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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P1

NOVEMBER 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, for example 1.1.9 B.
- 1.1.1 The flow of money from the financial sector into the economy is called a/an ...
- A injection.
 - B expense.
 - C leakage.
- 1.1.2 The transfer of ownership from the public to the private sector is known as ...
- A decentralisation.
 - B nationalisation.
 - C privatisation.
- 1.1.3 Government income and expenditure estimates for a three-year period are reflected in the ...
- A provincial budget.
 - B main budget.
 - C medium-term expenditure framework (MTEF).
- 1.1.4 A definite course of action which is adopted by a group or organisation in an effort to promote best practice is known as ...
- A policy.
 - B strategy.
 - C initiative.
- 1.1.5 When the state uses tariffs to discourage imports it is called ...
- A export promotion.
 - B protectionism.
 - C monetary policy.
- 1.1.6 Geographical areas that have a wider industrial development objective and which can be located anywhere to promote cluster development are called ...
- A corridors.
 - B Special Economic Zones (SEZs).
 - C manufacturing zones.

1.1.7 Aggregate supply can be stimulated through a government policy of ...

- A reducing production costs.
- B limiting the efficiency of inputs.
- C lowering the productivity of factors of production.

1.1.8 The institution that monitors empowerment and transformation through a code of good practice is known as the ...

- A South African Reserve Bank.
- B Industrial Development Corporation.
- C Department of Trade and Industry.

(8 x 2) (16)

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

COLUMN A	COLUMN B
1.2.1 Real flows	A provided by the state and used by all members of society
1.2.2 Recession	B measures changes in prices of goods and services
1.2.3 Public goods	C it strengthens institutional capacity and facilitates development
1.2.4 Terms of trade	D the flow of goods and services
1.2.5 World Bank	E promotes development in the Southern African region
1.2.6 Integrated manufacturing strategy	F the international institution that promotes economic recovery and development
1.2.7 Development Bank of Southern Africa	G a negative economic growth for at least two consecutive quarters
1.2.8 Consumer price index	H the flow of income and expenditure
	I the ratio between export prices and import prices

(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 An economy that includes the foreign sector
- 1.3.2 The short-term and very short-term market for savings and loans
- 1.3.3 A curve that shows the relationship between tax rates and taxable income
- 1.3.4 The worldwide interaction of economies, with trade as a key element
- 1.3.5 The rate at which banks borrow money from the Reserve Bank
- 1.3.6 The removal of unnecessary regulations that inhibit the free operation of markets (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 State TWO methods that are used to calculate national income aggregates. (2 x 1) (2)

2.1.2 How will the contraction phase of a business cycle influence the economy through interest rates? (1 x 2) (2)

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

ECONOMIC INDICATORS

Economic indicators are statistics used to measure some aspect of the economy which helps to forecast business cycles, for example unemployment rates, retail sales and job advertising space. Besides economic indicators the length and amplitude of a business cycle are other factors that underpin the forecasting of business cycles. The Reserve Bank also compiles composite indicators to reflect the performance of the economy.



[Adapted from the Internet 2013]

2.2.1 Identify a leading economic indicator from the above data. (2)

2.2.2 Define the term *composite indicator*. (2)

2.2.3 What does the amplitude of a business cycle demonstrate? (2)

2.2.4 Explain the length of a business cycle as a feature that underpins forecasting. (4)

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

EXTRACT FROM THE BALANCE OF PAYMENTS	
	R MILLION
CAPITAL TRANSFER ACCOUNT	+241
FINANCIAL ACCOUNT	
Net direct investments.....	12 900
Net portfolio investments.....	54 477
Other investments.....	107 688
Balance on financial account.....	175 065
Unrecorded transactions.....	-1 801
CHANGES IN NET GOLD AND OTHER FOREIGN RESERVES	?

[Source: SARB Quarterly Bulletin, December 2013]

- 2.3.1 Which item captures a South African business that purchases property in the United States of America? (1)
- 2.3.2 Define the term *balance of payments*. (2)
- 2.3.3 What is the purpose of the item 'Unrecorded transactions'? (2)
- 2.3.4 If the balance on the current account was –R164 548, calculate the value for 'Changes in Net Gold and other Foreign Reserves'. Show ALL calculations. (5)
- 2.4 Compare a *free floating exchange rate system* with a *managed floating exchange rate system*. (2 x 4) (8)
- 2.5 Discuss the multiplier and its effect on the national income if the marginal propensity to consume (mpc) is 0,6 and investment increases by R10 bn. (4 x 2) (8)
- [40]**

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

3.1 Answer the following questions.

3.1.1 Name any TWO monetary policy instruments used by the Reserve Bank. (2 x 1) (2)

3.1.2 Why are economic indicators important to the government? (1 x 2) (2)

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

BUY BACK SOUTH AFRICA

This campaign is an initiative of the Department of Trade and Industry (DTI), Manufacturing Circle and Proudly South African. It is directed towards the purchase of South African-manufactured products. It forms part of the government strategy of growing the economy. It is important to strengthen and diversify the country's industrial base to develop export markets.

However, the European Union has banned the import of contaminated citrus fruit from South Africa.

[Adapted from *Business Report*, November 2013]

3.2.1 Which government department initiated the Buy Back SA Campaign? (1)


3.2.2 What does the government intend to achieve through this campaign? (1)

3.2.3 How can the government benefit from diversifying the country's industrial base? (2 x 2) (4)

3.2.4 What negative effect might the banning of citrus imports by the European Union have on local citrus producers? (2 x 2) (4)

3.3 Study the cartoon and extract below and answer the questions that follow.

SUMMIT ON BLACK ECONOMIC EMPOWERMENT



The purpose of the most recent BEE summit was to scrutinise the last decade of the BEE system. Efforts were in place to improve the system although they still faced several problems, such as companies using fronting to sidestep prescribed legal requirements, as well as the verification of the BEE levels of companies.

There is a serious shortage of black industrialists in the country; therefore transformation is needed in the sector.

[Adapted from *Business Report*, October 2013]

3.3.1 What is the aim of black economic empowerment? (2)

3.3.2 What challenges does the BEE policy currently face? (2 x 1) (2)

3.3.3 Explain the message depicted in the cartoon. (2)

3.3.4 In your opinion, why do we still experience a serious shortage of black industrialists in the country? (2 x 2) (4)

3.4 Briefly discuss the aims of regional development. (4 x 2) (8)

3.5 Analyse *population growth* and *life expectancy* as social indicators relating to demographics. (2 x 4) (8)

[40]

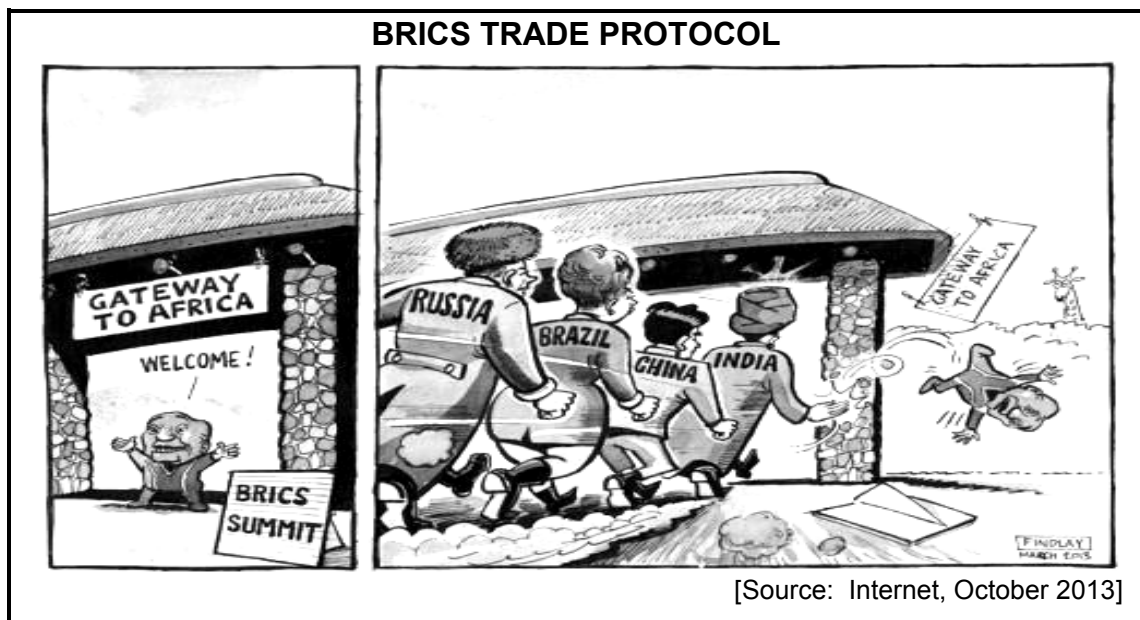
QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS – 20 MINUTES**

4.1 Answer the following questions.

4.1.1 Give TWO supply reasons for international trade. (2 x 1) (2)

4.1.2 What is the main purpose of the expanded public works programme (EPWP)? (1 x 2) (2)

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



4.2.1 Define the term *trade protocol*. (2)

4.2.2 Explain the message depicted in the cartoon. (2)

4.2.3 Why is South Africa regarded as the gateway to Africa? (2)

4.2.4 How will South Africa benefit from its BRICS membership? (4)

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

NATIONAL INCOME AND PRODUCTION ACCOUNTS OF SOUTH AFRICA	
	2012 R million
Compensation of employees	1 451 603
Net operating surplus	922 030
Consumption of fixed capital	405 640
Gross Value Added @ Factor Cost	2 779 273
Other taxes on production	56 527
Other subsidies on production	15 538
(A)	2 820 262
Taxation on products	338 804
Subsidies on products	20 086
Gross Domestic Product @ Market Prices	(B)

[Source: SARB Quarterly Bulletin, December 2013]

- 4.3.1 Name the missing item labelled **(A)**. (2)
- 4.3.2 Define the term *gross domestic product (GDP)*. (2)
- 4.3.3 Explain the item 'Consumption of fixed capital'. (2)
- 4.3.4 Calculate the 'Gross Domestic Product @ Market Prices' labelled **(B)**. Show ALL calculations. (4)
- 4.4 Discuss the economic indicators relating to productivity. (2 x 4) (8)
- 4.5 Argue how free trade rather than protectionism will favour countries. (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**

Government is constantly trying to achieve specific objectives to improve the standard of living of the nation.

- Discuss the macroeconomic objectives of the state in South Africa's economy. (26)
 - In your opinion, to what extent has the South African government achieved these objectives? (10)
- [40]**

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

Since 1994 the South African government has developed different strategies to transform the economy.

- Discuss the following South African growth and development strategies in detail:
 - National Skills Development Strategy (NSDS)
 - The New Growth Path (NGP)
 - National Development Plan (NDP)
 - Evaluate the strategies used in South Africa.
- (26)
(10)
[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150