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# basic education

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

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS**

**NOVEMBER 2013**

**MARKS: 300**

**TIME: 3 hours**

**This question paper consists of 17 pages.**

**INSTRUCTIONS AND INFORMATION**

1. Answer SIX questions in the ANSWER BOOK as follows:  
  
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 A technique used in forecasting to predict the unknown by using facts or information that is known is called ...

- A extrapolation.
- B innovation.
- C education.

1.1.2 Goods which are regarded as socially harmful are known as ... goods.

- A merit
- B demerit
- C primary health care

1.1.3 If national income increases by R200 million as a result of an investment of R50 million, what is the value of the multiplier?

- A 0,25
- B 4
- C 6,25

1.1.4 When a price ceiling is imposed, that price must be ... the market price.

- A the same as
- B higher than
- C lower than

1.1.5 The demand curve of a monopolist is the same as the ... curve.

- A average revenue
- B total cost
- C marginal revenue

1.1.6 When the product mix does not reflect the consumers' taste it is known as ... inefficiency.

- A productive
- B allocative
- C technical

1.1.7 The scorecard used to measure progress with Black Economic Empowerment (BEE) is published by the ...

- A Amalgamated Banks of South Africa (ABSA).
- B Development Bank of Southern Africa (DBSA).
- C Department of Trade and Industry (DTI).

1.1.8 An argument in favour of the protection of local industries is ...

- A unstable wage levels.
- B the prevention of dumping.
- C fewer job opportunities.

1.1.9 The most important function of the World Trade Organisation (WTO) is to ...

- A impose tariffs and quotas.
- B resolve trade disputes and collect taxes.
- C monitor and liberalise international trade.

1.1.10 Stagflation refers to ...

- A low unemployment and high growth.
- B high unemployment and high prices.
- C excessive price increase.

1.1.11 Tourism ...

- A is one of the largest generators of jobs worldwide.
- B explores all products to develop a tourism venture.
- C does not report on strategies to protect the environment.

1.1.12 Mineral resources are ...

- A renewable.
- B replaceable.
- 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 The exchange rate system where exchange rates are determined by the market forces of supply and demand

1.2.2 The mechanism that brings together buyers and sellers of goods and services

1.2.3 The Act that prohibits unfair discrimination in the workplace

1.2.4 Increased temperatures as a result of the depletion of the ozone layer

1.2.5 This type of tourism involves visiting undisturbed natural areas

(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	Factors of production	A	believes that markets are inherently stable
1.3.2	Sanctions	B	a market structure with many buyers and sellers
1.3.3	Monopolistic competition	C	a market structure with only one seller
1.3.4	Globalisation	D	inputs into the production of goods and services
1.3.5	Recycling	E	the exclusive right to manufacture a product
1.3.6	Exogenous approach	F	river bed damage from improper commercial forest-harvesting practices
1.3.7	Patent	G	a worldwide interaction of economies with trade as a key element
1.3.8	Negative externality	H	trade and financial penalties applied by one or more countries to another country
		I	the production of economic goods from waste material

(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(s) from those given in brackets. Write only the word(s) next to the question number (2.1.1–2.1.4) in the ANSWER BOOK.

2.1.1 Capital is traded in the (financial/goods) market.

2.1.2 The ratio between a country's export prices and its import prices is called the (terms of trade/balance of trade).

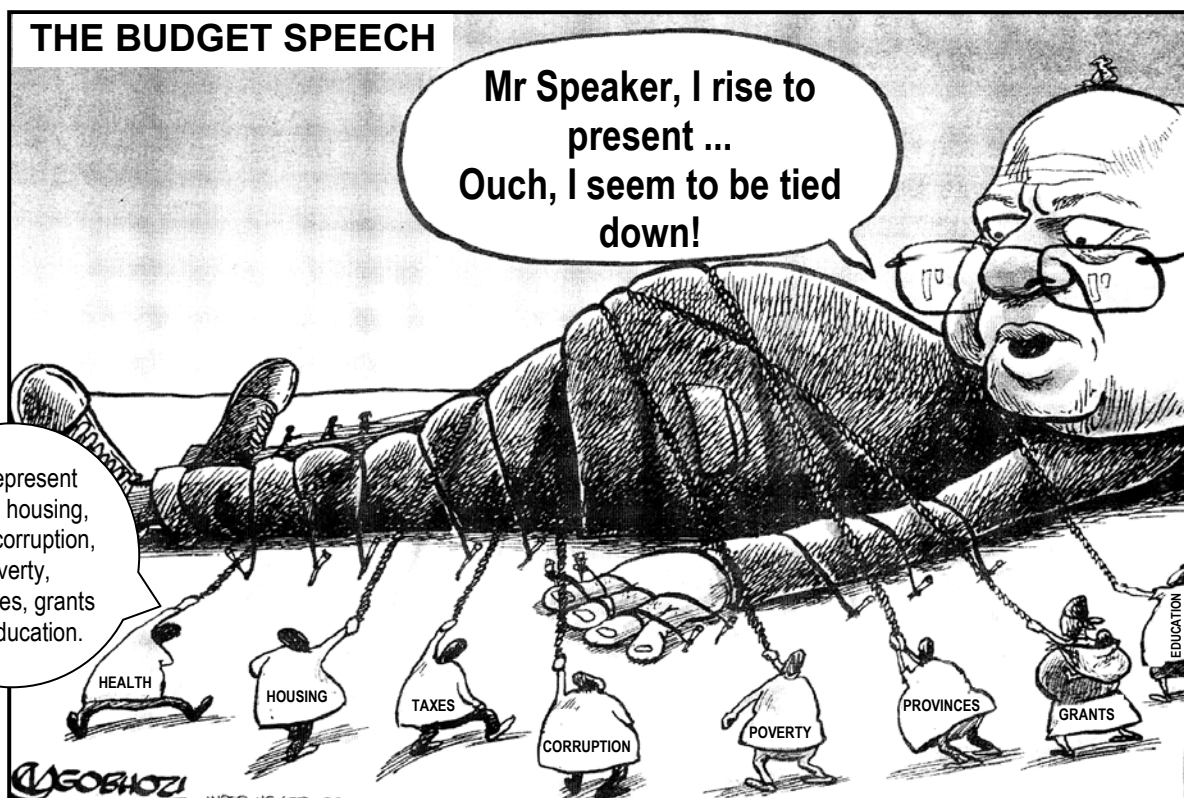
2.1.3 A deliberate measure to lower the value of a currency is known as (depreciation/devaluation).

2.1.4 Countries with fundamental balance of payments problems are usually assisted by the (World Bank/International Monetary Fund).

(4 x 2) (8)

2.2 List any THREE factors that influence the supply of foreign exchange. (3 x 2) (6)

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



[Source: City Press, 26 February 2012]

2.3.1 Who is the Minister of Finance depicted in the cartoon? (2)

2.3.2 Explain the message conveyed by the cartoon. (2 x 2) (4)

2.3.3 The largest portion of government revenue is spent on education. In your opinion, has this benefitted the economy? Give possible reasons. (2 x 2) (4)

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

**THE CURRENT ACCOUNT OF SOUTH AFRICA'S BALANCE OF PAYMENTS**

	<b>2011 (2<sup>nd</sup> quarter) R bn.</b>	<b>2012 (2<sup>nd</sup> quarter) R bn.</b>
Merchandise exports	652,4	688,6
Net gold exports	70,4	79,2
Merchandise imports	-696,9	-843,5
Trade balance	25,9	-75,7
Net service, income and current transfer payments	-114,4	-124,3
<b>Balance on current account</b>	<b>-88,5</b>	<b>?</b>

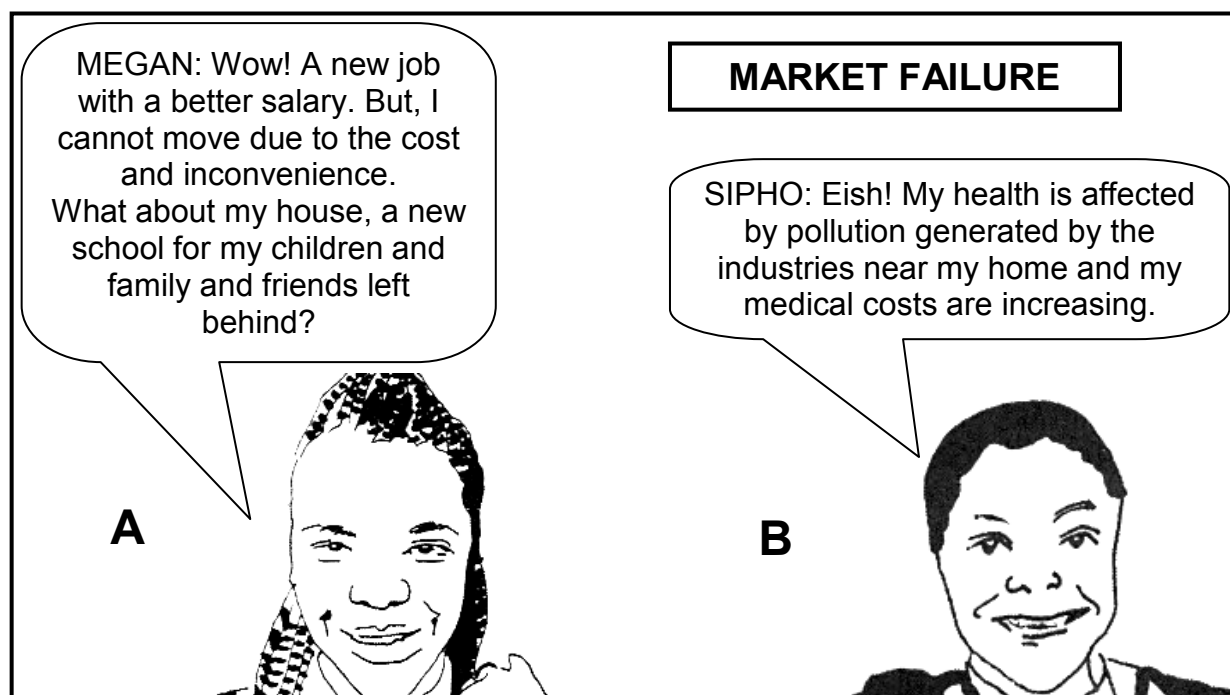
[Adapted from SARB Quarterly Bulletin 2012]

- 2.4.1 Define the concept *balance of payments*. (2)
- 2.4.2 Calculate the balance on the current account for the second quarter of 2012. (2)
- 2.4.3 Give a reason for the change in the trade balance between 2011 and 2012. (2)
- 2.4.4 In your opinion, what can be done to ensure a surplus on the current account of the balance of payments? (2 x 2) (4)
- 2.5 Briefly explain how the South African government would apply fiscal and monetary policies (demand-and-supply side) to smooth business cycles. (2 x 4) (8)
- 2.6 Explain accountability and privatisation as problems of public sector provisioning. (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 In a monopoly market the marginal cost curve will always intersect the average (cost/revenue) curve at its minimum point.
- 3.1.2 Merit goods, for example education, is often (under/over)-supplied by the market.
- 3.1.3 Internal costs are also known as (social/private) costs.
- 3.1.4 A monopolist will maximise profit where marginal revenue equals (average/marginal) cost. (8) (4 x 2)
- 3.2 List THREE characteristics of an *oligopoly*. (3 x 2) (6)
- 3.3 Study the pictures below and answer the questions that follow.



- 3.3.1 Define the concept *market failure*. (2)
- 3.3.2 Identify the causes of market failure depicted in PICTURES A and B. (2 x 2) (4)
- 3.3.3 Explain how production levels and the prices of goods and services will be affected if polluters are held responsible for Sipho's medical costs. (2 x 2) (4)

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

CHICKEN LICKEN	KFC	SPAR	SHOPRITE
MCDONALD'S		WOOLWORTHS	
NANDO'S	STEERS	OK	PICK N PAY
EDGARS	MR PRICE		
	FOSCHINI	DION	MAKRO
TRUWORTHS	JET		GAME
MARKHAM	PEP	CLICKS	INCREDIBLE CONNECTION

3.4.1 Which market structure do the above business enterprises represent? (2)

3.4.2 What is the nature of the products offered in this market structure? (2)

3.4.3 Identify the kind of profit that these business enterprises will make in the long term. (2)

3.4.4 Explain how the business enterprises above can use non-price competition to increase their market share. (2 x 2) (4)

3.5 Discuss the role of the key institutions that regulate competition in South Africa. (2 x 4) (8)

3.6 Explain how natural and artificial monopolies act as barriers to other producers wanting to enter the market. (2 x 4) (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 Economic development implies an increase in the capacity of (production/human capital).

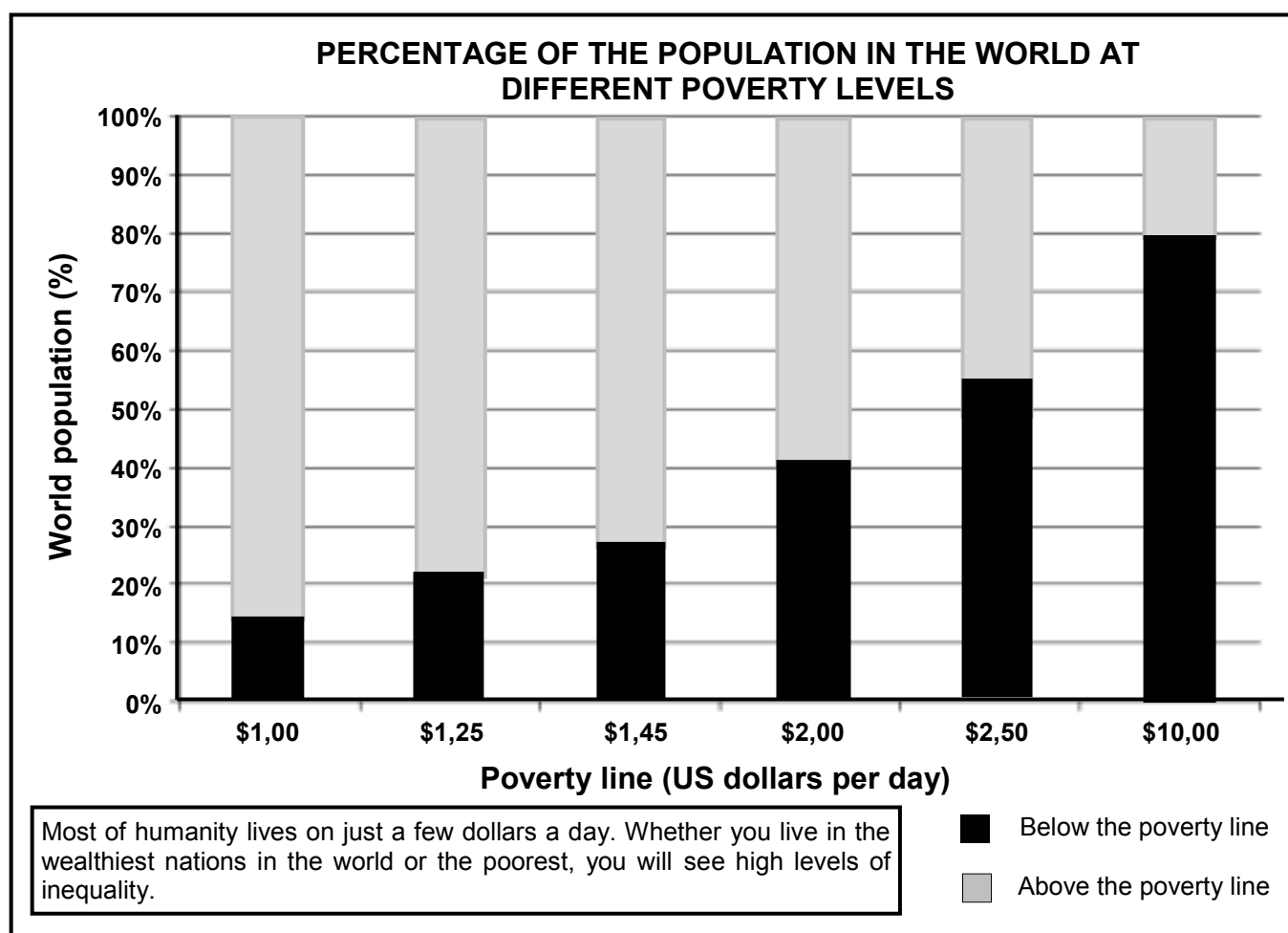
4.1.2 Industrial development aims at increasing (exports/imports).

4.1.3 Tariffs that are calculated per unit or mass are known as (ad valorem/specific) tariffs.

4.1.4 Direct subsidies used in export promotion are (tax rebates/cash payments) to exporters. (4 x 2) (8)

4.2 Name THREE growth sectors in South Africa that have the potential to create employment. (3 x 2) (6)

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



[Adapted from *World Bank Report 2012*]

4.3.1 What type of indicator is shown by the bar graph above? (2)

4.3.2 Explain the term *poverty line*. (2)

- 4.3.3 What percentage (%) of the world population lives above the poverty line of \$2 a day? (2)
- 4.3.4 Name the economic concept which measures the extent of poverty in various countries. (2)
- 4.3.5 Why do you think the poor find it difficult to escape poverty? (2)

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

#### THE NATIONAL DEVELOPMENT PLAN

Trevor Manuel has presented a National Development Plan that predicts near full employment and high economic growth by 2030. The document, compiled by the National Planning Commission, says the unemployment rate should fall from the current 25% to 14% by 2030.



It says the economy should grow by an average of 5,4% a year and that GDP per capita should grow from R50 000 to R110 000 per person in 2030. The commission says these objectives can be obtained by improving education and relaxing some labour laws.

The National Development Plan makes proposals for:

- Expanding infrastructure in order to boost exports
- Reducing the cost of living for poor households
- Reducing the cost of doing business for small enterprises

It calls for tax incentives to encourage employers to hire young people and it proposes a more open immigration policy to attract high-level skills.

[Adapted from the Internet, 2012]

- 4.4.1 What portfolio is Trevor Manuel currently responsible for? (2)
- 4.4.2 Which economic indicator from the extract can be used to compare standards of living? (2)
- 4.4.3 How can the National Development Plan assist the promotion of small and medium enterprises (SMEs)? (2)
- 4.4.4 How can the economy achieve an average growth rate of 5,4% per year? (2 x 2) (4)
- 4.5 Explain Black Economic Empowerment (BEE) as a development initiative. (4 x 2) (8)
- 4.6 Briefly discuss the North-South divide. (2 x 4) (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 inflation target for South Africa is currently (3–6%/2–5%).
- 5.1.2 The index that refers to the cost of production is called the (consumer/producer) price index.
- 5.1.3 Old-age pensioners and people with a fixed income will (benefit/suffer) from general price increases.
- 5.1.4 Taxes imposed on the output of goods that generate external environmental costs are called (green/income) tax. (4 x 2) (8)
- 5.2 List any THREE benefits of tourism to households. (3 x 2) (6)
- 5.3 Study the extract below and answer the questions that follow.

**TOXIC TIDE THREATENS TO FLOOD HERITAGE HOT SPOT**

Gold Reef City mine museum is at risk from rising acid water. The abandoned shaft was once the world's biggest and deepest gold mine. It hosts about 3 000 visitors daily, including hundreds of school children and students. The problem started when mines closed and switched off pumps that used to keep the water at bay. The Department of Water Affairs recommended that steps should be taken to lower the water level inside a huge void (called the central basin) beneath Johannesburg.

Without increased pumping, the acid water will reach the museum by June 2013. In certain areas of Johannesburg, water has already reached the surface and is being treated and discharged into the Vaal River system.

According to Jaco Schoeman, CEO of Mine Restoration Investments (MRI), we need technology to handle the quality and quantity of water. He also mentioned that the acts and regulations should be addressed and funded.

[Adapted from *Sunday Times*, 30 September 2012]

- 5.3.1 Define the concept *pollution*. (2) (2)
- 5.3.2 In your opinion, why is Gold Reef City such a popular tourist destination? (2 x 2) (4)
- 5.3.3 How can the threat of rising acid water be solved? (2 x 2) (4)

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



[Adapted from *Mail & Guardian*, December 2009]

- 5.4.1 What do you understand by the concept *environmental sustainability*? (2)
- 5.4.2 Describe the messages conveyed by the cartoon. (2 x 2) (4)
- 5.4.3 In your opinion, what impact will climate change have on the environment? (2 x 2) (4)
- 5.5 Explain the effects of tourism on employment and poverty. (2 x 4) (8)
- 5.6 Explain how the granting of property rights by the public sector can achieve environmental sustainability. (4 x 2) (8)
- [50]**

**QUESTION 6: MACRO- AND MICROECONOMICS****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 indicator that gives direction where the economy is heading is called a (leading/lagging) indicator.

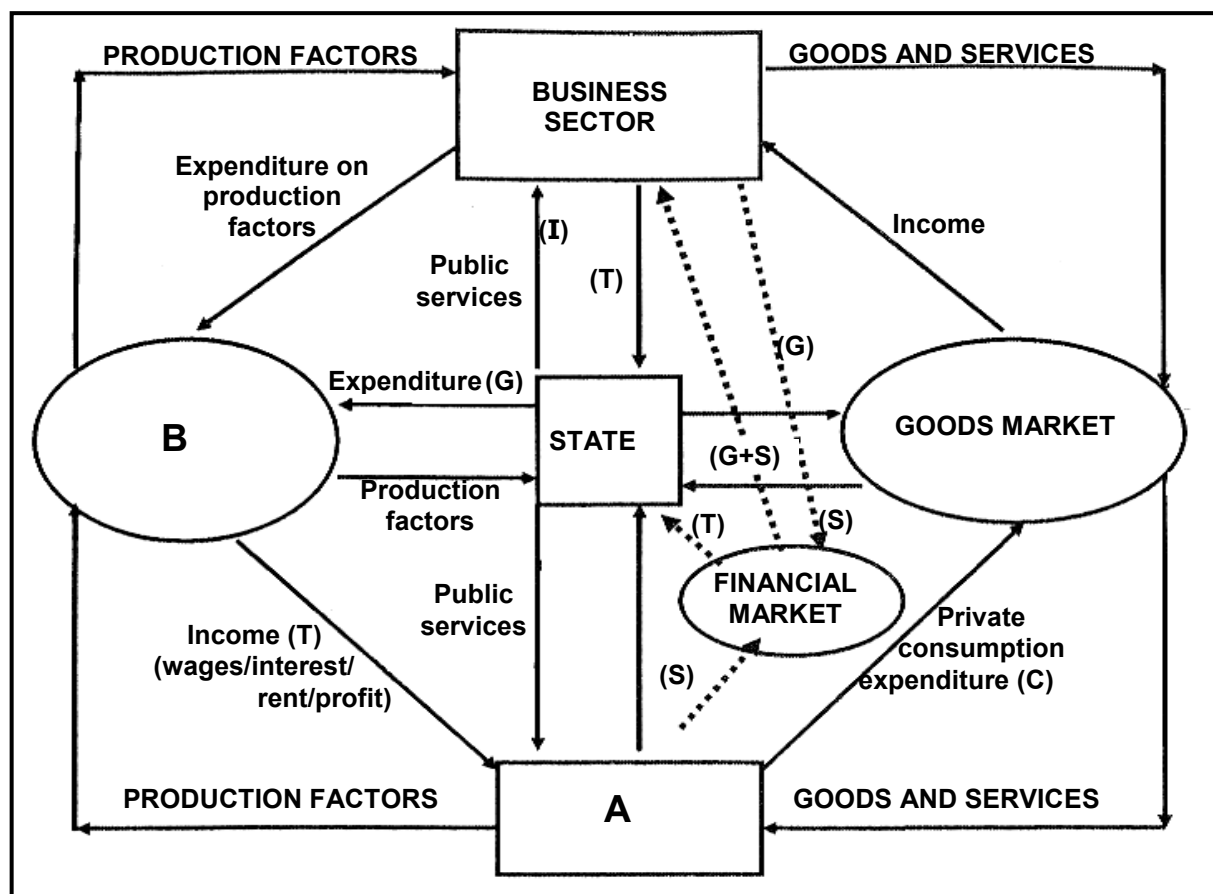
6.1.2 Functions and ownership transferred from the private to the public sector is known as (nationalisation/privatisation).

6.1.3 The rent that an entrepreneur pays is regarded as an (explicit/implicit) cost.

6.1.4 Pollution is a form of a (private/social) cost. (4 x 2) (8)

6.2 List the THREE methods used to calculate the gross domestic product (GDP). (3 x 2) (6)

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



6.3.1 Which type of economy is represented by the diagram? (2)

6.3.2 Label **A** and **B** in the diagram. (2 x 1) (2)

6.3.3 Identify ONE example of an injection in the diagram. (2)

6.3.4 Explain the interaction between the business sector and the state. (2 x 2) (4)

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

**COSTS AND BENEFITS IN THE SUPPLY OF ELECTRICITY TO SCHOOLS**

SCHOOL	ECONOMIC COSTS R million	ECONOMIC BENEFITS R million
A	1	0,5
B	2,5	1
C	3	4

6.4.1 What is the rationale behind the cost-benefit analysis? (2)

6.4.2 Use the information in the table and draw a fully labelled bar graph, indicating cost and benefits for each alternative:

Vertical axis: Costs/Benefits R million.  
Scale 1 cm = 0,5 R million

Horizontal axis: Schools (6)

6.4.3 Which school should receive the electricity? (2)

6.5 Discuss labour resources and technology as reasons for international trade. (2 x 4) (8)

6.6 Distinguish between *price leadership* and *cartels* as forms of collusion. (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**

<b>STRUCTURE OF THE 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**

Fiscal policy is an instrument used by government to influence the economy.

- Discuss in detail the effects of fiscal policy, including a Laffer curve. (30 marks)
- To what extent was the South African government successful in the implementation of its fiscal policy? (10 marks)

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

Markets are at the centre of economic activities.

- With the aid of graphs, analyse the different equilibrium positions (normal profit, economic profit and loss) of the individual firm under perfect competition. (30 marks)
- Examine the conditions under which perfect competition successfully operates. (10 marks)

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

Regional industrial development refers to policies aimed at increasing the economic livelihood of specific areas.

- Discuss regional industrial development in South Africa by focusing on the Spatial Development Initiatives and Industrial Development Zones. (30 marks)
- How appropriate are the various financial incentives granted by the South African government for the establishment of new businesses? (10 marks)

**[50]**

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

Inflation is an economic problem that every member of society has experienced.

- Examine the different measures to combat inflation. (30 marks)
- Analyse the consequences of inflation on income and wealth. (10 marks) **[50]**

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