



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2015

ECONOMICS P1

MARKS: 150

TIME: 2 hours



This question paper consists of 13 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows:

SECTION A: COMPULSORY

SECTION B: Answer any TWO questions of the three questions.

SECTION C: Answer any ONE question of the two 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 requirements 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.
9. Use only black or blue ink.
10. You may use non-programmable pocket calculator.

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

1.1 Various possible options are provided as answers to the following questions. Choose the correct answer and write only the letter (A, B or C) next to the corresponding question number (1.1.1–1.1.8) in the ANSWER BOOK.

1.1.1 Taxes and subsidies on ... are taken into account when calculating GDP at basic prices.

- A exports
- B production
- C commodities

1.1.2 Factors that originate from outside the domestic economic system are referred to as ...

- A indigenous.
- B exogenous.
- C endogenous.

1.1.3 This is NOT one of the problems of the public sector provisioning:

- A Pricing policy
- B Privatisation
- C Nationalisation

1.1.4 Deliberate action by the South African Reserve Bank to lower the value of the rand is known as ...

- A devaluation.
- B depreciation.
- C appreciation.

1.1.5 The establishment of a firm by one country in another country is called foreign ...

- A firm.
- B trade.
- C direct investment.

1.1.6 The government initiative that was introduced to increase employment, promote economic growth and redistribution income:

- A Asgisa
- B RDP
- C GEAR

1.1.7 Economic development ...

- A leads to an increase in poverty.
- B is the same as economic growth.
- C is an increase in the level of economic welfare.

1.1.8 The indicator used to measure the performance of the economy is called a ... indicator.

- A social
- B lagging
- C economic

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches a concept in COLUMN A. Write only the correct letter (A–I) next to the corresponding question number (1.2.1–1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Extrapolation	A	state and semi-state owned enterprises
1.2.2	GNI	B	a process where people move from rural to urban areas
1.2.3	Parastatals	C	a monetary policy instrument
1.2.4	Taxation	D	to base the prediction of future business cycle patterns on previous ones
1.2.5	Urbanisation	E	total income received by permanent residents
1.2.6	Interest rates	F	it is an industrial park that falls outside the domestic customs area
1.2.7	Special Economic Zone	G	converting a state-owned enterprises into a business with limited liability and with a profit motive
1.2.8	Restructuring	H	A fiscal policy instrument
		I	newly established industry

(8 x 1) (8)

1.3 Give the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number in the ANSWERBOOK.

1.3.1 The flow of income and expenditure in a circular flow

1.3.2 These cycles are believed to be caused by changes in activity in the building and construction industry

1.3.3 Optimal allocation of resources

1.3.4 The application of a trade policy whereby the state discourages the importing of certain goods

1.3.5 Aimed at increasing the economic livelihood of specific areas

1.3.6 Selling goods in a foreign market at prices that are below the production cost of production in the country of origin (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO questions from this section.

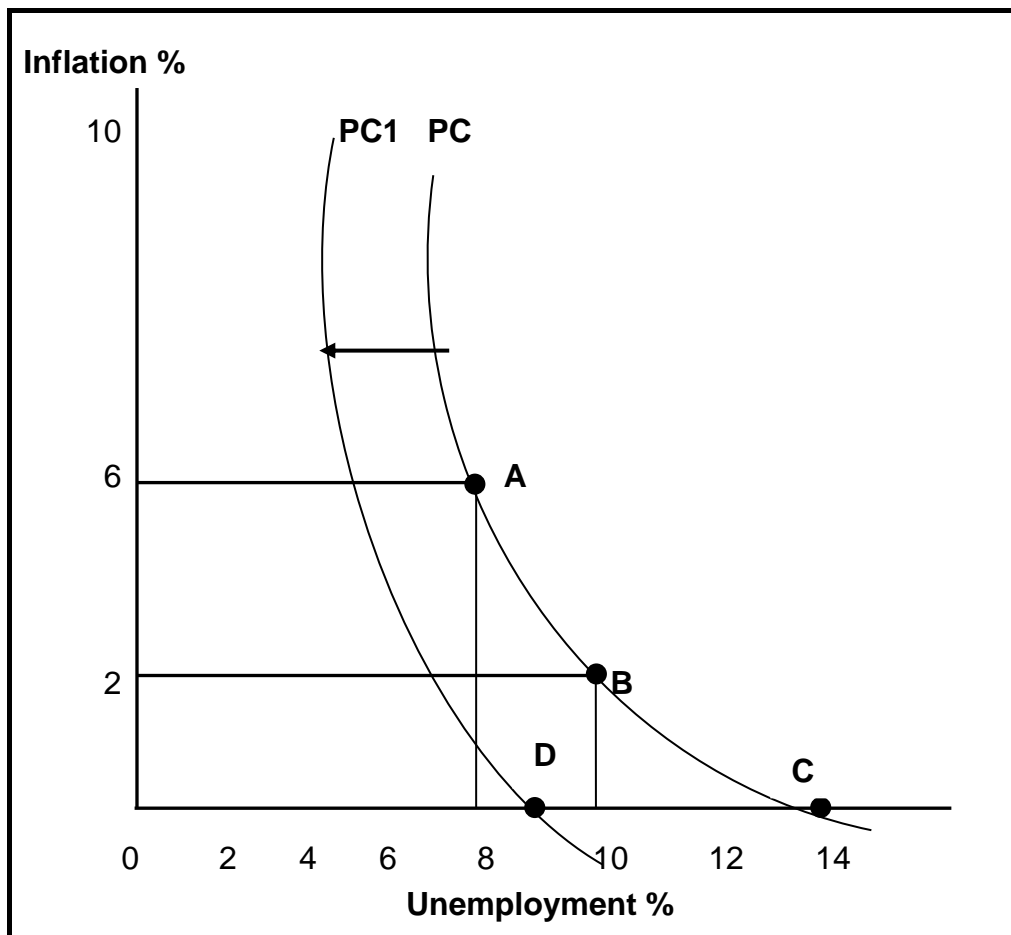
QUESTION 2: MACROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 List any TWO reasons for government intervention in the economy. (2 x 1) (2)

2.1.2 How will you explain the term *multiplier*? (1 x 2) (2)

2.2 Study the following graph and answer the questions that follow.



2.2.1 Name the graph depicted above. (1)

2.2.2 Which point in the graph indicates the initial natural unemployment rate? (1)

2.2.3 What is the result of PC1 intersect at point D? (2)

2.2.4 Mention any supply-side policy measure that can be used to shift PC to PC1. (2)

2.2.5 Explain the relationship between unemployment and inflation in the above graph. (4)

[10]

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

NATIONAL ACCOUNTS FIGURES	
	R (billion)
Final consumption expenditure by household	1 907,2
Gross fixed capital formation	604,4
Changes in inventories	8,2
Final consumption expenditure by general government	707,0
Residual items	24,6
Gross domestic expenditure	(A) 2.3.4
Exports of goods and services	891,6
Imports of goods and services	987,8
Gross Domestic Product @ market prices	3 155,2
Primary income from the rest of the world	48,5
Primary income to the rest of the world	118,5
Gross National Income @ market prices	3 085,2
Consumption of fixed capital	404,9
Net national income @ market prices	2 680,3

[Source: Calculated from South African Reserve Bank, 2013]

- 2.3.1 Which method of calculating GDP is reflected in the above table? (2)
- 2.3.2 Why are imports deducted from the GDE figures? (2)
- 2.3.3 What must be done to the GDP at market prices to convert it to GNP at market prices? (2)
- 2.3.4 Calculate the Gross Domestic Expenditure in the above table labelled **(A)**. (4)
- 2.4 Briefly explain inefficiencies and ineffectiveness as characteristics/features of public sector failure. (4 x 2) (8)
- 2.5 How can changes in exchange rates be used to correct balance of payments disequilibria? (4 x 2) (8)

[40]

QUESTION 3: ECONOMIC PURSUIT**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name TWO of South Africa's industrial development policies. (2 x 1) (2)

3.1.2 How will an increase in labour productivity influence economic growth? (1 x 2) (2)

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

INDUSTRIAL DEVELOPMENT

The clothing, textiles and automotive sectors have been identified as key strategic sectors for which the Department of Trade and Industry will continue improving incentives schemes to boost manufacturing capacity and support job creation.

Industrial policy interventions to support developmental objectives will be reviewed. The challenge is to substantially raise the level of industrial policy interventions in a range of sectors and simultaneously build the necessary capacity in the department to manage this up scaling.

In relation to incentives for industries and enterprises, further work is planned to align the industrial financing regime with industrial policy objectives. Production incentives in the clothing industry and textiles and automotive sectors will be increasingly grant-based, thus reducing reliance on tax incentives.

[Source: *South Africa Yearbook*]

3.2.1 Name any ONE key sector from the extract. (1)


3.2.2 What is the role of the Department of Trade and Industry according to the extract? (1)

3.2.3 Explain the meaning of the term *industrial development*. (2)

3.2.4 Name TWO incentives used by government to promote industrial development. (2 x 1) (2)

3.2.5 Why would the government offer these financial incentives? (4)

- 3.3 Study the following information below and answer the questions that follow.



Wouldn't your mother be happier retiring up North, dear?

[Source: Human Development Report 2013]

LIFE EXPECTANCY

People residing in modern developed nations generally have a longer lifespan, measured in years, than those in poor, underdeveloped countries. As an example, the Development Economics Web Guide constructed life expectancies in the United Kingdom, Ghana and Zambia. UK residents had a life expectancy averaging nearly 78 years far ahead of Ghana is 56, and Zambia, 41. Factors influencing life expectancy include poverty, adequate food supplies and disease. An increase in life expectancy point to improved social and economic conditions.

[Source: Human Development Report, 2012]

- 3.3.1 What is the effect of an increase in life expectancy? (1)
- 3.3.2 What is the average of life expectancy of people living in the North? (1)
- 3.3.3 List any TWO indicators used to measure the standard of living. (2 x 1) (2)
- 3.3.4 Suggest a solution on how to improve life expectancy. (2)
- 3.3.5 Compare the standard of living between the North and the South. (4)
- 3.4 Distinguish between economic *growth* and economic *development*. (2 x 4) (8)
- 3.5 Evaluate Spatial Development Initiative in South Africa. (4 x 2) (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUIT
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 List TWO examples of industrial development zones in South Africa. (2 x 1) (2)

4.1.2 How can a leading business cycle indicator be used in forecasting? (1 x 2) (2)

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

CURRENT ACCOUNT					
	2012	R (bn)		2013	R(bn)
	<i>Year</i>	<i>1st Qrt</i>	<i>2nd Qrt</i>	<i>3rd Qrt</i>	<i>4 Qrt</i>
Merchandise exports	744	802	826	885	901
Net gold exports	71	67	70	63	56
Merchandise imports	-854	-941	-983	-1 039	-1 002
Trade balance	-39	-72	4.2.5	-91	-45
Net service, income and current transfer payments	-125	-116	-120	-125	-134
Balance on current account	-164	-187	-207	-216	-179
Percentage of GDP	-5,2	-5,7	-6,2	-6,4	-5,8

[Source: SARB June 2013 Quarterly Bulletin]

4.2.1 Name the sub-account used in the above table. (1)

4.2.2 What does a negative figure in the trade balance mean? (1)

4.2.3 Describe the term *balance of payments*. (2)

4.2.4 Why is net gold exports entered as a separate item and not part of merchandised exports? (2)

4.2.5 Calculate the trade balance for the second quarter in 2012. (4)

[10]

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

NATIONAL DEVELOPMENT PLAN

The Planning Commission announced the National Development Plan (NDP) in 2011. The NDP focuses on the challenge to reduce poverty and income inequality in South Africa. The NDP has a clear vision that the private sector is the most important role player in the economy. The government must create the conditions for the private sector to prosper and create jobs – 11 million by 2030 at an annual economic growth rate of 5,4% per year.

[Source: *South Africa Yearbook*]

- 4.3.1 Name an act used to promote equality in South Africa. (1 x 2) (2)
- 4.3.2 Explain ONE aim of the NDP. (1 x 2) (2)
- 4.3.3 In which manner should these aims be deployed? (2)
- 4.3.4 Explain why you think South Africa will reach these goals set in the NDP. (2 x 2) (4)
- 4.4 Differentiate between *money market* and *capital market*. (2 x 4) (8)
- 4.5 Evaluate any TWO South African approaches to improve business efficiency. (2 x 4) (8)
- [40]**

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two questions from this section.

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. 	
<ul style="list-style-type: none"> Include other sentences to support the topic. 	
<ul style="list-style-type: none"> Do not include in your introduction any part of the question. 	
<ul style="list-style-type: none"> Do not repeat any part of the introduction in the body. 	Max. 2
<ul style="list-style-type: none"> Avoid saying in the introduction what you are going to discuss in the body. 	
Body:	
Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/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/How/Suggest/Use the information and argue, debate, evaluate ...	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. 	
<ul style="list-style-type: none"> The conclusion can take the form of an own opinion, examples to support your discussion or contradictory viewpoint from what has been discussed. 	
<ul style="list-style-type: none"> 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**

Free trade has its advantages but countries have for many years placed barriers to restrict free international trade. Therefore most countries have a mixture of free trade and protectionism.

- Discuss the arguments in favour of free trade. (26)
 - Why is it important for South Africa to be part of BRICS? (10)
- [40]**

QUESTION 6: ECONOMIC PURSUIT**40 MARKS – 40 MINUTES**

Social indicators measure the level or progress of development over a period of time and are used by government to form policies, set goals and monitor the success of policies.

- Discuss the following South Africa's social performance based on the following indicators:
 - Demographics
 - Nutrition and health
 - Education
 - Services(26)
 - Propose FIVE considerations when assessing the economy. (10)
- [40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150