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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P1

EXEMPLAR 2014

MARKS: 150

TIME: 1½ 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 – 15 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.

- 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 Consumption of fixed capital is used to calculate the gross value added at ...
- A basic prices.
 - B market prices.
 - C factor cost.
- 1.1.3 During an economic recession ...
- A unemployment will increase.
 - B production increases.
 - C spending increases.
- 1.1.4 The new economic paradigm is embedded in ... side policies.
- A demand-
 - B supply-
 - C demand-and-supply-
- 1.1.5 According to the UN classification, South Africa's HDI ranking is categorised as a ... level.
- A low
 - B middle
 - C high
- 1.1.6 Economic growth is measured in terms of ...
- A real GDP.
 - B real GDP per capita.
 - C nominal GDP.

1.1.7 The ratio of export prices and import prices is known as the ...

- A terms of trade.
- B exchange rate.
- C balance of payments.

1.1.8 An example of an economic indicator is ...

- A labour productivity.
- B life expectancy.
- C housing.

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A–J) next to the question number (1.2.1–1.2.8) in the ANSWER BOOK.

| COLUMN A | COLUMN B |
|--------------------------------|--|
| 1.2.1 Capital Transfer Account | A the weakening of a currency as result of market forces |
| 1.2.2 Depreciation | B policies aimed at increasing the economic livelihood of a specific area |
| 1.2.3 Free floating | C the interest rate which banks charge on loans to preferential clients |
| 1.2.4 Tariffs | D world-wide interfacing with trade as the major element |
| 1.2.5 Regional development | E the removal of unnecessary laws that inhibit the free operation of markets |
| 1.2.6 Prime rate | F subaccount in the balance of payments |
| 1.2.7 Globalisation | G a protection measure against unfair foreign competition |
| 1.2.8 Deregulation | H exchange rate system |
| | I the interest rate at which the Reserve Bank charges commercial banks |
| | J subaccount in the current account |

(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 A small initial change in spending produces a proportionately larger increase in national income

1.3.2 The sale of state-owned enterprises to the private sector

1.3.3 Goods used as inputs to produce other goods and services

1.3.4 An increase in the capacity of the population to produce more goods and services

1.3.5 It consists of people between the ages of 15 and 60/65 who are willing to work for an income

1.3.6 Return of land to their original owners after confiscation by the government

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS**40 MARKS – 20 MINUTES**

2.1 Answer the following questions.

2.1.1 Give TWO examples of injections into the economy. (2 x 1) (2)

2.1.2 What effect will an increase in the value of the rand against the US dollar have on imports from the USA? (1 x 2) (2)

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

| EXTRACT FROM NATIONAL ACCOUNTS OF SOUTH AFRICA AT CURRENT PRICES | |
|---|-------------|
| R million | 2012 |
| Gross domestic product (GDP) at market prices | 3 155 195 |
| Primary income from the rest of the world | 48 501 |
| Primary income to the rest of the world | A |
| Gross national product (GNP) at market prices | 3 085 188 |

[Source: SARB Quarterly Bulletin, March 2013]

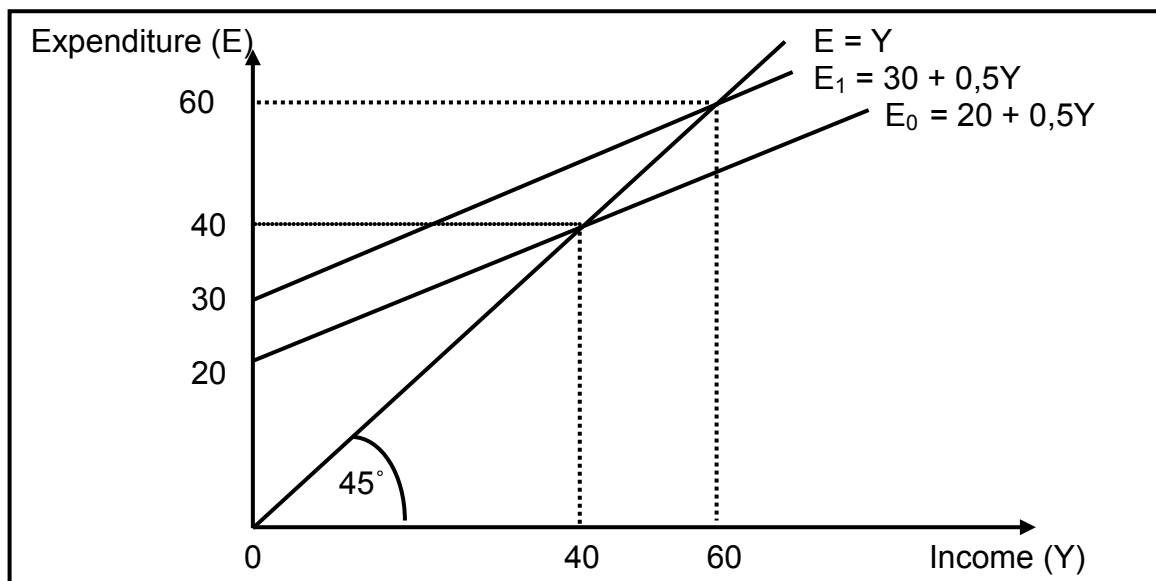
2.2.1 Define the concept *gross domestic product*. (2)

2.2.2 Calculate the value of **A** in the table. (2)

2.2.3 Give an example of a primary income from the rest of the world. (2)

2.2.4 Explain the difference between *current prices* and *constant prices*. (4)

- 2.3 Study the graph below that depicts a simplified two-sector economy (where $E = C + I$) and answer the questions that follow.



2.3.1 Identify ONE participant in the economy above. (2)

2.3.2 What does the line $E = Y$ represent? (2)

2.3.3 Calculate the multiplier using the following formula:

$$k = \frac{1}{(1 - mpg)}$$

The marginal propensity to consume (mpc) = 0,8.
(Show ALL calculations.)

(4)

2.3.4 What is the relationship between the *marginal propensity to consume (mpc)* and the *multiplier*? (2)

2.4 Explain the new economic paradigm. (4 x 2) (8)

2.5 Argue ONE case in favour of free trade and ONE case against protectionism. (2 x 4) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS**40 MARKS: 20 MINUTES**

3.1 Answer the following questions.

3.1.1 State TWO fiscal policy measures that can be implemented to redistribute wealth in South Africa. (2 x 1) (2)

3.1.2 What effect will import restrictions have on the local textile industry in South Africa? (1 x 2) (2)

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

INDUSTRIAL POLICY ACTION PLAN

The Industrial Policy Action Plan (IPAP) is located in the vision of the National Development Plan and forms one of the fundamental cornerstones of the New Growth Path Framework. IPAP is predicated to bring about significant structural change to the South African economy. The existing growth path is led by the consumption-driven sectors, which are growing twice as fast as the manufacturing sectors. The economy is import intensive, especially with respect to value-added products. Stronger domestic growth in the manufacturing sector is imperative. High structural unemployment is a constant, oscillating between 22,5% and 25% if the strict definition is used.

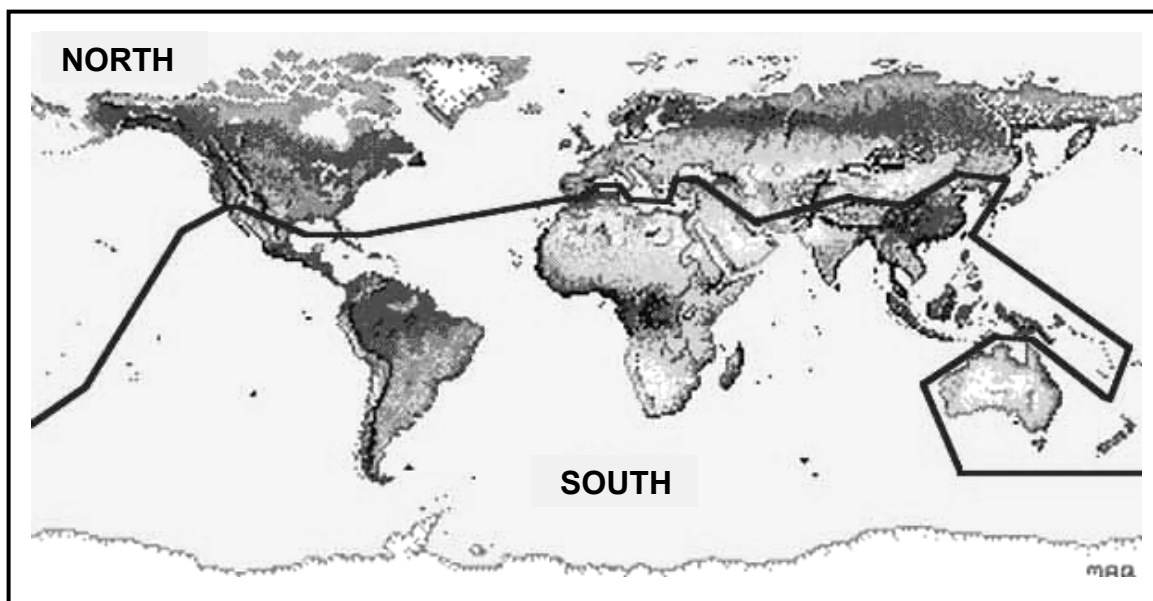
[Adapted from www.bdlive.co.za]

3.2.1 Identify the main objective of the IPAP. (2)

3.2.2 How will the above objective be achieved? (4)

3.2.3 Explain how unemployment will be addressed by the New Growth Path Framework. (4)

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



[Source: www.cartoons.com]

- 3.3.1 What is indicated by the solid line in the map above? (2)
- 3.3.2 Name TWO countries that make up the G8 grouping of countries in the North. (2)
- 3.3.3 Briefly comment on the trade relations between the countries in the North and South. (6)
- 3.4 Briefly explain the integrated manufacturing strategy in South Africa. (4 x 2) (8)
- 3.5 How can the repo rate be used to stimulate aggregate demand? (4 x 2) (8)
- [40]**

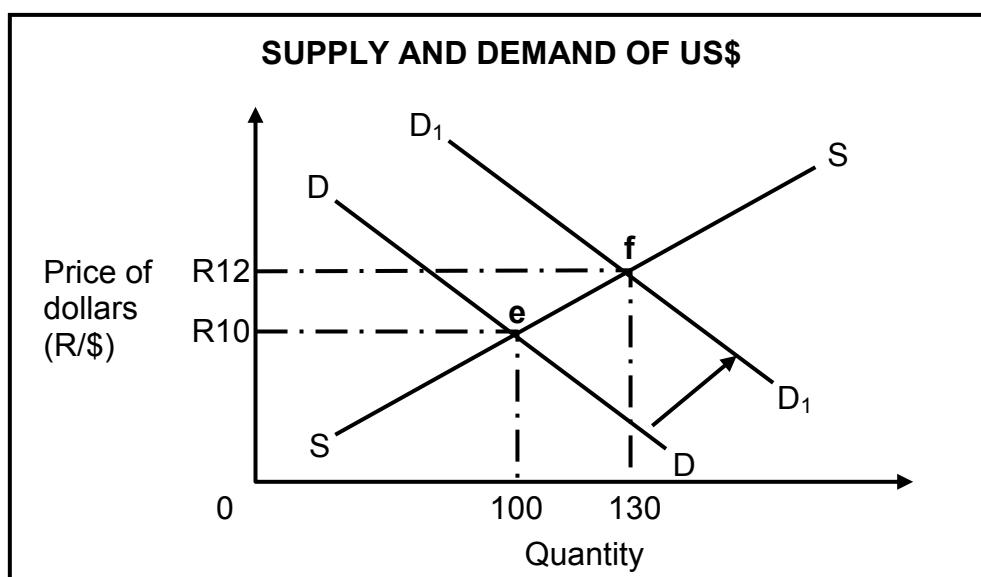
QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS – 20 MINUTES**

4.1 Answer the following questions.

4.1.1 Name TWO problems of public sector provisioning. (2 x 1) (2)

4.1.2 What effect will low labour productivity have on inflation? (1 x 2) (2)

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



4.2.1 At what point on the graph does the equilibrium for foreign exchange originally occur? (2)

4.2.2 What happens to the value of the rand when DD shifts to D₁D₁? Motivate your answer. (4)

4.2.3 How can the Central Bank of South Africa intervene in the market to influence the exchange rate? (4)

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

**SPECIAL ECONOMIC ZONES TO EMPLOY
REGIONAL STRENGTHS**

The announcement that 10 potential special economic zones have been identified in conjunction with the provinces could be a game-changer for South African manufacturers. Such zones are intended to bring mainstream economic activity to poor and isolated parts of South Africa by leveraging the commercial potential of the particular regions.

This will include industry clustering, or targeted development. Upington, in the Northern Cape, is a natural home for solar energy research and development. Saldanha Bay will service the growing oil and gas industry on Africa's west coast, while expanding iron ore exports.

The Department of Trade and Industry is devising a draft of regulations that will see the country's industrial development zones (IDZs) in Richards Bay, East London and Coega, near Port Elizabeth, taken into a new special economic zones framework. This envisages zones including free ports, free trade zones, and sector development zones.

A special corporate tax rate of 15% is proposed, well below the 28% currently applied. There was, however, a concern that the incentive would cause dislocation and would have 'distorting effects' on the economy.

[Source: www.bdlive.co.za]

- | | | |
|-------|--|-------------|
| 4.3.1 | Define the concept <i>IDZ</i> . | (2) |
| 4.3.2 | Identify TWO new proposed economic regions. | (2) |
| 4.3.3 | What is the main difference between an <i>IDZ</i> and an <i>SEZ</i> ? | (2) |
| 4.3.4 | What, in your opinion, would be the 'distorting effects' on the economy? | (4) |
| 4.4 | Explain <i>leading</i> and <i>lagging business cycle indicators</i> . | (2 x 4) (8) |
| 4.5 | Explain the TWO social indicators used for children under the age of five. | (2 x 4) (8) |
| | | [40] |

TOTAL SECTION B: 80

SECTION C

Answer only ONE of the two questions in this section in the ANSWER BOOK.

| STRUCTURE OF THE ESSAY: | MARK ALLOCATION: |
|---|-------------------------|
| Introduction | Max. 2 |
| Body: Main part: Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Explain/Assess/Debate | Max. 26 |
| 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 | Max. 10 |
| Conclusion | Max. 2 |
| TOTAL | 40 |

QUESTION 5: MACROECONOMICS**40 MARKS –35 MINUTES**

International trade is the backbone of our modern commercial world as producers in various nations try to profit from an expanded market, rather than be limited to selling within their own borders.

- Discuss export promotion as part of South Africa's international trade policy.
(26 marks)
- In your opinion, how successful is South Africa with the implementing of the above policy? Motivate your answer.
(10 marks)

[40]**QUESTION 6: ECONOMIC PURSUITS****40 MARKS – 35 MINUTES**

Supply-side policies focus on the ability of markets to supply enough goods and services to meet aggregate demand.

- Discuss this statement by focusing on effectiveness and efficiency of markets in the South African context.
(26 marks)
- In your opinion, how successful is the South African government in providing for the basic needs of the poor?
(10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150