
40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name TWO macroeconomic objectives of the state. (2 x 1) (2)

2.1.2 How can the Reserve Bank use interest rates to stimulate the economy? (1 x 2) (2)

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



2.2.1 Which institution published the information in the graph above? (1)

2.2.2 During which quarter of 2014 did South Africa experience a positive change in the GDP? (1)

2.2.3 What are the implications of recent trends in the GDP between 2011 and 2014? (2 x 2) (4)

2.2.4 Explain the importance of the GDP as economic indicator. (2 x 2) (4)

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

PARASTATALS (SOEs) A BURDEN ON SA'S FUTURE

The financial health of the country's parastatals (state-owned enterprises) is in dire straits. Future bailouts required by the parastatals (SOEs) are one of three key threats to the South Africa's economy. The other two are weaker-than-expected economic growth and above-inflation public sector wage settlements. Radical change is needed to secure our fiscal future.

Some voice privatisation as the only option. Eskom has been the biggest recipient. To date it has received R350 billion in guarantees and has borrowed R144,5 billion. Roads agency, Sanral, has received guarantees valued at R38,9 billion, against which it has borrowed R30,2 billion. South African Airways is also on the brink of bankruptcy.

[Adapted from *Mail & Guardian*, 27 February 2015]

- | | | | |
|-------|---|---------|-------------|
| 2.3.1 | Identify TWO parastatals (SOEs) in the extract. | (2 x 1) | (2) |
| 2.3.2 | Explain the term <i>privatisation</i> . | | (2) |
| 2.3.3 | How does the poor financial health of parastatals (SOEs) threaten South Africa's economy? | (1 x 2) | (2) |
| 2.3.4 | Explain how the privatisation of state-owned enterprises (SOEs) can secure our fiscal future. | (2 x 2) | (4) |
| 2.4 | Distinguish between <i>leading</i> and <i>lagging indicators</i> . | (2 x 4) | (8) |
| 2.5 | How can inefficiencies that contributed towards public sector failure be solved? | | (8) |
| | | | [40] |


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

3.1 Answer the following questions.

3.1.1 State TWO redress methods used by the government to correct the imbalances of the past. (2 x 1) (2)

3.1.2 How are developing countries challenged by globalisation? (1 x 2) (2)

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

	<p style="text-align: center;">SA STEEL INDUSTRY IN CRISIS</p> <p>ArcelorMittal SA became the latest casualty of falling steel prices and slowing demand. Some of the reasons are: cheap imports, the devaluation of China's currency, frequent power outages, violent industrial action, inadequate infrastructure and increasing production costs.</p> <p>The steel industry is seeing a crisis; the media is talking about a job bloodbath, especially in smaller companies. These companies are highly indebted and are battling to survive.</p> <p style="text-align: right;">[Adapted from <i>Business News</i>, 14 October 2015]</p>
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3.2.1 Give ONE reason for the falling steel prices. (1)

3.2.2 Who is Africa's largest steel producer? (1)

3.2.3 Why do you think China devalued its currency? (2)

3.2.4 What was the effect of China's currency devaluation on South Africa's steel industry? (2)

3.2.5 In your opinion, what can the South African government do to reduce the negative effects of this crisis? (2 x 2) (4)

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



**BRICS COUNTRIES TO CONTRIBUTE EQUALLY
TO NEW DEVELOPMENT BANK CAPITAL**

The New Development Bank BRICS (NDB BRICS), formerly referred to as the BRICS Development Bank, is a multilateral development bank operated by the BRICS states, as an alternative to the World Bank and International Monetary Fund.

Formation of the capital of the New Development Bank (NDB), to be headquartered in Shanghai, will be shared equally by the five BRICS countries. The initial subscribed capital shall be US\$50 billion. The goal of the bank is to mobilise resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries. Each participating country holds an equal number of shares and equal voting rights, and none of the countries will have veto power.

[Adapted from *Business News*, 16 October 2015]

- | | | |
|-------|---|-------------|
| 3.3.1 | Identify ONE country that forms part of BRICS. | (1) |
| 3.3.2 | Which member country is interested in signing a nuclear power deal with South Africa? | (1) |
| 3.3.3 | Explain the concept <i>emerging economies</i> . | (2 x 2) (4) |
| 3.3.4 | How can South Africa benefit from the New Development Bank BRICS? | (2 x 2) (4) |
| 3.4 | Distinguish between <i>economic growth</i> and <i>economic development</i> . | (2 x 4) (8) |
| 3.5 | How can special economic zones (SEZs) contribute to regional development? | (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 TWO import substitution methods. (2 x 1) (2)

4.1.2 Why is industrial development a necessity in South Africa? (1 x 2) (2)

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

THE MORE YOU EARN, THE MORE YOU WILL PAY	
<p>During the 2015/16 budget speech the minister of finance announced a relief for lower-income earners and increased tax for higher-income earners. For example, people earning more than R37 000/month are going to pay more, while people who earn less than that will actually get a slight cut in their taxes.</p> <p>In contrast 8 500 000 people who are registered as taxpayers, do not pay any tax at all. Welfare grants are paid to 17 million people – that is why we still have a long way to go to get more equality in this country.</p>	
TAX RATES FOR THE TAX YEAR ENDING 29 FEBRUARY 2016	
TAXABLE INCOME OF INDIVIDUALS (R)	TAX PAYABLE (R)
0 to 181 900	18% of taxable income
181 901 to 284 100	32 742 + 26% of taxable income above 181 900
284 101 to 393 200	59 314 + 31% of taxable income above 284 100
393 201 to 550 100	93 135 + 36% of taxable income above 393 200
550 101 to 701 300	149 619 + 39% of taxable income above 550 100
701 301 and above	208 587 + 41% of taxable income above 701 300
<p>The thresholds for 2015/2016 are: Taxpayers under the age of 65 years – R73 500 Taxpayers 65 years and above – R114 500 Taxpayers 75 years and above – R128 500</p>	

[Source: SARS 2015/16 – Income Tax Manual]

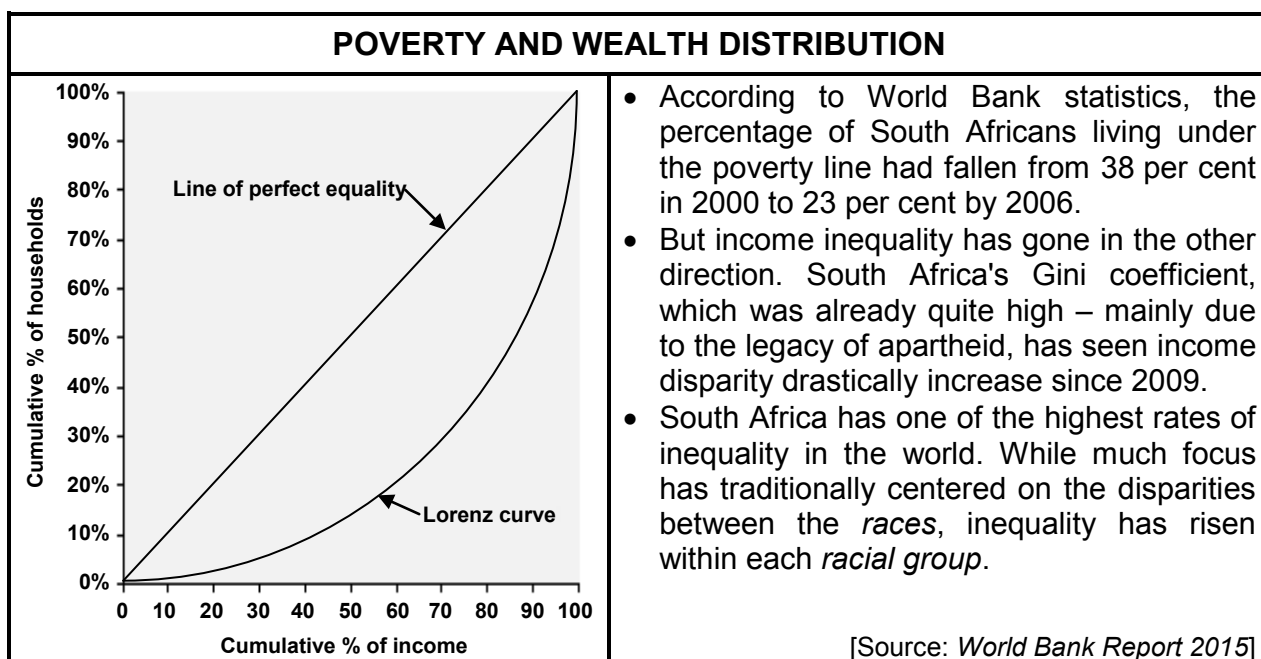
4.2.1 What tax scale is referred to in the heading of the extract? (1)

4.2.2 What important element of redress is found in the extract? (1)

4.2.3 Explain the negative impact of high tax rates. (2 x 2) (4)

4.2.4 Calculate the tax payable by a person whose taxable income is R200 000 per year. Show ALL calculations. (4)

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



- 4.3.1 Which international institution provided the data in the extract? (1)
- 4.3.2 When did the income disparities in South Africa increase drastically? (1)
- 4.3.3 Which index describes the percentage of the population living below the poverty-line income? (2)
- 4.3.4 Give a reason why poverty in South Africa declined between 2000 and 2006. (2)
- 4.3.5 What is the relationship between the *Lorenz curve* and the *Gini coefficient*? (2 x 2) (4)
- 4.4 Distinguish between the *money market* and the *capital market*. (2 x 4) (8)
- 4.5 In your opinion, how can South Africa's monetary policy contribute to a higher economic growth rate? (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 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 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**

In the global economy countries strive to export more than they import to maximise the benefits of international trade.

- Examine the supply reasons for international trade. (26)
 - Use a graph and explain how an increase in exports to the USA will affect the value of the rand. (10)
- [40]**

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

The annual analysis of the economic performances of countries is very important. This is done by international institutions and governments to determine how countries performed in comparison with others.

- Analyse the following economic indicators that are used to measure the performance of the economy:
 - Productivity (maximum 10 marks)
 - Foreign trade (maximum 16 marks)
 - Why are comparisons of economic performances of countries important? (10)
- [40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150