



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS

FEBRUARY/MARCH 2009

MARKS: 300

TIME: 3 hours

This question paper consists of 17 pages.

INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows:

SECTION A: COMPULSORY

SECTION B: Answer any THREE questions in the ANSWER BOOK.

SECTION C: Answer any TWO questions in the ANSWER BOOK.

2. Write the number of the question above each answer.
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 sub-sections of questions.
6. Answer the questions in full sentences.
7. Answer only the required number of questions. Additional answers will NOT be marked.
8. Use only black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.

MARKS: 300**TIME: 180 MINUTES****SECTION A – COMPULSORY**QUESTION 1: SHORT QUESTIONS
50 MARKS – 25 MINUTES**SECTION B – ANSWER ANY THREE QUESTIONS FROM THIS SECTION.**QUESTION 2: MACROECONOMICS
50 MARKS – 25 MINUTESQUESTION 3: MICROECONOMICS
50 MARKS – 25 MINUTESQUESTION 4: ECONOMIC PURSUITS
50 MARKS – 25 MINUTESQUESTION 5: CONTEMPORARY ECONOMIC ISSUES
50 MARKS – 25 MINUTESQUESTION 6: MACROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
50 MARKS – 25 MINUTES**SECTION C – ANSWER ANY TWO QUESTIONS FROM THIS SECTION.**QUESTION 7: MACROECONOMICS
50 MARKS – 40 MINUTESQUESTION 8: MICROECONOMICS
50 MARKS – 40 MINUTESQUESTION 9: ECONOMIC PURSUITS
50 MARKS – 40 MINUTESQUESTION 10: CONTEMPORARY ECONOMIC PURSUITS
50 MARKS – 40 MINUTES

SECTION A (COMPULSORY)**QUESTION 1**

1.1 Various options are provided as possible answers to the following questions. Choose the correct 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 South Africa is currently following a ... exchange rate system.

- A managed floating
- B free floating
- C fixed

1.1.2 Large public corporations or business entities in the public sector are known as ...

- A parastatals.
- B corporates.
- C public companies.

1.1.3 The GDP of a country is an example of a ... economic indicator in forecasting.

- A leading
- B lagging
- C coincident

1.1.4 As a rule, the firm should shut down its business at the point where its ...

- A $MR = AVC$.
- B $MR = ATC$.
- C $MC = MR$.

1.1.5 The ... tries to give all South Africans equal opportunities to participate fairly in economic activities.

- A Competition Commission
- B South African Reserve Bank
- C Prosecution Commission

1.1.6 Product differentiation and ... play an important role in non-price competition.

- A price
- B government policy
- C advertising

- 1.1.7 When a firm sells its goods in a foreign country at a lower price than in the domestic market, it is regarded as ...
- A import substitution.
 - B dumping.
 - C national trade.
- 1.1.8 The application of a trade policy whereby the state discourages the importing of certain goods, is known as ...
- A protectionism.
 - B exchange control.
 - C export promotion.
- 1.1.9 Cash grant incentives for projects that require new or improved construction of roads forms part of the ...
- A Foreign Investment Grant.
 - B Critical Infrastructure Programme.
 - C Strategic Investment Projects.
- 1.1.10 A positive consequence of inflation is that it ...
- A enhances inflation.
 - B benefits creditors.
 - C benefits debtors.
- 1.1.11 An example of a negative effect of tourism is ...
- A increased unemployment.
 - B increased foreign income.
 - C uncontrolled pollution.
- 1.1.12 Local capacity building among ... people is a crucial aspect of sustaining the environment.
- A endogenous
 - B indigenous
 - C exogenous
- (12 x 2) (24)

1.2 Choose 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.

oligopoly; regulated market; import substitution; monopoly; greenhouse effect; money flow; unregulated market; real flow; export promotion; oxygen

- 1.2.1 The movement of goods and services in the economy
- 1.2.2 An industry dominated by a small number of large firms
- 1.2.3 Incentives such as subsidies
- 1.2.4 The emission of car gases that contribute to global warming
- 1.2.5 A market without any government interference (5 x 2) (10)

1.3 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A – J) next to the question number (1.3.1 – 1.3.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.3.1 GDI	A progressive personal income tax
1.3.2 Laffer curve	B land reserved for social use
1.3.3 Normal profit	C total income received by the permanent residents of the country
1.3.4 Cartel	D total income received by the factors of production for producing goods and services within the country
1.3.5 Equity fairness	E interest rate changes
1.3.6 Employment Equity Act	F shows the relationship between tax rates and tax revenue of the government
1.3.7 Green belt	G promotes tourism
1.3.8 World Heritage Site	H empowerment and transformation legally enforced in South Africa
	I when average revenue equals average cost
	J collusion between oligopolies

(8 x 2) (16)

TOTAL SECTION A: 50

SECTION B

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

QUESTION 2

- 2.1 Choose the correct word(s) from those given in brackets.
- 2.1.1 A person who enjoys the benefit of goods without paying for them is regarded as a (dependent/free rider).
- 2.1.2 An increase in the level of taxation is indicative of a (restrictive/expansionary) fiscal policy.
- 2.1.3 (Public/Private) goods are characterised by non-rivalry in consumption.
- 2.1.4 A deficit on the BOP will result in the value of foreign currency (appreciating/depreciating). (4 x 2) (8)
- 2.2 Name any THREE advantages of privatisation. (3 x 2) (6)

- 2.3 Study the extract of the balance of payments (BOP) below and answer the questions that follow.

**BALANCE OF PAYMENTS
ANNUAL FIGURES**

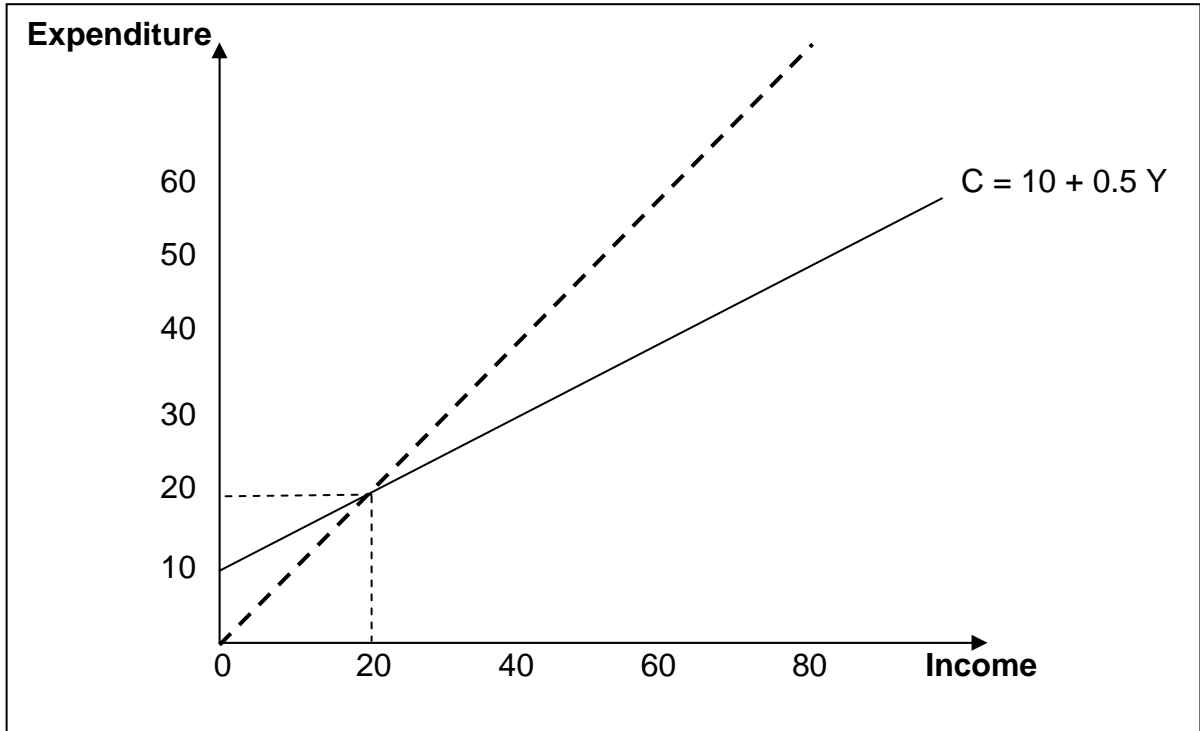
R millions

	2004	2005	2006
Current account			
Merchandise exports, free on board	281 827	325 129	399 030
Net gold exports	28 698	27 023	35 470
Service receipts	62 197	70 896	81 294
Income receipts	20 973	29 550	40 234
Less: Merchandise imports, free on board	311 759	358 519	476 545
Less: Payments for services	66 418	77 384	96 985
Less: Income payments	48 823	60 975	75 985
Current transfers (net receipts +)	-11326	-17 899	-18 894
Balance on current account	-44 631	-62 179	-112 346
Financial account			
Net direct investments	-3 566	36 354	-49 078
Net portfolio investments	40 629	29 903	129 192
Other investments	8 718	9 762	21 928
Balance on financial account	45 781	76 019	102 042

[Adapted from: *Quarterly Bulletin SARB*, December 2007]

- 2.3.1 Define the term *balance of payments*. (2)
- 2.3.2 Name ONE other account that forms part of the BOP. (2)
- 2.3.3 Which item captures the effect of a foreigner purchasing shares on the JSE Securities Exchange? (2)
- 2.3.4 Why is gold exports listed as a separate item in the BOP? (3)
- 2.3.5 Calculate the trade balance on the current account for 2006. (5)
- 2.3.6 What negative impact will the recent trend in the current account have on the BOP? (3)
- 2.3.7 Name ONE way in which the BOP deficit can be reduced or eliminated. (2)

2.4 Copy the graph below in the ANSWER BOOK. Indicate the new consumption curve, new equilibrium formed after investment increased by R20 million, and describe the multiplier effect of the increase of investment of R20 million on the economy.

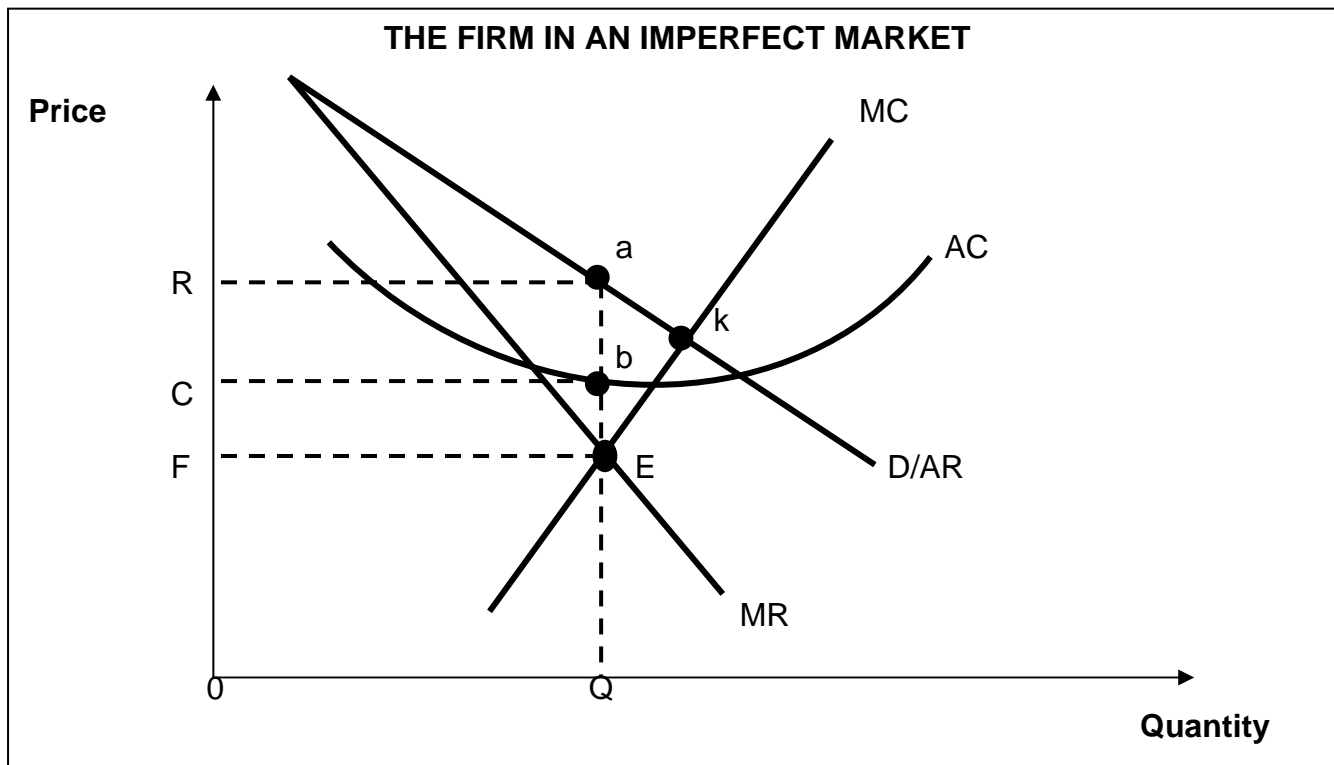


(16)
[50]

QUESTION 3

- 3.1 Choose the correct word(s) from those given in brackets.
- 3.1.1 A mechanism that brings buyers and sellers together is known as a (tribunal/market).
- 3.1.2 Brands like Omo and KFC play significant roles in (perfect/imperfect) markets.
- 3.1.3 All things being equal, one can expect a monopoly market to have higher prices and (higher/lower) output than in a perfect market.
- 3.1.4 The value of inputs that are owned by the entrepreneur and being used in the production process is known as (implicit / explicit) cost.
(4 x 2) (8)
- 3.2 Give any THREE reasons for the unequal distribution of income and wealth.
(3 x 2) (6)

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



- 3.3.1 Define the term *imperfect market*. (3)
- 3.3.2 Is the above graph indicating a short- or long-run equilibrium? (3)
- 3.3.3 What determines the optimum production level in a monopoly market? (3)
- 3.3.4 Indicate the profit area on the graph, by using the labelling system used in the graph. (3)
- 3.3.5 Explain why the AR and MR curves are two different curves. (6)
- 3.3.6 If you assume that the MC curve represents the supply curve for a perfect market, what will the effect on the price of goods be? (2)

3.4 Discuss merit and demerit goods as a reason for market failures. (16)
[50]

QUESTION 4

- 4.1 Choose the correct word(s) from those given in brackets.
- 4.1.1 Tariffs that are calculated as a percentage of the value of the imported goods are said to be (direct/ad valorem) tariffs.
- 4.1.2 Increasing the standard of living is a goal of economic (growth/development).
- 4.1.3 A spatial area that forms a passageway and advantages mining, manufacturing and business is called a (corridor/industrial development zone).
- 4.1.4 Employment is classified as a/an (economic/social) indicator. (4 x 2) (8)
- 4.2 Name any THREE advantages of import substitution. (3 x 2) (6)

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

ESKOM INSISTS ON 10% CUT FOR HOMES, OFFICES***Industry alone should not have to bear brunt of shortages, utility says.***

Power utility Eskom could force residential and commercial users to cut their electricity usage unless they voluntarily reduced consumption by 10%, Eskom CEO said yesterday.

Heavy consumers, especially mining groups, have expressed concern about the effects of the power shortages on their operations and warned of resulting job cuts. Eskom restricted mines to 90% of their power need to stabilise the national grid as it teetered on the brink of collapse. To avert a total blackout in January, mining groups ceased operations for five days, sparking threats of job losses. Gold mines of 3 kilometres and deeper, use 60% of their electricity for ventilation, cooling and pumping activities, meaning that only 40% is used for production. A serious concern is the safety of workers in the mines. Restructuring of mining activities can lead to a reduction of 7 000 job opportunities. Anglo Gold Ashanti, the third largest gold producer in the world, expects a reduction in production of 7%. According to Anglo Platinum, the largest platinum producer worldwide, structural changes are needed over time to incorporate new equipment – the only long-term solution.

Threats are coming from different industrial groups like BHP Billiton, that it was considering reducing production by closing part of its smelter in Bayside, Richards Bay, a move that is expected to cost hundreds of permanent and contract jobs. Further increases in the cost of electricity seem inevitable. After talks with Eskom, the regulator has approved a 14,2% electricity price increase.

[Adapted from: *Business Day*, 14 March 2008 and *Sake-Rapport*, 2 March 2008]

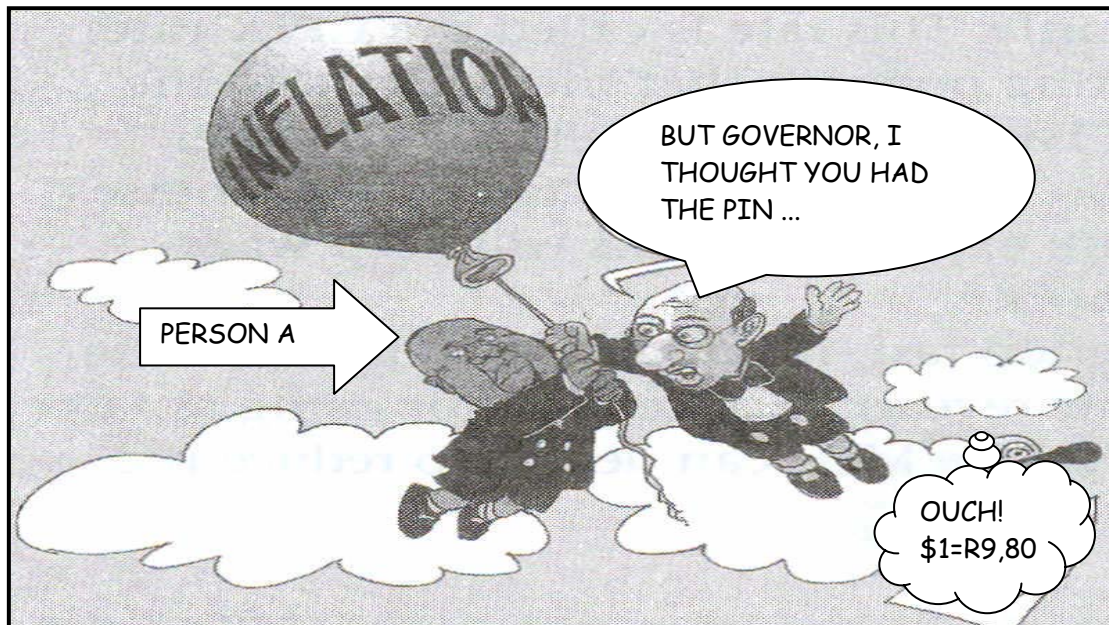
- 4.3.1 Which social indicator will mostly be affected by power outages? Explain. (4)
- 4.3.2 Which index will mostly be affected by the electricity price increase of 14,2 %? (3)
- 4.3.3 Why do gold mines experience a bigger problem in reducing their electricity consumption by 10% compared to coal mines in South Africa? (3)
- 4.3.4 Why did BHP Billiton threaten to close part of their plant in Richards Bay? (3)
- 4.3.5 What is the main reasons for Eskom's decision to target households and offices, regarding electricity consumption? (3)
- 4.3.6 What impact does load shedding have on South Africa's economic growth and the balance of payments? (4)
- 4.4 Discuss Spatial Development Initiatives (SDI) by highlighting the concept, key objectives, examples and the alleviation of poverty as part of the government's policy to stimulate economic activities in specific areas. (16)

[50]

QUESTION 5

- 5.1 Choose the correct word(s) from those given in brackets.
- 5.1.1 The CPI is published (monthly/quarterly) and lists details for a year.
- 5.1.2 The most common reason for a tourist tax is to recover (domestic/external) costs.
- 5.1.3 One of the most volatile price items in the inflation index is (house/food) prices.
- 5.1.4 An institution that strives to achieve support and cooperation of all countries in the fight against environmental decay is the (World Trade Organisation/International Trade Commission). (4 x 2) (8)
- 5.2 Name any THREE sources of environment-friendly energy. (3 x 2) (6)

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



- 5.3.1 Explain the meaning of the cartoon. (3)
- 5.3.2 Identify person A in the cartoon. (2)
- 5.3.3 What type of policy will the South African Reserve Bank use to control the above situation? (3)
- 5.3.4 With reference to the cartoon, what would be the likely cause of inflation? (3)
- 5.3.5 Which institution is responsible for the calculation of inflation rates? (3)
- 5.3.6 Explain the positive (+) and negative (-) effect of inflation on government tax revenue. (6)
- 5.4 Discuss any FOUR reasons why tourism is of economic importance for South Africa. (16)
- [50]**

QUESTION 6

- 6.1 Choose the correct word(s) from those given in brackets.
- 6.1.1 To convert GDP at factor prices to GDP at basic prices, taxes on (products/production) must be added.
- 6.1.2 (Hidden costs/Externalities) are costs resulting from production of goods that are not reflected in prices.
- 6.1.3 The (central/provincial) government deals with issues such as health services.
- 6.1.4 Fixed costs are also known as (direct/indirect) costs. (4 x 2) (8)
- 6.2 Name any THREE characteristics of a monopoly. (3 x 2) (6)
- 6.3 Study the table below and answer the questions that follow.

COST AND BENEFITS IN THE SUPPLY OF CLEAN WATER TO A COMMUNITY

ALTERNATIVES	ECONOMIC COSTS	ECONOMIC BENEFITS
A	1 000 000	500 000
B	1 500 000	2 000 000
C	1 200 000	2 000 000
D	800 000	100 000

- 6.3.1 Define the term *cost-benefit analysis*. (3)
- 6.3.2 Use the information in the above table, draw a well-labelled bar graph, indicating cost and benefits for each alternative:
Vertical axis: Costs R (million). Scale: 1 cm = 200 000
Horizontal axis: alternatives (8)
- 6.3.3 Calculate the cost-benefit ratio of A and B by using the following formula:
$$BCR_{A(B)} = \frac{\text{Present value of economic benefits}}{\text{Present value of economic costs}}$$

Which alternative should the community adopt? (5)
- 6.3.4 Draw a comparison between a cost-benefit analysis done by government and the private sector. (4)
- 6.4 Explain any FOUR supply factors that cause international trade. (16)
[50]

TOTAL SECTION B: 150

SECTION C

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

- I. 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.

Other long responses:

- II.
- For the presentation of facts (cognitive context), 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

Write an essay by briefly analysing the composition and features of business cycles and explain how authorities use certain policies to smooth out business cycles.

[50]**QUESTION 8**

Explain with the aid of graphs how short- and long-term equilibrium for the individual producer is achieved under conditions of perfect competition. Use the following headings in your explanation: market supply and demand, normal profit, and economic profit and loss.

[50]**QUESTION 9**

Compare and evaluate South Africa's growth and development policies in terms of international benchmarks, and highlight the North-South divide.

[50]**QUESTION 10**

The environment is under pressure because human claims on the environment are more than what nature can provide for on a long-term basis.

Analyse the state of the environment, highlighting the policy measures by government to ensure sustainability.

[50]**TOTAL SECTION C: 100****GRAND TOTAL: 300**