



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE12

SEPTEMBER 2011

ECONOMICS

MARKS: 300

TIME: 3 hours



This question paper consists of 15 pages.

INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows in the ANSWER BOOK:
SECTION A: COMPULSORY.
SECTION B: Answer any THREE questions of the five questions.
SECTION C: Answer any TWO questions of the four questions.
2. Write the question number above each question.
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 subsections of questions.
6. Answer questions in full sentences and ensure that the format and content of your responses comply with the cognitive levels of the questions.
7. Write neatly and legibly.
8. Only the required number of questions will be marked in the order in which they appear in the ANSWER BOOK.

SECTION A (Compulsory)**QUESTION 1 (LO1 – LO4)**

- 1.1 Various possible options are provided as answers to the following questions. Choose the most correct answer and only write the letter (A, B or C) next to the corresponding question number (1.1.1 – 1.1.12) in the ANSWER BOOK.
- 1.1.1 The interaction between the participants in an economy is illustrated in the ...
- A business cycle.
 - B circular flow.
 - C multiplier.
- (2)
- 1.1.2 These cycles are caused by changes in net investments by businesses and the government.
- A Kuznets cycles
 - B Jugler cycles
 - C Kitchen cycles
- (2)
- 1.1.3 These kinds of investments in businesses are for the purpose of gaining control of the specific business.
- A Portfolio investments
 - B Other investments
 - C Direct investments
- (2)
- 1.1.4 In a perfectly competitive market the market price is determined by the ...
- A sellers.
 - B buyers.
 - C market forces.
- (2)
- 1.1.5 Cost-benefit analysis is a method used for calculating and evaluating the total social cost and total social ... associated with an economic project.
- A expenditure
 - B benefit
 - C consumption
- (2)
- 1.1.6 Formal collusion between oligopolists is referred to as a ...
- A cartel.
 - B take over.
 - C merger.
- (2)

- 1.1.7 The policy that was introduced to increase employment, promote economic growth and redistribute income.
- A Asgisa
 - B GEAR
 - C RDP
- (2)
- 1.1.8 Its objective is to encourage greater investment in training and to stimulate the development of new skills.
- A Spatial Development Initiatives
 - B Industrial Development Zones
 - C Skills Support Programme
- (2)
- 1.1.9 When import duties are imposed as a percentage of the value of the imported product, it is known as ... duties.
- A ad valorem
 - B specific
 - C composite
- (2)
- 1.1.10 The unadjusted CPI inflation rate is also known as ... inflation.
- A core
 - B CPIX
 - C headline
- (2)
- 1.1.11 Foreign tourists coming to South Africa are also known as ... tourists.
- A outbound
 - B inbound
 - C domestic
- (2)
- 1.1.12 Direct or indirect introduction of waste matter into the environment.
- A Pollution
 - B Consumption
 - C Conservation
- (2)
- (12 x 2) (24)

- 1.2 Choose a word from the following LIST that best describe the given statements. Only write the correct word next to the corresponding question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

Inflation; Economic development; Subsidies; CPI;
Foreign exchange market; PPI; Oligopoly; Money market

- 1.2.1 Exists where a person buys dollars and euros.
- 1.2.2 A market situation in which an industry is dominated by a small number of suppliers.
- 1.2.3 Implies an increase in the ability of the population to consume more goods and services.
- 1.2.4 It measures the cost of production.
- 1.2.5 Causes the basic price of a product to be higher than market price.

(5 x 2) (10)

- 1.3 Choose a description from COLUMN B that matches a concept in COLUMN A. Only write the correct letter (A to J) next to the corresponding question number (1.3.1 – 1.3.8) in the ANSWER BOOK.

	A	B
1.3.1	Multiplier	A Unregulated market
1.3.2	Public goods	B Prohibits unfair discrimination in the workplace.
1.3.3	Perfect competition	C Aimed at attracting infrastructure and investments in neglected and underdeveloped areas.
1.3.4	Externality	D Small increase in spending leads to larger increase in national income
1.3.5	Employment Equity Act	E A plan for developed countries to reduce greenhouse gas emissions
1.3.6	SDI	F Cost or benefit to third parties
1.3.7	Tourism	G Characterised by non-excludability and non-rivalry in consumption
1.3.8	Kyoto Protocol	H An institution to increase competition
		I Purpose-built industrial estates
		J A labour intensive economic activity

(8 x 2) (16)

TOTAL SECTION A: 50

SECTION B (ANSWER ANY **THREE** QUESTIONS FROM THIS SECTION.)**QUESTION 2** (LO1 AS1 – AS4)**(50 MARKS – 25 MIN)**

2.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. Only write the word next to the corresponding question number (2.1.1 – 2.1.4) in the ANSWER BOOK.

2.1.1 A market for consumers and producers making long-term deposits and loans is called a (money/capital) market.

2.1.2 'Markets are naturally stable' is an (exogenous/endogenous) explanation.

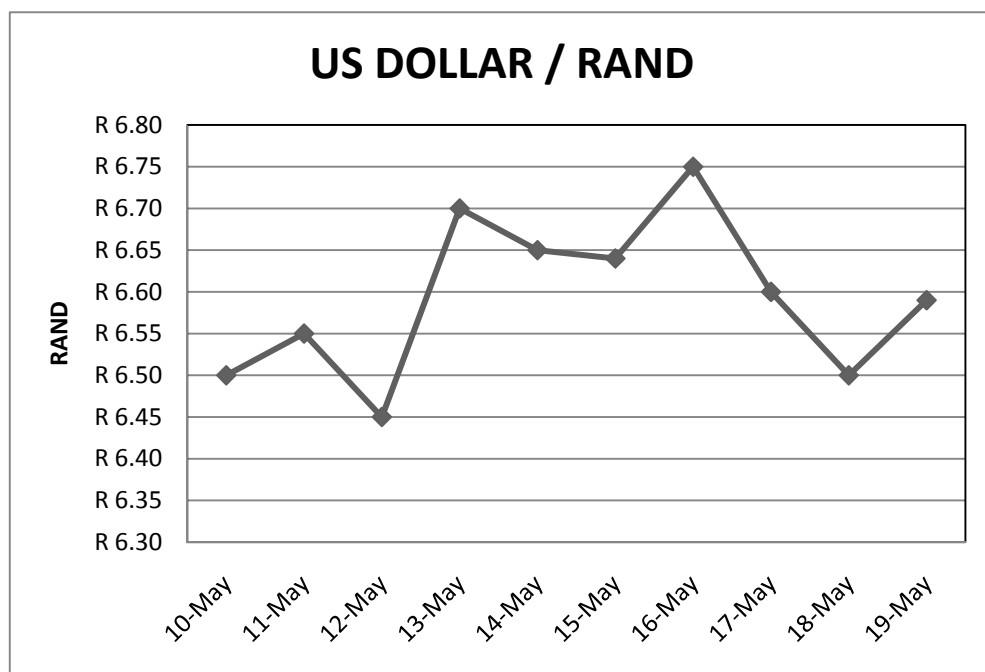
2.1.3 The process of acquiring majority shares of state owned enterprises by the private sector is called (nationalisation/privatisation).

2.1.4 When foreign investments are made for the purchase of ordinary shares and bonds through securities exchange, it is called (direct/portfolio) investments. (4 x 2) (8)

2.2 List any THREE monetary policy instruments. (3 x 2) (6)

2.3 **DATA RESPONSE**

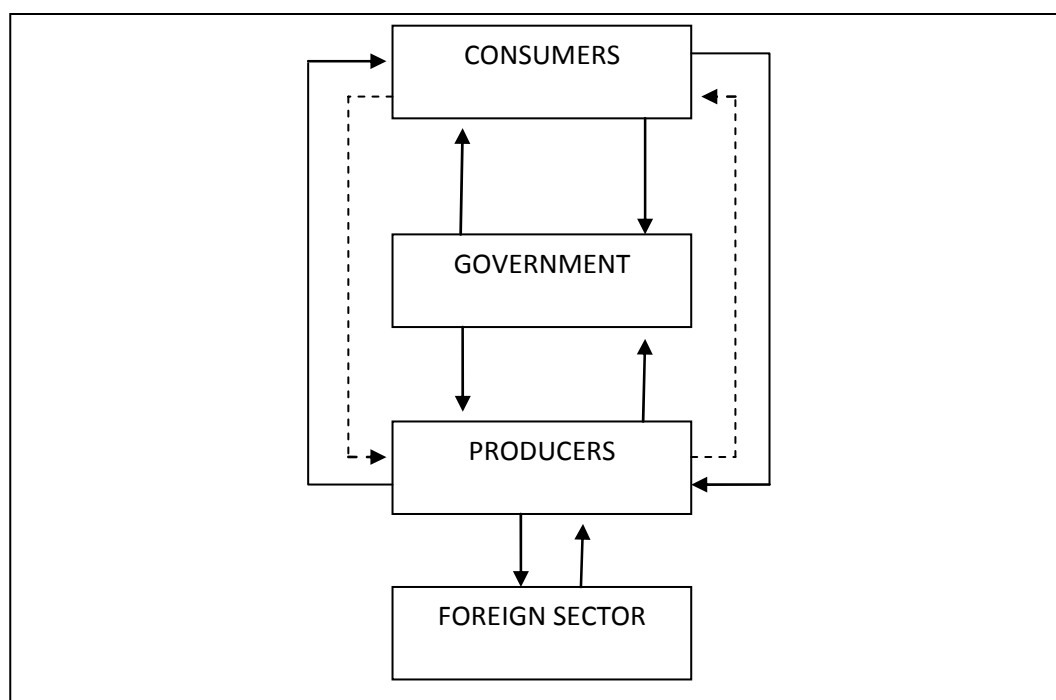
Study the following graph and answer the questions that follow.



- 2.3.1 Define the term 'rate of exchange'. (2)
- 2.3.2 State the value of the US Dollar on 18 May. (2)
- 2.3.3 Mention the date when Rand was at its best level. (2)
- 2.3.4 Differentiate between 'depreciation' and 'devaluation'. (2 x 2) (4)

2.4 DATA RESPONSE

Study the following diagram and answer the questions that follow.



- 2.4.1 Name the TWO flows in this circular flow. (4)
- 2.4.2 Name the participant that will NOT play any role in a closed economy. (2)
- 2.4.3 Define the term 'leakage'. Give ONE example of a leakage. (4)
- 2.5 Briefly explain the term 'Medium-Term Expenditure Framework'. (4 x 2) (8)
- 2.6 Discuss the 'length' of a business cycle. (4 x 2) (8)

QUESTION 3 (LO2 AS1 – AS3)**(50 MARKS – 25 MIN)**

3.1 Answer the following questions appropriately.

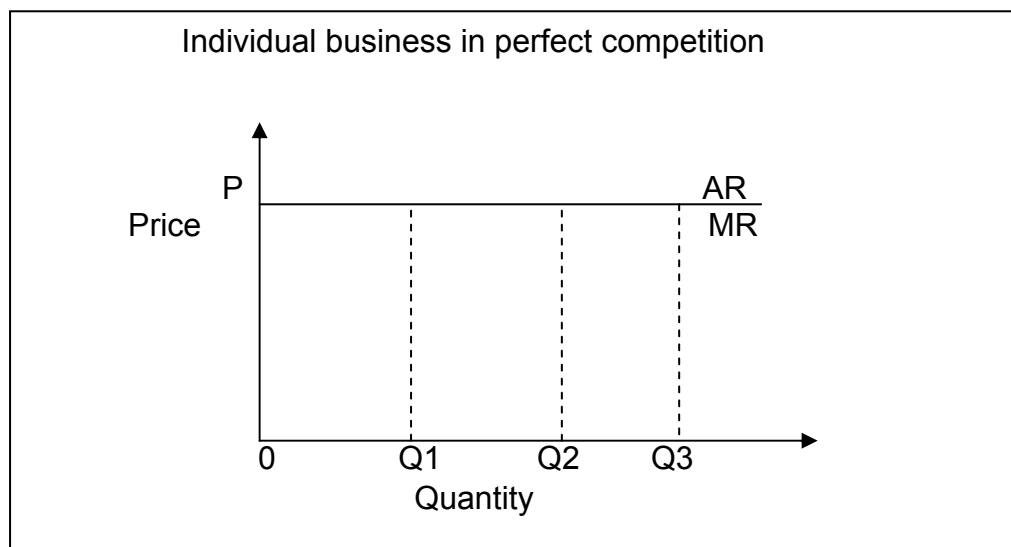
Choose the most correct word from those given in brackets. Only write the word next to the question number (3.1.1. – 3.1.4) in the ANSWER BOOK.

- 3.1.1 The best example for a perfectly competitive market in South Africa is the (JSE/SARB).
3.1.2 In a free market economy (merit/demerit) goods are over-consumed.
3.1.3 In the long term the monopoly makes a (normal/economic) profit.
3.1.4 The costs that remain constant regardless of the level of output are called (fixed/variable) costs. (4 x 2) (8)

3.2 List the THREE aims of the competition policy in South Africa. (3 x 2) (6)

3.3 **DATA RESPONSE**

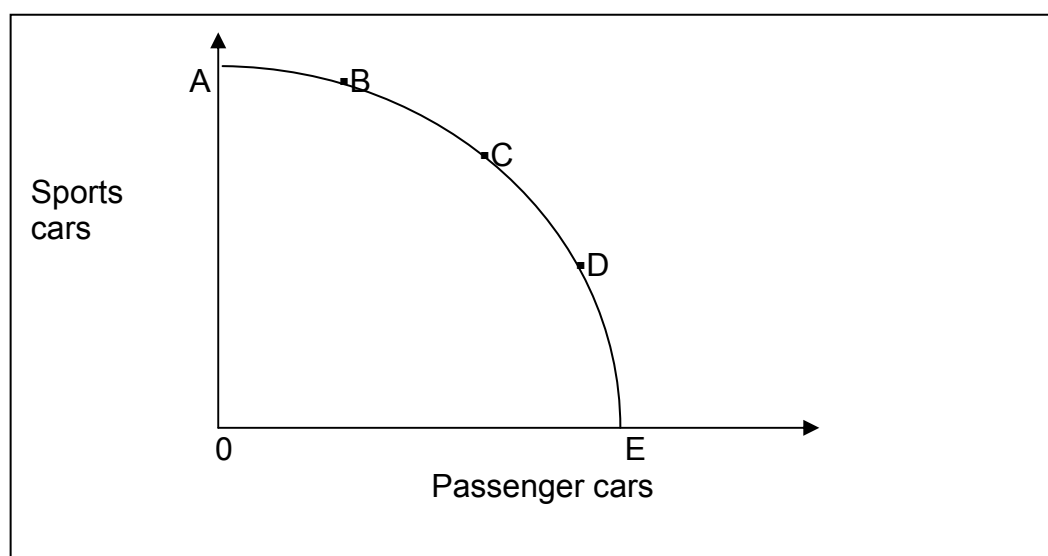
Study the graph below and answer the questions that follow.



- 3.3.1 How do businesses determine the market price under perfect competition? (2)
3.3.2 Briefly explain why an individual business cannot influence the market price. (6)
3.3.3 What kind of a profit can the seller in perfect competition get in the long run? (2)

3.4 DATA RESPONSE

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



3.4.1 Name the above graph/curve. (2)

3.4.2 Differentiate between 'productive inefficiency' and 'allocative inefficiency'. (6)

3.4.3 How can allocative inefficiency be reduced? (2)

3.5 Briefly explain any TWO characteristics of a perfectly competitive market. (2 x 4) (8)

3.6 Discuss 'long-term profit' under monopolistic competition. (2 x 4) (8)

[50]

QUESTION 4 (LO3 AS1 – AS4)

(50 MARKS – 25 MIN)

4.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. Only write the word next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.

4.1.1 A country's economic success is measured by the level and rate of expansion of (GDP per capita/GDP).

4.1.2 (IDZs/SDIs) are purpose built industrial estates linked to international airports and ports.

4.1.3 The absence of trade barriers or restriction on trade between countries is referred to as (free trade/protectionism).

- 4.1.4 The degree of inequality in the distribution of income is graphically shown by the (Lorenz/Phillip's) curve. (4 x 2) (8)
- 4.2. List the THREE purposes of per capita income figures. (3 x 2) (6)

4.3 DATA RESPONSE

Read the following extract and answer the following questions.

ASGISA

ASGISA has been described variously by ministers, officials, the president and his deputy as not being a comprehensive development strategy, macroeconomic policy or all including industrial policy. They have preferred to refer to ASGISA as being a limited and specific set of initiatives that will help encourage rapid "shared" growth in South Africa. The most important objectives of this policy are: to half unemployment and poverty by 2014, to achieve growth targets of 6% for 2010 – 2014 and lastly to create equitable growth. Two sectors that have been identified for immediate implementation of ASGISA interventions and initiatives are Tourism and Business Process Outsourcing. Other possible sectors that could be incorporated into this feature of ASGISA are: biofuels, chemicals, agriculture, agro-processing, the creative sectors, metals and metallurgy.

[Adapted from www.thedti.gov.za]

- 4.3.1 What does the acronym 'ASGISA' stand for? (2)
- 4.3.2 Mention TWO important objectives of ASGISA, as mentioned in the extract. (4)
- 4.3.3 List TWO main sectors that have been identified for ASGISA intervention. (4)

4.4 DATA RESPONSE

Study the following extract and answer the questions that follow.

URBANISATION

Urbanisation is an integral part of the economic development of a country. In any development process, urban areas are usually faster growing and are a normal feature of economic development. Workers are attracted from slow-growing rural areas to faster growing urban areas because of more employment opportunities; higher wages and other perceptions of a better life in the city.

[Adapted from *Economics OBE for FET*]

- 4.4.1 Define the term 'urbanisation'. (3)
- 4.4.2 Mention any TWO causes of urbanisation mentioned in the extract. (2 x 2) (4)
- 4.4.3 What kind of an indicator is urbanisation? (3)
- 4.5 Discuss any TWO South African approaches to improve business efficiency. (2 x 4) (8)
- 4.6 Briefly explain any TWO advantages of import substitution. (2 x 4) (8)
- [50]**

QUESTION 5 (LO4 AS1 – 3)**(50 MARKS – 25 MIN)**

- 5.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. Only write the word next to the corresponding letter (5.1.1 – 5.1.4) in the ANSWER BOOK.

- 5.1.1 A very high rate of inflation of 50% or more is referred to as (stagflation/hyperinflation).
- 5.1.2 Tourists travelling from one place to another within the borders of the country are referred to as (domestic/international) tourists.
- 5.1.3 The name given to the global plan of action for sustainable development agreed to at the 'Earth Summit' is (Agenda 21/Resolution 228).
- 5.1.4 The predicted increase in temperature of the atmosphere as a result of the increased accumulation of carbon dioxide in the atmosphere is called (globalisation/global warming). (4 x 2) (8)
- 5.2 List any THREE reasons for the growth of tourism. (3 x 2) (6)

5.3 DATA RESPONSE

Read the following extract and answer the following questions.

KEY INFLATION FIGURES AS AT JANUARY 2011

The headline CPI (for all urban areas) annual inflation rate in January 2011 was 3,7%. This rate was 0,2 of a percentage point higher than the corresponding annual rate of 3,5% in December 2010. On average, prices increased by 0,4% between December 2010 and January 2011.

The provinces with an annual inflation rate lower than or equal to headline inflation were Gauteng (3,7%), North West (3,6%), Limpopo (3,6%), Western Cape (3,5%), Mpumalanga (3,4%) and KwaZulu-Natal (2,9%). The provinces with an annual inflation rate higher than headline inflation were Free State (4,6%), Eastern Cape (4,3%) and Northern Cape (3,8%).

[Adapted from *www.Statssa.gov.za*]

- 5.3.1 Define the term 'Consumer Price Index'. (2)
- 5.3.2 Name ONE of the provinces that recorded a higher inflation rate than headline inflation. (2)
- 5.3.3 Differentiate between 'Core inflation' and 'CPIX inflation'. (6)

5.4 DATA RESPONSE

Read the following extract and answer the following questions.

PRESERVATION AND CONSERVATION

Some resources are not only non-renewable but, if lost, irreplaceable. For example, an ecological system, a heritage site, an indigenous forest, a wetland, a river mouth ecosystem, species of animals, birds, insects and flowers on the verge of extinction. Once they disappear, they are lost forever. This requires more than conservation and requires preservation.

[Adapted from *Enjoy Economics*]

- 5.4.1 Differentiate between 'preservation' and 'conservation'. (4)
- 5.4.2 According to the extract, mention any ONE of the resources that is irreplaceable. (2)
- 5.4.3 Mention any TWO government policies that are used for the preservation of environmental assets. (4)
- 5.5 Briefly explain how Indigenous Knowledge Systems (IKS) will encourage tourism in South Africa. (4 x 2) (8)

- 5.6 Discuss any TWO public sector measures to ensure environmental sustainability. (4 x 2) (8)
[50]

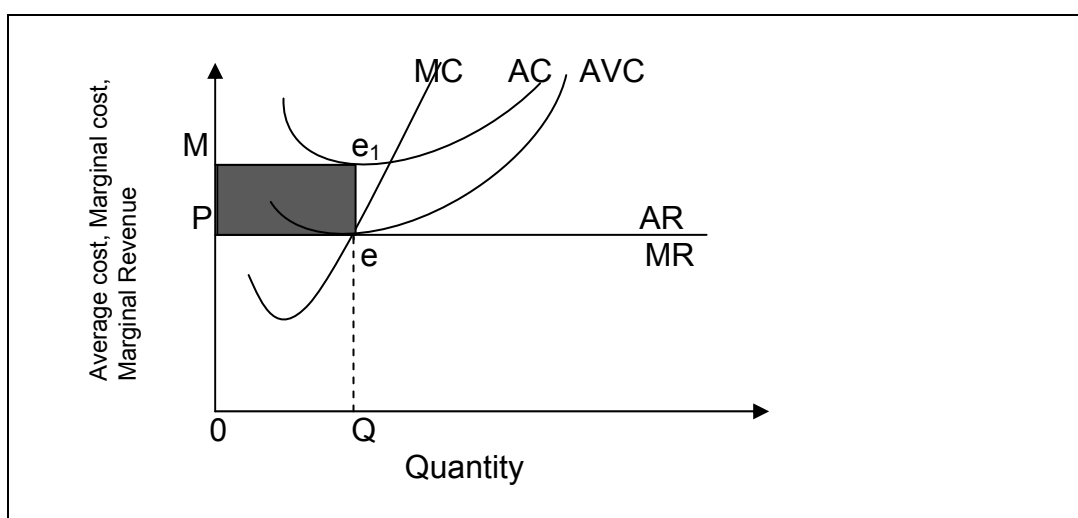
QUESTION 6 (LO1 and LO2)**(50 MARKS – 25 MIN)**

- 6.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. Only write the word next to the corresponding letter (6.1.1. – 6.1.4.) in the ANSWER BOOK.

- 6.1.1 South Africa is following a (floating/fixed) exchange rate system.
- 6.1.2 Another concept for price is value in (use/exchange).
- 6.1.3 The minimum earnings required to prevent the entrepreneur from leaving the market are called (normal/economic) profit.
- 6.1.4 High establishment costs can be a possible reason for the existence of the (perfect/imperfect) market. (4 x 2) (8)
- 6.2 List any THREE phases/stages of a business cycle. (3 x 2) (6)
- 6.3 **DATA RESPONSE**

Study the following graph and answer the questions that follow.



- 6.3.1 What does the shaded area represent? (2)
- 6.3.2 Briefly explain the reason for your answer in QUESTION 6.3.1. (4)
- 6.3.3 Which is the equilibrium point for the business in the above diagram? Give a reason for your answer. (4)

6.4 DATA RESPONSE

Study the following image and answer the questions that follow.



- 6.4.1 Mention any TWO features of public goods. (2 x 2) (4)
- 6.4.2 Differentiate between 'community goods' and 'collective goods'. (4)
- 6.4.3 Public goods are provided by the government free of charge. Give ONE reason. (2)
- 6.5 Briefly explain 'specialisation' and 'mass production' as effects of international trade. (2 x 4) (8)
- 6.6 Discuss any TWO features of 'fiscal policy'. (2 x 4) (8)
- [50]**

SECTION C (ANSWER ANY TWO QUESTIONS FROM THIS SECTION.)

Essay responses:

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

QUESTION 7 (LO1 AS3)**ESSAY RESPONSE**

“Community protests over the lack of service delivery are a common sight in South Africa recently.”

Critically analyse the problems of public sector provisioning in South Africa. [50]

QUESTION 8 (LO2 AS3)**ESSAY RESPONSE**

Discuss in detail, the characteristics of a monopoly as a market structure and show the short-term equilibrium of a monopolist with the aid of a graph.

[50]

QUESTION 9 (LO3 AS4)**ESSAY RESPONSE**

“Social indicators are sometimes called development indicators or human development indicators.”

Write a detailed essay on social indicators. [50]

QUESTION 10 (LO4 AS1)**ESSAY RESPONSE**

“Although the fight against inflation is very difficult, the government must, nevertheless, try to keep it under control.”

Discuss in detail monetary, fiscal and other policies used to combat inflation. [50]

TOTAL SECTION C: 100

GRAND TOTAL: 300