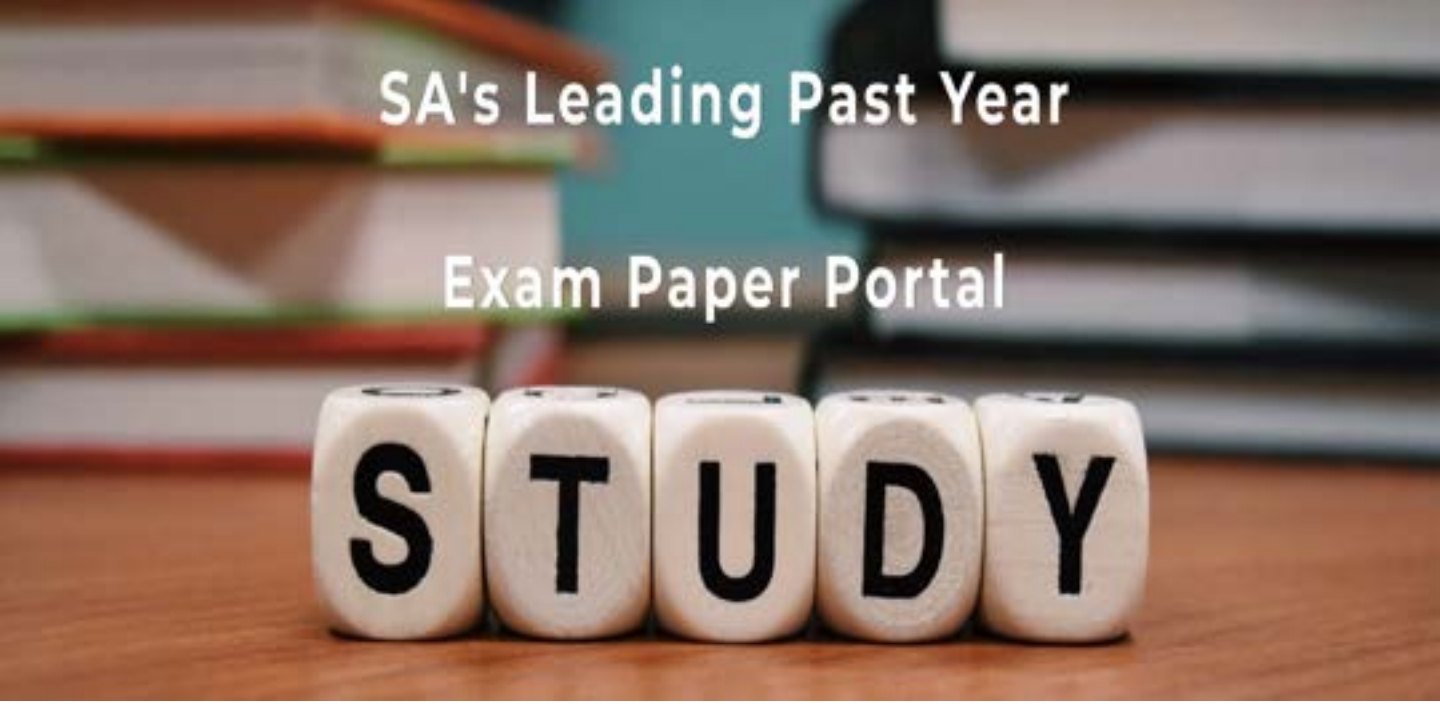

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GRADE 12

ECONOMICS

FEBRUARY/MARCH 2014

MARKS: 300

TIME: 3 hours

This question paper consists of 16 pages.

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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. Answer only the required number of questions. Additional answers will NOT be marked. In SECTION B only the first THREE questions will be marked and in SECTION C only the first TWO.

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 ALL 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. Non-programmable pocket calculators may be used.

11. Write neatly and legibly.

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SECTION A (COMPULSORY)

QUESTION 1 50 MARKS – 25 MINUTES

1.1 Various options are given 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 In microeconomics we study the behaviour of ...

A individuals.
B migrants.
C groups.

1.1.2 Business cycle diagrams are drawn in the shape of …

A bar graphs.
B waves.
C circles.

1.1.3 The systematic record of all the transactions of a country's inhabitants with the rest of the world, is known as the …

A international budget.
B quarterly bulletin.
C balance of payments.

1.1.4 In a perfect market the individual firm is a price …

A leader.
B maker.
C taker.

1.1.5 Internal costs are known as … costs.

A private
B social
C public

1.1.6 A key feature of public goods is their …

A rivalry.
B non-excludability.
C limited consumption.

1.1.7 Many developing countries do not have the … to sustain large-scale manufacturing operations.

A land
B unskilled labour
C capital

1.1.8 An indicator that is related to inflation is the …

A consumer price index (CPI).
B economically active population (EAP).
C gross domestic product (GDP).

1.1.9 Exports can be promoted through …

A labour unrest.
B incentives and subsidies.
C restrictions on free trade.

1.1.10 If the rand appreciates, prices and the rate of inflation will …

A decrease.
B increase.
C remain the same.

1.1.11 When tourists visit South African game farms, it is referred to as … tourism.

A international
B eco-
C community

1.1.12 Gold as a resource is ...

A renewable.
B non-existent.
C non-renewable. (12 x 2) (24)

1.2 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

1.2.1 Successive periods of increasing or decreasing economic activity

1.2.2 A technique used to evaluate the economic costs and benefits of a project

1.2.3 A mechanism that brings together buyers and sellers of a good or service

1.2.4 An increase in the productive capacity of a country to produce goods and services

1.2.5 An increase in the general price level caused by an increase in the cost of production (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 Terms of trade	A authorises and prohibits large mergers and takeovers
1.3.2 Lorenz curve	B expresses a country's export prices in terms of its import prices
1.3.3 Marginal cost	C the distribution of income among sections of the population
1.3.4 Competition Tribunal	D the process by which the whole world becomes a single market
1.3.5 Globalisation	E heat trapped within the atmosphere
1.3.6 Corridor	F a conference focusing on climate change
1.3.7 Global warming	G the change in total cost when production is increased by one more unit
1.3.8 Kyoto Protocol	H spatial areas that link one area to another and offers advantages to mining, manufacturing and other businesses
	I excess government spending

(8 x 2) (16)

TOTAL SECTION A: 50

SECTION B

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

QUESTION 2: MACROECONOMICS 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 To calculate GDP at basic prices, we use the (expenditure/ production) method.

2.1.2 The highest turning point in the business cycle is known as the (peak/trough).

2.1.3 The medium-term expenditure framework shows income and expenditure estimates for a (one/three)-year period.

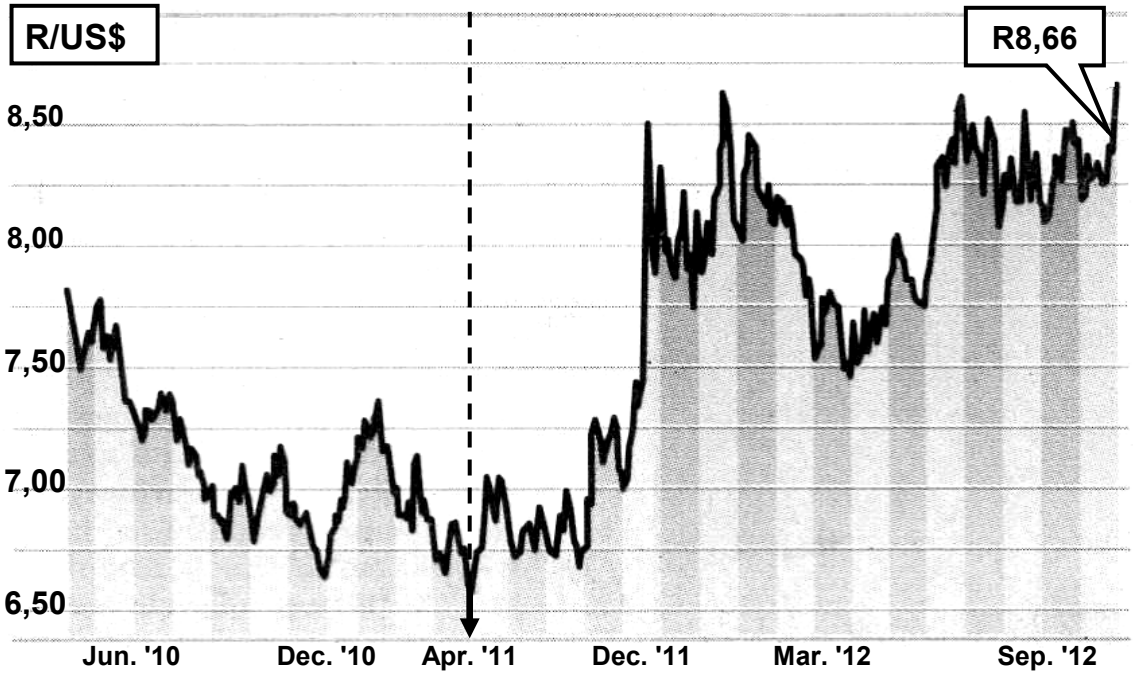
2.1.4 Market failure results in (higher/lower) market prices. (4 x 2) (8)

2.2 List any THREE indicators underpinning forecasting in business cycles. (3 x 2) (6)

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

EXCHANGE RATE PROBLEMS FOR SOUTH AFRICA

The wide-spread strikes in the country will not only affect mining and transport companies, but consumers too. The weak rand affects the average South African the most. The three expenses that interest workers most are petrol, food and electricity. The weak rand can, however, be more positive for exporters. The strikes caused the mining industry to produce less than they were supposed to export, resulting in more imports and fewer exports. The chances that the rand will recover remain slim.



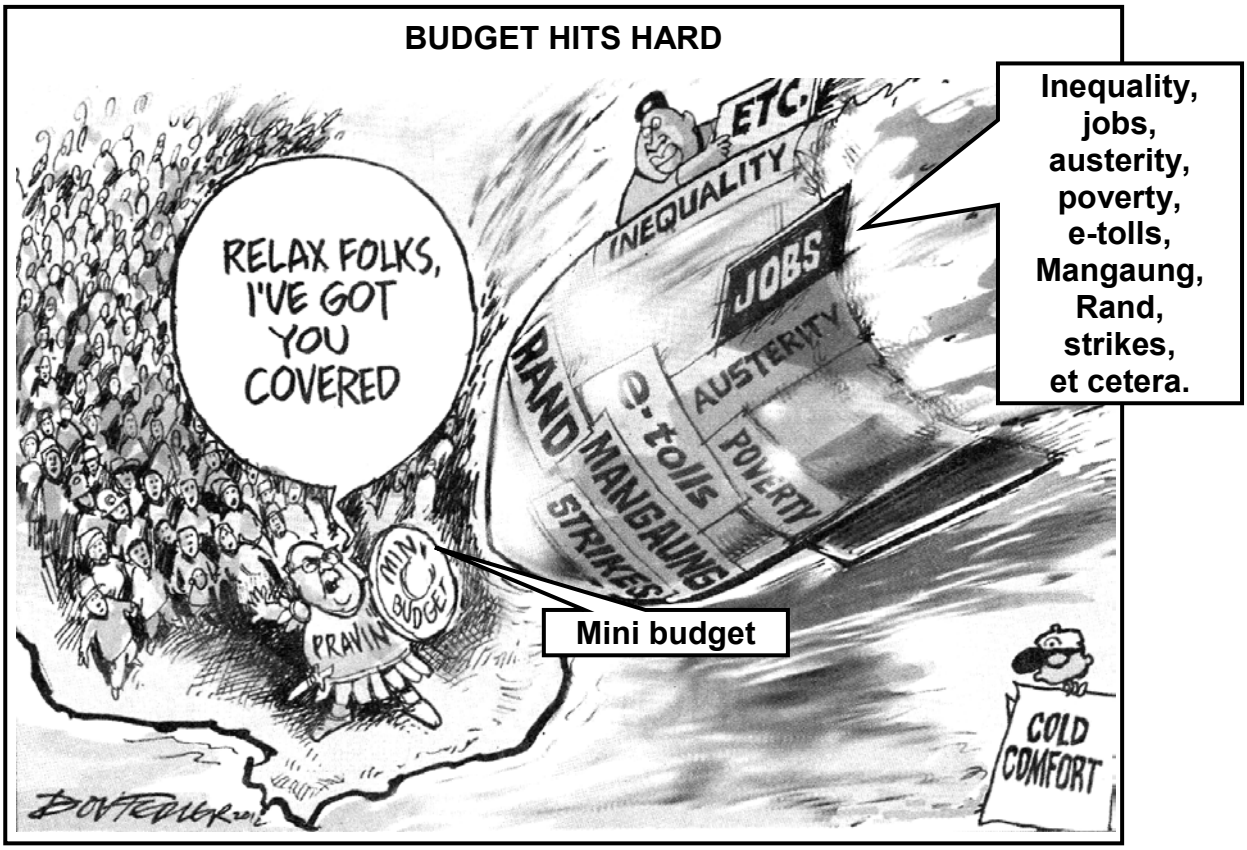
[Adapted from *Beeld*, October 2012]

2.3.1 Define the term *exchange rate*. (2)

2.3.2 Explain the negative impact of strikes on the South African economy. (4)

2.3.3 Do you think South Africa attracted more direct foreign investment during April 2011? Motivate your answer. (4)

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



[Adapted from *Business Report*, October 2012]

2.4.1 What is the purpose of the annual budget? (2)

2.4.2 Government has spent considerable amounts of money on the implementation of e-tolls in South Africa. What can government do to recover this money? (2)

2.4.3 What can employers do to reduce the negative impact of strikes on production? (2)

2.4.4 Do you think that the minister of finance can stop the rocket that is heading his way? Motivate your answer. (4)

2.5 Discuss privatisation as a problem of public-sector provisioning. (4 x 2) (8)

2.6 Explain the Laffer curve with the aid of a graph. (8)

[50]

QUESTION 3: MICROECONOMICS 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 The marginal (cost/revenue) curve will always intersect the average cost curve at its minimum point.

3.1.2 The number of participants in an oligopoly implies that businesses are (independent/interdependent).

3.1.3 Increased product differentiation means that the demand for the product will be (more/less) price elastic.

3.1.4 Entry into a monopolistic competitive market is (free/restricted).

(4 x 2) (8)

3.2 Give THREE examples of non-price competition in monopolistic competition.

(3 x 2) (6)

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

MARKET FAILURE

A:
Negative externality

B:
Demerit goods

Eskom

vodacom

KFC

C: ?

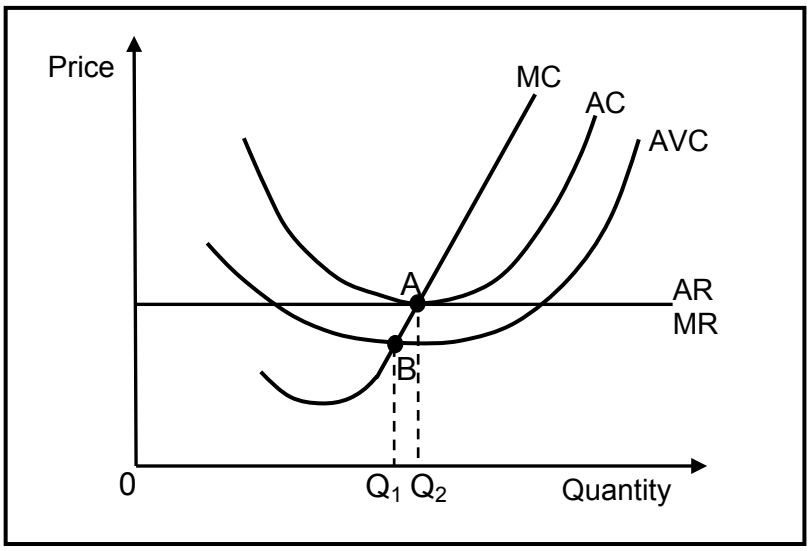
3.3.1 Define the term *market failure*. (2)

3.3.2 Identify the cause of market failure as depicted in **C**. (2)

3.3.3 Explain how negative externalities (pollution) lead to market failure. (4)

3.3.4 What measure can government take to deal with the negative impact of demerit goods? (2)

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



3.4.1 What quantity of goods will be produced by the individual firm? Give a reason for your answer. (4)

3.4.2 Identify the profit depicted by point **A**. (2)

3.4.3 Explain the importance of point **B** in relation to production and costs. (4)

3.5 Discuss TWO aims of South Africa's competition policy. (2 x 4) (8)

3.6 Explain how collusion can influence an oligopoly market. (4 x 2) (8)
[50]

QUESTION 4: ECONOMIC PURSUITS 50 MARKS – 25 MINUTES

4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (4.1.1–4.1.4) in the ANSWER BOOK.

4.1.1 Redistribution of income in South Africa is effected through the (banking/taxation) system.

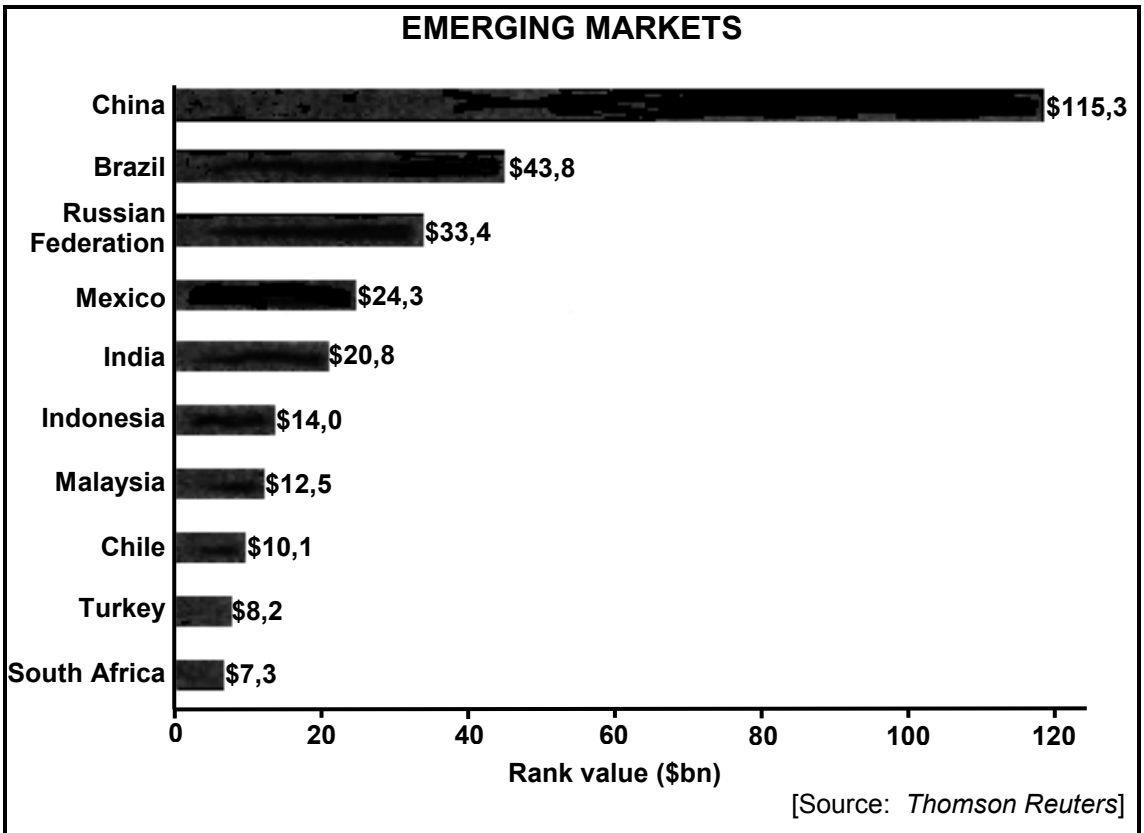
4.1.2 Investment in physical and human capital is regarded as crucial for attracting global business and ensuring (short/long)-term economic growth.

4.1.3 The (World Bank/World Trade Organisation) monitors and liberalises international trade.

4.1.4 Developed countries experience (high/low) birth rates. (4 x 2) (8)

4.2 Name THREE policies used by the South African government to redress the inequalities of the past. (3 x 2) (6)

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



[Source: *Thomson Reuters*]

Of the top ten targeted emerging market nations, South Africa comes in last with $7,3 bn in real value. China's targets are the most favoured with a real value of $115,3 bn.

4.3.1 Explain the term *emerging market*. (2)

4.3.2 In your opinion, why is investors' confidence in South Africa weak? (4)

4.3.3 Give ONE possible reason why China is so successful among all emerging markets. (2)

4.3.4 Name the recently established association of emerging economies consisting of five member-countries. (2)

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

ECONOMIC INDICATORS

Indicator	2010	2011	2012
Real GDP (% increase)	2,9	3,1	2,8
Per capita real GDP (% increase)	2,7	3,3	3,0
Unemployment (% increase)	4,4	4,6	5,1

[Source: Stats SA, 2012]

4.4.1 Define the term *per capita real gross domestic product*. (2)

4.4.2 What measures can the South African government take to reverse the increase in unemployment? (4)

4.4.3 Why is the GDP indicator expressed in real values instead of nominal values? (4)

4.5 Explain *spatial development initiatives* in South Africa. (4 x 2) (8)

4.6 Briefly discuss the uses of per capita figures. (2 x 4) (8)

[50]

QUESTION 5: CONTEMPORARY ECONOMIC ISSUES 50 MARKS – 25 MINUTES

5.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (5.1.1–5.1.4) in the ANSWER BOOK.

5.1.1 When consumers gain access to large amounts of credit which enable them to buy more goods and services, it refers to (demand/cost) inflation.

5.1.2 The CPI is constructed and calculated by (Statistics South Africa/ the South African Development Bank).

5.1.3 Travelling or the movement of people from one place to another within the borders of the country refers to (domestic/foreign) tourism.

5.1.4 Increased industrial waste dumping leads to land (pollution/reform).
(4 x 2) (8)

5.2 Give THREE examples of administered prices, goods and services. (3 x 2) (6)

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

NEW INFLATION HIGHER

The official inflation rate will most probably rise when the CPI basket is adapted in January 2013 to include more products currently being used by most South African households, for example bread rolls, vodka, lawn mowers, washing machines and tablets (electronic devices), and to exclude products such as mustard, calculators, fish paste and viennas.

An increase in the official rate of inflation may lead to more claims from workers to increase their wage and salary levels. Increased salaries in the public service will place an even greater burden on the budget deficit. This may even have serious consequences for interest rates in future.

[Adapted from *Beeld*, November 2012]

5.3.1 Give another term for the *unadjusted CPI inflation rate*. (2)

5.3.2 Sometimes certain goods are excluded when calculating a certain type of inflation. Name ONE good that will be excluded from the CPI basket in future. (2)

5.3.3 Why will workers tend to claim higher wages when the official rate of inflation goes up? (2)

5.3.4 Why do you think it was necessary to adapt the CPI basket? (4)

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

THE LOST CITY

South Africa's very own lost city of gold, Mapungubwe, in the northern part of Limpopo, has a mesmerizing energy and calming aura that continues to fascinate historians and tourists alike. The site was discovered in 1933 and is said to be the remains of an Iron Age metropolis that flourished almost 1 000 years ago. The site has been extensively excavated since its discovery, revealing the incredible wealth of the people of Mapungubwe that included a little golden rhinoceros, a golden sceptre and a golden bowl discovered in the same grave.

[Source: *Limpopo Tourism and Leisure*, 2013]

5.4.1 In which province is Mapungubwe situated? (2)

5.4.2 Name any ONE valuable golden item found at Mapungubwe. (2)

5.4.3 How can Mapungubwe contribute to a better tourism industry? (4)

5.4.4 Name any other World Heritage Site found in South Africa. (1 x 2) (2)

5.5 Distinguish between the *consumer price index* and the *producer price index*. (2 x 4) (8)

5.6 Discuss the South African government's policy on the preservation of environmental assets. (4 x 2) (8)

[50]

QUESTION 6: MACRO AND MICROECONOMICS 50 MARKS – 25 MINUTES

6.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (6.1.1–6.1.4) in the ANSWER BOOK.

6.1.1 Selling goods in a foreign market at prices that are below the cost of production in the country of origin is known as (pollution/dumping).

6.1.2 Non-rival goods are provided by the (public/private) sector.

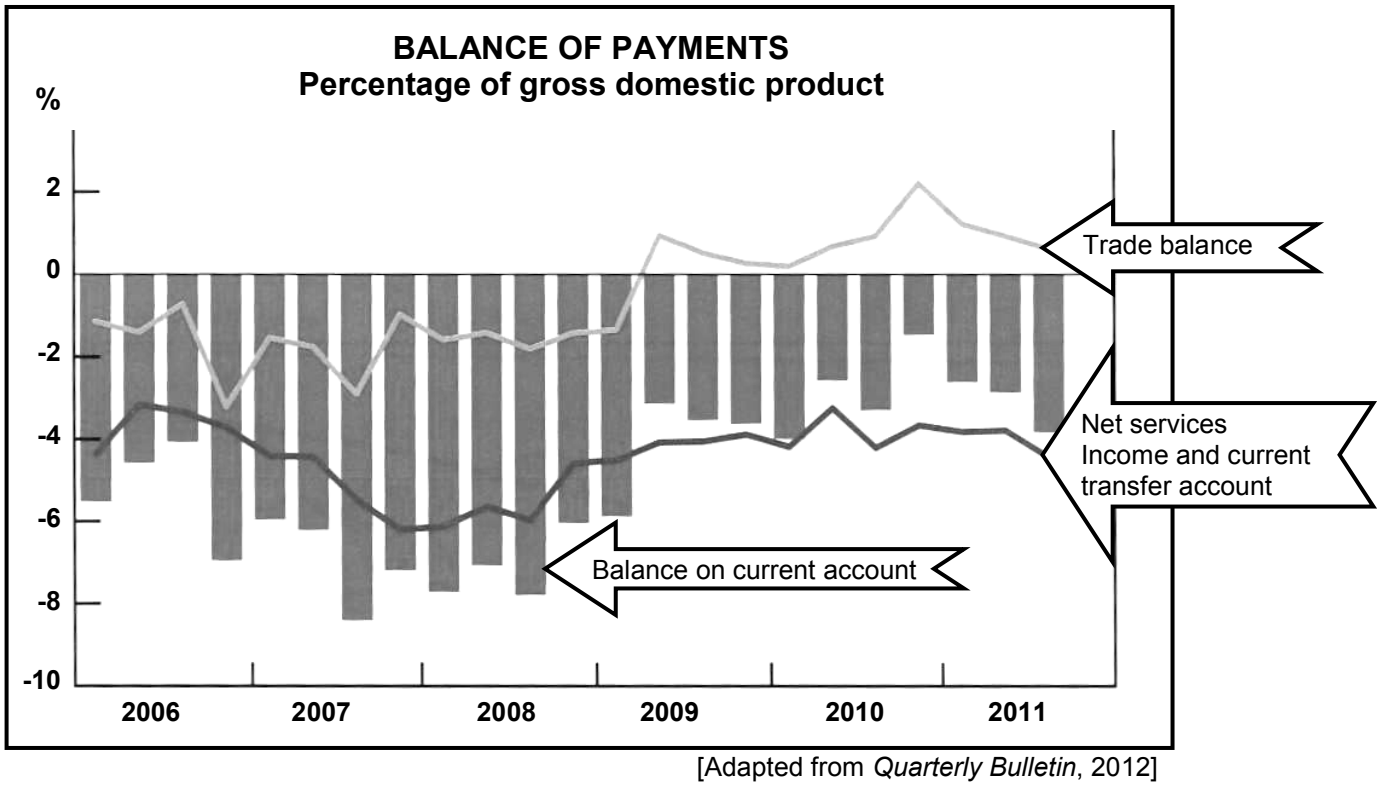
6.1.3 The market demand curve for a perfect market is (horizontal/negative sloping).

6.1.4 The setting of maximum prices benefits the (consumer/producer).

(4 x 2) (8)

6.2 List the THREE main features of fiscal policy. (3 x 2) (6)

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



[Adapted from *Quarterly Bulletin*, 2012]

6.3.1 Define the term *balance of trade*. (2)

6.3.2 Describe the general trend of the balance on the current account between 2006 and 2011. (2)

6.3.3 Name ONE item that appears in the financial account of the balance of payments. (2)

6.3.4 Suggest TWO methods to improve the balance on the current account. (2 x 2) (4)

6.4 Study the logos below and answer the questions that follow.

6.4.1 What market structure is depicted by the logos above? (2)

6.4.2 Describe the slope of a typical demand curve for the market above. (2)

6.4.3 Explain why firms in this industry do not compete with regard to the price of the product. (4)

6.4.4 What can the above manufacturers do to increase their market share? (2)

6.5 Distinguish between *productive inefficiency* and *allocative inefficiency*. (2 x 4) (8)

6.6 Discuss the reasons for public sector failure in South Africa. (2 x 4) (8)
[50]

TOTAL SECTION B: 150

SECTION C

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

MARK ALLOCATION FOR ESSAY RESPONSES

STRUCTURE OF THE ESSAY		MARK ALLOCATION
Introduction		Max 3
Body		
• Main part	For example: discuss/distinguish/differentiate/ explain/analyse/evaluate/assess	Max 30
• Additional part	For example: draw a graph or diagram/deduce/ outline/briefly explain/expand on/your own opinion/support	Max 10
Conclusion		Max 2
Interpretation		Max 5
TOTAL		**50**

QUESTION 7: MACROECONOMICS 50 MARKS – 40 MINUTES

There is a constant flow of money, goods and services in the economy.

- Discuss the interaction between the participants in an open economy. (30)
- Construct a fully labelled diagram to illustrate the open economy circular flow model. (10) **[50]**

QUESTION 8: MICROECONOMICS 50 MARKS – 40 MINUTES

Pure monopolies seldom exist, although we often find characteristics of a monopoly present in businesses.

- Discuss the monopoly as a market structure. (30)
- Draw a fully labelled graph to illustrate economic profit for the monopolist. (10) **[50]**

QUESTION 9: ECONOMIC PURSUITS 50 MARKS – 40 MINUTES

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

- Discuss import substitution as part of the South African international trade policy. (30)
- In your opinion how can a policy of free trade benefit South Africa? (10) **[50]**

QUESTION 10: CONTEMPORARY ECONOMIC ISSUES 50 MARKS – 40 MINUTES

Tourism plays a vital role in the global economy.

- Discuss the effects of tourism on the South African economy. (30)
- Suggest ways in which tax revenue can be used to promote tourism. (10) **[50]**

TOTAL SECTION C: 100
GRAND TOTAL: 300

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