



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS

NOVEMBER 2011

MARKS: 300

TIME: 3 hours

This question paper consists of 16 pages.



INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows in the ANSWER BOOK:

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

SECTION A (COMPULSORY)**QUESTION 1****50 MARKS – 25 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 (1.1.1–1.1.12) in the ANSWER BOOK.

- 1.1.1 Consumption of fixed capital is used to calculate GDP at ...
- A basic prices.
 - B market prices.
 - C factor cost.
- 1.1.2 Which period of the business cycle is associated with rising profits and consumption?
- A Prosperity
 - B Downswing
 - C Trough
- 1.1.3 Deliberate action by the South African Reserve Bank to lower the value of the rand is known as ...
- A depreciation.
 - B appreciation.
 - C devaluation.
- 1.1.4 Products of a perfect competitor are ...
- A unique.
 - B differentiated.
 - C homogenous.
- 1.1.5 Industries where economies of scale are so large that a single business can supply the entire market is typical of a ... monopoly.
- A natural
 - B legal
 - C local
- 1.1.6 A situation where identical products are sold at different prices to different consumers is referred to as price ...
- A differentiation.
 - B stability.
 - C discrimination.

- 1.1.7 A purpose-built industrial estate which is physically enclosed and linked to an international port is a/an ...
- A industrial development zone.
 - B corridor.
 - C industrial development community.
- 1.1.8 An important economic development institution in Southern Africa is ...
- A the SARB.
 - B ABSA.
 - C the DBSA.
- 1.1.9 Government policies relating to manufacturing are often called ... policies.
- A developmental
 - B industrial
 - C tax
- 1.1.10 Hyperinflation have been recorded in developing countries that have experienced ...
- A an increase in the buying power of money.
 - B social and political conflict or civil war.
 - C a decrease in the rate of inflation.
- 1.1.11 The tourism multiplier implies that the ...
- A benefit from a tourist is greater than the money spent.
 - B multiplier is always smaller than one.
 - C benefit from a tourist is smaller than the money spent.
- 1.1.12 Tourism is ... intensive.
- A capital
 - B labour
 - C risk

(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 word/term next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

disequilibrium; demerit goods; conservation; dumping;
economic indicator; equilibrium

- 1.2.1 Selling goods in a foreign country at prices that are below the cost of production in the country of origin
- 1.2.2 Cigarettes, alcohol and tobacco
- 1.2.3 Surplus or deficit on the balance of payments
- 1.2.4 Real Gross Domestic Product
- 1.2.5 Sustainability of our natural resources (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	Multiplier	A	expenditure of a business on the purchase of inputs required for production
1.3.2	SACU	B	the ratio between the eventual change in income and the initial investment
1.3.3	Explicit cost	C	the portion of an increase in income that is not consumed
1.3.4	Market structure	D	organisational features of perfect and imperfect markets
1.3.5	Marginal propensity to save	E	negotiate about foreign free-trade areas with the rest of the world
1.3.6	Gini coefficient	F	a set of legally binding international agreements aimed at reducing greenhouse gases
1.3.7	Kyoto Protocol	G	the distribution of income among the population
1.3.8	Preservation	H	to prevent the extinction of elements of the environment
		I	the proportion of the population that lives on less than \$1 per day

(8 x 2) (16)

TOTAL SECTION A: 50

SECTION B

Answer any THREE of the five questions in this section in the ANSWER BOOK.

QUESTION 2**50 MARKS – 25 MINUTES**

- 2.1 Choose the correct word from those given in brackets. Write only the word next to the question number (2.1.1–2.1.4) in the ANSWER BOOK.
- 2.1.1 Household savings are channelled through the (labour/financial) market.
- 2.1.2 Real and money flows move in the (same/opposite) direction in the economic circular flow model.
- 2.1.3 Terms of (trade/agreement) describes the relationship between export prices and import prices.
- 2.1.4 Financial aid schemes in rural areas form part of government's (economic/social) services. (4 x 2) (8)
- 2.2 List any THREE examples of community goods. (3 x 2) (6)
- 2.3 Study the table below and answer the questions that follow.

BALANCE OF PAYMENTS FOR SOUTH AFRICA

CURRENT ACCOUNT	R MILLIONS
Merchandise exports	503 656
Service receipts	100 681
Service payments	123 579
Merchandise imports	554 161
Income receipts	34 075
Income payments	87 593
Net gold exports	52 776

[Source: *Quarterly Bulletin*, SARB, June 2010]

- 2.3.1 Define the concept *balance of payments*. (3)
- 2.3.2 Calculate the trade balance in the balance of payments. (3)
- 2.3.3 How will the trade balance be affected if a major South African retailer imports more clothes from China? (2)
- 2.3.4 Name the item omitted, which is required to calculate the balance of the current account. (2)

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

FISCAL CHANGES LIKELY TO CONTINUE

The Medium-term Budget Policy Statement (MTBPS) shows a planned increase in government expenditure to R977 bn in 2011/12 – a rise of 8%, including a 'jobs fund' totalling R9 bn over the next three years and R20 bn in tax allowances and tax breaks to promote investment in the manufacturing sector.

The Industrial Policy Action Plan (IPAP) and New Growth Path Framework (NGPF) prioritise the manufacturing sector as a creator of jobs for semi- or unskilled workers. For the national budget to be consistent with stated government objectives, government expenditure will increasingly have to support a growth agenda.

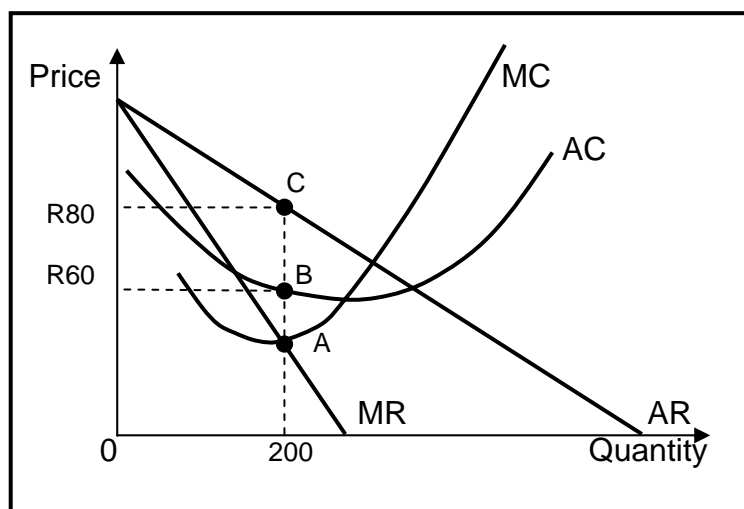
South Africa's first priority is economic growth and job creation. The government's efforts with regard to social and redistribution issues exceeds those devoted to creating a growth-friendly environment.

[Adapted from *Business Report*, February 2011]

- 2.4.1 What does *fiscal changes* mean? (2)
- 2.4.2 Give ONE reason why you think the government is targeting the manufacturing sector as a creator of jobs. (2)
- 2.4.3 What do you understand by '... government expenditure will increasingly have to support a growth agenda'? (4)
- 2.4.4 Select a phrase from the extract to show why there is insufficient growth in the economy. (2)
- 2.5 Discuss the endogenous approach as a cause of business cycles. (4 x 2) (8)
- 2.6 Discuss the interaction between households and the state as participants in the economic circular flow. (4 x 2) (8)
- [50]**

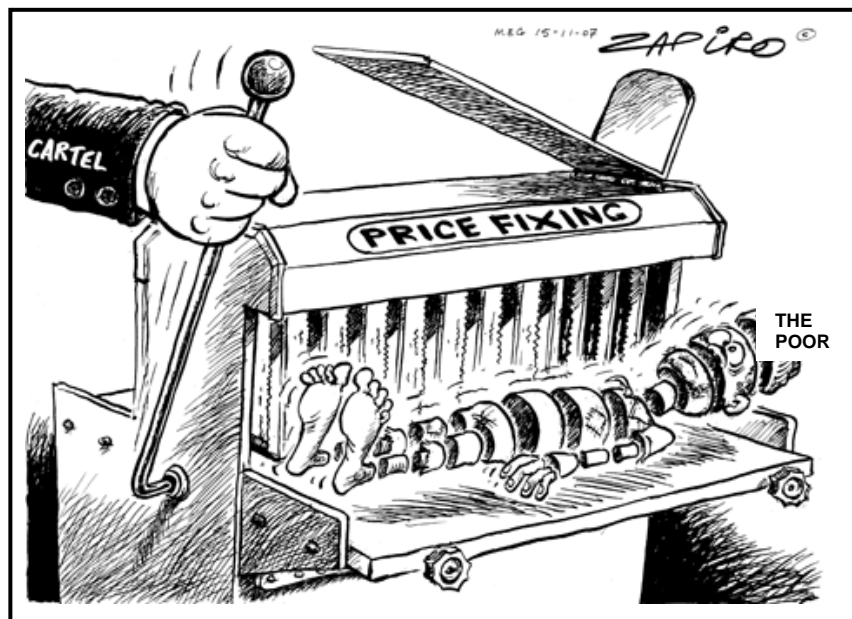
QUESTION 3**50 MARKS – 25 MINUTES**

- 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 In a (positive/negative) externality the private cost of production is less than the social cost of production.
- 3.1.2 Governments intervene and ensure that sufficient quantities of staple foods are produced by setting (minimum/maximum) prices for these goods.
- 3.1.3 The shape of the demand curve for a monopolistic competitor is (the same/not the same) as that of a monopolist.
- 3.1.4 When the product mix does not reflect the consumer's taste, it indicates a/an (productive/allocative) inefficiency. (4 x 2) (8)
- 3.2 List THREE ways in which the government can use tax revenue to reduce the unequal distribution of income. (3 x 2) (6)
- 3.3 Study the graph below and answer the questions that follow.

MONOPOLY

- 3.3.1 Which point on the graph indicates optimum production? (2)
- 3.3.2 Describe the nature of the product supplied. (2)
- 3.3.3 Is the firm making an economic profit or economic loss? Show ALL calculations. (6)

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



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

- 3.4.1 Identify the market structure in the above cartoon. (2)
- 3.4.2 Describe the message expressed in the cartoon. (2)
- 3.4.3 How can a firm in this industry increase its market share? (2)
- 3.4.4 Name any TWO industries that have been investigated by the Competition Commission for price fixing in South Africa. (4)
- 3.5 Briefly explain the rationale of cost-benefit analysis. (4 x 2) (8)
- 3.6 Discuss the aims of the competition policy in South Africa. (2 x 4) (8)
- [50]**

QUESTION 4**50 MARKS – 25 MINUTES**

- 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 Actions that restrict free operation of markets is called (regulation/deregulation).
- 4.1.2 Monetary policy decisions are made by (commercial/central) banks.
- 4.1.3 Economic (centralisation/decentralisation) refers to regional development across the country.
- 4.1.4 The (Competition Equity/Broad-Based Black Economic Empowerment) Act forms the legal basis for the transformation of the South African economy. (4 x 2) (8)
- 4.2 List any THREE methods that can be used to promote import substitution. (3 x 2) (6)
- 4.3 Study the extract below and answer the questions that follow.

SADC: WATER IS LIFE, TOGETHER, FOREVER!

The Global Water Partnership defines integrated water resource management as a process which promotes the coordinated development and management of water, land and related resources. This process attempts to maximise the positive effects on economic and social welfare in such a way that the sustainability of vital ecosystems will not be compromised.

At the core of this process is the need for the region to develop its own water infrastructure that will be tough enough to withstand the effects of climate change.

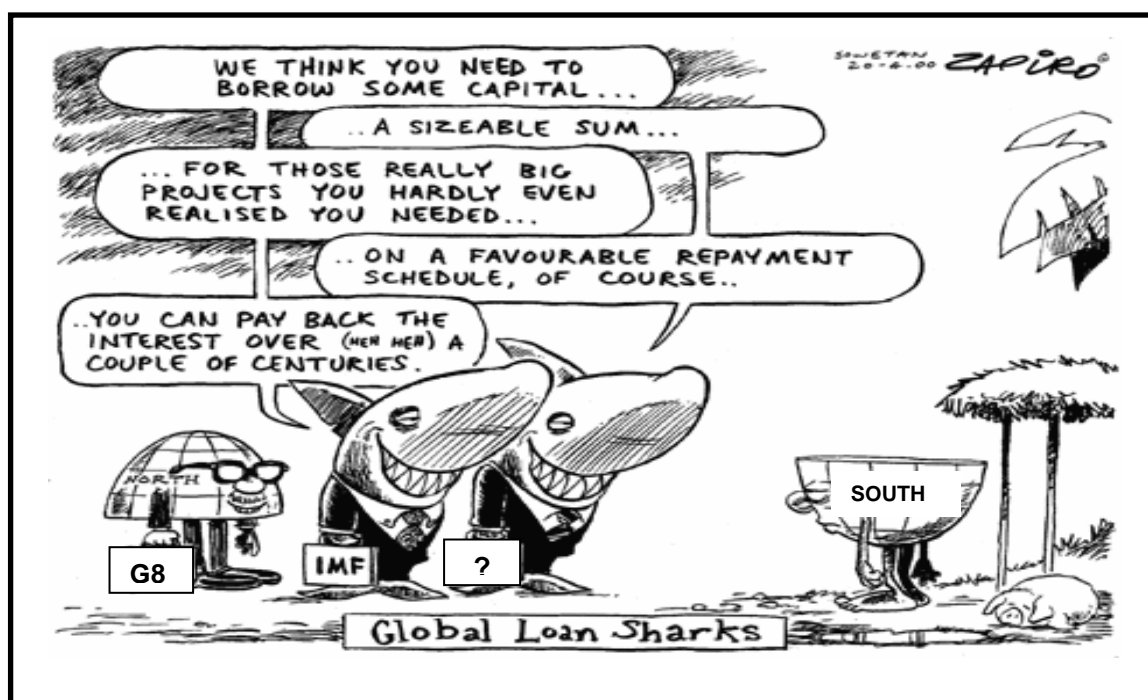
The SADC has set two main targets for water in its Regional Strategic Development Plan:

- Develop the water infrastructure needed to double land under irrigation by 2015.
- Halve the proportion of people without access to drinking water and sanitation.

[Adapted from *Skyways*, February 2011]

- 4.3.1 What does the abbreviation SADC stand for? (2)
- 4.3.2 Identify any TWO positive outcomes of the integrated water resource management process. (4)
- 4.3.3 Name ONE negative effect that climate change can have on the region's water resources. (2)
- 4.3.4 Which social indicator is targeted through the Regional Strategic Development Plan of the SADC? (2)

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



[Source: Mail & Guardian, 2008]

- 4.4.1 Who is being targeted by the 'loan sharks'? (2)
- 4.4.2 Name ONE other international institution that would offer loans. (2)
- 4.4.3 Name ONE possible 'project' that the loan sharks are referring to? (2)
- 4.4.4 Give ONE reason why it would not be wise to accept the loan offer. (2)
- 4.4.5 Name ONE member country of the G8. (2)
- 4.5 Briefly explain the demand-side policy used in promoting growth and development. (4 x 2) (8)
- 4.6 Discuss any TWO arguments in favour of free trade. (2 x 4) (8)
- [50]**

QUESTION 5**50 MARKS – 25 MINUTES**

- 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 The inflation target is determined by (government/market forces).
- 5.1.2 The country that tourists visit is referred to as the (destination/tourist-generating) country.
- 5.1.3 The destruction of coral reefs is causing (direct environmental stress/waste product generation).
- 5.1.4 Re-using goods that have served their original purpose is referred to as (recycling/degradation). (4 x 2) (8)
- 5.2 List any THREE examples of ecotourism in South Africa. (3 x 2) (6)
- 5.3 Study the extract below and answer the questions that follow.

CLEAN COAL FOR A SMALL CARBON FOOTPRINT

South Africa is committed to reducing greenhouse gas emissions from its coal-dependent economy by 2025. The minister of economic development suggested the utilisation of underground coal gasification to clean up coal-driven power generation and reduce the country's carbon footprint. In this way we are still using the advantage of coal reserves while developing alternative infrastructure.

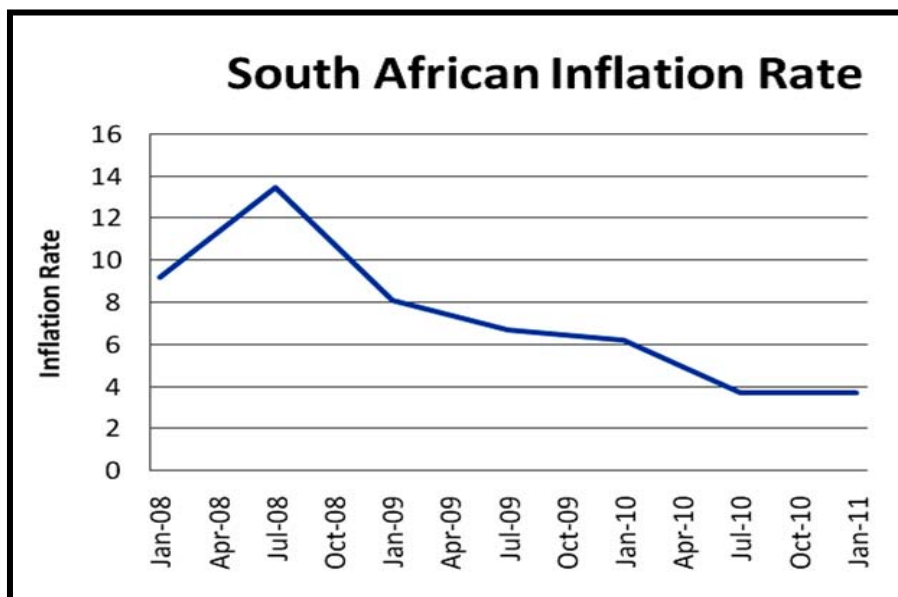
According to Ibrahim Patel, South Africa is faced with enormous poverty and unemployment as development challenges, while climate change commitments and the potential of a green economy cannot be ignored.

The Industrial Development Council has set aside R25 billion to support investments in the green economy, which is promoted through green taxes. The government is currently compiling a database of job-spinning projects that are climate friendly in energy, manufacturing, waste-management, eco-tourism, agriculture and mining.

[Adapted from *Sunday Independent*, February 2011]

- 5.3.1 Give ONE example of a renewable energy source. (3)
- 5.3.2 What is meant by *reducing a carbon-footprint*? (3)
- 5.3.3 Explain the concept *green taxes*. (4)

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



[Source: Internet, February 2011]

- 5.4.1 What was the trend of the South African inflation rate since July 2008? (2)
- 5.4.2 What will the effect be on domestic tourism if the inflation rate decreases? (3)
- 5.4.3 When, according to the graph, were domestic tourists most disadvantaged by the inflation rate? (2)
- 5.4.4 Does the January 2011 inflation rate comply with the inflation target of South Africa? Give a reason. (3)

5.5 Explain the importance of indigenous knowledge systems in strengthening South Africa's tourism profile. (4 x 2) (8)

5.6 Discuss any TWO benefits of tourism for the households. (2 x 4) (8)

[50]

QUESTION 6**50 MARKS – 25 MINUTES**

- 6.1 Choose the correct word from those given in brackets. Write only the word next to the question number (6.1.1–6.1.4) in the ANSWER BOOK.
- 6.1.1 A general economic upswing can be expected if (leading/coincident) indicators improve.
- 6.1.2 Specific grants are utilised mostly for (infrastructure/unexpected) expenditure.
- 6.1.3 The implicit GDP deflator is the ratio of the GDP at current prices to the (GDP/GNP) at constant prices.
- 6.1.4 Trees are (renewable/non-renewable) resources. (4 x 2) (8)
- 6.2 Give any THREE reasons for growth in international tourism. (3 x 2) (6)
- 6.3 Study the table below and answer the questions that follow.

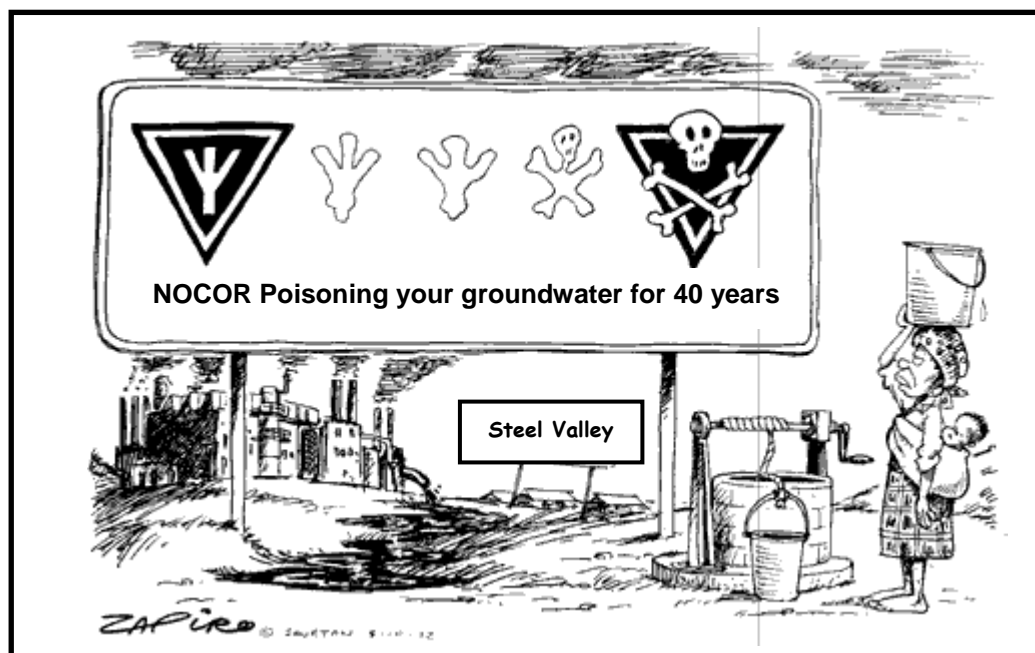
NATIONAL ACCOUNT AGGREGATES	R MILLIONS
Final consumption expenditure by households	1 473 490
Final consumption expenditure by government	505 040
Gross capital formation	467 878
Residual item	-18 092
Gross Domestic Expenditure	2 428 316
Export of goods and services	657 113
Import of goods and services	677 740
Expenditure on GDP(E) at market prices	A

[Source: *Quarterly Bulletin*, SARB, June 2010]

- 6.3.1 Explain the concept *gross capital formation*. (3)
- 6.3.2 Calculate the value of **A**. (3)
- 6.3.3 If one uses the production method to calculate the GDP(P) at market prices, will GDP(E) be more, equal or less? Motivate your answer. (4)



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



[Adapted from *Mail & Guardian*, 2009]

- 6.4.1 Define the concept *pollution*. (2)
- 6.4.2 Give ONE example of industrial pollution. (2)
- 6.4.3 Why is industrial pollution regarded as a more serious type of pollution? (3)
- 6.4.4 What measure, in your opinion, can be put in place to overcome the hazardous effects of poisoned groundwater? (3)
- 6.5 Discuss any TWO reasons for public sector failure. (2 x 4) (8)
- 6.6 Discuss the effect of tourism on the Gross Domestic Product and employment. (2 x 4) (8)
- [50]**
- TOTAL SECTION B: 150**

SECTION C

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

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.

QUESTION 7**50 MARKS – 40 MINUTES**

Discuss the main supply reasons for international trade.

[50]**QUESTION 8****50 MARKS – 40 MINUTES**

Use graphs to analyse the various short-run equilibrium positions for an individual business in the perfect market.

[50]**QUESTION 9****50 MARKS – 40 MINUTES**

Discuss the following economic indicators, which are used in measuring the performance of the economy:

- Production (real GDP)
- Employment/Unemployment
- Money supply
- The inflation rate (CPI)

[50]**QUESTION 10****50 MARKS – 40 MINUTES**

Discuss the causes and consequences of demand-pull inflation.

[50]

TOTAL SECTION C: 100
GRAND TOTAL: 300

