



NORTHERN CAPE HIGH SCHOOL

GRADE 12

ECONOMICS P1

JUNE 2019

MARKS: 150

TIME: 2 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 blue or black ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.

SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

- 1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A–D) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 C.
- 1.1.1 If an investment of R50m resulted in a R200m increase in national income, the value of the multiplier would have been ...
- A 0,25.
 - B 50.
 - C 6,25.
 - D 4.
- 1.1.2 The new economic paradigm is based on ... policies.
- A demand-side
 - B supply-side
 - C demand and supply-side
 - D international
- 1.1.3 The Laffer curve illustrates the relationship between ... and tax rates.
- A demand
 - B poverty
 - C tax revenue
 - D supply
- 1.1.4 Countries with fundamental balance of payment problems are usually assisted by the ...
- A International Monetary Fund (IMF).
 - B Federal Bank.
 - C Reserve Bank.
 - D Government.
- 1.1.5 Economies of scale are associated with ...
- A limited output.
 - B mass production.
 - C long-term average cost increases.
 - D increased wastage.

1.1.6 Goods and services are traded in the ...

- A product/goods market.
- B foreign exchange market.
- C labour market.
- D financial market.

1.1.7 ... is a/an instrument of the fiscal policy.

- A Interest rates
- B Tax
- C Open market transactions
- D Cash reserves

1.1.8 South Africa uses a ... exchange rate system.

- A dualistic
- B controlled floating
- C fixed
- D free-floating

(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	Money market	A	Argue that most fluctuations in the economy are caused by government intervention in the economy
1.2.2	Taxes	B	A document that details expected revenue and projected expenditure
1.2.3	Monetarists	C	Where one country can produce goods and services cheaper than other
1.2.4	Endogenous approach	D	An organisation to promote free trade
1.2.5	Value Added Tax (VAT)	E	An official ban on trade or other co-operative activities with a particular country
1.2.6	Budget	F	Compulsory payments made by private individuals or business enterprises to the government sector
1.2.7	Absolute advantage	G	An indirect tax on goods and services consumed in the economy
1.2.8	Embargo	H	Holds the view that markets are inherently unstable
		I	The short-term and very short-term market for savings and loans

(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.
(Acronyms, abbreviations and examples will NOT be accepted)
- 1.3.1 An economy that has no foreign sector.
- 1.3.2 The turning point whereby economic activity is at its highest.
- 1.3.3 Transfer of functions and ownership from the private sector to the public sector.
- 1.3.4 Comparing a country's export prices with its import prices by means of indexes.
- 1.3.5 The rate at which commercial banks borrow money from the South African Reserve Bank.
- 1.3.6 The policy that aims to stabilise prices by combating inflation.
- (6 x 1) (6)
- TOTAL SECTION A: 30**

SECTION B

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

QUESTION 2: MACROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name TWO examples of injections into the circular flow model. (2 x 1) (2)

2.1.2 What is the relationship between interest rates and capital formation? (1 x 2) (2)

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

NATIONAL ACCOUNT AGGREGATES – SOUTH AFRICA	
SUMMARY OF GROSS DOMESTIC PRODUCT (AT CURRENT PRICES)	R million 2016
Compensation of employees	2 051 328
Net operating surplus	1 130 210
Consumption of fixed capital	813 605
Gross value added at factor cost	3 795 141
Other taxes on production	86 008
Other subsidies on production	9 935
Gross value added at basic prices	3 871 214
Taxes on products	484 059
Subsidies on products	16 415
Gross domestic product at market prices	(A)?

[Source: Quarterly Bulletin SARE, June 2017]

2.2.1 Which factor of production, according to the table above, receives the biggest portion of the national income? (1)

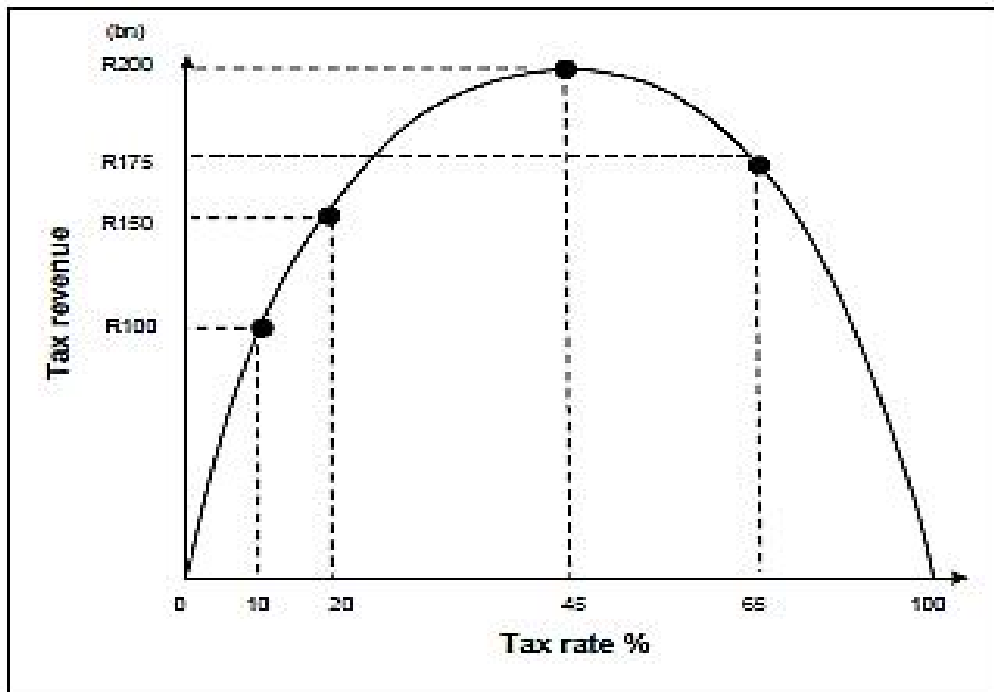
2.2.2 Which method was used to calculate the figures above? (1)

2.2.3 Briefly describe the term *basic prices*. (2)

2.2.4 Briefly explain how subsidies can influence production. (2)

2.2.5 Calculate the gross domestic product at market prices (A). Show ALL calculations. (4)

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



- 2.3.1 Identify the curve in the graph above. (1)
- 2.3.2 At what tax rate will government revenue be maximised? (1)
- 2.3.3 How much revenue will the government receive if the tax rate is 100%? (2)
- 2.3.4 What effect will a decrease in the tax rate from 65% to 45% have on tax revenue? (2)
- 2.3.5 What consequences can the 1% VAT increase have on the different role players in the South African economy? (2 x 2) (4)
- 2.4 Distinguish between *real flows* and *money flows*. (2 x 4) (8)
- 2.5 Briefly analyse the measures to reduce a deficit on the balance of payments. (8)
- [40]**

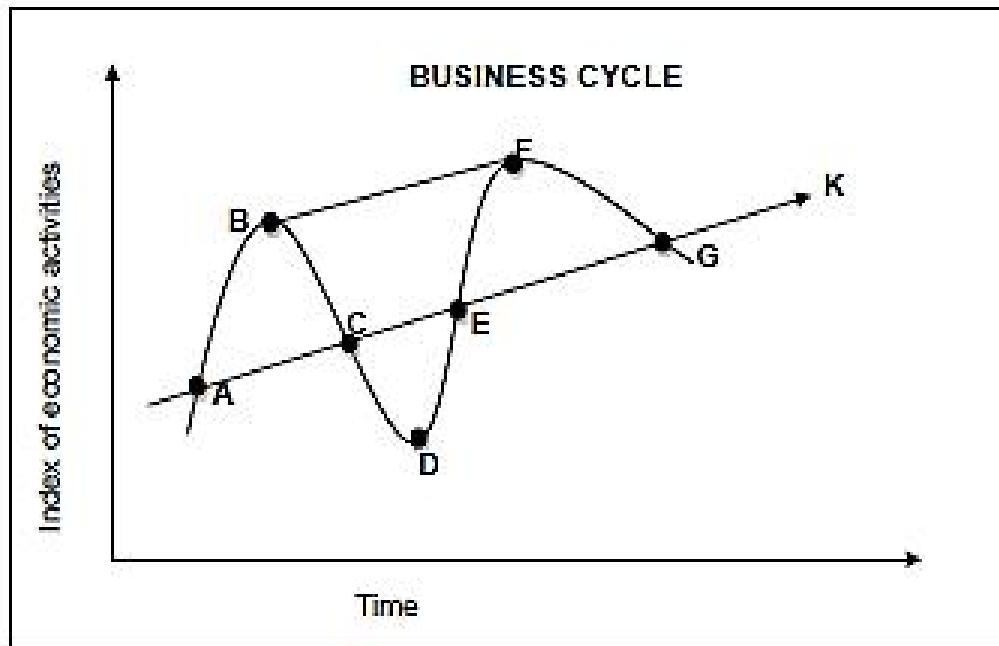
QUESTION 3: MACROECONOMICS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name TWO examples of lagging economic indicators. (2 x 1) (2)

3.1.2 What determines the size of the multiplier? (1 x 2) (2)

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



3.2.1 Identify the trend line in the business cycle above. (1)

3.2.2 Which letter represents a trough in the diagram above? (1)

3.2.3 Briefly describe the term *business cycle*. (2)

3.2.4 Explain economic activity during phase EF in the business cycle. (2)

3.2.5 How can the length (BF) be used in forecasting of business cycles?
(2 x 2) (4)

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

BALANCE OF PAYMENTS: CURRENT ACCOUNT IMPROVES

South Africa's current account deficit narrowed in the fourth quarter last year. It is the first time it reached the level of 1,7% of the GDP in nearly six years.

The improvement in the trade balance in 2016 impacted positively on the current account. The trade balance improved from a deficit of R38 billion in 2015 to a surplus of R15 billion in 2016. This resulted in the balance of payments deficit being reduced from R188 billion to R78 billion in 2016.

[Adapted from News24, August 2017]

- 3.3.1 According to the extract above, what was the deficit in the balance of payments in 2016? (1)
- 3.3.2 In the extract above, identify the term that calculates the difference between goods imported and goods exported. (1)
- 3.3.3 Briefly describe the term balance of payments. (2)
- 3.3.4 What is the significance of the balance on the current account? (2)
- 3.3.5 How can a surplus on the balance of payments affect the South African economy positively? (2 x 2) (4)
- 3.4 Briefly explain the interaction between *households* and the *state* as part of the circular flow model. (2 x 4) (8)
- 3.5 Describe how the South African Reserve Bank can use the repo rate to smooth out business cycles? (8)
- [40]**

QUESTION 4: MACROECONOMICS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

- 4.1.1 List TWO factors influencing the demand for foreign exchange. (2 x 1) (2)
- 4.1.2 Explain the exchange rate system that is used in South Africa. (1 x 2) (2)

4.2 Read the extract below and answer the questions that follow.

BUSINESS CYCLE TREND DOWNWARDS

There is a standard joke in economic circles; that by the time your central bank announces a recession you are already two-thirds into it.

And given the most recent data from the South African Reserve Bank shows the business growth downward cycle has been on-going for 27 months, there's a slight cause for concern.

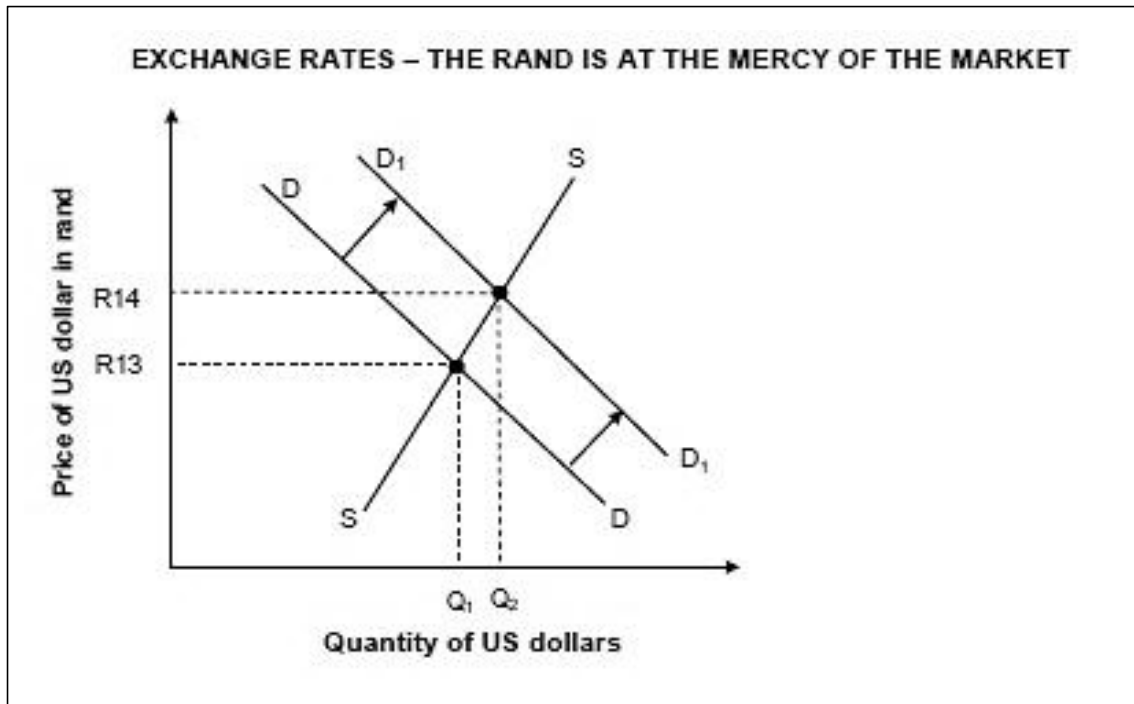
Economists puts this into perspective and begs the question – are we headed for a local JSE bear market? They are of opinion that there are reliable indicators that have stood the test of time over 5 decades in predicting bear markets.

Here are a few they mentioned – business cycle recession, rising interest rates, foreign currency outflows, stretched valuations, and stock market momentum. And while not all the boxes are ticked, it's still a close run call.

Source: Adapted from Biz New - Stuart Lowman. March 24, 2017

- 4.2.1 Identify ONE reliable indicator that is being used in the prediction of a bear market. (1)
- 4.2.2 Give a synonym for the term Central Bank. (1)
- 4.2.3 Briefly explain the concept *recession*. (2)
- 4.2.4 What happens to share prices during a *bear market*? (2)
- 4.2.5 Why are economists concerned about the downward trend in the business cycle? (4 x 1) (4)

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



- 4.3.1 Identify the exchange rate system in the graph above. (1)
- 4.3.2 What was the original rand/dollar exchange rate before the demand for US dollars increased? (1)
- 4.3.3 Briefly describe the term *exchange rate*. (2)
- 4.3.4 How has the increased demand for US dollars affected the value of the rand? (2)
- 4.3.5 What could the South African Reserve bank do to strengthen the value of the rand against the dollar? (2 x 2) (4)
- 4.4 Differentiate between *endogenous* and *exogenous* approaches to business cycles. (2 x 4) (8)
- 4.5 How can natural *resources* and *specialisation* contribute to international trade? (8)

[40]

TOTAL SECTION B: 80

SECTION C

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

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction <ul style="list-style-type: none"> • A good starting point would be to define a concept or key word that appears in the question. • Include other sentences to support the topic. • Do not include in your introduction any part of the question. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
Body: Main part: Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Differentiate / Explain / Assess / Debate 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. 26 Max. 10
Conclusion <ul style="list-style-type: none"> • The conclusion is a wrap up of the discussion of the topic in the body and should be treated as a higher order response. • The conclusion can take the form of an own opinion, examples to support your discussion or contradictory viewpoint from what has been discussed. • No aspect from either the introduction or body should be included in the body 	Max. 2
TOTAL	40

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

- Discuss any FIVE problems of public sector provisioning in South Africa in detail. (26 marks)
- How can the unfair distribution of income in South Africa be resolved? (10 marks) **[40]**

QUESTION 6: MACROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss export promotion as part of South Africa's international trade policy under the following headings:
 - Reasons (8)
 - Methods (8)
 - Disadvantages (10) (26 marks)
- How does free trade contribute to globalisation? (10 marks) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150