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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS P1

FEBRUARY/MARCH 2016

MARKS: 150

TIME: 2 hours

This question paper consists of 11 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 black or blue 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 answer and write only the letter (A–C) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 C.
- 1.1.1 A measure used to indicate the economic prosperity of a country is called the ...
- A gross domestic income.
 - B per capita national income.
 - C net national income.
- 1.1.2 Exogenous factors such as ... can cause fluctuations in the level of economic activity.
- A weather patterns
 - B inflexibility of markets
 - C demand patterns
- 1.1.3 An example of a positive externality is ...
- A education.
 - B pollution.
 - C tobacco smoking.
- 1.1.4 Which ONE of the following can cause a deficit on the balance of payments?
- A Inward foreign investments
 - B Increase in foreign currency reserves
 - C Decline in mineral exports
- 1.1.5 When the government sells more than 50% of the state-owned shares of a public enterprise, it is called ...
- A privatisation.
 - B nationalisation.
 - C free trade.
- 1.1.6 The North-South divide highlights the economic ... that exist between the developed and developing countries.
- A similarities
 - B programmes
 - C differences

1.1.7 The industrial development policy that aims at promoting long-term industrialisation is called ...

- A the Industrial Policy Action Plan.
- B Special Economic Zones.
- C Spatial Development Initiatives.

1.1.8 The main objective of the Skills Support Programme is to ...

- A reduce government expenditure.
- B encourage greater investment in training.
- C build five million houses.

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches the 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	Gross domestic product	A	uses interest rates to influence the level of expenditure
1.2.2	Peak	B	gives member countries the opportunity to obtain financial support from the IMF
1.2.3	Monetary policy	C	laws and regulations to enhance manufacturing operations
1.2.4	Production price index	D	assess the performance of the economy
1.2.5	Special Drawing Rights	E	the total value of all final goods and services produced within the borders of a country in a given year
1.2.6	BRICS	F	the weighting of domestically manufactured outputs
1.2.7	Industrial policy	G	the upper turning point of the business cycle
1.2.8	Economic indicator	H	output produced by permanent residents
		I	a trade agreement between a group of emerging markets

(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.
- 1.3.1 The process whereby the standard of living of people in a country improves
- 1.3.2 The trade policy whereby the country encourages the local production of goods rather than importing the goods
- 1.3.3 When authorities deliberately increase the value of a currency
- 1.3.4 The turning point in the business cycle where the level of economic activities is at its lowest
- 1.3.5 A country's record of transactions with the rest of the world over a period of time
- 1.3.6 The introduction of money into the circular flow (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 instruments of fiscal policy. (2 x 1) (2)

2.1.2 How can the appreciation of the rand affect the exports of goods and services? (1 x 2) (2)

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

THE MULTIPLIER EFFECT

The government of Valspar has decided to expand the national road network by R200 million this year. The tendency of households is to save 20 per cent of their income.

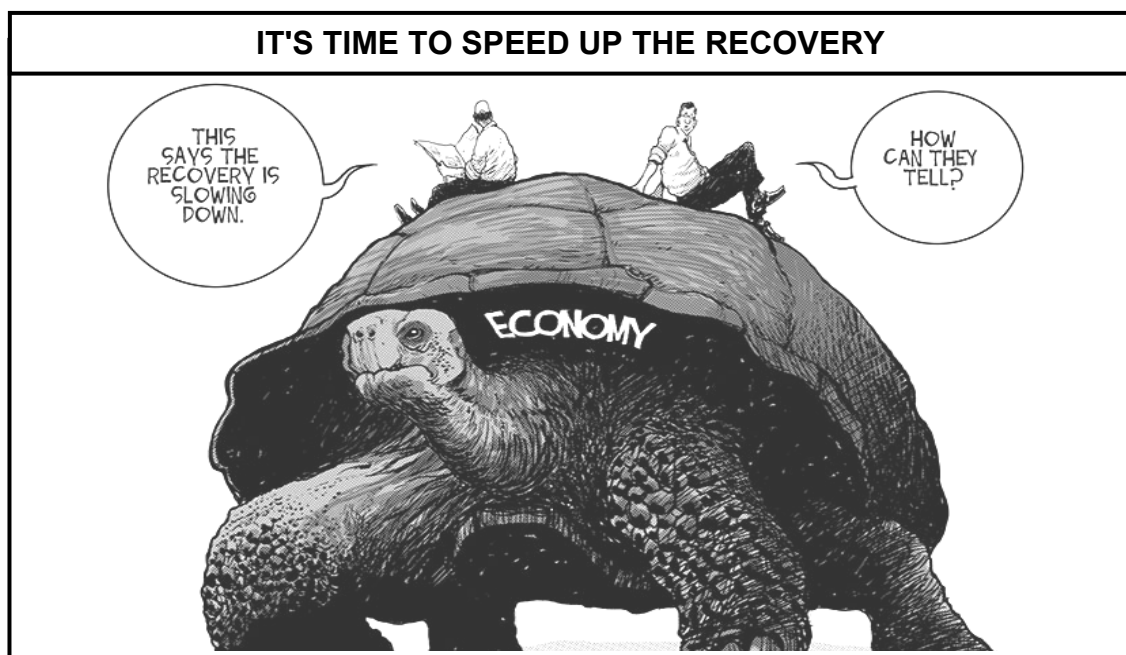
2.2.1 What percentage of their income do households spend? (2)

2.2.2 Explain the term *multiplier*. (2)

2.2.3 What impact will a tax increase have on the multiplier? (2)

2.2.4 Calculate the size of the multiplier. Show ALL calculations. (4)

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



[Source: Sheneman, Tribune Media Services]

2.3.1 What message is depicted in the cartoon above? (2)

2.3.2 Give a reason for the current state of the economy. (2)

- 2.3.3 What main economic indicator is used to determine the state of the South African economy? (2)
- 2.3.4 How can the government speed up the recovery of the economy? (4)
- 2.4 Differentiate between *real flows* and *money flows* in the circular-flow model. (2 x 4) (8)
- 2.5 In your opinion, how can the Reserve Bank reduce the deficit on the balance of payments? (4 x 2) (8)
- [40]**

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

3.1 Answer the following questions.

- 3.1.1 Name TWO indicators related to foreign trade. (2 x 1) (2)
- 3.1.2 What is the effect of increased investment spending on the economy? (1 x 2) (2)

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

LIFE EXPECTANCY TRENDS IN SOUTH AFRICA		
YEAR	LIFE EXPECTANCY AT BIRTH WITHOUT HIV	LIFE EXPECTANCY AT BIRTH WITH HIV
2002	64,2	53,4
2005	65,5	52,1
2008	66,3	56,0
2011	67,1	58,7
2014	67,9	61,2

[Source: www.statssa.gov.za]

- 3.2.1 Which year, according to the table above, indicates the highest life expectancy without HIV? (1)
- 3.2.2 Which institution is responsible for publishing life expectancy trends in South Africa? (1)
- 3.2.3 Explain the term *life expectancy*. (2)
- 3.2.4 What impact will HIV/Aids have on productivity levels? (2)
- 3.2.5 In your opinion, what brought about the improvement in life expectancy from 53,4 years to 61,2 years? (2 x 2) (4)

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

OUR FUTURE: MAKE IT WORK – NDP 2030

The NDP aims to eliminate poverty and reduce inequality by 2030. South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

[Source: www.nda.org.za]

- 3.3.1 What does the abbreviation *NDP* stand for? (2)
- 3.3.2 What is meant by an *inclusive economy*? (2)
- 3.3.3 Give a reason why it is important to eliminate poverty and reduce inequality in South Africa. (2)
- 3.3.4 What impact does the Expanded Public Works Programme have on your local community? (2 x 2) (4)
- 3.4 Briefly discuss *employment* as an economic indicator. (4 x 2) (8)
- 3.5 How will the new demarcated special economic zones (SEZs) benefit regional development in South Africa? (4 x 2) (8)
- [40]**

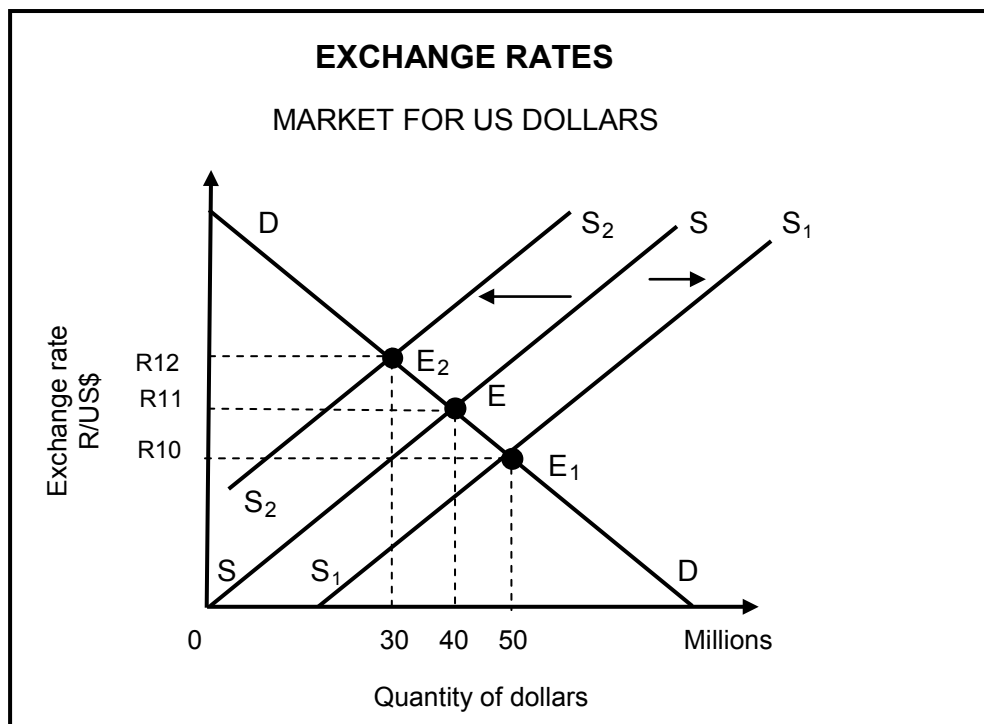
QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name TWO items in the financial account of the balance of payments. (2 x 1) (2)

4.1.2 What effect does inflation have on the poor? (1 x 2) (2)

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



4.2.1 Which supply curve indicates a decrease in the supply of dollars? (1)

4.2.2 What type of exchange rate system is currently used in South Africa? (1)

4.2.3 Explain the term *exchange rate*. (2)

4.2.4 State ONE factor that could have led to an increase in the supply of dollars. (2)

4.2.5 Use the above graph to explain the effect of the increase in the supply of US dollars on the R/US\$ exchange rate. (2 x 2) (4)

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

PUBLIC SECTOR'S BUDGET FRAMEWORK				
R BILLION	REVISED	MEDIUM-TERM ESTIMATES (MTEF)		
	2012/2013	2013/2014	2014/2015	2015/2016
Revenue	830	904	1 005	1 118
Percentage of GDP	27%	27%	27,8%	28%
Expenditure	972	1 058	1 149	1 239
Percentage of GDP	32%	32%	31%	31%
Surplus/Deficit	-142	-153	-143	-12
Percentage of GDP	-4%	-4%	-4%	A
Gross domestic product	2 995	3 301	3 622	3 997

[Adapted from *The National Treasury: Budget Review*]

- 4.3.1 What does the abbreviation *MTEF* stand for? (2)
- 4.3.2 What is the international benchmark for budget deficits as a percentage of the GDP? (2)
- 4.3.3 Calculate the budget deficit as a percentage of the GDP (**A**). (2)
- 4.3.4 In your opinion, what can the government do to reduce the budget deficit? (4)
- 4.4 Explain how the amplitude and trend line can be used in the forecasting of business cycles. (2 x 4) (8)
- 4.5 How can taxation be used to stimulate employment in South Africa? (4 x 2) (8)

[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max. 2
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	Max. 10
Conclusion Any higher-order conclusion should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations 	Max. 2
TOTAL	40

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

To be internationally competitive, a country needs to have suitable trade policies in place. They have to grow their industries if they want to increase the standard of living.

- Discuss, in detail, the arguments in favour of protectionism. (26 marks)
- In your opinion, how can the government use subsidies to ensure that local industries are protected against unfair competition from abroad? (10 marks)

[40]**QUESTION 6: ECONOMIC PURSUITS****40 MARKS – 40 MINUTES**

Internationally, the main instruments on which growth and development policies are based are called demand and supply-side approaches. The supply-side approach focuses more on microeconomic goals.

- Examine, in detail (without using a graph), the supply-side approach in terms of South Africa's efforts to promote economic growth and development. (26 marks)
- In your opinion, have the RDP and GEAR been successful as growth and development policies? (10 marks)

[40]**TOTAL SECTION C: 40****GRAND TOTAL: 150**