



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECON.1
ECONOMICS
NOVEMBER 2009**

MARKS: 300

TIME: 3 hours

This question paper consists of 18 pages.

MORNING SESSION



INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows:
 - SECTION A: COMPULSORY
 - SECTION B: Answer any THREE questions.
 - SECTION C: Answer any TWO questions.
2. Write the number of the question above each answer.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Read the questions carefully and start each question on a *NEW* page.
5. Leave 2 – 3 lines between sub-sections of questions.
6. Answer in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
7. Answer only the required number of questions. Answers in excess of this number will NOT be marked.
8. Use only black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.



MARKS: 300**TIME: 180 minutes**

SECTION A: COMPULSORY
QUESTION 1: OBJECTIVE ITEMS 50 MARKS – 25 MINUTES
SECTION B: ANSWER ANY THREE QUESTIONS FROM THIS SECTION.
QUESTION 2: 50 MARKS – 25 MINUTES
QUESTION 3: 50 MARKS – 25 MINUTES
QUESTION 4: 50 MARKS – 25 MINUTES
QUESTION 5: 50 MARKS – 25 MINUTES
QUESTION 6: 50 MARKS – 25 MINUTES
SECTION C: ANSWER ANY TWO QUESTIONS FROM THIS SECTION
QUESTION 7: 50 MARKS – 40 MINUTES.
QUESTION 8: 50 MARKS – 40 MINUTES
QUESTION 9: 50 MARKS – 40 MINUTES
QUESTION 10: 50 MARKS – 40 MINUTES



SECTION A (COMPULSORY)**QUESTION 1**

- 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 reason for the existence of a public sector is to ...
- A provide private goods.
 - B provide merit goods.
 - C determine prices of consumer goods.
- 1.1.2 When $I + G + X > S + T + M$, the level of national income will ...
- A rise.
 - B fall.
 - C remain the same.
- 1.1.3 The change in the value of income divided by the change in the value of injections is known as ...
- A the circular-flow model.
 - B Gross National Income.
 - C the macroeconomic multiplier.
- 1.1.4 An example of perfect competition is the ...
- A crude-oil market.
 - B JSE Securities Exchange.
 - C International Diamond Exchange.
- 1.1.5 The rationale for a cost-benefit analysis is ...
- A efficient resource allocation.
 - B high prices.
 - C the redistribution of wealth.
- 1.1.6 "I don't meet competition, I crush it." This statement was probably made by a ...
- A perfect competitor.
 - B monetarist.
 - C monopolist.

- 1.1.7 The government's macroeconomic strategy, GEAR, ...
- A promotes economic growth.
 - B focuses on increased unemployment.
 - C will always lead to a decrease in exports.
- 1.1.8 SMMEs create employment for ...
- A foreign unemployed people.
 - B highly skilled unemployed people only.
 - C structurally unemployed people.
- 1.1.9 An advantage of import substitution is that the domestic economy becomes ...
- A less competitive.
 - B more diversified.
 - C less protected.
- 1.1.10 When tourists are given the opportunity to experience life in South African townships, it is known as ...
- A international tourism.
 - B ecotourism.
 - C community tourism.
- 1.1.11 The state can play an important role in maintaining environmental sustainability through its ...
- A fiscal policy.
 - B urbanisation policy.
 - C monetary policy.
- 1.1.12 According to ... total demand for goods and services exceeds the total supply thereof.
- A cost-push inflation
 - B demand-pull inflation
 - C deflation
- (12 x 2) (24)



- 1.2 Give ONE word/term for each of the following descriptions by choosing a word/term from the list below. Write only the correct word/term next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

SARB; Medium-Term Expenditure Framework; globalisation;
global warming; motor oil; Stats SA; budget; petrol;
Skills Support Programme; Critical Infrastructure Programme

- 1.2.1 Shows income and expenditure estimates for a three-year period
- 1.2.2 A regulated product used by motorists
- 1.2.3 A cash grant for skills development
- 1.2.4 An institute that publishes separate inflation data for certain metropolitan areas
- 1.2.5 The predicted increased warming of the atmosphere as a result of the increased accumulation of carbon dioxide (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	Parastatal	A	Organisation of Petroleum Exporting Countries – OPEC
1.3.2	Direct investment	B	protecting the earth's resources to support future generations
1.3.3	Collusion	C	a tariff imposed on imported goods to control inflation
1.3.4	Pareto efficiency	D	optimal allocation of resources
1.3.5	Urbanisation	E	large public corporations run according to business principles
1.3.6	Interest rates	F	the main operational instrument used by the SARB
1.3.7	Preservation	G	a process where communities move from rural to urban areas
1.3.8	Surcharge	H	the purchasing of fixed property to create employment
		I	an arrangement between businesses to increase competition

(8 x 2) (16)

TOTAL SECTION A: 50



SECTION B

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

QUESTION 2

- 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 Balance of payments deficits can be corrected by (increasing/decreasing) interest rates.
- 2.1.2 A deliberate measure by the state to reduce the value of a currency is known as (devaluation/depreciation).
- 2.1.3 (Consumer preferences/Technology) are/is a factor influencing the efficiency in the production of goods and services.
- 2.1.4 Labour is traded in the (factor/financial) market. (4 x 2) (8)
- 2.2 List any THREE factors influencing demand for foreign exchange. (3 x 2) (6)

- 2.3 Study the table below on the calculation of GDP and answer the questions that follow.

CALCULATION OF GDP ACCORDING TO THE INCOME METHOD (2007 figures)	
	R bn
Compensation of employees	843
Net operating surplus	644
Consumption of fixed capital	255
Gross value added @ <u>A</u>	1 742
Taxes on production	35
Subsidies on production	6
Gross value added @ basic prices	<u>B</u>
<u>C</u> on products	231
Subsidies on products	6
Gross domestic product @ market prices	1 996
Primary income from rest of world	46
Primary income to rest of world	108
GNI @ market prices	1 934

[Source: SARB Quarterly Bulletin, September 2008]

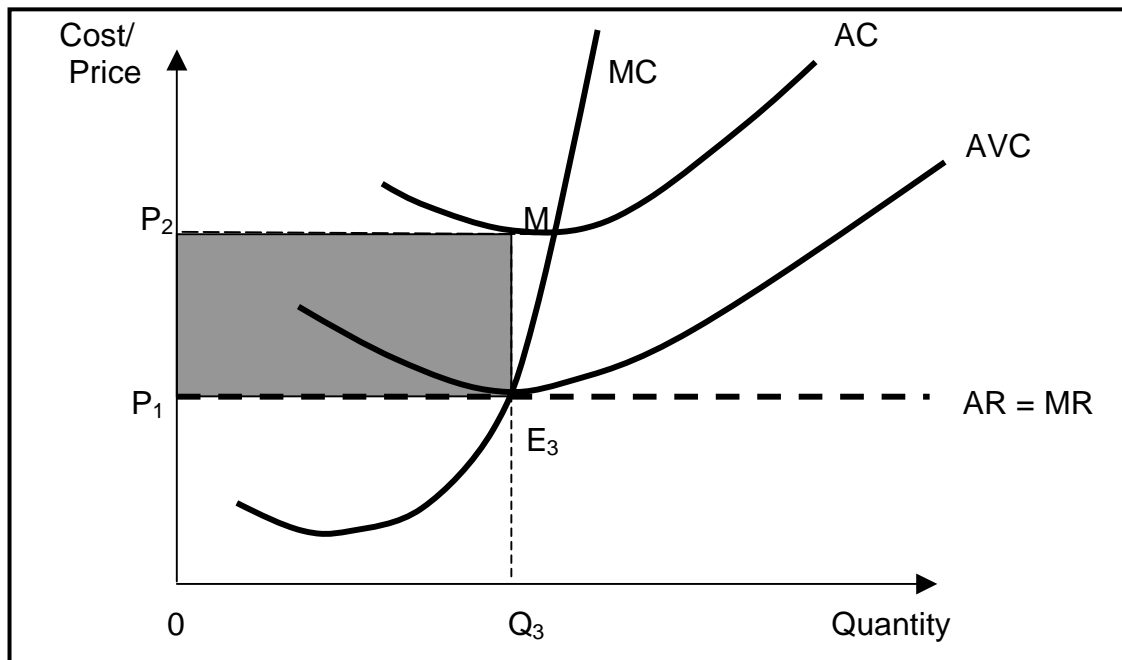
- 2.3.1 Differentiate between *GDP* and *GNP*. (4)
- 2.3.2 Which alternative term is used for GDP in the national accounts? (2)
- 2.3.3 Provide labels for **A** and **C**. (4)
- 2.3.4 Calculate the gross value added at basic prices (letter **B**). (4)
- 2.3.5 Which component contributed most to the Gross Domestic Product? (3)
- 2.3.6 Give a reason why the GNP figures in South Africa are generally lower than the GDP figures. (3)
- 2.4 With the aid of a Laffer curve, explain the relationship between tax and revenue. (16)
- [50]**



QUESTION 3

- 3.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.
- 3.1.1 Products sold on the perfect markets are (homogenous/heterogeneous) in nature.
- 3.1.2 Private cost is known as (internal/external) cost.
- 3.1.3 People who use a service without paying are called (parasites/free riders).
- 3.1.4 Public parks and beaches are examples of (demerit/collective) goods. (4 x 2) (8)
- 3.2 List any THREE examples of negative externalities caused by industrial development. (3 x 2) (6)

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



3.3.1 Define the concept *market*. (3)

3.3.2 Under which market conditions will the above market situation prevail? Motivate your answer. (5)

3.3.3 Identify the market price from the graph. (2)

3.3.4 Determine the profit maximisation point on the graph. (2)

3.3.5 Distinguish between *short-term* and *long-term equilibrium*. (4)

3.3.6 What does the shaded area represent in the above graph? (4)

3.4 Explain public goods and imperfect competition as reasons for market failure. (16)
[50]

QUESTION 4

- 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 South Africa is a developing country with a (dualistic/centrally planned) economy.
- 4.1.2 One of the key growth areas in the primary sector is (energy/food) production.
- 4.1.3 Restricting imports refers to (quotas/free trade).
- 4.1.4 An economic indicator relating to production is (real GDP/CPI). (4 x 2) (8)
- 4.2 List any THREE uses of the per capita income figures. (3 x 2) (6)

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

IDC's new fund to boost jobs

Venture capital of R250 million might be a modest amount, but it is a start!

The Industrial Development Corporation (IDC) is backing small businesses (SMMEs) and creates sustainable jobs to stimulate economic growth, by creating a R250 million venture capital fund.

The IDC is a state-owned development finance institution which tries to create jobs, helps to bring in BEE and develop skills. BEE companies account for more than two-thirds of approvals by number and 58% by value.

The IDC recently concentrated on a higher number of smaller investments in new sectors, including the agribusiness. They work closely together with the DBSA and the Land Bank to streamline development in finance institutions.

The IDC is well on its way to meet its self-imposed job creation and poverty alleviation target. It has created more than 33 000 direct jobs against a 2011 target of 50 000 jobs.

[Adapted from: *Sunday Times*, 8 July 2007 and *City Press*, 18 May 2008]

- 4.3.1 Name TWO South African growth and development policies that are addressed by the IDC. (4)
- 4.3.2 How will BEE benefit through the actions of the IDC? (4)
- 4.3.3 Differentiate between *economic growth* and *economic development*. (6)
- 4.3.4 Give ONE quotation from the text that indicates a more equal distribution of wealth in South Africa. (3)
- 4.3.5 Which institution mentioned in the text, indicates that the IDC is involved in other African countries? (3)
- 4.4 Discuss GDP and employment as economic indicators. (16)
- [50]**

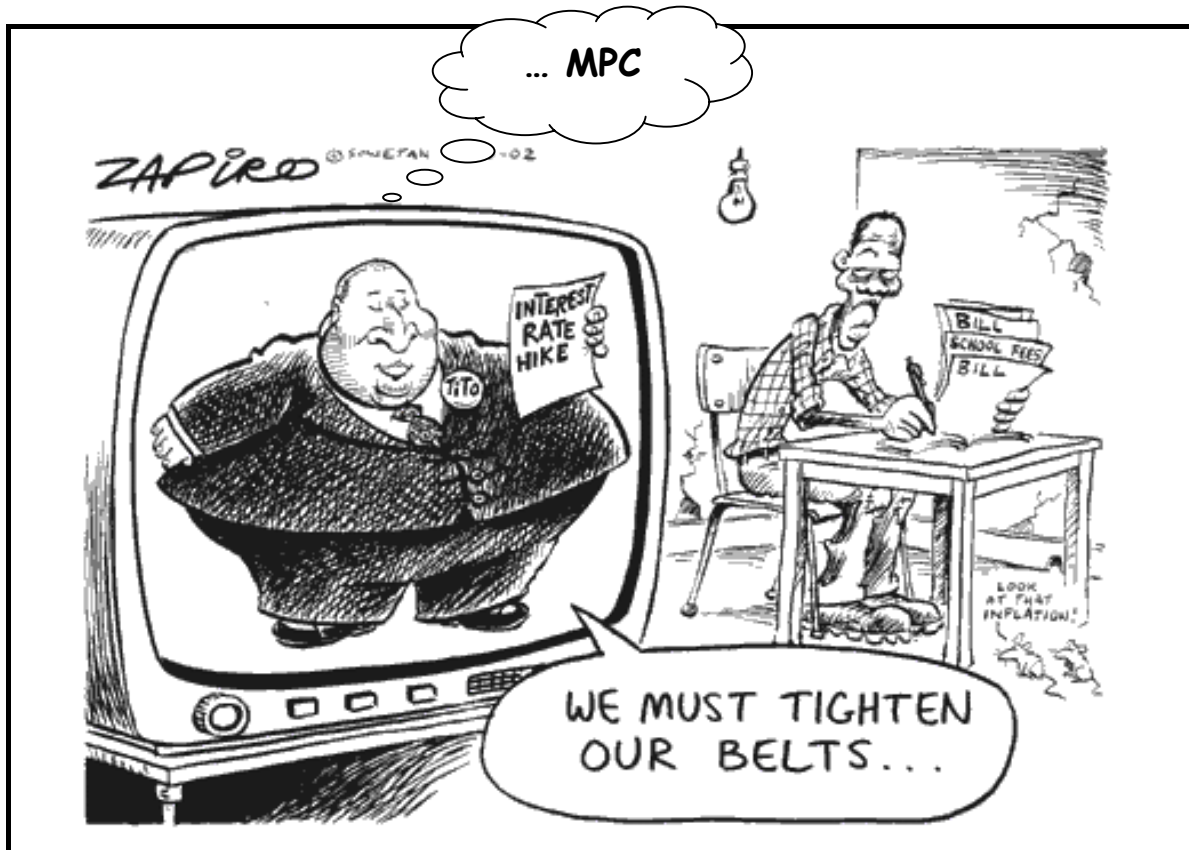


QUESTION 5

- 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 Foreigners visiting South Africa are known as (inbound/outbound) tourists.
- 5.1.2 When the rand depreciates against the major currencies of the world, it is immediately reflected in the (GDP/CPI).
- 5.1.3 SA Tourism is a (private/public) enterprise with private stakeholder representation on its council.
- 5.1.4 During (deflation/stagflation) low economic growth, high unemployment and high rates of inflation prevail. (4 x 2) (8)
- 5.2 List any THREE causes of demand-pull inflation. (3 x 2) (6)



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



[Source: Zapiro, *Mail & Guardian*, 6 May 2008]

- 5.3.1 Name the policy that is used by the Central Bank to control the money supply. (2)
- 5.3.2 What does the abbreviation *MPC* stand for? (2)
- 5.3.3 What is meant by "We must tighten our belts ..." as indicated in the cartoon? (3)
- 5.3.4 What is the current inflation target set by the SARB? (3)
- 5.3.5 State any THREE effects that an increase in the repo rate will have on the economy. (6)
- 5.3.6 In your opinion, which TWO factors could have led to the rapid interest rate hikes during 2008 in South Africa? (4)
- 5.4 Discuss any TWO recent international agreements on environmental sustainability. (16)
- [50]**

QUESTION 6

- 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 There is a (direct/inverse) relationship between the purchasing power of money and inflation.
- 6.1.2 (Reclaiming/Recycling) is the re-use of goods.
- 6.1.3 South Africa's tourism can be strengthened by (indigenous/endogenous) knowledge systems.
- 6.1.4 The GDP deflator is used to convert current prices to (nominal/constant) prices for a specific year. (4 x 2) (8)
- 6.2 List any THREE reasons why the countries in the Northern Hemisphere are more developed than those in the Southern Hemisphere. (3 x 2) (6)

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

FISHY BUSINESS

What is happening to the fish that swim South Africa's seas?

Close on to 20 percent of the world's fish stocks are dangerously over-exploited, while many more are over the brink. Sustainability is now a key issue in most spheres of business, equally in fisheries and the seafood trade. It is critical to the long-term existence of seafood stocks (and thus profitability and livelihoods).

Therefore, business should at all times promote and support sustainable fishing practice and responsible aquaculture development. Furthermore, traders of seafood should buy only from legal sources and ensure that their products are fully traceable to a source.

Illegal, unregulated and unreported (IUU or pirate) fishing is probably the greatest threat to fisheries management and sustainable fishing. Not reporting it, makes it difficult to manage fisheries and takes away the livelihoods from people who are rightfully dependent on fish as a resource.

If readers are investors in aquaculture or fisheries, they should only invest in environmentally responsible activities.

[Extract from: *Skyways*, October 2008]

- | | | |
|-------|-----------------------------------------------------------------------------------------------------|-------------|
| 6.3.1 | Define the term <i>sustainability</i> , as it relates to the environment. | (2) |
| 6.3.2 | Name TWO reasons, captured in the extract, why the fishing industry is suffering. | (4) |
| 6.3.3 | Explain any TWO types of pollution which will have an impact on the South African fishing industry. | (6) |
| 6.3.4 | In your opinion, how can we address environmental sustainability? | (4) |
| 6.3.5 | Suggest TWO ways in which illegal fishing can be stopped. | (4) |
| 6.4 | Discuss the suitability of South Africa's national industrial development policy. | (16) |
| | | [50] |

TOTAL SECTION B: 150



SECTION C

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

I. Essay responses:

- Should include an introduction, body and conclusion.
- For the introduction and conclusion 5 marks will be allocated.
- In addition, 5 marks will be allocated for the interpretation of the topic.
- A maximum of 40 marks will be allocated for the body.

II. Non-essay responses:

- Can include: Formal letters, minutes, reports or memoranda.
- In addition, 5 marks will be allocated for the interpretation of the topic.
- In addition, 5 marks will be allocated for the format.
- A maximum of 40 marks will be allocated for the content.

QUESTION 7**ESSAY RESPONSE**

Explain, with the aid of an appropriately labelled diagram, how the various business cycle indicators can be used in forecasting.

[50]

QUESTION 8**ESSAY RESPONSE**

Examine the monopoly as a market structure and briefly compare it to the perfect market.

[50]

QUESTION 9**ESSAY RESPONSE**

"Dismantling barriers to trade, especially those facing South African exporters, is a critical component of any economic strategy that promotes sustainable growth."

[Source: 2006/07 SA Yearbook]

Discuss export promotion as part of the South African international trade policies, briefly highlighting the effectiveness of the methods through which exports are promoted.

[50]

QUESTION 10**NON-ESSAY RESPONSE**

Write a business letter to the Minister of Tourism, discussing the benefits of tourism, and how South Africa will benefit from relevant tourism growth policies regarding taxation and infrastructure development.

Address the letter to:

The Minister
Department of Tourism
PO Box 1001
PRETORIA
0001

You are a BEE consultant, S Sithole. Use your own address as a business address.

[50]

TOTAL SECTION C: 100

GRAND TOTAL: 300

