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# basic education

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

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS**

**NOVEMBER 2012**

**MARKS: 300**

**TIME: 3 hours**

**This question paper consists of 17 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. 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.

**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 The money market is a market for ...-term savings and loans.

- A short
- B short- and long
- C long

1.1.2 A fixed amount paid by consumers on water and electricity irrespective of the units consumed is known as ...

- A municipal tax.
- B user charge.
- C a flat rate.

1.1.3 A focus on the improvement of input efficiency is a characteristic of the ...-side policy.

- A demand
- B supply
- C demand- and supply

1.1.4 The slope of the demand curve for a monopolistic competitor is ...

- A positive.
- B horizontal.
- C negative.

1.1.5 Products of monopolistic competitors are ...

- A differentiated.
- B homogenous.
- C undifferentiated.

1.1.6 When the market price is less than marginal cost the producer will ... production in order to maximise profits.

- A decrease
- B increase
- C stop

- 1.1.7 Which ONE of the following is a developmental policy?
- A Broad-based Black Economic Empowerment
  - B Growth, Employment and Redistribution
  - C Industrial Development Corporation
- 1.1.8 The application of new scientific knowledge in the form of inventions and innovations is known as ...
- A capital.
  - B technology.
  - C labour.
- 1.1.9 Spatial areas that offer a passageway to mining, manufacturing and other businesses are referred to as ...
- A gateways.
  - B corridors.
  - C export processing zones.
- 1.1.10 A high inflation rate together with a high unemployment rate is called ...
- A deflation.
  - B hyperinflation.
  - C stagflation.
- 1.1.11 Religious events are included under ... tourism.
- A eco-
  - B medical
  - C cultural
- 1.1.12 Gas emissions and climate change are connected to ...
- A property rights taxes.
  - B global warming.
  - C positive externalities.
- (12 x 2)      (24)

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

1.2.1 An initial change in spending results in a much bigger change in national income

1.2.2 The additional cost incurred when production increases by one more unit

1.2.3 The economic policy introduced in 1994 to address the imbalances of the past

1.2.4 The coefficient that measures the income inequalities in the population

1.2.5 A sustained increase in the general price level (5 x 2) (10)

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

COLUMN A		COLUMN B	
1.3.1	International Monetary Fund	A	believes that markets are inherently stable
1.3.2	Monetarist approach	B	reduction of life forms within the ecosystem
1.3.3	Cost-benefit analysis	C	assists countries with balance of payments problems
1.3.4	Public goods	D	promotes the expansion of trade through free-trade areas between member countries
1.3.5	Consumer Price Index	E	taxation and government expenditure
1.3.6	Mercusor	F	non-rival and non-excludable
1.3.7	Biodiversity loss	G	evaluating the feasibility of large infrastructure projects
1.3.8	Emission permit	H	restrictions set by government on pollution
		I	measurement of inflation

(8 x 2) (16)

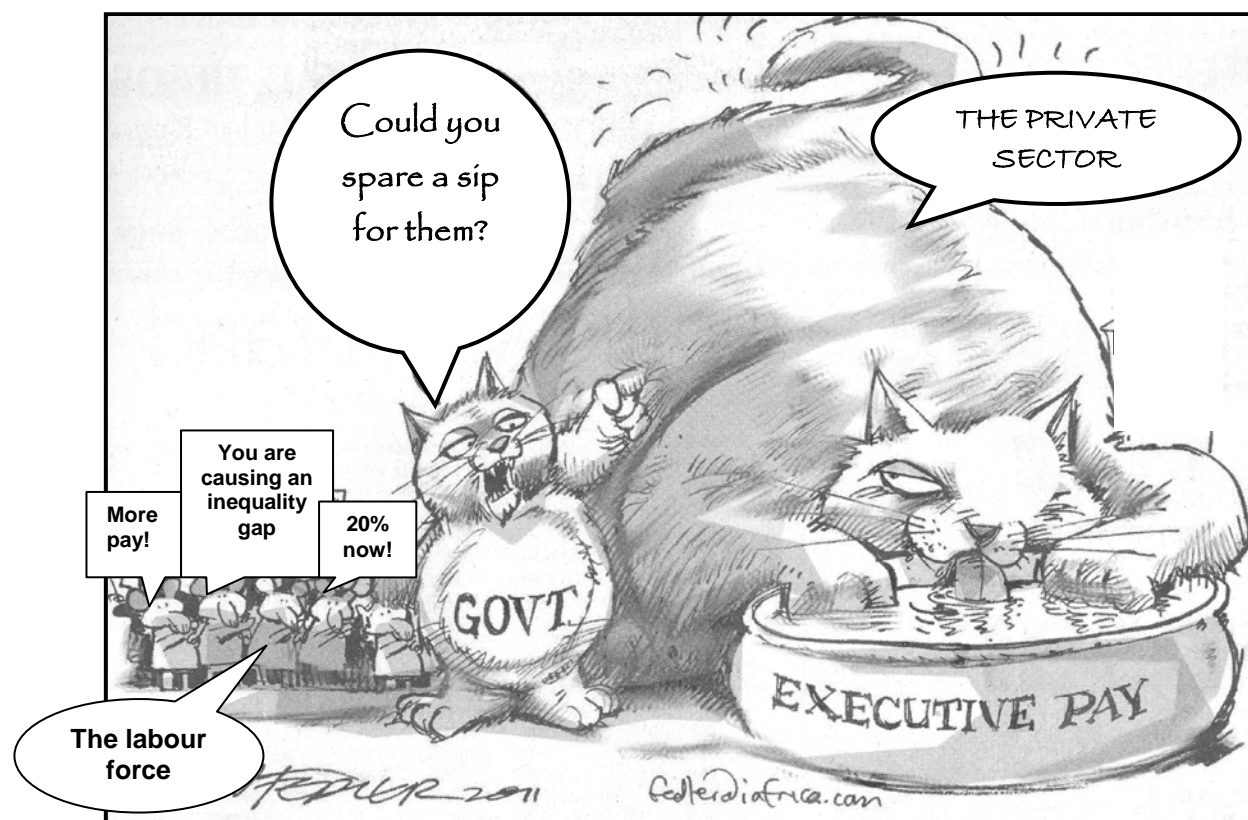
**TOTAL SECTION A: 50**

**SECTION B**

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

**QUESTION 2: 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 Household savings and investments are channelled through the (labour/financial) market.
- 2.1.2 The process of removing laws and regulations is known as (deregulation/privatisation).
- 2.1.3 The key instruments of fiscal policy are government spending and (taxation/interest rates).
- 2.1.4 South Africa's net gold exports have a (positive/negative) effect on the balance of payments. (4 x 2) (8)
- 2.2 Name any THREE services provided by government. (3 x 2) (6)
- 2.3 Study the cartoon below and answer the questions that follow.



[Source: *Business Report*, 19 September 2011]

- 2.3.1 What is the message of the cartoon? (2)

2.3.2 What can the private sector do to improve the living conditions of these workers? (2 x 2) (4)

2.3.3 How can the government alleviate the level of poverty? (2 x 2) (4)

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

**NATIONALISATION BENEFITS STILL NOT CLEAR**

Cosatu is calling for the nationalisation of mines and banks, as well as strategic businesses previously under state control – including petrochemicals company PetroSA and steel company ArcelorMittal.

There are claims that talk of nationalisation discouraged investment. Malikane, Cosatu's head of policy, said that '... previously foreign investment was used to blackmail the labour movement'. That is why South Africa needs to change the historical inequalities which existed before 1994. Government should invest in strategic minerals such as platinum and coal, 'but not gold as it is a sunset industry'.

[Adapted from *Business Times*, 7 August 2011]

2.4.1 What does *nationalisation* mean? (2)

2.4.2 What effect will the nationalisation of mines and banks have on the man in the street? (2 x 2) (4)

2.4.3 Why, do you think, are mines targeted for nationalisation? (2)

2.4.4 Why is gold referred to as a 'sunset industry'? (2)

2.5 Explain how exogenous factors cause business cycles. (4 x 2) (8)

2.6 Distinguish between *appreciation* and *depreciation* of the rand against the dollar. (2 x 4) (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 By setting minimum prices the (consumer/producer) benefits.

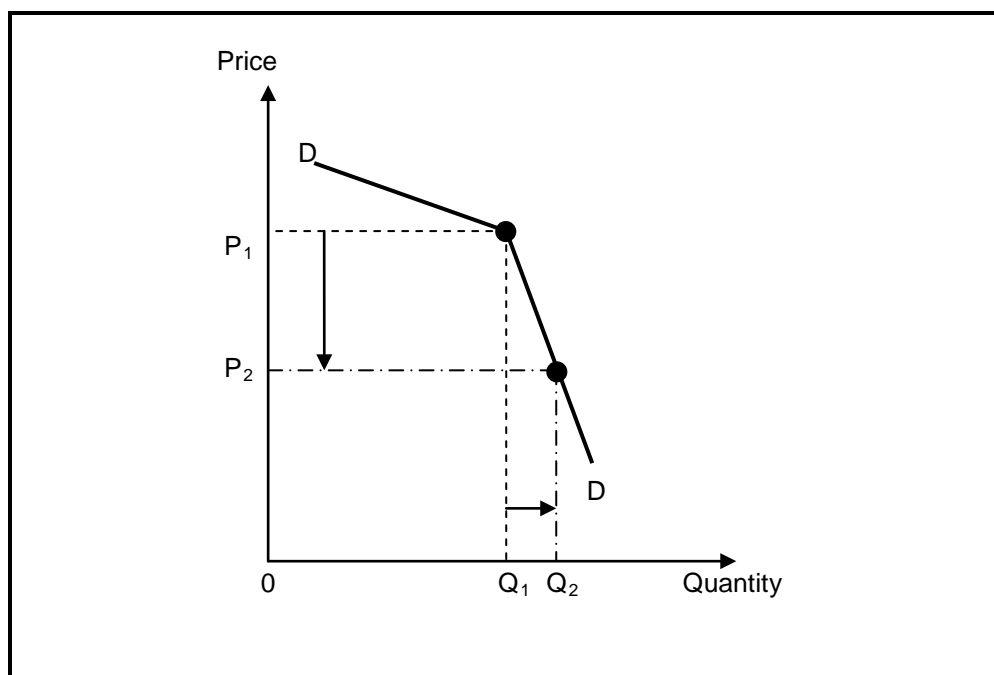
3.1.2 The production of goods that result in a negative externality is often (over-/under-) supplied in the economy.

3.1.3 The shutdown point in a perfect market is where price is equal to (average/average variable) cost.

3.1.4 A fast-food outlet, like KFC, is an example of a (monopolistic/oligopolistic) competitor. (4 x 2) (8)

3.2 List any THREE causes of market failures. (3 x 2) (6)

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



3.3.1 Which market structure is represented in the graph above? (2)

3.3.2 What type of demand curve is illustrated in the graph? (2)

3.3.3 Explain why the producer will NOT decrease the price in order to improve sales. (2 x 2) (4)

3.3.4 What illegal behaviour can result among producers in this type of market if they want to increase their profits? (2)

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

**COMPETITION COMMISSION WANTS WALMART CONDITIONS**



While Walmart (USA) and Massmart (SA) executives were being grilled at the Competition Tribunal about their intentions, workers gathered outside the Department of Trade and Industry in Pretoria to voice their opposition to US retail giant Walmart acquiring a controlling stake in South African company Massmart.

[Source: Reuters, May 2011]

- 3.4.1 What is the main reason for the workers' opposition to the deal between the two companies? (2)
- 3.4.2 Why is the Competition Commission concerned about the take-over of this South African company? (2 x 2) (4)
- 3.4.3 Besides the Competition Commission and Competition Tribunal, which other institution plays a role in regulating competition in South Africa? (2)
- 3.4.4 How will the consumer benefit from competition? (2)
- 3.5 Explain inefficiencies in the market as a consequence of market failure. (2 x 4) (8)
- 3.6 Briefly outline the role of non-price competition under conditions of monopolistic competition. (4 x 2) (8)
- [50]**

**QUESTION 4: ECONOMIC PURSUITS****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 Economic development implies an increase in the capacity of the (economy/people) to produce more.
- 4.1.2 Regional development aims at increasing (imports/exports).
- 4.1.3 The number of houses completed is an important (social/economic) indicator.
- 4.1.4 The scorecard that measures the empowerment and transformation progress of businesses is published by the (South African Reserve Bank/Department of Trade and Industry). (4 x 2) (8)
- 4.2 Name any THREE incentive schemes which involve cash grants to promote regional industrial development. (3 x 2) (6)
- 4.3 Study the extract below and answer the questions that follow.

**GROWTH OUTLOOK LOW BUT STABLE**

Insurance companies believe that South Africa will experience low but stable economic growth over the next 16 months, but warned businesses that they will remain at major risk of non-payment and need to manage their debtors better. The expected growth rate for 2012 is 3% and 2% for 2013. During 2011 consumer spending decreased.

Pravin Gordhan expects the budget deficit to be 5,3% of the GDP in the fiscal year ending March 2012. This compares unfavourably with the international benchmark for budget deficits as a percentage of GDP.

Businesses with weak employment figures presented risks to the country. Cash-flow problems caused creditors to extend payment terms rather than liquidating debtors. High input costs and the weak economy further lowered companies' profit margins.

[Adapted from *Natal Witness*, 16 September 2011]

- 4.3.1 Define the term *economic growth*. (2)
- 4.3.2 What are the reasons for the low growth rate in the economy? (2 x 2) (4)
- 4.3.3 What is the accepted international benchmark for the budget deficit as a percentage of the gross domestic product? (2)
- 4.3.4 How have businesses managed to limit the impact of non-payment by debtors? (2)

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

**HUMAN DEVELOPMENT INDEX BY PROVINCE: 2010**

PROVINCE	RANK	HDI	LIFE EXPECTANCY AT BIRTH (YEARS)	ADULT LITERACY RATE (%)	REAL GDP PER CAPITA (PPP\$)
Eastern Cape	7	0,643	60,41	76,47	2 856
Free State	4	0,671	52,78	88,77	5 185
Gauteng	1	0,771	59,62	98,13	11 862
KwaZulu-Natal	5	0,658	52,98	89,17	4 563
Mpumalanga	6	0,657	53,49	79,42	6 105
Northern Cape	3	0,679	55,62	83,79	6 513
Limpopo	8	0,629	60,10	73,16	3 509
North-West	9	0,608	53,29	95,76	9 381
Western Cape	2	0,762	60,83	95,76	9 381
RSA		0,688	57,04	85,93	5 916

[Source: The SA Financial Sector Forum, <http://www.absa.co.za>]

- 4.4.1 Identify an indicator that forms part of the Human Development Index. (2)
- 4.4.2 Why is the real GDP per capita (PPP\$) higher in Gauteng than in Limpopo? (2)
- 4.4.3 Suggest how living standards can be improved in your local community. (2 x 2) (4)
- 4.4.4 Why is there generally a low life expectancy at birth in South Africa? (2)
- 4.5 Discuss dumping as an argument in favour of protectionism. (4 x 2) (8)
- 4.6 Discuss employment as an economic indicator. (4 x 2) (8)

**[50]**

**QUESTION 5: CONTEMPORARY ECONOMIC ISSUES****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 The prices of goods imported by businesses are measured by the (consumer/producer) price index when they enter the country.
- 5.1.2 The protection of the environment to ensure continuity for present and future generations is referred to as (conservation/preservation).
- 5.1.3 Too much money chasing too few goods is called (demand-pull/cost-push) inflation.
- 5.1.4 Money spent on equipment to reduce pollution, could lead to a (positive/negative) externality to others. (4 x 2) (8)
- 5.2 Name any THREE world heritage sites in South Africa. (3 x 2) (6)
- 5.3 Study the extract below and answer the questions that follow.

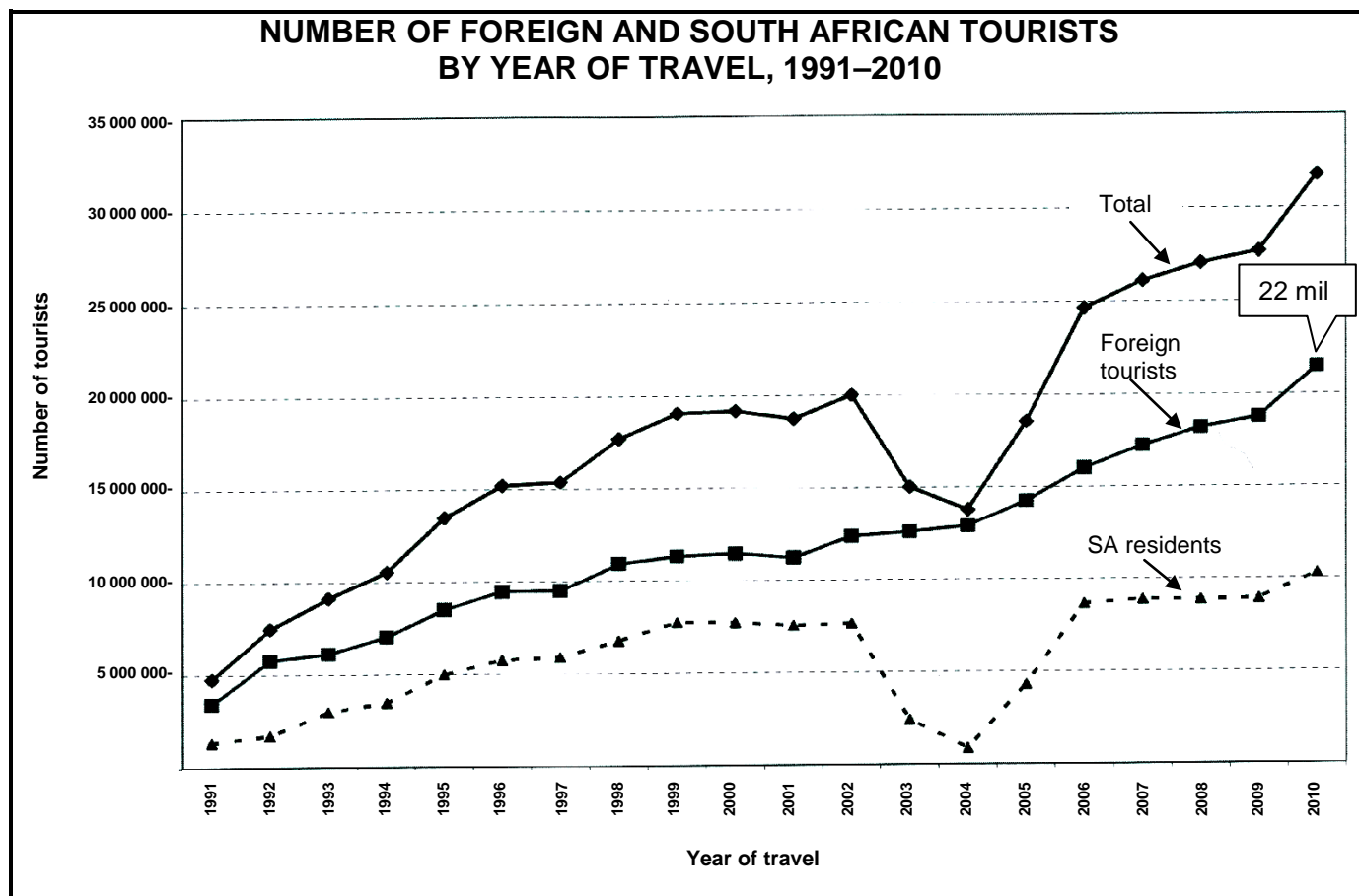
**INFLATION PRESSURES**

Low-income households experience far greater pressure from inflation. The workers' consumer price index constructed by Statistics South Africa finds that low-income workers spend more than 45% of their income on food and beverages – more than double the weighting these items enjoy in the official consumer price index basket. They also spend 8% of their income on electricity and transport – three to four times more than the average consumer. The workers' consumer price index averaged 10,1% in 2009 compared to wage settlements of 8,6%. According to Statistics South Africa the drivers of higher inflation include food, fuel and administered prices.

[Adapted from *Financial Mail*, September 2011]

- 5.3.1 Why are low-income households negatively affected by the weighting of items in the consumer price index basket? (1 x 3) (3)
- 5.3.2 Explain the concept *administered prices*. (2 x 2) (4)
- 5.3.3 Why, do you think, should wages be settled at the same or a higher figure than the average consumer price index? (1 x 3) (3)

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



[Source: Stats SA, October 2011]

5.4.1 Define *tourism*. (2)

5.4.2 Use the data given in the graph above to calculate the percentage of foreign tourists in 2010. Show ALL calculations. (2 x 2) (4)

5.4.3 Which tourists form the biggest part of the tourist industry in South Africa? (2)

5.4.4 What led to the steady increase in the number of foreign tourists visiting South Africa? (2)

5.5 Explain any TWO causes of cost-push inflation. (2 x 4) (8)

5.6 Discuss the effect of tourism on the gross domestic product of South Africa. (4 x 2) (8)

[50]

**QUESTION 6: MACROECONOMICS AND ECONOMIC PURSUITS****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 A key variable in measuring business cycles is (nominal/real) gross domestic product.
- 6.1.2 The Laffer curve measures the relationship between taxable income and the (tax rate/output of goods).
- 6.1.3 The attempts of the government to increase economic growth and to halve unemployment and poverty by 2014 is called the (Accelerated and Shared Growth Initiative for South Africa [AsgiSA])/Growth, Employment and Redistribution [GEAR]).
- 6.1.4 The G8 countries of the world are in the (Northern/Southern) Hemisphere. (4 x 2) (8)
- 6.2 List any THREE problems of public sector provisioning. (3 x 2) (6)
- 6.3 Study the table below and answer the questions that follow.

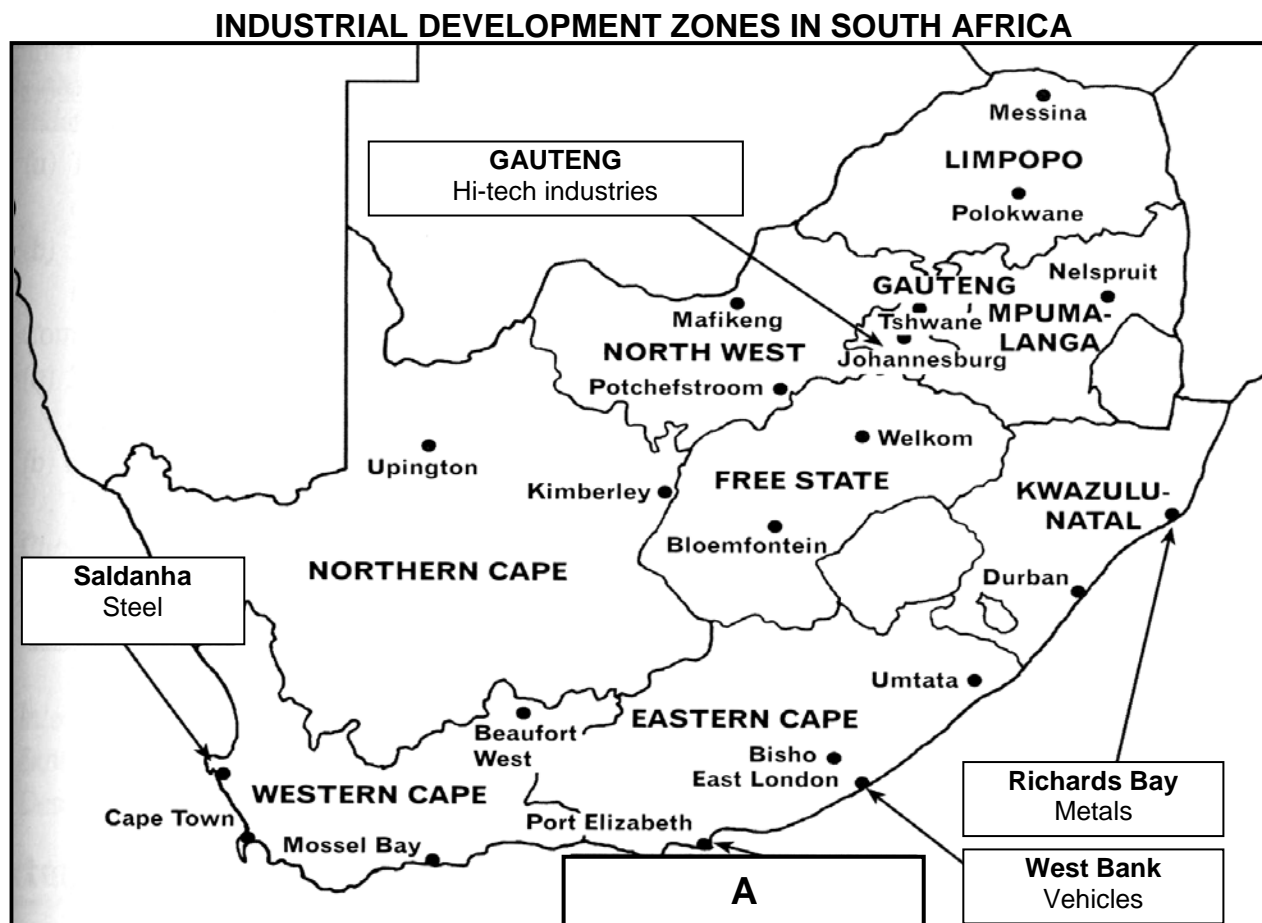
**EXTRACT OF NATIONAL ACCOUNTS OF SOUTH AFRICA  
AT CURRENT PRICES**

<b>R million</b>	<b>2010</b>
Gross domestic product (GDP) at market prices	2 407 689
Primary income from the rest of the world	34 075
Primary income to the rest of the world	<b>A</b>
Gross national product (GNP) at market prices	2 354 171

[Source: SA Quarterly Bulletin, June 2010]

- 6.3.1 Define the concept *gross domestic product*. (3)
- 6.3.2 Why is the gross domestic product of South Africa always greater than the gross national product? (2 x 2) (4)
- 6.3.3 Calculate the primary income to the rest of the world (**A**). (3)

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



[Adapted from *Natal Witness*, 16 September 2011]

- 6.4.1 What is an *industrial development zone*? (3)
- 6.4.2 Which industrial development zone is found at **A**? Name ONE advantage of industrial development zones. (2 x 2) (4)
- 6.4.3 Why would government encourage new industries to establish themselves in an industrial development zone? (1 x 3) (3)
- 6.5 Discuss any TWO monetary policy instruments used by the South African Reserve Bank. (2 x 4) (8)
- 6.6 Explain climate and natural resources as reasons for international trade. (2 x 4) (8)
- [50]**

**TOTAL SECTION B: 150**



**SECTION C**

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

**MARK ALLOCATION FOR ESSAY RESPONSES**

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

**QUESTION 7: MACROECONOMICS****50 MARKS – 40 MINUTES**

Analyse the different business cycle indicators and features used in forecasting. Draw a fully labelled diagram of a typical business cycle to support your analysis.

- Link your analysis to the phases of the business cycle.

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

Distinguish between the market structure of a monopoly and a perfect competitor in detail. In addition, draw a fully labelled graph to show the long-term equilibrium position of any ONE of the above markets.

- Your response can either be in tabular form or in paragraphs.
- Full sentences are required.

**[50]****QUESTION 9: ECONOMIC PURSUITS****50 MARKS – 40 MINUTES**

Discuss import substitution and export promotion as part of South Africa's international trade policy and explain how successful South Africa has been in substituting imports with locally manufactured goods.

- Use well-structured arguments to substantiate your response.

**[50]**

**QUESTION 10: CONTEMPORARY ECONOMIC ISSUES 50 MARKS – 40 MINUTES**

Discuss the measures used to ensure environmental sustainability under the following headings:

- Market-related policies
- Public-sector intervention
- Public-sector control

In your opinion, to what extent were the relevant international protocols and agreements successful?

**[50]**

**TOTAL SECTION C: 100**  
**GRAND TOTAL: 300**