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EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2013

ECONOMICS

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 questions of the five questions.

SECTION C: Answer any TWO questions of the four 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 levels 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.

SECTION A (Compulsory)**QUESTION 1 (LO1 – LO4)**

1.1 Various possible options are provided as answers to the following questions. Choose the most correct answer and only write the letter (A, B or C) next to the corresponding question number (1.1.1 – 1.1.12) in the ANSWER BOOK.

- 1.1.1 The money market in South Africa is a market for ... savings and loans.
- A short term
B medium term
C long term (2)
- 1.1.2 The beginning of an upswing is called the ... phase.
- A prosperity
B recession
C recovery (2)
- 1.1.3 The standard of financial management, unauthorised and fraudulent spending in the public sector are reported to Parliament by the ...
- A Statistician-General.
B Auditor-General.
C Governor of SARB. (2)
- 1.1.4 Under conditions of perfect competition, the market demand curve ...
- A slopes upwards from left to right.
B slopes downwards from left to right.
C is a horizontal line. (2)
- 1.1.5 Goods and services that are highly desirable for the general welfare of the people are called ... goods.
- A community
B merit
C public (2)
- 1.1.6 This is an example of an oligopoly market in South Africa.
- A Eskom
B Johannesburg Securities Exchange
C Cellphone industry (2)

- 1.1.7 This act provides the legal basis for the transformation of the South African economy.
- A Black Economic Empowerment
 - B Employment Equity Act
 - C Minimum Wages Act
- (2)
- 1.1.8 In South Africa, these are purpose built industrial estates which are physically enclosed and linked to an international port or airport.
- A IDZs
 - B SDIs
 - C EPZs
- (2)
- 1.1.9 As from 1995, General Agreement on Tariffs and Trade was replaced by the ...
- A Southern African Customs Union.
 - B Free Trade Area.
 - C World Trade Organisation.
- (2)
- 1.1.10 It represents the cost of the 'shopping basket' of goods and services of an average South African household.
- A CPI
 - B CPIX
 - C PPI
- (2)
- 1.1.11 Bushman painting is an example of ...
- A modern art form.
 - B a common art form.
 - C indigenous heritage.
- (2)
- 1.1.12 It seeks a creative continuity of the environment and ensures that change is sympathetic to the quality of present and future generations.
- A Preservation
 - B Conservation
 - C Externality
- (2)

1.2 Give the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

1.2.1 International transactions in portfolio investments are recorded in the ... account. (2)

1.2.2 Removal of laws and other forms of government control are known as ... (2)

1.2.3 ... grants are used to improve the living conditions of the poor. (2)

1.2.4 The authority controlling inflation in South Africa is the ... (2)

1.2.5 An industry dominated by a small number of large firms is known as ... (2)

1.3 Choose a description from COLUMN B that matches a concept in COLUMN A. Only write the correct letter (A – J) next to the corresponding question number (1.3.1 – 1.3.8) in the ANSWER BOOK.

	COLUMN A		COLUMN B
1.3.1	Laffer curve	A	These are over consumed in a free market economy
1.3.2	Direct investment	B	To prevent the abuse of economic power e.g. monopoly
1.3.3	Competition policy	C	Foreign tourists arriving in South Africa
1.3.4	Demerit goods	D	Return of land to those who lost them because of discriminatory laws
1.3.5	Land restitution	E	To obtain meaningful share or control of a business
1.3.6	Physical infrastructure	F	Domestic tourists leaving RSA
1.3.7	Demand-pull inflation	G	Subsidies are given to acquire land
1.3.8	Inbound tourists	H	Shows the relationship between tax rate and tax revenue
		I	Includes air, road, rail and sea transport
		J	Aggregate demand exceeds aggregate supply

(8x2)

(16)

TOTAL SECTION A: 50

SECTION B (Answer any THREE questions from this section.)**QUESTION 2 (LO1 AS1 – AS4) (50 MARKS – 25 MINUTES)**

2.1 Choose the most correct word from those given in brackets. Only write the word next to the corresponding question number (2.1.1 – 2.1.4) in the ANSWER BOOK.

2.1.1 A country that trades with other countries has a/an (closed/open) economy. (2)

2.1.2 When the state takes control of privately owned assets, it is called (privatisation/nationalisation). (2)

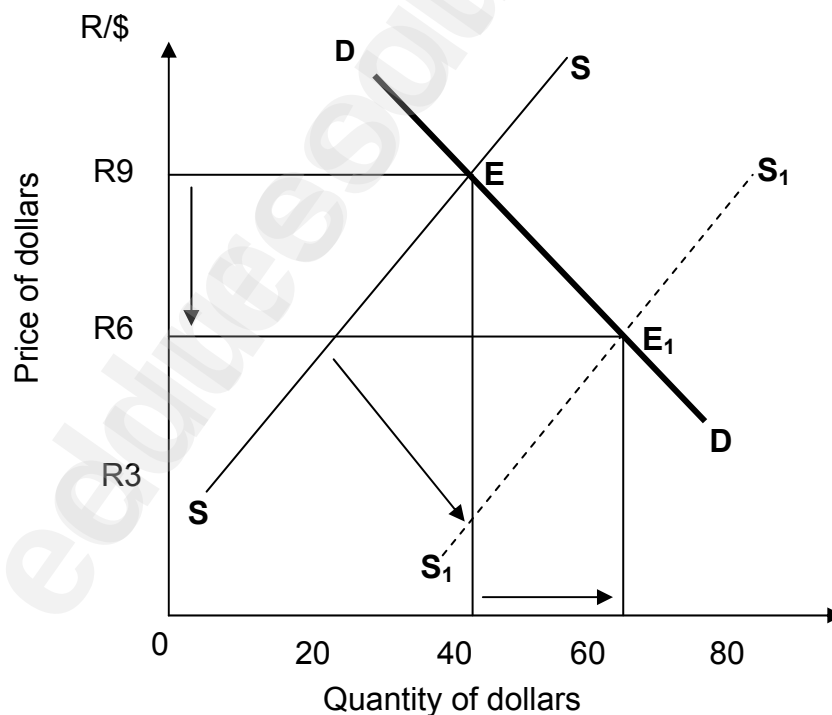
2.1.3 Medium Term Expenditure Framework is also known as the (supplementary/main) budget. (2)

2.1.4 When the value of a currency decreases as a result of market forces, it is known as (appreciation/depreciation). (2)

2.2 List any THREE kinds of cycles. (3 x 2) (6)

2.3 DATA RESPONSE

Study the following graph and answer the questions that follow.



- 2.3.1 Define the term 'exchange rate'. (2)
- 2.3.2 What happens to South African rand, when the supply of US dollar increases? (2)
- 2.3.3 Mention the TWO kinds of interventions applied by the monetary authorities under fixed exchange rates. (4)
- 2.3.4 Name the monetary authority that influences the exchange rate by changing the supply of foreign exchange available. (2)

2.4 DATA RESPONSE

Study the following extract and answer the questions that follow.

Parastatals unprofitable: survey

Five out of nine SOEs recorded profits in the 2009/10 financial year, the SA Institute of Race Relations has revealed. Transnet was the most profitable parastatal, while Eskom recorded the biggest loss in 2009/10, according to the latest South Africa Survey.

The Pebble Bed Modular Reactor, SA Airways, SA Express, and the SA Forestry Company all made a profit in 2009/10.

"The least profitable parastatal for the 2009/10 financial year was Eskom, which posted a loss of over R9,7 billion, although it has since turned around its fortunes and posted a profit of R13 billion for 2010/11."

"The biggest concern with these results is that the government will have to support loss-making entities at taxpayers' expense," said a researcher at the institute.

[Adapted from City Press 2012-01-17]

- 2.4.1 Which parastatal recorded the biggest loss in 2009/10? (2)
- 2.4.2 Define the term 'restructuring' of an enterprise. (2)
- 2.4.3 Mention any TWO reasons for privatisation. (4)
- 2.4.4 What is the biggest concern for the government when the parastatals are making losses? (2)
- 2.5 Discuss the role of the 'business sector' in the circular flow. (8)
- 2.6 Briefly explain 'community goods'. (8)

[50]

QUESTION 3 (LO2 AS1 – AS3) (50 MARKS – 25 MINUTES)

3.1 Choose the most correct word from those given in brackets. Only write the word next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.

3.1.1 When a businesses' total costs exceeds total revenue, the firm makes an economic (profit/loss). (2)

3.1.2 Product differentiation and (price/advertising) play an important role in non-price competition. (2)

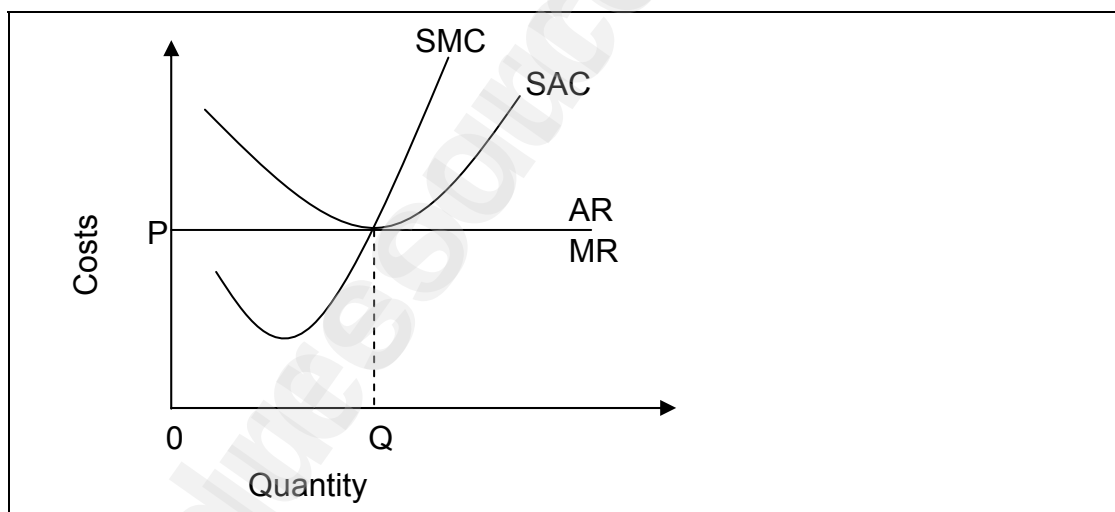
3.1.3 Fixed costs are also known as (direct/indirect) costs. (2)

3.1.4 Public parks and swimming pools are examples of (demerit/collective) goods. (2)

3.2 List the THREE features of 'public goods'. (3 x 2) (6)

3.3 **DATA RESPONSE**

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



3.3.1 What does the above graph represent? (2)

3.3.2 What happens when the minimum point of the SAC is lower than the market price 'P'? (2)

3.3.3 At what point does the firm maximise its profit? (2)

3.3.4 Briefly explain 'explicit cost'. (4)

3.4 DATA RESPONSE

Study the scenario given below and answer the questions that follow.

Sipho operates a manufacturing firm and various types of by-products are produced during the production process. He now has to make arrangements to dispose of the waste. This means burning it, dumping it in landfills or flushing it into the ocean. But people in the surrounding area will suffer the consequences of the pollution created by his disposal methods.

- 3.4.1 Define the term '*externalities*'. (2)
- 3.4.2 Briefly explain 'social costs'. (4)
- 3.4.3 Differentiate between 'private costs' and 'private benefits'. (4)
- 3.5 Briefly explain 'collusion' by oligopolies. (8)
- 3.6 Discuss 'allocative inefficiency' as an effect of market failure. (8)

[50]

QUESTION 4 (LO3 AS1 – AS4) (50 MARKS – 25 MINUTES)

4.1 Choose the most correct word from those given in brackets. Only write the word next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.

4.1.1 Monetary policy consists of decisions by (SARB/Minister of Finance) to influence rate of interest and money supply. (2)

4.1.2 People in the (southern/northern) divide enjoy a higher standard of living. (2)

4.1.3 The minimum earnings required to prevent the entrepreneur from leaving the market, is the (economic/normal) profit. (2)

4.1.4 An economic indicator relating to production is the (GDP/EAP). (2)

4.2 List any THREE 'incentives' offered by DTI for small business development. (3 x 2) (6)

4.3 **DATA RESPONSE**

Read the extract given below and answer the following questions.

The RDP, GEAR and all that: reflections ten years later

Since it is just a few weeks short of ten years since the GEAR policy was published, it made sense to me to return this evening to 'the RDP, GEAR and all that' and reflect on the lessons that emerge, with the perspective of the passage of time. I was one of the 'technical team' that drafted the GEAR document for government, though rather than the 'architect' of GEAR that I've sometimes been labelled. I was in reality more of a 'bricklayer' or 'general labourer'.

[Shortened and adapted from a lecture by: Stephen Gelb]

4.3.1 Mention any TWO economic policies of South African government. (4)

4.3.2 List any TWO factors influencing development strategies. (4)

4.3.3 What does the acronym 'GEAR' stand for? (2)

4.4 DATA RESPONSE

Study the document given below and answer the questions that follow.

Skills development in South Africa

There are millions of people throughout South Africa who want and need to learn new skills. Some are learners who are still at school or in college. Others are already employed but need to improve the skills that they have and also learn new ones.

There are an estimated 4,3-million people who are unemployed, most of who have little training and few skills. More than half of the Grade 12 learners who leave school every year don't have sufficient basic skills to get work in any sector of the economy. At any one time there are as many as 7 000 graduates who have university degrees who are also unemployed. All these figures could be higher.

So it is clear that skills development, along with training and education are vital elements for the people in South Africa and for the economic growth of the country.

[Adapted from *www.vocational.co.za*]

- 4.4.1 Which organisation is responsible for skills development in South Africa? (2)
- 4.4.2 According to the extract, what is the main reason for unemployment? (2)
- 4.4.3 List any TWO key input sectors that are required by businesses to compete, survive and prosper. (4)
- 4.4.4 Mention ONE important element for economic growth listed in the extract. (2)
- 4.5 Discuss TWO methods of 'export promotion'. (8)
- 4.6 Briefly explain 'education' as a social indicator. (8)

[50]

QUESTION 5 (LO4 AS1 – 3) (50 MARKS – 25 MINUTES)

5.1 Choose the most correct word from those given in brackets. Only write the word next to the question number (5.1.1 – 5.1.4) in the ANSWER BOOK.

5.1.1 Tourism is a (labour/capital) intensive industry. (2)

5.1.2 Demand for higher wages will lead to (demand-pull/cost-push) inflation. (2)

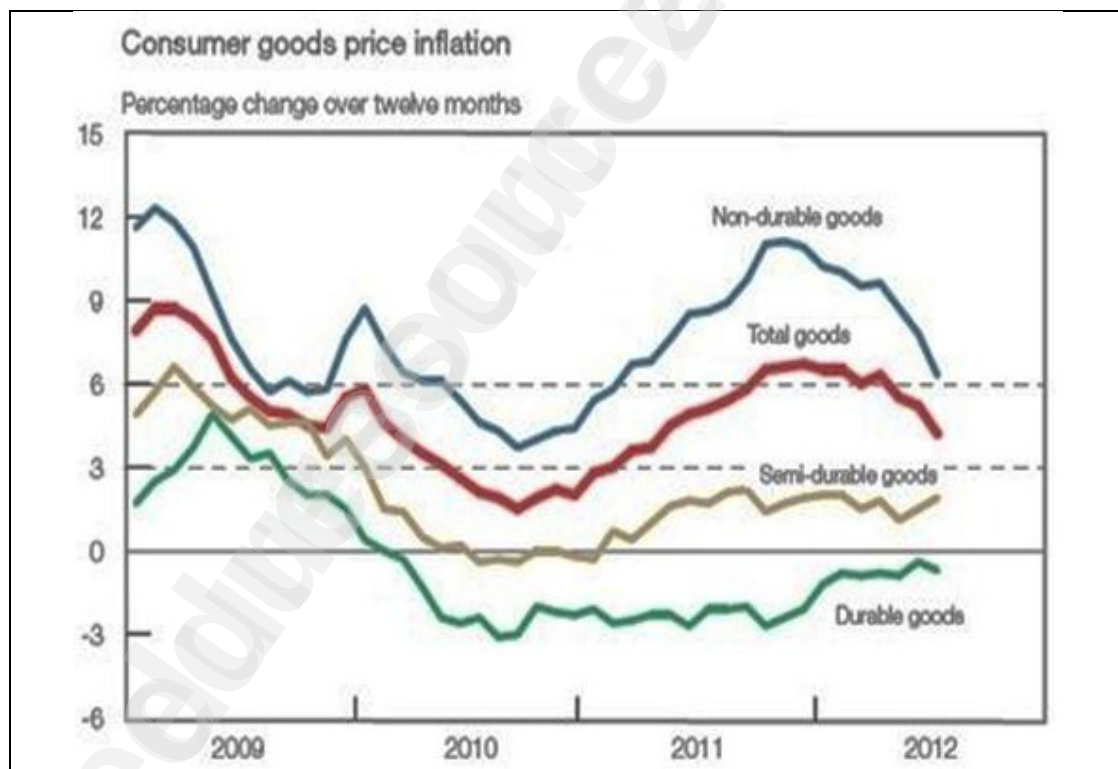
5.1.3 The enjoyment of undisturbed nature is referred to as (ecotourism/adventure tourism). (2)

5.1.4 Solar energy is a (renewable/non-renewable) source of energy. (2)

5.2 List any THREE conditions to be considered as tourism/a tourist. (3 x 2) (6)

5.3 **DATA RESPONSE**

Study the graph given below and answer the following questions.

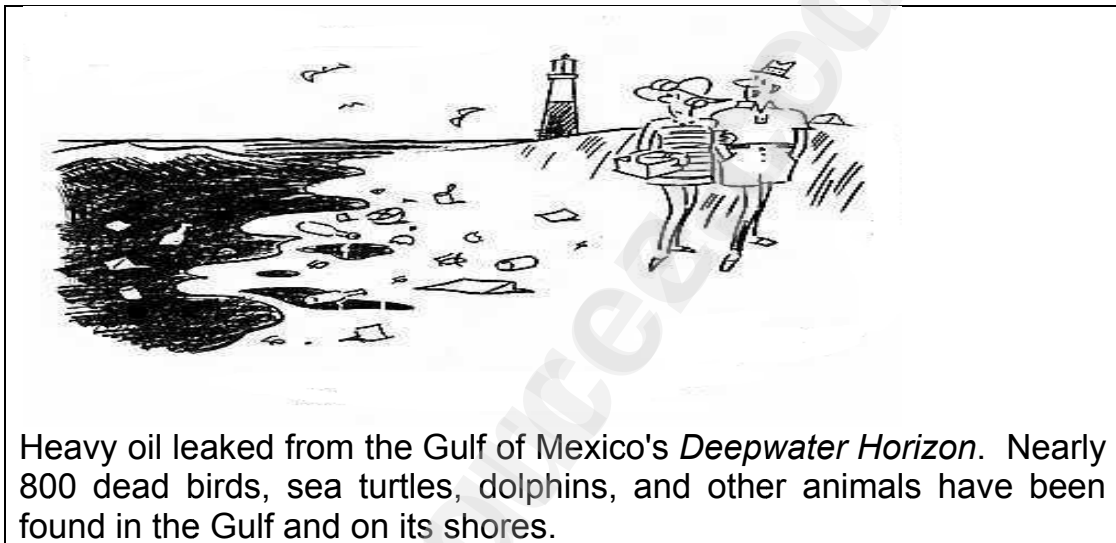


[Adapted from SARB's Quarterly Bulletin, September 2012]

- 5.3.1 Define the term 'core inflation'. (2)
- 5.3.2 Name the kind of consumer goods that has an upward inflation trend in 2012. (2)
- 5.3.3 Briefly explain 'administered prices inflation'. (4)
- 5.3.4 Define the term 'non-durable goods'. (2)

5.4 DATA RESPONSE

Study the following cartoon and extract and answer the following questions.



[Adapted from *National Geographic*, June 8, 2010]

- 5.4.1 Briefly explain the term 'water pollution'. (4)
- 5.4.2 According to the above cartoon, what is the main cause of this pollution? (2)
- 5.4.3 Differentiate between 'preservation' and 'conservation'. (4)
- 5.5 Briefly explain the effect of tourism on the rural population. (8)
- 5.6 Discuss any TWO reasons for market failure with regard to environmental sustainability. (8)

[50]

QUESTION 6 (LO1 AND LO2) (50 MARKS – 25 MINUTES)

6.1 Choose the most correct word from those given in brackets. Only write the word next to the question number (6.1.1 – 6.1.4) in the ANSWER BOOK.

6.1.1 Costs that change with the level of output is called (fixed/variable) costs. (2)

6.1.2 Economic activities are at its lowest when the business cycle reaches the (trough/peak). (2)

6.1.3 In a monopoly market, sellers are referred to as price (makers/takers). (2)

6.1.4 The value of the multiplier increases when marginal propensity to (consume/save) increases. (2)

6.2 List the THREE examples of injections into the circular flow. (3 x 2) (6)

6.3 **DATA RESPONSE**

Study the following extract and answer the questions that follow.

CURRENT ACCOUNT

In the first quarter of 2012, economic growth slowed in a number of South Africa's key trading partners, notably the Euro area, United Kingdom and China. These global developments coincided with domestic supply constraints and an appreciation in the external value of the rand, leading to a contraction in export proceeds over the period. By contrast, the value of merchandise imports edged higher in the first quarter of 2012. As a result, the deficit on the trade account of the balance of payments widened substantially.

[Adapted from *SARB Bulletin*, 2012]

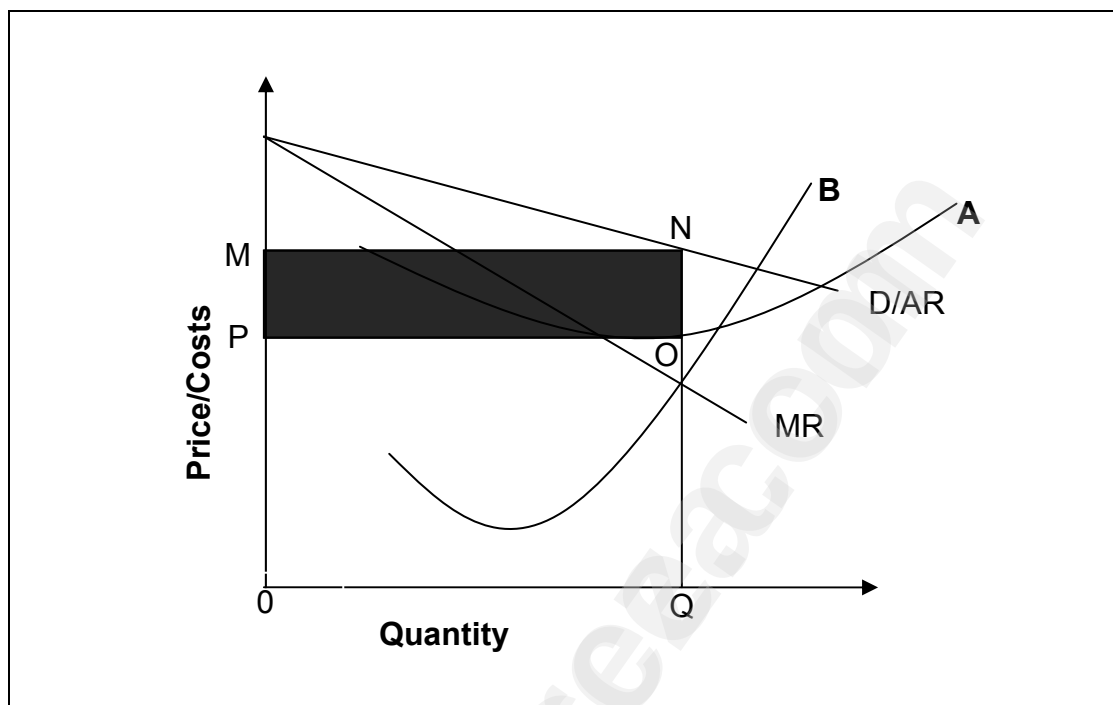
6.3.1 According to the extract, mention TWO reasons for the increase in the deficit on the trade account of the balance of payments. (4)

6.3.2 Name any ONE key trading partner of South Africa mentioned in the extract. (2)

6.3.3 Mention any TWO components/items in the current account. (4)

6.4 DATA RESPONSE

Study the following graph and answer the questions that follow.



6.4.1 What does the above graph represent? (2)

6.4.2 What does the area 'MNOP' represent? (2)

6.4.3 Label the curves **A** and **B** in the above diagram. (4)

6.4.4 Define the term '*Marginal Revenue*'. (2)

6.5 Discuss 'inefficiency' as one of the problems of public sector provisioning. (8)

6.6 Briefly explain 'normal profit' in a perfect competitive market. (8)

[50]

TOTAL SECTION B: 150

SECTION C (Answer any TWO questions from this section)

MARK ALLOCATION FOR ESSAY RESPONSES	
STRUCTURE OF THE ESSAY	Mark Allocation
Introduction	Max 3
Body	
• Main part: For example discuss/explain/detailed essay/analyse/evaluate	Max 30
• Additional part: For example draw a graph or diagram/refer/indicate	Max 10
Conclusion	Max 2
Interpretation	Max 5
TOTAL	50

QUESTION 7 (LO1 AS1)**ESSAY RESPONSE**

Fully explain the following business cycle indicators used in forecasting – Leading, Lagging, Co-incident, Length and Amplitude.

In addition draw a fully labelled “business cycle”.

[50]**QUESTION 8 (LO2 AS1)****ESSAY RESPONSE**

Write a detailed essay on the characteristics of perfect competition. Make use of a PPC (graph) to indicate the following points on it.

Inefficient productivity (A)

Efficient productivity (B)

Impossible productivity (C)

[50]**QUESTION 9 (LO3 AS3)****ESSAY RESPONSE**

Write a detailed essay on the methods of import substitution.

Also refer to the arguments in favour of free trade.

[50]**QUESTION 10 (LO4 AS1)****ESSAY RESPONSE**

Analyse the causes of cost-push inflation.

In addition indicate any FIVE consequences of inflation.

[50]

TOTAL SECTION C: 100
GRAND TOTAL: 300