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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS P1

NOVEMBER 2016

MARKS: 150

TIME: 2 hours

This question paper consists of 12 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. Write down the question number (1.1.1–1.1.8), choose the answer and make a cross (X) over the letter (A–C) of your choice in the ANSWER BOOK.

EXAMPLE:

1.1.9 A B C

- 1.1.1 Goods characterised by non-rivalry and non-excludability are known as ... goods.

A public
B common
C private

- 1.1.2 The national aggregate that represents the value added in each phase of production is called the gross domestic ...

A expenditure.
B product.
C income.

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

A corporates.
B enterprises.
C parastatals.

- 1.1.4 An exchange rate system where the forces of supply and demand entirely establish the value of a currency is called a ... exchange rate system.

A fixed
B managed
C free-floating

- 1.1.5 The standard of living of a population is best described by the ...

A balance of trade.
B per capita income.
C inflation rate.

- 1.1.6 Monetary policy focuses on ... and the aggregate money supply.

A income
B interest rates
C taxation

1.1.7 The process whereby people move from rural areas to towns and cities is called ...

- A urbanisation.
- B immigration.
- C emigration.

1.1.8 A piece of land that forms a passageway that allows access from one area to another and is part of regional development is called a ...

- A custom.
- B corridor.
- C freeway.

(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	Globalisation	A	the rate banks are paying for lending money from the central bank
1.2.2	Export promotion	B	products traded in their basic form, for example coal and timber
1.2.3	Economy of scale	C	hampers the cognitive development of children
1.2.4	Bureaucracy	D	a common argument in favour of free trade
1.2.5	Repo rate	E	a trade policy that encourages the production of locally manufactured goods to be sold abroad
1.2.6	Production price index	F	worldwide interaction of economies with trade as a common element
1.2.7	Commodities	G	a system of government that does not approve rules and therefore causes delays
1.2.8	Malnutrition	H	measures prices of locally manufactured goods at factory level
		I	also known as intermediate goods

(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 A fluctuation in economic activities over a period of time
- 1.3.2 The distance from the trend line to the peak and the trough
- 1.3.3 A tariff imposed as a percentage of the value of goods imported
- 1.3.4 The Act that promotes equal job opportunities for all
- 1.3.5 Compares a country's export prices to its import prices by means of indexes
- 1.3.6 People within the economically active population who are willing and able to work but cannot find a job (6 x 1) (6)
- TOTAL SECTION A: 30**

SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

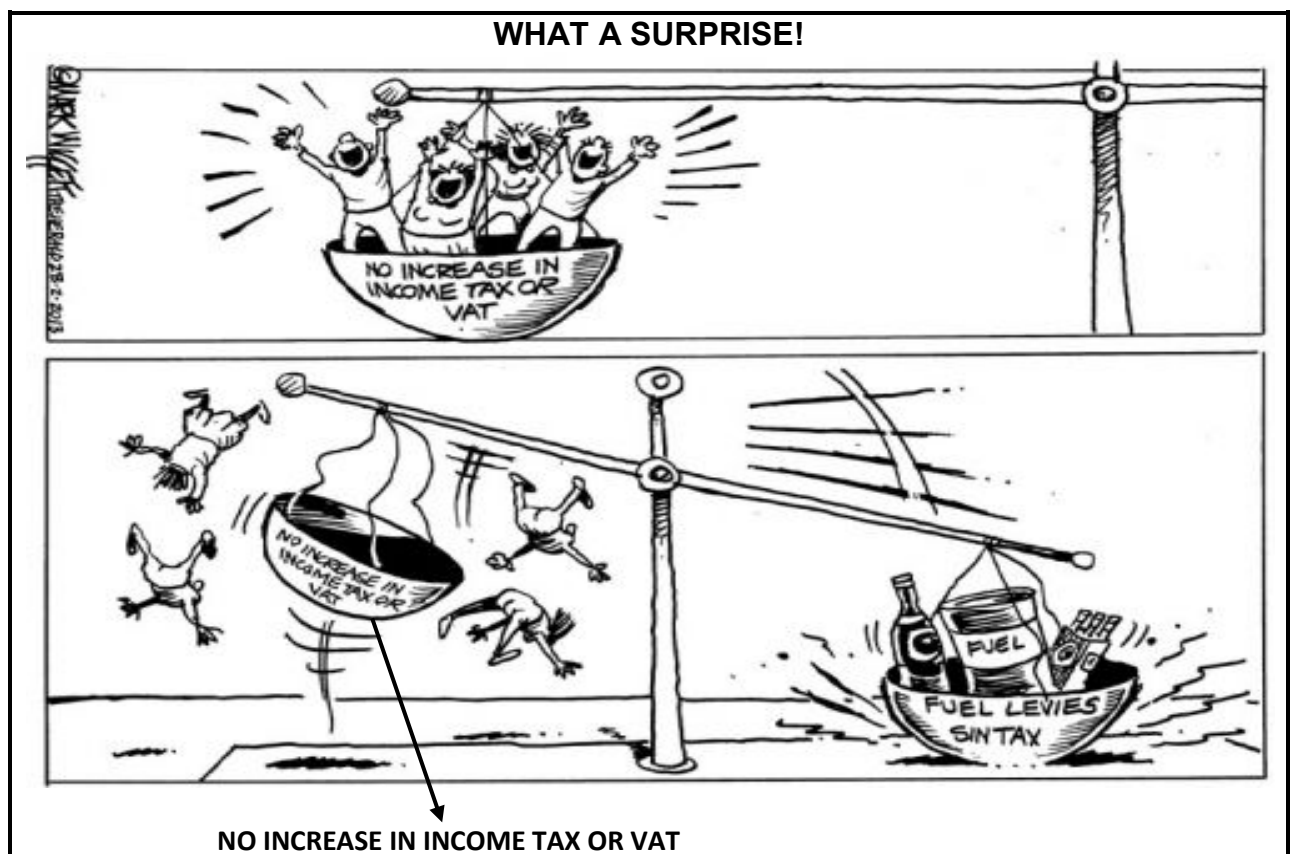
QUESTION 2: MACROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name TWO types of business cycles. (2 x 1) (2)

2.1.2 How will foreign direct investment benefit the South African economy? (1 x 2) (2)

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



[Source: *Business Times*, February 2016]

2.2.1 Identify TWO indirect taxes in the cartoon above. (2 x 1) (2)

2.2.2 Name the fiscal instrument represented by the scale in the cartoon above. (2)

2.2.3 What is the 'surprise' depicted in the cartoon above? (2)

2.2.4 In your opinion, why did the Minister of Finance decide to keep income tax and VAT at the same levels? (2 x 2) (4)

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

**SOUTH AFRICA OPENS DOORS FOR CHICKEN IMPORTS
FROM THE UNITED STATES**

The Minister of Trade and Industry said South Africa will end punishing duties on US chicken and renew imports.

South Africa imposed 100% duties on the dumping of certain chicken portions. Removing those import barriers opened a market that had been closed for the past 15 years. This decision was within the tolerance of the South African poultry industry.

The products to be imported will be mainly the cuts that are not favoured by the US consumer. South Africans consume more chicken than people in any other African country and local producers have struggled to keep up with the rising demand.

The agreement, which would see the US emerge as one of the top poultry exporters to South Africa, should help smooth the passage of the (American) African Growth and Opportunity Act (AGOA). AGOA is a trade initiative providing duty-free treatment of US imports of certain products.

[Adapted from *Mail & Guardian*, February 2016]

- 2.3.1 Identify the reason in the extract why South Africa agreed to import chicken from the US. (1)
- 2.3.2 Name the trade initiative mentioned above. (1)
- 2.3.3 Briefly describe the term *dumping*. (2)
- 2.3.4 What will be the effect of population growth in South Africa on chicken imports from the US? (2)
- 2.3.5 What negative impact could this deal have on the local poultry industry? (2 x 2) (4)
- 2.4 Distinguish between *exogenous approaches* and *endogenous approaches* to business cycles. (2 x 4) (8)
- 2.5 How can imports be targeted to reduce the deficit on the balance of trade in South Africa? (8)
- [40]**

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

3.1 Answer the following questions.

3.1.1 Name TWO social indicators related to income distribution. (2 x 1) (2)

3.1.2 How can deregulation benefit the business sector of South Africa?
(1 x 2) (2)

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

NDP HELPS SA TO FOCUS

Though the NDP, which outlines a plan to address issues in SA, is not perfect, it provides a road map to where government would like us to be in 2030. The NDP provides an opportunity for South Africans to work together to confront our challenges and build a better future for ourselves and future generations. Let us not squander this opportunity.

[Adapted from NDP and *Mail & Guardian*, February 2015]

3.2.1 Identify any TWO previous strategies in the information above that were used to improve economic growth in South Africa. (2 x 1) (2)

3.2.2 State the main aim of the NDP. (2)

3.2.3 What negative impact will the NDP have on taxpayers? (2)

3.2.4 In your opinion, how successful will the implementation of the NDP be in the South African economy? (4)

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

LIVING STANDARDS – SOUTH AFRICA					
HOUSEHOLDS					
FORMAL HOUSING		USE ELECTRICITY		PIPED WATER	
1996	2015	1996	2015	1996	2015
5,8 million	12,4 million	5,2 million	14,1 million	7 million	14 million

The data shows the relative success of the government's service delivery efforts despite continuing backlogs and the fact that in many cases the quality of services delivered should have been higher.

Another conclusion is that state-driven service delivery efforts have probably gone as far as they can conceivably go and future improvements in living standards will be driven more by labour market access and levels of economic growth than by the efforts of state planners.

[Adapted from *Institute of Race Relations*, February 2016]

- 3.3.1 What happened to the standard of living of South Africans between 1996 and 2015? (1)
 - 3.3.2 Identify an element of the Human Development Index (HDI) in the information above. (1)
 - 3.3.3 What can the government do to improve the quality of service delivery even further? (2)
 - 3.3.4 How can the private sector get involved through public-private partnerships to strengthen the efforts of government? (2)
 - 3.3.5 In your opinion, how can labour market access drive future improvement in living standards? (2 x 2) (4)
 - 3.4 Briefly discuss *growth* and *trade* as globalisation challenges that face developing countries. (2 x 4) (8)
 - 3.5 How does South Africa comply with various international bodies that require them to standardise their indicators? (8)
- [40]**

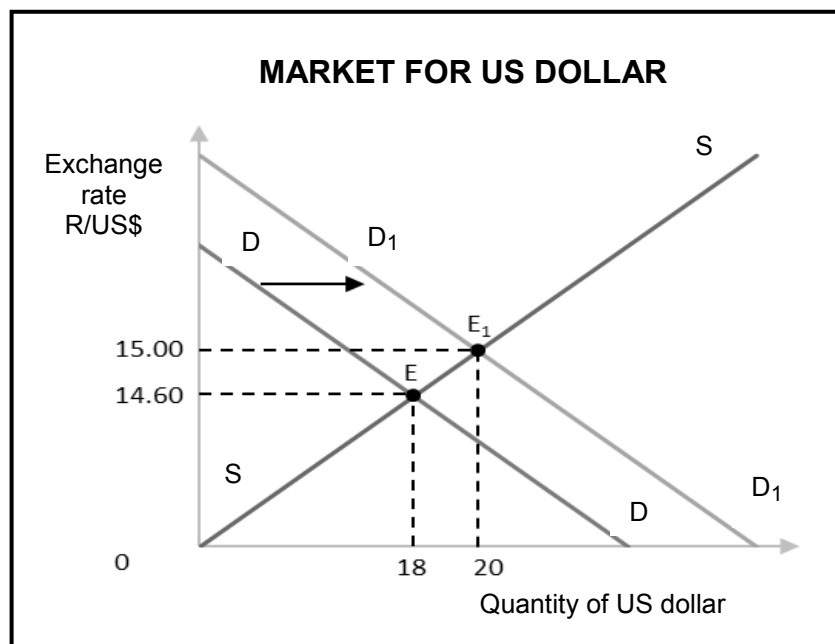
QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Give TWO reasons for public sector failure. (2 x 1) (2)

4.1.2 How will a decrease in export prices affect our country's terms of trade? (1 x 2) (2)

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



4.2.1 What market is depicted in the graph above? (1)

4.2.2 What effect does the shift in the demand curve have on the price of dollars? (1)

4.2.3 Briefly describe the term *exchange rate*. (2)

4.2.4 What will the effect of the new price for dollars be on export trade between South Africa and the United States? (2)

4.2.5 Explain how an increase in the number of US tourists to South Africa will influence the value of the rand. (2 x 2) (4)

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

SA ECONOMY CLOSING IN ON A RECESSION

South Africa's economy is at risk of falling into a recession, the World Bank said, as it cut the nation's growth forecast for this year to 0,8%.

Growth in Africa's third-largest economy is under pressure, following a slump in commodity prices, weakening demand from China and the worst drought in more than a century.

The rand has plunged 14% against the dollar in the past three months as sentiment worsened and credit-rating companies (Moody's, Standard & Poor's and Fitch) downgraded the country's credit rating because of growth risks.

South Africa is projected to remain largely below the average growth rate of 4,5% for sub-Saharan Africa in 2016 to 2017.

Against this backdrop, poverty in South Africa is set to rise as incomes fall.

[Adapted from *Fin24*, February 2016]

- 4.3.1 Give TWO factors in the extract above that contributed to the poor performance of the South African economy. (2)
- 4.3.2 When is a country officially in a recession? (2)
- 4.3.3 What impact will a downgrading of South Africa's credit rating have on its economy? (2)
- 4.3.4 In your opinion, what can government do to stabilise the business cycle? (2 x 2) (4)
- 4.4 Briefly discuss any TWO arguments in favour of privatisation. (2 x 4) (8)
- 4.5 How will subsidies influence export-orientated businesses negatively? (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 value 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**

The circular-flow model shows how the economy works via the various markets.

- Discuss the role of the various markets in the circular flow without the use of a diagram. (26 marks)
- Explain the multiplier concept with the aid of a well-labelled graph. (10 marks)

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

Government actions encourage operations and new investments to boost industrial development.

- Discuss South Africa's Spatial Development Initiatives (SDIs), highlighting its initiatives, objectives and Industrial Development Zones (IDZs). (26 marks)
- What advice would you give government to promote industrial development in South Africa? (10 marks)

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