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TOTAL MARKS

NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2021

ECONOMICS

EXAMINATION NUMBER

Time: 3 hours

300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 32 pages. Please check that your question paper is complete.

2. Read the questions carefully.

3. **All questions are compulsory**.
   SECTION A: Question 1
   SECTION B: Question 2, 3, 4 and 5
   SECTION C: Question 6

4. Answer ALL the questions in the spaces provided on this question paper.

5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.

6. It is in your own interest to write legibly and to present your work neatly.

7. Non-programmable calculators may be used.

8. Please **do not write in pencil** as work in pencil will not be marked. However, any sketches or diagrams may be done in pencil.

9. One blank page (page 32) is included at the end of the paper. If you run out of space for a question, use this page. Clearly indicate the question number of your answer should you use this extra space.

Allocation of marks

Q1	Q2	Q3	Q4	Q5	Q6	Total
50	**50**	**50**	**50**	**50**	**50**	**300**

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SECTION A

QUESTION 1

Select the most correct alternative and enter the letter of the correct answer in the block.

1.1	
1.2	
1.3	
1.4	
1.5	
1.6	
1.7	
1.8	
1.9	
1.10	
1.11	
1.12	
1.13	
1.14	
1.15	
1.16	
1.17	
1.18	
1.19	
1.20	

1.1 The most fundamental economic problem is …

A health.
B poverty.
C scarcity.
D labour.

(2)

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1.2 Which policy would be most effective in correcting the market failure of an unequal distribution of income and wealth?

A Maximum prices.
B Deregulation.
C Privatisation.
D Progressive taxation.

(2)

1.3 If total cost rises from R300 to R315 and average cost falls from R30 to R29, how much will the marginal cost be?

A R29
B R15
C R1
D –R1

(2)

1.4 Which one of the following indicators is least likely to form part of the human development index (HDI)?

A Average years of schooling.
B Infant mortality rate.
C Rate of urbanisation.
D Gross domestic product.

(2)

1.5 Which of the following best describes a macroeconomic issue?

A The increase in the level of unemployment in South Africa as a result of the economic slowdown of the economy.
B A South African citizen's decision to go to the office or to work from home during the 2020 lockdown.
C The price of Covid-19 test kits.
D The wage rate of Cuban doctors in South Africa.

(2)

1.6 Suppose inflation over the next year is expected to be 5% and assume there are no supply shocks. What rate of inflation will the short-run Phillips curve show at the official rate of unemployment?

A 0%
B Between 0% and 4%
C 5%
D Over 5%

(2)

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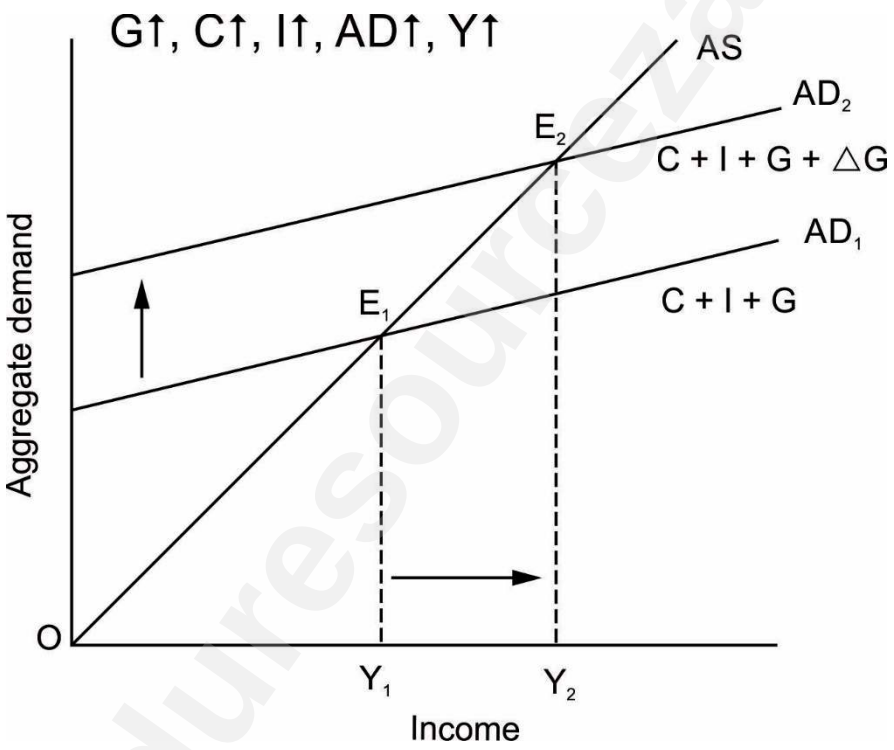
1.7 The term "basis points" is often used in connection with indicators on the financial markets: which one of the following is **correct**?

A 100 basis points equal ten percentage points and one basis point equals 0,01 percentage point.
B One basis point equals 0,01 percentage point and 100 basis points equal one percentage point.
C 100 basis points equal one percentage point and one basis point equals 1,10 percentage points.
D One basis point equals 1,0 percentage point and 100 basis points equal 20 percentage points.

(2)

1.8 Study Graph 1 below and answer the question that follows:

Graph 1: Multiplier



At which equilibrium point on Graph 1 is the economy operating under a full employment level and optimal output?

A AD_1
B E_2
C Y_1
D E_1

(2)

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1.9 Which **ONE** of the following options measures how evenly the income of a country is distributed among the population?

A Phillips curve.
B Consumer price index (CPI).
C Gini coefficient.
D Human poverty index (HPI).

(2)

1.10 The SARB distinguishes four different money aggregates according to the functions of money. What does M1A money consist of?

A Coins and bank notes in circulation plus cheque and transmission accounts held in banks that can be used to make payments.
B Long-term deposits.
C Short-term and medium-term deposits in financial institutions.
D Medium-term deposits plus other deposits.

(2)

1.11 A firm receives R9 000 from its customers in week 1. It has to pay R1 000 in taxes on products and R500 in other taxes on production. It receives R100 in subsidies on products and R50 in other subsidies.

Which of the following total value added equals R7 650?

A The value of its products sold at market prices.
B The value of its products sold at basic prices.
C The value of its products sold at factor cost.
D The value of its products sold at nominal GDP.

(3)

1.12 Suppose the price of a product increases from R50 to R70 and the quantity supplied rises from 40 to 80 units a day. What is the price elasticity of supply (PES)?

A 0,5
B –0,5
C –2,0
D 2,5

(3)

1.13 The macroeconomic multiplier (M) can be calculated in the following way:

A $M = \dfrac{\text{Change in revenue}}{\text{Change in autonomous expenditure}}$

B $M = 1 - \text{marginal propensity to import}$

C $M = \dfrac{\text{Change in autonomous expenditure}}{\text{Change in income}}$

D $M = \dfrac{1}{1 - \text{marginal propensity to consume}}$

(3)

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1.14 Study Table 1 below and answer the question that follows.

Table 1: CPI & PPI for Economy X.

	December 2019	November 2020	December 2020
Consumer price index (CPI)	113,5	116,8	117,0
Producer price index (PPI)	114,5	117,7	117,9

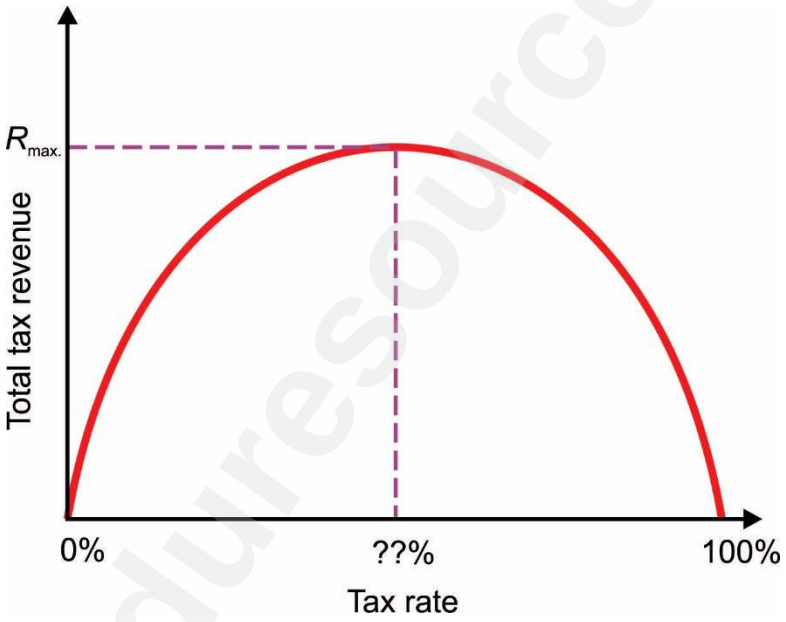
The year-on-year CPI and PPI inflation rates will be …

A CPI = 2,99% and PPI = 2,88%
B CPI = 0,17% and PPI = 0,17%
C CPI = 0,18% and PPI = 3,08%
D CPI = 3,08% and PPI = 2,97%

(3)

1.15 Study Graph 2 and the statements below to answer the question that follows.

Graph 2: Tax rate vs. tax revenue



(i) This curve is known as the Adams curve.
(ii) This curve is known as the Laffer curve.
(iii) Tax revenue (R) is increasing for tax rates between 0% and ??%.
(iv) Tax revenue (R) is at a maximum when the tax rate is equal to ??%.
(v) Tax revenue (R) is at a minimum when the tax rate is equal to ??%.

Choose the letter that represents all the statements that are true.

A (i), (ii) and (iii)
B (i), (iii) and (iv)
C (ii), (iii), (iv)
D (ii) and (iv)

(3)

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1.16 The difference between the balance of payments (BOP) items: income receipts and income payments, indicates …

A the difference between the income earned by South Africans working elsewhere in the world and foreigners who work in South Africa.
B that more money is earned by South Africa from foreign tourists, finances and services.
C that more foreigners are working in South Africa than South Africans working elsewhere in the world.
D the difference between income earned by foreigners and the income earned by South Africans working elsewhere in the world.

(3)

1.17 Study Table 2 below and answer the question that follows.

Table 2: Balance of payments account for Country X

Balance of payments item	Balance of payments amount in billions
Balance on current account	3 280
Net direct investments	12 145
Capital transfer account	–162
Net portfolio investments	–4 271
Net other investments	10 854

The balance on the financial account is …, which indicates a … on this account.

A R18 728; surplus
B R21 846; deficit
C –R7 345; surplus
D R12 125; surplus (3)

1.18 In the short run, … will always get smaller as output increases.

A average fixed cost
B average variable cost
C short-run average cost
D short-run marginal cost (3)

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1.19 Consider the market for grapes and suppose the following occur **simultaneously**:

(i) the price of apples (a substitute for grapes) decreases; and
(ii) world-wide droughts reduce the harvest of grapes by 30%.

In the market for grapes, it can be expected that:

A The equilibrium price of grapes could either increase or decrease, but equilibrium quantity will definitely decrease.
B The equilibrium quantity of grapes could either increase or decrease, but equilibrium price will definitely decrease.
C The equilibrium price of grapes could either increase or decrease, but equilibrium quantity will definitely increase.
D The equilibrium quantity of grapes could potentially increase, but the equilibrium price will definitely increase.

(3)

1.20 Study Table 3 below and answer the questions that follow.

Table 3: GDP 2018 and 2019

Item	**2018 R million**	**2019 R millions**
Final consumption expenditure by households	1 937 396	1 957 656
Final consumption expenditure by general government	641 512	651 103
Gross fixed capital formation	609 614	603 928
A	**B**	–9 130
Residual items	316	3 276
Gross Domestic Expenditure	3 183 398	**C**

[Source: <https://www.resbank.co.za>]

The letters A, B and C represent:

A **A** = Imports; **B** = 5 440; **C** = 3 149 337
B **A** = Change in inventories; **B** = –5 440; **C** = 3 225 093
C **A** = Change in inventories; **B** = –5 440; **C** = 3 206 833
D **A** = Exports; **B** = 5 440; **C** = 3 206 833

(3)

50 marks

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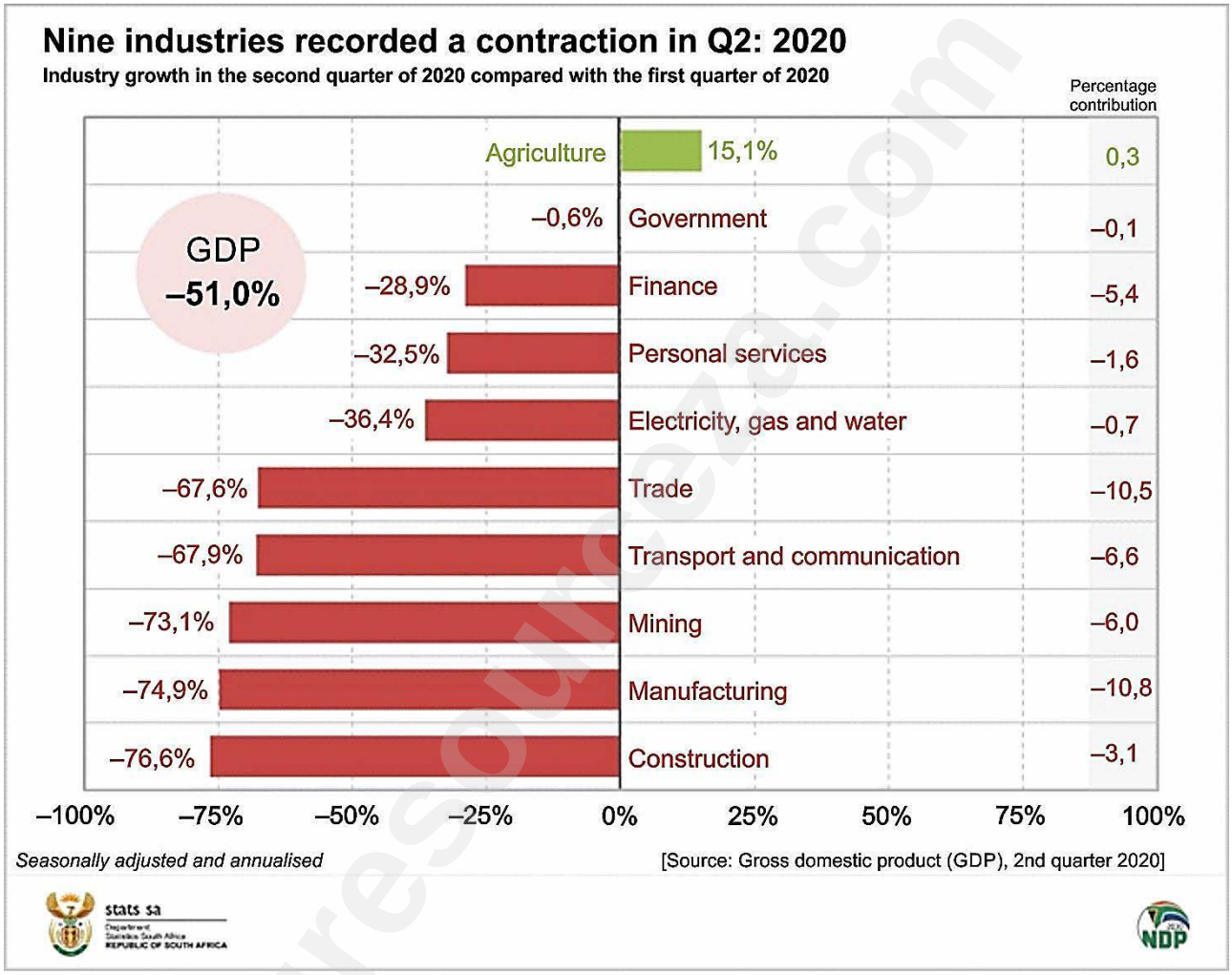
SECTION B

QUESTION 2 MACROECONOMICS

2.1 Study Chart 1 below and answer the questions that follow.

Chart 1: South African GDP



2.1.1 **Describe** the economic term *gross domestic product*.

_____

_____

_____

_____

(2)

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2.1.2 From Chart 1, **identify TWO** industries that can be classified under the primary sector of the economy.

_____

_____

(2)

2.1.3 With reference to Chart 1, **assess** why the agricultural sector recorded an increase in output compared to the contraction in other industries.

_____

_____

_____

_____

(2)

2.1.4 Under **which** sector of the economy can manufacturing be classified?

_____

(1)

2.1.5 **Discuss** why the manufacturing output shrank by 74,9% in Quarter 2 of 2020.

_____

_____

_____

_____

(4)

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2.2

South Africa's economy is in its longest downward cycle in 75 years – and new restrictions will likely extend it.

[Source: Bloomberg 15 December 2020]

2.2.1 **Draw** a fully labelled business cycle for the South African economy. Refer to the headline above and **indicate** South Africa's position on the business cycle with a 'X'.

(7)

2.2.2 With reference to Question 2.2.1, **provide TWO** arguments to support South Africa's position on the business cycle.

(4)

2.2.3 **Evaluate** the **extent** to which the South African government can use fiscal and monetary policies to correct the trend identified in Question 2.2.1.

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(14)

2.3

The rand continues to trade at a stronger level against a basket of major currencies and is approaching R15 to the dollar, after having exchanged hands at R19,35 to the dollar at the beginning of April 2020.

[Source: <sabcnews.com>]

2.3.1 **List TWO** currencies other than the dollar that would form part of 'a basket of major currencies'.

(2)

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2.3.2 **Evaluate** why a stronger rand is good news to some South African consumers.

(4)

2.3.3 **Give TWO** reasons that will generally cause the supply of rands or any other currency to increase.

(4)

2.3.4 Use the information in the textbox of Question 2.3, and **draw** an exchange rate diagram using the **indirect method** to **support** the information provided in the excerpt.

(4)
[50]

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QUESTION 3 MICROECONOMICS

3.1

The price of US oil has turned negative for the first time in history.

[Source: BBC News – 20 April 2020]

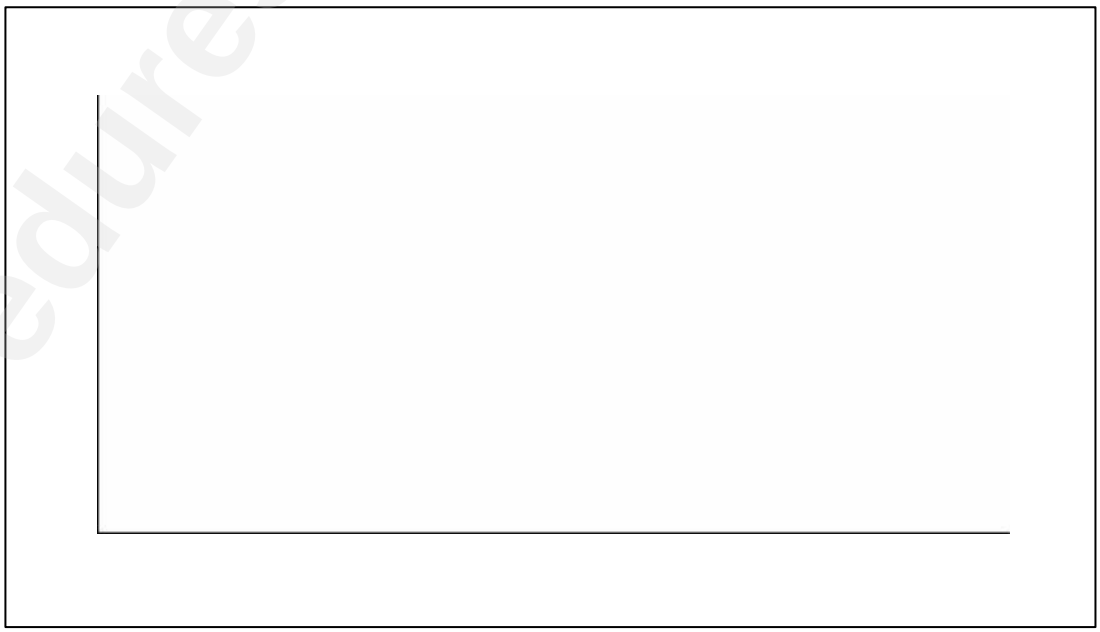
3.1.1 **Describe** the economic terms *supply* and *demand*.

(4)

3.1.2 Briefly **explain** the reasons that could have caused the oil price to turn negative in the US during the COVID-19 pandemic.

(4)

3.1.3 **Draw** a supply and demand diagram only to **illustrate** and support your answer to Question 3.1.2 above.



(6)

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3.2

E-book reading is booming during the coronavirus pandemic.

[Source: <fortune.com/2020/06/18>]

3.2.1 Graphically **illustrate** the **short-term impact** that an increase in the demand for e-books will have on the market for hard-copy books.

(4)

3.2.2 **Provide** a brief explanation to support the excerpt in Question 3.2 and the graph above.

(4)

3.3 **Differentiate** between the characteristics of monopolistic competition and a monopoly by completing Table 4 below.

Table 4: Market structures

Characteristic	Monopolistic	Monopoly
Number of producers		
Nature of the products		
Consumers' access to market knowledge		

(6)

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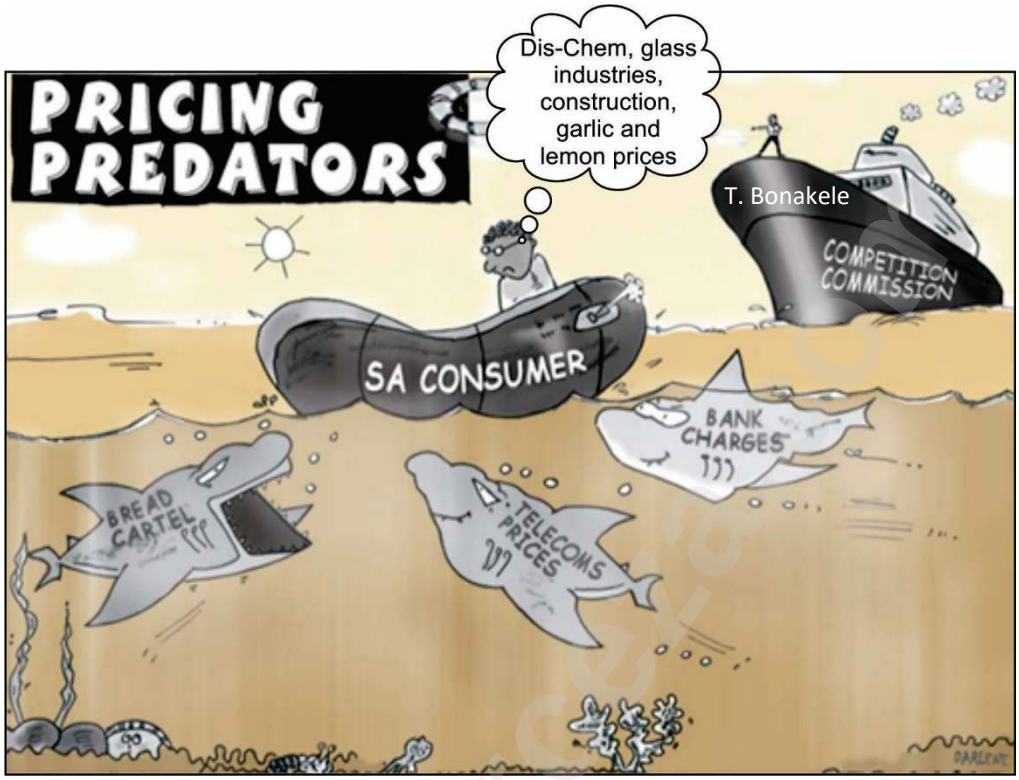
3.4 Study Cartoon 1 below and answer the questions that follow.

Cartoon 1: Competition Commission



[Adapted from: Creamer Media's Engineering News at <www.engineeringnews.co.za>]

3.4.1 What is the **aim** of the Competition Act?

_____

(2)

3.4.2 **Discuss** the role of the Competition Commission in South Africa.

_____

_____

_____

_____

(4)

3.4.3 Refer to **ONE** case depicted in Cartoon 1 to **evaluate** the success of the Competition Commission.

_____

_____

_____

_____

(4)

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3.5

The price elasticity of demand for Covid-19 healthcare expenditure and Covid-19 vaccine expenditure is 0,844 and 0,336, respectively.

3.5.1 **Describe** the economic term price *elasticity of demand* (PED).

(2)

3.5.2 Refer to the information above and **provide** a detailed explanation of the PED for Covid-19 healthcare and Covid-19 vaccine expenditure to the consumer.

(2)

3.5.3 **Evaluate TWO** factors that can influence the price elasticity of demand for Covid-19 vaccine expenditure. **Discuss** relevant examples of Covid-19 vaccine expenditure to support your argument.

(8)
[50]

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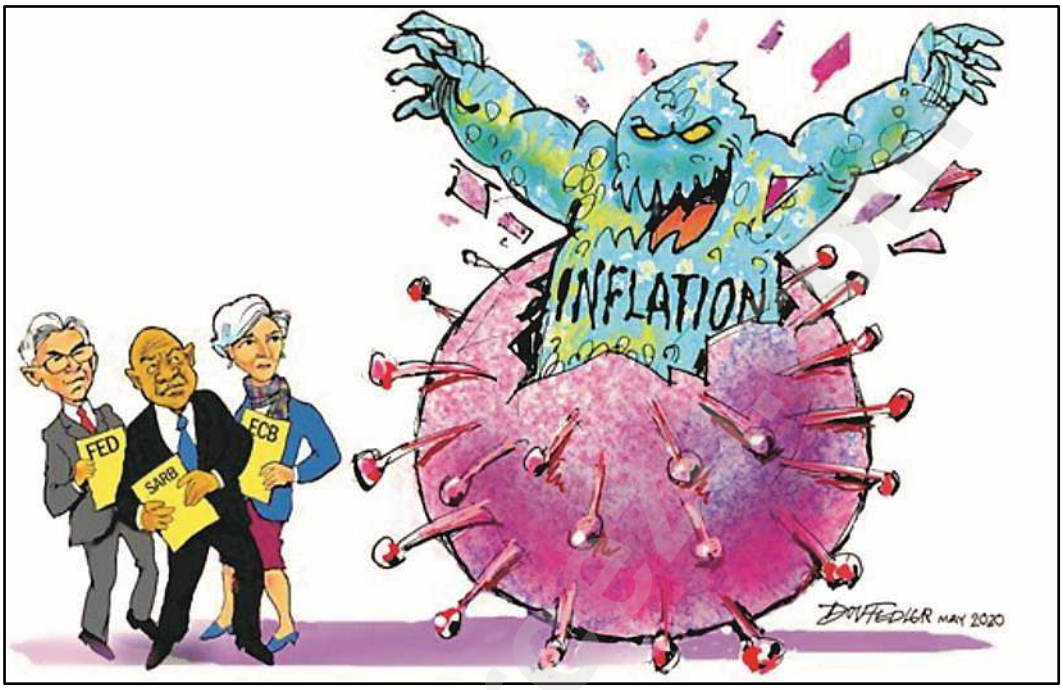
QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 Study Cartoon 2 below and answer the questions that follow.

Cartoon 2: Inflation



[Source: <Investec.com>]

4.1.1 **What** do the following abbreviations stand for?

SARB

_____ (1)

FED

_____ (1)

4.1.2 **Distinguish** between the following inflation concepts:

Deflation

_____

_____ (2)

Disinflation

_____

_____ (2)

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4.1.3 **Discuss** in detail **FOUR** causes of cost-push inflation.

(12)

4.2 **Discuss** the economic concepts *direct* and *indirect taxes* to clearly **demonstrate** the differences. Also provide an example of each tax.

(6)

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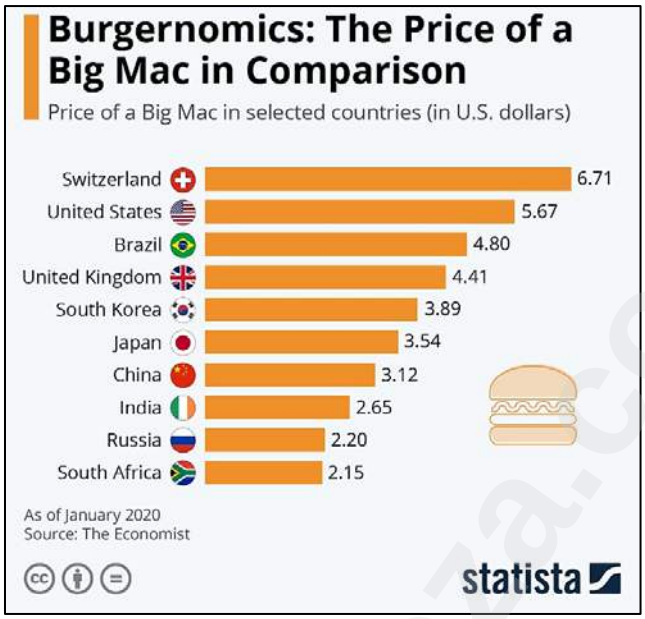
4.3 Study Chart 2 below and answer the questions that follow.

Chart 2: Indicators used in international comparisons



4.3.1 **Describe** the economic term *purchasing power parity* (PPP).

(2)

4.3.2 From Chart 2 above, **identify TWO**:

BRICS countries

(2)

Developed countries

(2)

4.3.3 Refer to Chart 2 and briefly **explain** how to interpret the Big Mac index. Make specific mention of South Africa having the cheapest burger on the index.

(4)

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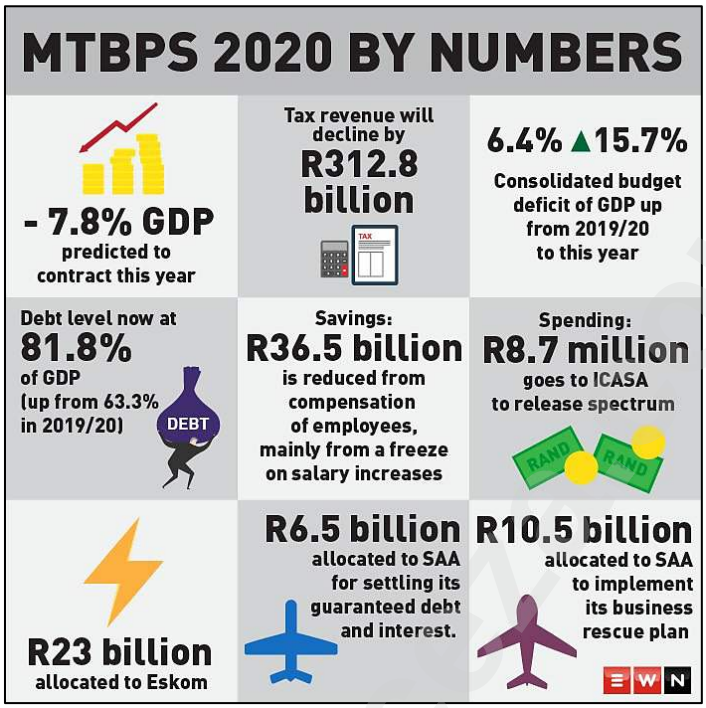
4.4 Study Source 1 below and answer the questions that follow.

Source 1: The South African National Budget



[Source: <ewn.co.za>]

4.4.1 **What** does the abbreviation MTBPS stand for?

_____

(1)

4.4.2 **List** any **THREE** sources of tax revenue for the South African government.

_____

_____

_____

(3)

4.4.3 Briefly **explain** the difference between a national budget deficit and a national budget surplus.

_____

_____

_____

_____

(4)

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4.4.4 With reference to Source 1, **identify** and **explain TWO** factors that could have caused the budget deficit to increase.

(4)

4.4.5 From Source 1, **explain** the economic term *debt level of GDP*.

(2)

4.4.6 With reference to Question 4.4.5, **explain** whether the South African government should be concerned about the debt level of GDP.

(2)
[50]

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QUESTION 5 MIXED QUESTIONS

5.1 Study Table 5 below and answer the questions that follow.

Table 5: Cost data

Quantity	Fixed cost	Variable cost	Total cost	Average cost	Marginal cost
0	60	0	55	–	–
1	60	**A**	82	82	37
2	60	36	96	48	**D**
3	60	45	**B**	35	8
4	60	60	120	**C**	**E**

5.1.1 **Calculate** the values of **A**, **B, C, D and E.** You do not have to show your calculations.

A: _____

B: _____

C: _____

D: _____

E: _____

(5)

5.1.2 Use an example to **explain** why variable cost increases as production increases.

_____

_____

_____

(2)

5.1.3 **Describe** the economic term *marginal cost*.

_____

_____

(2)

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5.2 **From import substitution to export promotion: driving the South African motor industry.**

5.2.1 Briefly **explain** the difference between import substitution and export promotion policies.

(4)

5.2.2 **Discuss THREE** methods that the South African government can use to promote exports in the South African motor industry.

(9)

5.2.3 **Assess** the impact of a policy of export promotion on the South African economy.

(6)

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5.3 Complete Table 6 below by **evaluating** each type of market failure.

Table 6: Market failures

Type of market failure	Consequence of market failure	Example of government intervention
Demerit goods	Over consumption of products with negative externalities.	Information must be displayed for, e.g., age for consumption.
Imperfect competition		
Unequal distribution of income		
Immobility of the factors of production		
Public goods		

(16)

5.4 Use ONLY a diagram to **illustrate** the impact of a maximum price on COVID-19 vaccines.

(6)
[50]

200 marks

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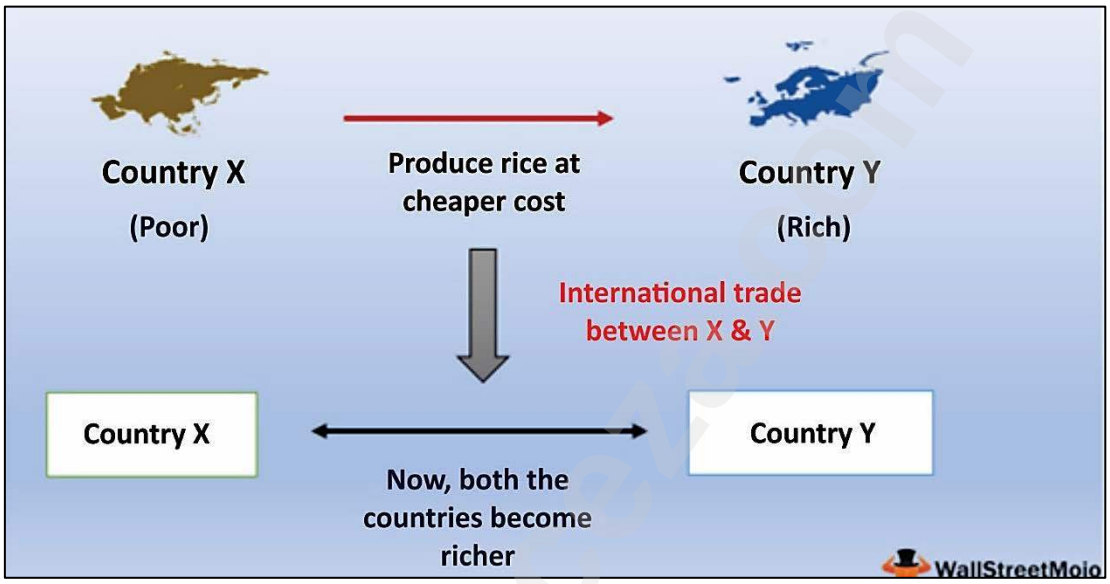
SECTION C

QUESTION 6 DATA RESPONSE

6.1 Study Source 2 below and answer the questions that follow.

Source 2: International Trade



6.1.1 **Evaluate** the economic benefits and drawbacks of mutual trade relations.

(6)

6.1.2 **Discuss FOUR** reasons with suitable examples why countries trade.

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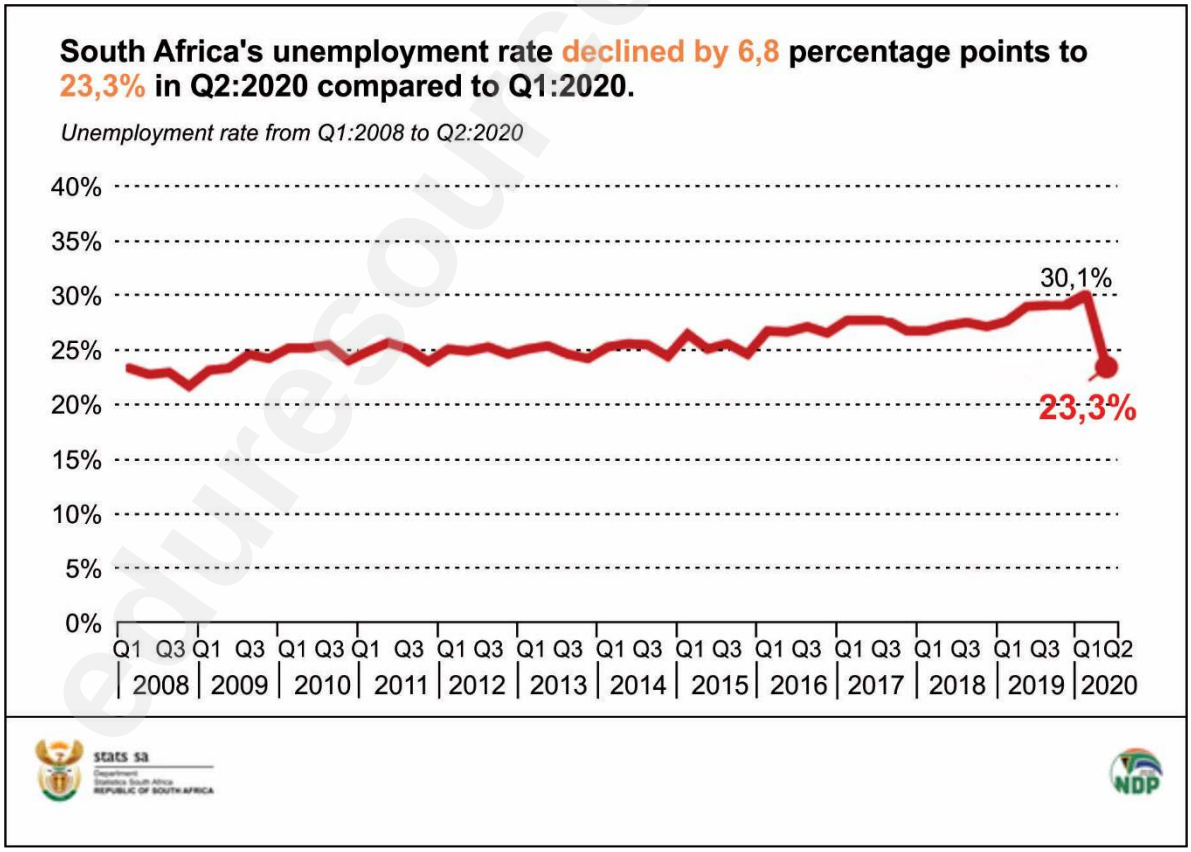
(12)

6.2 Study Source 3 and Source 4 below and answer the questions that follow.

Source 3: South Africa's unemployment rate



[Source: <https://www.southafricanmi.com/south-africas-unemployment.html>]

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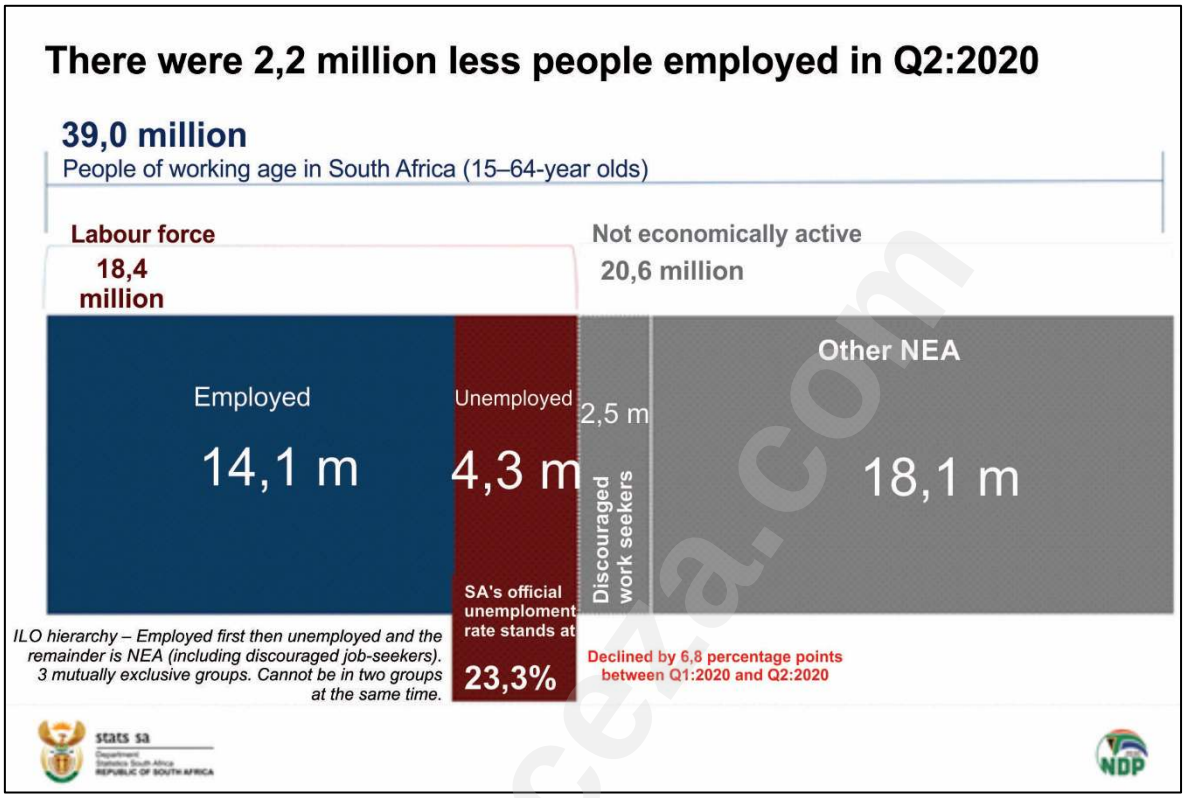
Source: 4



[Source: <https://www.southafricanmi.com/south-africas-unemployment.html>]

6.2.1 **Describe** the economic term *unemployment rate*.

(2)

6.2.2 Briefly **explain** the difference between the *strict definition* and the *expanded definition* of unemployment.

(4)

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6.2.3 With reference to Source 3, **explain** why the South African unemployment rate decreased so dramatically during an economic downswing?

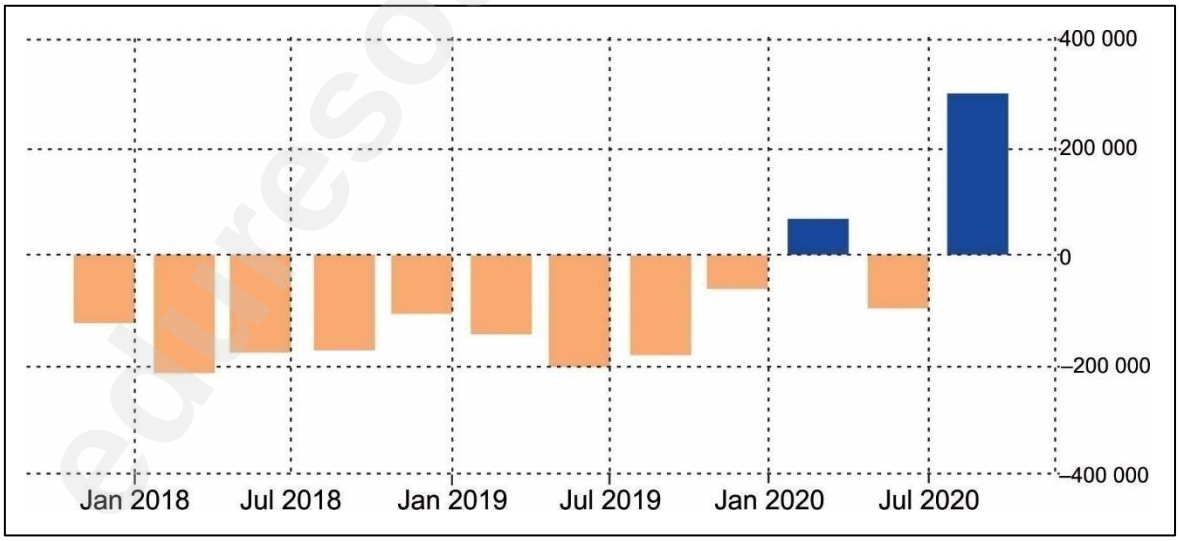
(4)

6.2.4 **Should** the South African government **be concerned** about the data on discouraged work seekers in Source 4? **Justify** your answer.

(4)

6.3 Study Source 5 below and answer the questions that follow.

Source 5: South Africa's Current account



[Source: <tradingeconomics.com> | South African Reserve Bank]

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6.3.1 With reference to Source 5, **comment** on the Current account data from Quarter 2 2020 to Quarter 3 2020.

(2)

6.3.2 **Discuss** with **examples** the **FOUR** sections that make up the Current account in the balance of payments.

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(16)

50 marks

Total: 300 marks

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ADDITIONAL SPACE TO ANSWER QUESTIONS. REMEMBER TO CLEARLY INDICATE AT THE QUESTION THAT YOU USED THE ADDITIONAL SPACE TO ENSURE THAT ALL THE ANSWERS ARE MARKED.

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