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Department:
Basic Education
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NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS

FEBRUARY/MARCH 2011

MARKS: 300

TIME: 3 hours

This question paper consists of 16 pages.

INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows in the ANSWER BOOK:
 - SECTION A: COMPULSORY
 - SECTION B: Answer any THREE of the five questions.
 - SECTION C: Answer any TWO of the four questions.
2. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully and start EACH question on a NEW page.
5. Leave 2 – 3 lines between subsections of questions.
6. 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.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write legibly and present your work neatly.

SECTION A (COMPULSORY)**QUESTION 1****50 MARKS – 25 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 – 1.1.12) in the ANSWER BOOK.

1.1.1 Changes in technology will lead to a ... business cycle.

- A demand-driven
- B supply-driven
- C political

1.1.2 Parastatals are business entities of a ... sector.

- A commercial
- B private
- C public

1.1.3 Taxes and subsidies on ... are taken into account when calculating GDP at basic prices.

- A exports
- B commodities
- C production

1.1.4 A/An ... is made up of all individual businesses that supply produce to a particular market.

- A cartel
- B macro business
- C industry

1.1.5 The concept that describes a state in which all opposing market forces are balanced, is known as ...

- A collusion.
- B equilibrium.
- C competition.

1.1.6 The assumption used by economists to describe a state where all other factors remain unchanged, is known as the ... rule.

- A ceteris paribus
- B free-rider
- C constant

- 1.1.7 Lowering the interest rate can be classified as a ... approach to economic growth.
- A supply-side
 - B fiscal
 - C demand-side
- 1.1.8 The indicator used to measure gross domestic product, interest rates and unemployment rates is called the ...
- A economic cycle.
 - B economic indicator.
 - C leading indicator.
- 1.1.9 A major task of the Department of Trade and Industry is to encourage ... exports.
- A value-added
 - B agricultural
 - C mineral
- 1.1.10 A firm will spend less on pollution-reduction equipment because of its low marginal ...
- A private benefit.
 - B private cost.
 - C social cost.
- 1.1.11 Deflation is defined as a decline in the ...
- A price of certain products.
 - B general price level.
 - C gross domestic product.
- 1.1.12 South Africa benefits directly from tourism because of the increase in tourist ...
- A import.
 - B expenditure.
 - C savings.
- (12 x 2) (24)

- 1.2 Give ONE term for each of the following descriptions by choosing a term from the list below. Write only the term next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

moving average; general agreement on tariffs and trade; inflation targets;
import tariff; perfect market; lagging indicator; renewable; monopoly;
non-renewable; inflation;

- 1.2.1 An indicator that reduces the impact of random events to highlight long-term trends
- 1.2.2 A market structure which is not protected from competition
- 1.2.3 Reduce the barriers to free international trade
- 1.2.4 3% – 6% band
- 1.2.5 Mineral resources that may become exhausted (5 x 2) (10)

- 1.3 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A – I) next to the question number (1.3.1 – 1.3.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.3.1	Political shocks	A	charged for the adverse effects on the environment on output or consumption
1.3.2	Real flow	B	the degree of inequality in the distribution of income
1.3.3	Market failure	C	exogenous factor influencing business cycles
1.3.4	Phillips curve	D	calculated as a certain amount per unit, mass or size of an article
1.3.5	Lorenz curve	E	supply of goods and services
1.3.6	Specific import duties	F	the best available production has not been achieved
1.3.7	Green taxes	G	it illustrates the relationship between unemployment and inflation
1.3.8	Non-rivalry	H	consumption by one person does not in any way reduce the consumption by someone else
		I	the relationship between taxable income and tax rates

(8 x 2) (16)

TOTAL SECTION A: 50

SECTION B

Answer any THREE of the five questions from this section in the ANSWER BOOK.

QUESTION 2**50 MARKS – 25 MINUTES**

- 2.1 Choose the correct word from those given in brackets. Write only the word next to the question number (2.1.1 – 2.1.4) in the ANSWER BOOK.
- 2.1.1 A country will have a/an (absolute/comparative) advantage if it can produce a good cheaper than anyone else.
- 2.1.2 Inflation will generally occur at the (peak/trough) of a business cycle.
- 2.1.3 Employment normally increases during an (upswing/downswing) of the economy.
- 2.1.4 Failure by the public sector in providing public goods results in the market providing those at (high/low) prices. (4 x 2) (8)
- 2.2 List any THREE factors that will influence the demand for foreign exchange, for example the US dollar. (3 x 2) (6)
- 2.3 Study the budget information below and answer the questions that follow.

R MILLION	REVISED ESTIMATE	MEDIUM-TERM ESTIMATES		
REVENUE	2008/09	2009/10	2010/11	2011/12
Total revenue	611 124	642 990	709 074	781 226
Total expenditure	633 907	738 562	792 354	842 971
Gross domestic product	2 304 111	2 474 214	2 686 254	2 952 989

[Adapted: National Treasury (2009)]

- 2.3.1 During which month of the year is the main budget presented to parliament? (2)
- 2.3.2 Name the main source of revenue for the government. (2)
- 2.3.3 Was there a surplus or a deficit on the budget during the 2009/2010 fiscal year? Motivate your answer and show calculations. (4)
- 2.3.4 Define *medium-term expenditure framework*. (2)

- 2.4 Study the information below on the South African balance of payments and answer the questions that follow.

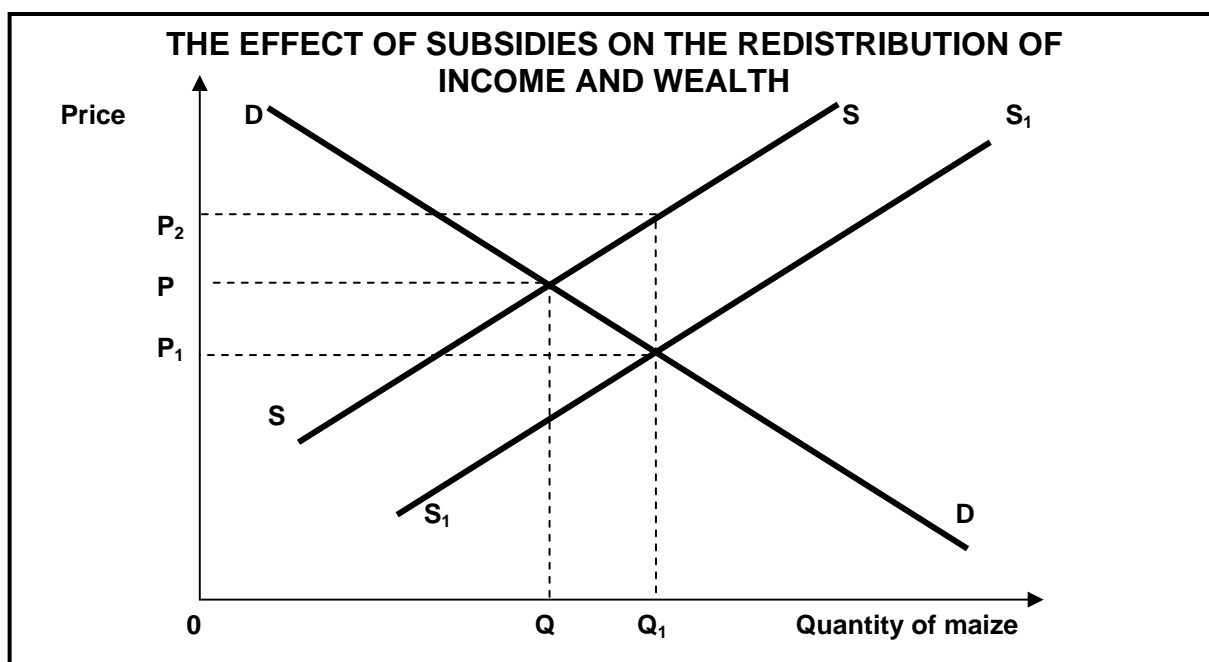
BALANCE ON THE CURRENT ACCOUNT			
YEAR	2006	2007	2008
R (billions)	-112,3	-145,0	-169,2

[Source: *Quarterly Bulletin*, SARB, 2010]

- 2.4.1 Define the term *balance of payments*. (2)
- 2.4.2 What is the current base year used by the South African Reserve Bank? (2)
- 2.4.3 What effect did the closing-down of textile factories in South Africa have on the balance on the current account of the balance of payments during the last three years? Motivate your answer. (4)
- 2.4.4 What is the trend of the balance on the current account from 2006 to 2008? (2)
- 2.5 Discuss the trend line in the forecasting of business cycles. (4 x 2) (8)
- 2.6 Discuss merit goods as a cause of market failure. (4 x 2) (8)
- [50]**

QUESTION 3**50 MARKS – 25 MINUTES**

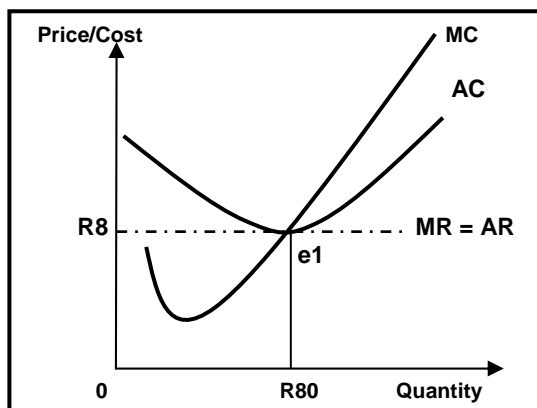
- 3.1 Choose the correct word from those given in brackets. Write only the word next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.
- 3.1.1 A market structure where approximately ten sellers selling soccer kit, is known as a/an (duopoly/oligopoly).
- 3.1.2 Entry into a monopolistic competitive market is (free/restricted).
- 3.1.3 The state provides community goods like (amusement parks/street lights).
- 3.1.4 The mechanism that brings buyers and sellers together is known as (the public sector/a market). (4 x 2) (8)
- 3.2 List any THREE aims of a competition policy. (3 x 2) (6)
- 3.3 Study the graph below and answer the questions that follow.



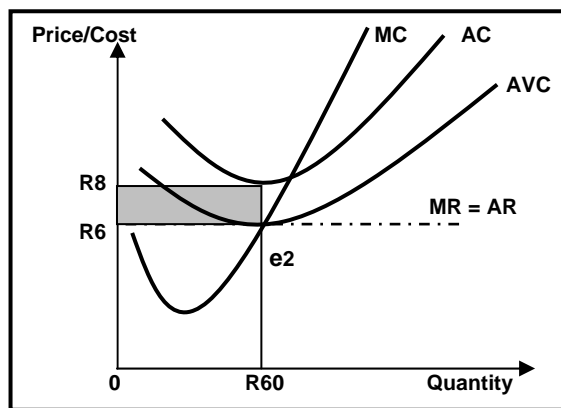
- 3.3.1 Define the term *subsidy*. (2)
- 3.3.2 Name ONE way in which subsidies on production can be granted. (2)
- 3.3.3 Use the above graph and explain the impact that subsidies will have on the market for producers of maize. (3 x 2) (6)

3.4 Study the graphs below and answer the questions that follow.

GRAPH A

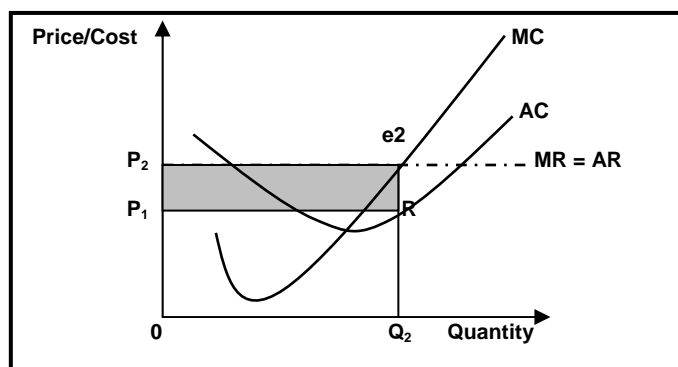


GRAPH B



- 3.4.1 Which ONE of the above graphs is associated with an economic loss? (2)
- 3.4.2 Define *normal profit*. (3)
- 3.4.3 Identify the profit maximisation point in Graph B. (2)
- 3.4.4 Calculate the total economic loss. Show ALL calculations. (3)

3.5 Use the graph below to explain short-term economic profit for the perfectly competitive business.



(4 x 2) (8)

- 3.6 Discuss any TWO characteristics of a typical oligopoly. (2 x 4) (8)

[50]

QUESTION 4**50 MARKS – 25 MINUTES**

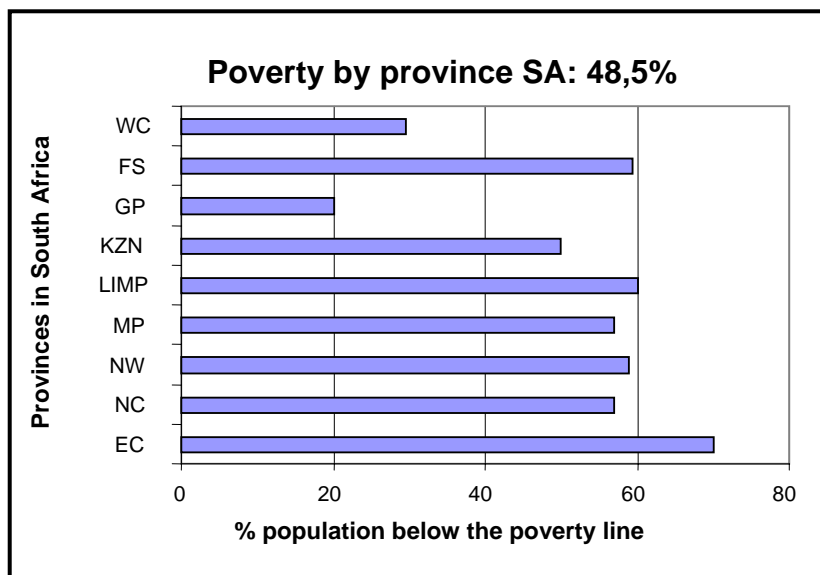
- 4.1 Choose the correct word from those given in brackets. Write only the word next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.
- 4.1.1 An increase in the real value of production in a country is known as economic (growth/development). (8)
- 4.1.2 An example of a measure taken by the government to redress the inequalities of the past is (Special Development Initiatives/Black Economic Empowerment). (4 x 2)
- 4.1.3 An import (subsidy/quota) limits the quantity of a good or service that can be imported into a country. (6)
- 4.1.4 An organisation which acts as a trade dispute mediator is known as the (WTO/IMF). (3 x 2)
- 4.2 Give any THREE examples of social benefits provided by government to address poverty. (6)
- 4.3 Study the cartoon below and answer the questions that follow.



[Zapiro, 25 May 2006]

- 4.3.1 What does the abbreviation AU stand for? (2)
- 4.3.2 What is the main goal of the AU? (2)
- 4.3.3 Which development strategy was adopted by the AU? (2)
- 4.3.4 Do you think the AU is in touch with the needs of the people? Give ONE reason for your answer. (4)

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



4.4.1 Define *poverty*. (3)

4.4.2 Which THREE provinces have the highest poverty rate? (3)

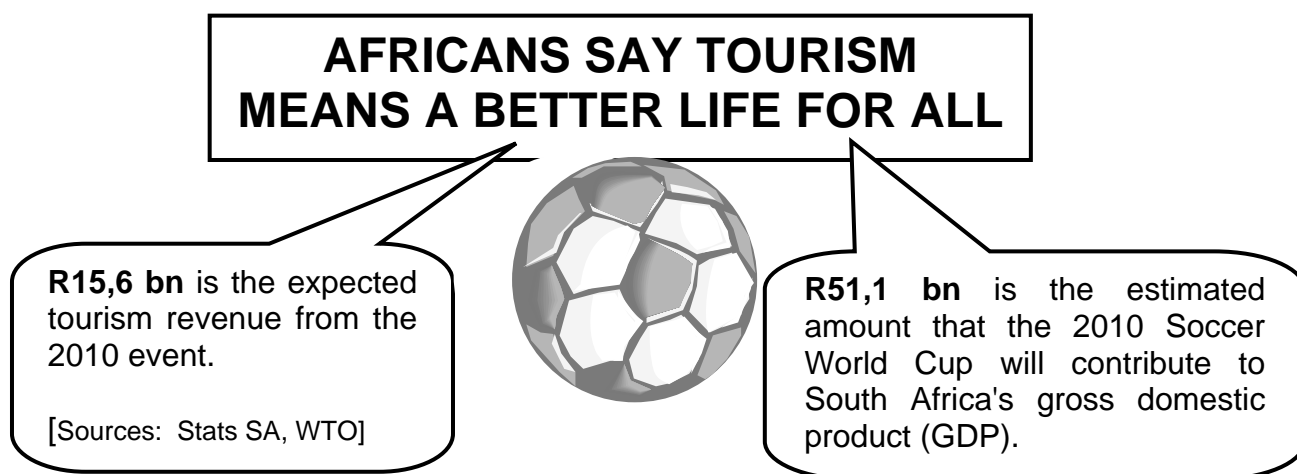
4.4.3 Give any TWO reasons for the high poverty rate. (4)

4.5 Discuss employment as part of the evaluation of South Africa's economic growth policies. (4 x 2) (8)

4.6 Explain any TWO major differences between developed countries in the North and the developing countries in the South (North-South divide). (8)
[50]

QUESTION 5**50 MARKS – 25 MINUTES**

- 5.1 Choose the correct word from those given in brackets. Write only the word next to the question number (5.1.1 – 5.1.4) in the ANSWER BOOK.
- 5.1.1 (Ecotourism/Externality) means the cost or benefit arising from any activity, which does not benefit the person or the organisation carrying on the activity.
- 5.1.2 When trees are removed on a large scale, (conservation/deforestation) takes place.
- 5.1.3 In an economy with full employment (the demand for exports/ a higher rate of income tax) will cause inflation.
- 5.1.4 Most employment in the tourism industry is in the (transport/hospitality) sectors. (4 x 2) (8)
- 5.2 Name any THREE indigenous forms of art in South Africa. (3 x 2) (6)
- 5.3 Study the information below and answer the questions that follow.



- 5.3.1 In your opinion, what may stop tourists from choosing to visit an African destination? (3)
- 5.3.2 R51,1 bn is the estimated amount that the 2010 Soccer World Cup will contribute towards the GDP. Refer to the multiplier to state the effect of tourism on the GDP. (2 x 2) (4)
- 5.3.3 Do you agree that tourism will lead to a better life for all? Motivate your answer. (3)

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

NEW FUEL LEVIES

When sources of state income run dry, governments sometimes need to create special taxes to cover the shortfall, for example fuel levies.

South Africa's provinces are empowered to a certain extent by the Constitution to create their own revenue streams.

According to the *Intergovernmental Fiscal Review 2001*, the key objective of provincial taxes is to improve resource allocation, which will provide additional revenue.

[Adapted: *Financial Mail*, 11 August 2006]

5.4.1 Give a reason why you think provincial governments may turn to taxing fuel as a source of income. (2)

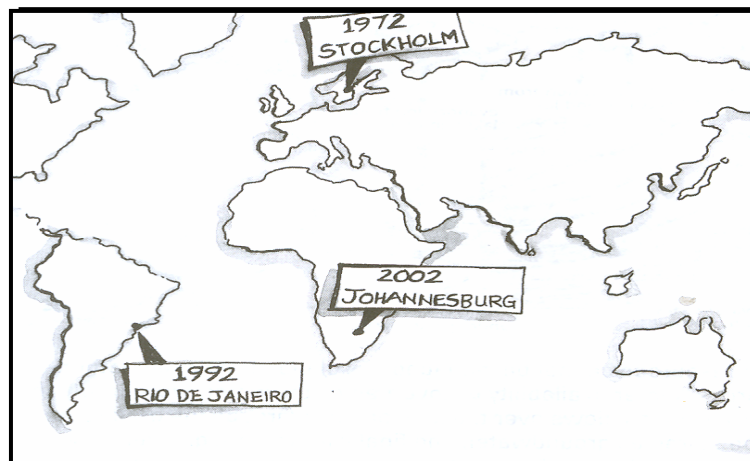
5.4.2 Name any TWO sources of income for provincial governments. (4)

5.4.3 What impact will the fuel levies have on inflation? (2 x 2) (4)

5.5 Discuss headline and CPI inflation as types of consumer inflation. (2 x 4) (8)

5.6 Since the 1970s international events have been organised to address sustainable development.

Discuss decisions taken at any TWO of these events, and indicate how South Africa has tried to implement them.



(2 x 4) (8)
[50]

QUESTION 6**50 MARKS – 25 MINUTES**

- 6.1 Choose the correct word from those given in brackets. Write only the word next to the question number (6.1.1 – 6.1.4) in the ANSWER BOOK.
- 6.1.1 The market for foreign currencies is called the (money/exchange) market.
- 6.1.2 A cash grant for the training of workers is known as a (skills support programme/duty-free incentives).
- 6.1.3 The fact that changes in spending have an impact on income, that are greater than the original change in spending, is called the (multiplier/moving average).
- 6.1.4 The workforce reflecting the demographic and gender profile of the country is stipulated in the (Competition/Employment Equity) Act of 1998. (4 x 2) (8)
- 6.2 Give any THREE reasons for international trade. (3 x 2) (6)
- 6.3 Study the table below and answer the questions that follow.

CALCULATION OF NATIONAL INCOME

	R million
1. Compensation of employees	1 088 631
2. Net operating surplus	728 748
3. Consumption of fixed capital	332 824
Gross Value Added at Factor Cost	A
4. Taxes on production	39 863
5. Subsidies on production	8 012
Gross Value Added at Basic Prices	2 182 054
6. Taxes on products	232 117
7. Subsidies on products	6 482
Gross Domestic Product at Market Prices (GDP)	B

[Source: Quarterly Bulletin, SARB, September 2010]

- 6.3.1 Calculate the gross value added at factor Cost **(A)**. (3)
- 6.3.2 Calculate the GDP at market prices **(B)**. (3)
- 6.3.3 Which method of calculation is depicted in the above-mentioned figures? (2)
- 6.3.4 Name any other method of GDP calculation. (2)

6.4 Study the table below and answer the questions that follow:

ECONOMIC INDICATORS AT CONSTANT 2005 PRICES		
YEAR	REAL GDP (R millions)	REAL GDP PER CAPITA (R)
2005	1 401 067	33 176
2007	1 560 155	36 045
2009	1 595 874	35 909

[Source: *Quarterly Bulletin*, SARB, June 2010]

- 6.4.1 Define the term *economic indicator*. (3)
- 6.4.2 What does the real GDP, as economic indicator, measure? (2)
- 6.4.3 Give the formula for the calculation of the real GDP per capita. (3)
- 6.4.4 Calculate the size of the population for 2009. (2)
- 6.5 Discuss the economies of scale and innovation as arguments in favour of free trade. (2 x 4) (8)
- 6.6 Discuss the changes in the exchange rate as part of the government's policy to restore the sustained imbalances (disequilibria) in the balance of payments. (4 x 2) (8)
- [50]**

TOTAL SECTION B: 150

SECTION C

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

Essay responses:

- Should include an introduction, body and conclusion.
- Five marks will be allocated for the introduction and conclusion.
- Five marks will be allocated for the interpretation of the topic.
- A maximum of 40 marks will be allocated for the body.

QUESTION 7**50 MARKS – 40 MINUTES**

Discuss in detail, with the aid of a clearly labelled diagram, the interaction between the four participants in the open economy circular-flow model.

[50]**QUESTION 8****50 MARKS – 40 MINUTES**

Discuss monopoly as a market structure. In your discussion compare this market with conditions of perfect competition.

[50]**QUESTION 9****50 MARKS – 40 MINUTES**

Discuss Spatial Development Initiatives (SDIs) and Industrial Development Zones (IDZs) as part of South Africa's regional industrial development. In your discussion highlight the financial incentives of the state.

[50]**QUESTION 10****50 MARKS – 40 MINUTES**

Discuss the measures to ensure environmental sustainability.

[50]

TOTAL SECTION C: 100
GRAND TOTAL: 300