



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS
NOVEMBER 2010**

MARKS: 300

TIME: 3 hours

This question paper consists of 17 pages.

INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows in the ANSWER BOOK:
 - SECTION A: COMPULSORY
 - SECTION B: Answer any THREE of the five questions.
 - SECTION C: Answer any TWO of the four questions.
2. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully and start each question on a NEW page.
5. Leave 2 – 3 lines between subsections of questions.
6. 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.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.

SECTION A (COMPULSORY)**QUESTION 1****50 MARKS – 25 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 – 1.1.12) in the ANSWER BOOK.

1.1.1 The distance of the fluctuation of a variable from the trend-line is measured by the ...

- A moving average.
- B amplitude.
- C frequency.

1.1.2 The public sector in South Africa has ... levels.

- A two
- B five
- C three

1.1.3 The value of the multiplier increases if the marginal propensity to ... increases.

- A consume
- B save
- C to invest

1.1.4 An oligopoly can be described as a market structure with ... business(es)/firm(s).

- A one
- B few
- C many

1.1.5 Maximum profit is earned at the point where marginal revenue is equal to ...

- A average cost.
- B total cost.
- C marginal cost.

1.1.6 An example of a cartel is ...

- A the Organisation of Petroleum Exporting Countries (OPEC).
- B Coca-Cola.
- C Pick n Pay.

- 1.1.7 The aim of the ... is to develop Africa as an economic and monetary union.
- A Southern African Development Community (SADC)
 - B European Union (EU)
 - C African Union (AU)
- 1.1.8 Small, medium and micro enterprises (SMMEs) create employment for ... unemployed people.
- A seasonally
 - B structurally
 - C frictionally
- 1.1.9 Economic development impacts mainly on ...
- A the standard of living.
 - B the real gross domestic product.
 - C aggregate supply.
- 1.1.10 Due to inflation the buying power in 2009, compared to 1995, ...
- A increased.
 - B decreased.
 - C remained the same.
- 1.1.11 The ... sector creates the most jobs globally.
- A tourism
 - B farming
 - C telecommunication
- 1.1.12 Greenhouse gases form part of ... pollution.
- A water
 - B land
 - C air
- (12 x 2) (24)

1.2 Give ONE term for each of the following descriptions by choosing a term from the list below. Write only the term next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

depression; unregulated market; gross domestic product (GDP);
black economic empowerment (BEE); poor infrastructure;
a good infrastructure; regulated market; Asgisa;
gross domestic expenditure (GDE)

- 1.2.1 The total value of all final goods and services that are produced within the borders of a country
- 1.2.2 High unemployment, low wages and decreased purchasing power of households
- 1.2.3 A market where there is no government interference
- 1.2.4 A redress policy used by the South African government
- 1.2.5 A reason for the development of the tourism industry (5 x 2) (10)

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

	COLUMN A		COLUMN B
1.3.1	Social services	A	produces given goods at a lower input cost than other countries
1.3.2	Comparative advantage	B	at a price less than average cost (AC)
1.3.3	Shut-down point	C	an indicator of inflation
1.3.4	Marginal cost	D	the objectives of government to improve the livelihoods of the poor
1.3.5	Dualistic	E	cost incurred when production increases by an additional unit
1.3.6	South African Reserve Bank (SARB)	F	dumping of waste material
1.3.7	Environmental pollution	G	at a price less than average variable cost (AVC)
1.3.8	Consumer price index (CPI)	H	the monetary authority in South Africa
		I	a country where a developed component co-exists with a developing component
			(8 x 2)

(16)

TOTAL SECTION A: 50

SECTION B

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

QUESTION 2**50 MARKS – 25 MINUTES**

2.1 Choose the correct word from those given in brackets. Write only the word next to the question number (2.1.1 – 2.1.4) in the ANSWER BOOK.

2.1.1 The situation where a change in spending causes a larger than proportional change in aggregate demand, is the (multiplier/marginal propensity to consume).

2.1.2 (Restrictive/Expansionary) fiscal policy promotes economic activity.

2.1.3 (Nationalisation/Privatisation) is a process whereby state-owned enterprises are sold to individuals.

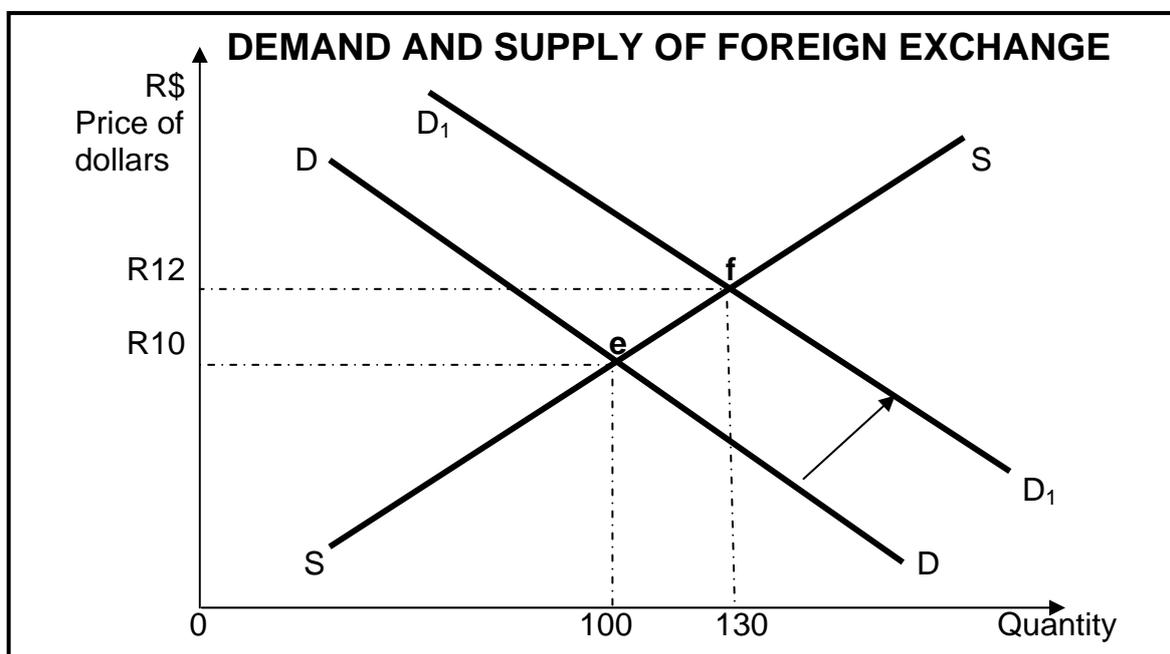
2.1.4 Countries with sustained balance of payments problems are usually assisted by the (World Bank/International Monetary Fund).

(4 x 2) (8)

2.2 List the THREE economic indicators used in forecasting of business cycles.

(3 x 2) (6)

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



2.3.1 At what point on the graph does equilibrium for foreign exchange originally occur? (2)

2.3.2 What happens to the demand for dollars when DD shifts to D_1D_1 ? Give ONE reason. (4)

2.3.3 What happens to the value of the rand when DD shifts to D_1D_1 ? Motivate your answer. (4)

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

TERMS OF TRADE			
Year	Index of export prices	Index of import prices	Terms of trade
2005	100	100	100
2010	105	101	A

2.4.1 Calculate the terms of trade for **A**. Show ALL calculations. (3)

2.4.2 What does a decrease in the terms of trade mean? (2)

2.4.3 What is the base year according to the table? (2)

2.4.4 Describe the movement in the terms of trade from 2005 – 2010. (3)

2.5 Explain *leakages* and *injections*. (8)

2.6 Discuss the Monetarist approach as a cause of business cycles. (8)

[50]

QUESTION 3**50 MARKS – 25 MINUTES**

- 3.1 Choose the correct word from those given in brackets. Write only the word next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.
- 3.1.1 Collusion is typical of the (oligopolistic/monopolistic) market.
- 3.1.2 The market for water and electricity is an example of a/an (natural/artificial) monopoly.
- 3.1.3 The demand curve of a perfect competitor is the same as his marginal (revenue/cost) curve.
- 3.1.4 The market supply (can/cannot) be controlled by the monopolist. (4 x 2) (8)
- 3.2 List any THREE characteristics of monopolistic competition. (3 x 2) (6)
- 3.3 Study the extract below and answer the questions that follow.

R53 MILLION FINE FOR PRICE FIXING***COLLUSION: Health group fixed prices of medical supplies***

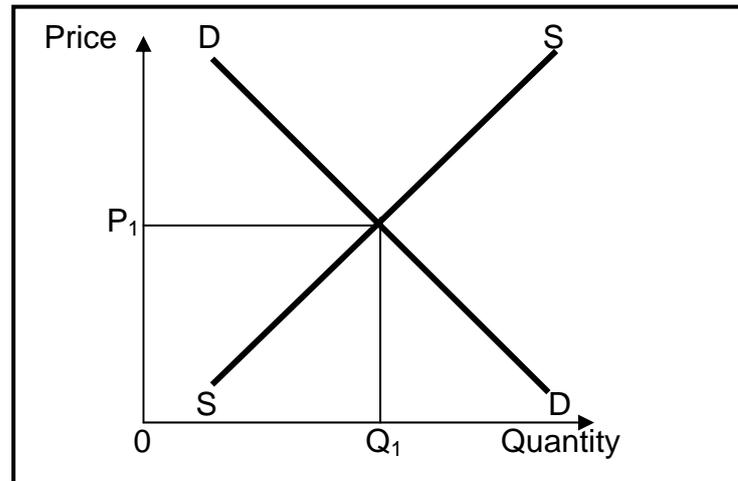
Tiger Brands CEO says their firm is 'upset and embarrassed' by the involvement of Adcock Ingram Critical Care (AICC) in collusion, for which it will pay a R53 million penalty. This follows yesterday's announcement that AICC admitted to being involved in collusive tendering with its competitors for a state tender for intravenous medical products.

The Competition Commission said the penalty it imposed on AICC equates to eight percent of the division's annual turnover, and that the penalty is the highest imposed by it to date – in percentage terms – for collusive behaviour. The commission has referred the matter to its sister body, the Competition Tribunal, to confirm the order.

[Adapted from: *Business Times*, 2007]

- 3.3.1 State TWO aims of the competition policy in South Africa. (4)
- 3.3.2 Explain the role played by the Competition Tribunal regarding AICC's anti-competitive behaviour. (3)
- 3.3.3 Which body/institution can AICC approach if it had not been happy with the penalty imposed by the Competition Tribunal? (3)

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



- 3.4.1 Which type of market does the graph represent? (2)
- 3.4.2 Explain how price is determined in the above market. (4)
- 3.4.3 Copy the above graph to the ANSWER BOOK and show what would happen if new firms enter at this market. (4)
- 3.5 Discuss how non-price competition influences the behaviour of oligopolists. (8)
- 3.6 Draw a fully labelled graph to illustrate economic profit for a monopolist in the short run. (8)
- [50]**

QUESTION 4**50 MARKS – 25 MINUTES**

- 4.1 Choose the correct word from those given in brackets. Write only the word next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.
- 4.1.1 The (World Trade Organisation/World Bank) helps to promote free trade by persuading countries to abolish import tariffs.
- 4.1.2 The (European Union/New Partnership for Africa's Development) plays a central role in promoting economic recovery in Africa.
- 4.1.3 The growth, employment and redistribution programme formulates general economic (guidelines/strategies).
- 4.1.4 The (human/poverty) development index focuses on living a long and healthy life, being educated and having a decent standard of living. (4 x 2) (8)
- 4.2 List any THREE arguments in favour of free trade. (3 x 2) (6)
- 4.3 Study the extract below and answer the questions that follow.

DEPARTMENT OF TRADE AND INDUSTRY TO SPEED UP REGIONAL INDUSTRIAL DEVELOPMENT

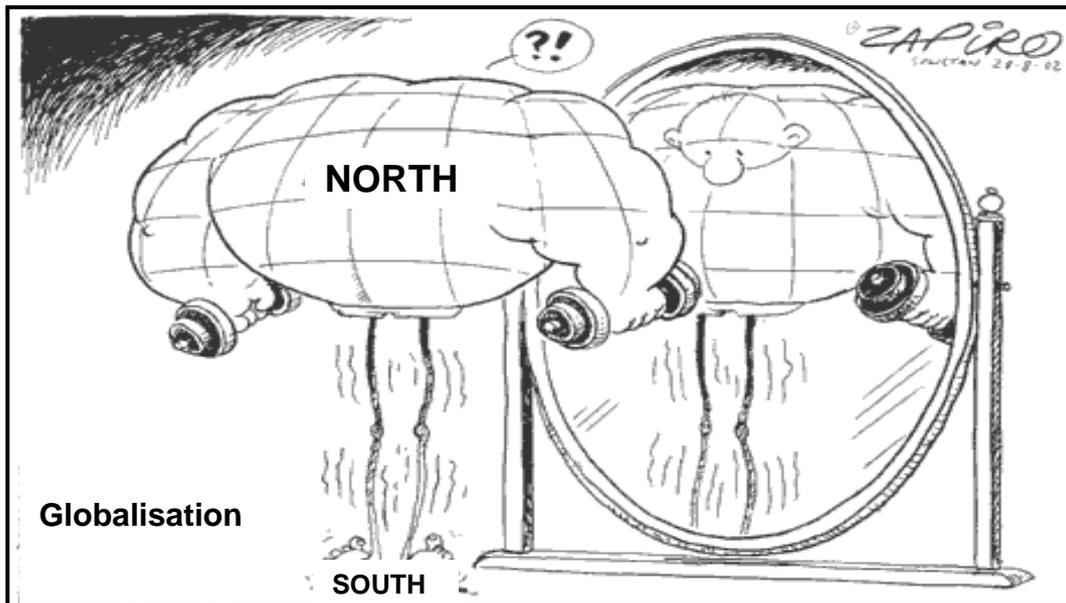
The Department of Trade and Industry's Enterprise and Industry Development Division's (EIDD) purpose is to provide leadership in the development of policies and strategies that create an enabling environment for competitiveness, equity and enterprise development.

Incentives which comply with the EIDD's objectives include CIP and IDZs. The IDZs have been linked to the major international airports and ports. By the mid-2008, IDZs existed at Coega in East London, at Richards Bay in KwaZulu-Natal and in the one linked with OR Tambo International Airport in Gauteng.

[Adapted from: SA Year Book, 2008/2009]

- 4.3.1 What does the abbreviation *IDZ* mean? (2)
- 4.3.2 State any THREE aims of the IDZs in the South African economy. (6)
- 4.3.3 What is the purpose of the EIDD? (2)

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



- 4.4.1 Briefly explain the North-South divide as illustrated in the above cartoon. (4)
- 4.4.2 Explain the negative effects of globalisation on South Africa. (6)
- 4.5 Discuss dumping as an argument in favour of protectionism. (8)
- 4.6 Discuss the difference between *economic growth* and *economic development*. (8)
- [50]**

QUESTION 5**50 MARKS – 25 MINUTES**

- 5.1 Choose the correct word from those given in brackets. Write only the word next to the question number (5.1.1 – 5.1.4) in the ANSWER BOOK.
- 5.1.1 When aggregate spending in the economy increases faster than output, (demand-pull/cost-push) inflation occurs.
- 5.1.2 A decrease in the general price level is called (deflation/stagflation).
- 5.1.3 Globalisation provides an injection to (national/international) tourism.
- 5.1.4 Environmental taxation is an example of (government/market) related measures to ensure sustainability. (4 x 2) (8)
- 5.2 List any THREE characteristics of cost-push inflation. (3 x 2) (6)
- 5.3 Study the extract below and answer the questions that follow.

A TOUGH CATCH

The relentless hunt for tuna is harming not just the fish but businesses, consumers and the planet, because if you take the top predators out, the ecosystem begins to get out of balance.

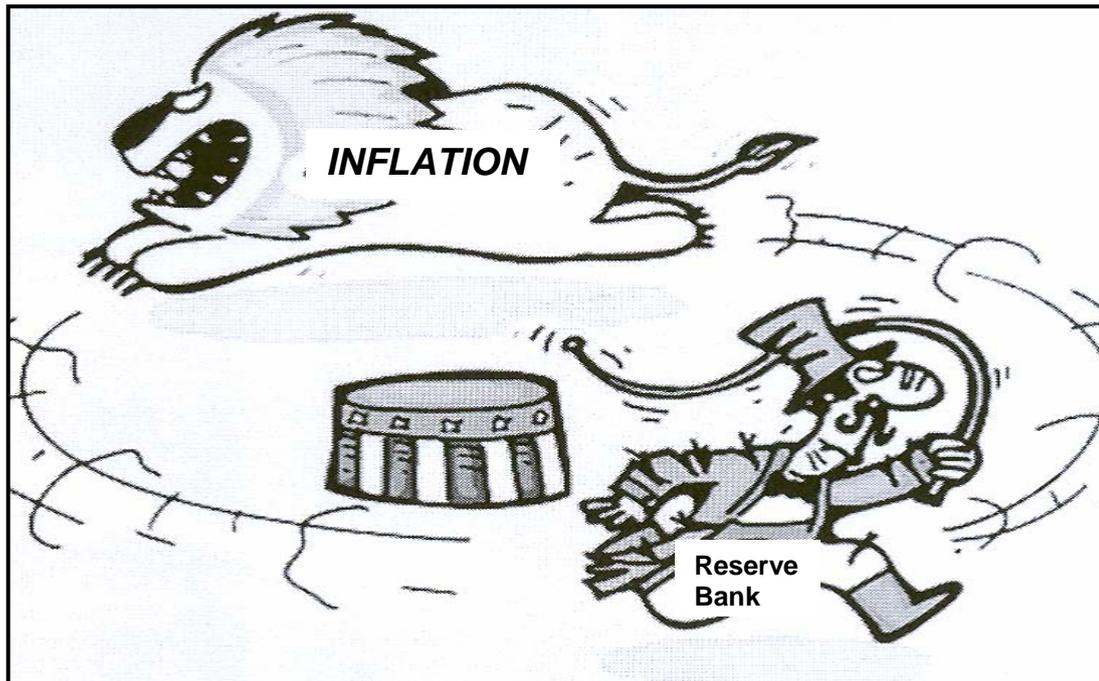
In comparison with 1950 where 600 000 tons of tuna were caught worldwide, last year's figures of 6 million tons, is staggering! At the world's biggest tuna market in Tsukiji, tuna is sold daily at \$50 per kg. Realising that a Blue fin can live for decades, growing more than 3 m long – weighing up to 680 kg, this can be seen as a temporary money-making machine.

The hunt is relentless – throwing the entire food chain off. A process not controlled by countries, but by companies, worried only about the industry and keeping the jobs. Maybe the only solution will be by supporting Greenpeace or the WWF to increase marine reserves and manage the ones that already exist more effectively.

[Adapted from: *Time* magazine, 9 November 2009]

- 5.3.1 How, according to you, will the relentless hunt for tuna harm the consumer? (3)
- 5.3.2 Why is tuna seen as a money-making machine? (3)
- 5.3.3 Give any TWO solutions to the problems mentioned in the above extract. (4)

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



- 5.4.1 Describe the message in the cartoon above. (2)
- 5.4.2 Name ONE instrument of the fiscal policy to combat inflation. (2)
- 5.4.3 What is the inflation target in South Africa? (2)
- 5.4.4 Do you think that the inflation target will be attainable? Explain. (4)
- 5.5 Distinguish between renewable and non-renewable resources. (8)
- 5.6 Explain *hyperinflation* and *stagflation*. (8)
- [50]**

QUESTION 6**50 MARKS – 25 MINUTES**

- 6.1 Choose the correct word from those given between brackets. Write only the word next to the question number (6.1.1 – 6.1.4) in the ANSWER BOOK.
- 6.1.1 Real and money flows move in the (same/opposite) direction.
- 6.1.2 Factors of production are sold in the (resource/money) market.
- 6.1.3 When a country produces more goods and services than in the previous year, it is known as economic (growth/decline).
- 6.1.4 The main electricity supplier in South Africa is (Eskom/Sasol). (4 x 2) (8)
- 6.2 List THREE methods by which the gross domestic product can be calculated. (3 x 2) (6)
- 6.3 Study the table below and answer the questions that follow.

NATIONAL INCOME AND PRODUCTION ACCOUNTS OF SOUTH AFRICA

	2009 R millions
Compensation of employees	1 086 907
Net operating surplus	728 426
Consumption of fixed capital	332 824
Gross value added at factor cost	2 148 157
Plus other taxes on production	38 173
Less other subsidies on production	5 092
Gross value added at basic prices	2 181 238
Taxes on products	245 198
Less subsidies on products	3 113
Gross domestic product at market prices	2 423 323

[Source: SARB, Quarterly Bulletin, March 2010]

- 6.3.1 Explain the item *subsidies on products*. (3)
- 6.3.2 Explain the item *consumption of fixed capital*. (3)
- 6.3.3 Calculate the compensation of employees as a percentage of GDP at market prices. Show ALL calculations. (4)

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

LIFE EXPECTANCY AND ADULT LITERACY IN SOUTH AFRICA

PROVINCE	LIFE EXPECTANCY AT BIRTH (YEARS)	ADULT LITERACY RATE (%)
Eastern Cape	60,41	76,47
Free State	52,78	88,77
Gauteng	59,62	98,13
KwaZulu-Natal	52,98	89,17
Mpumalanga	53,49	79,42
Northern Cape	55,62	83,79
Limpopo	60,10	73,16
North West	53,29	95,76
Western Cape	60,83	95,76

[Source: SAIRR, 2009]

- 6.4.1 Define the term *life expectancy*. (3)
- 6.4.2 Which province has the highest life expectancy? (3)
- 6.4.3 Give TWO possible reasons for a low adult literacy rate. (4)
- 6.5 Discuss the role of households (consumers) in the economic circular flow model. (4 x 2) (8)
- 6.6 Discuss capital and technology as factors that are necessary for economic growth. (2 x 4) (8)
- [50]**

TOTAL SECTION B: 150

SECTION C

Answer any TWO of the four 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.
- Five marks will be allocated for the interpretation of the topic.
- A maximum of 40 marks will be allocated for the body.

II. Non-essay responses:

- Can include: formal letters, minutes, reports or memoranda.
- Five marks will be allocated for the interpretation of the topic.
- In addition 5 marks will be allocated for the format.
- A maximum of 40 marks will be allocated for the content.

QUESTION 7**50 MARKS – 40 MINUTES**

Due to problems experienced in the Department of Public Enterprises, Nomsa Dlamini, the Minister of Public Enterprises, writes a memorandum to personnel in her Department to discuss the necessity of the public sector and the macroeconomic objectives of the government in detail.

Write the memorandum on behalf of Mrs Nomsa Dlamini.

[50]**QUESTION 8****50 MARKS – 40 MINUTES**

Discuss FIVE reasons for market failures and briefly describe the South African government's attempts to improve income distribution.

[50]**QUESTION 9****50 MARKS – 40 MINUTES**

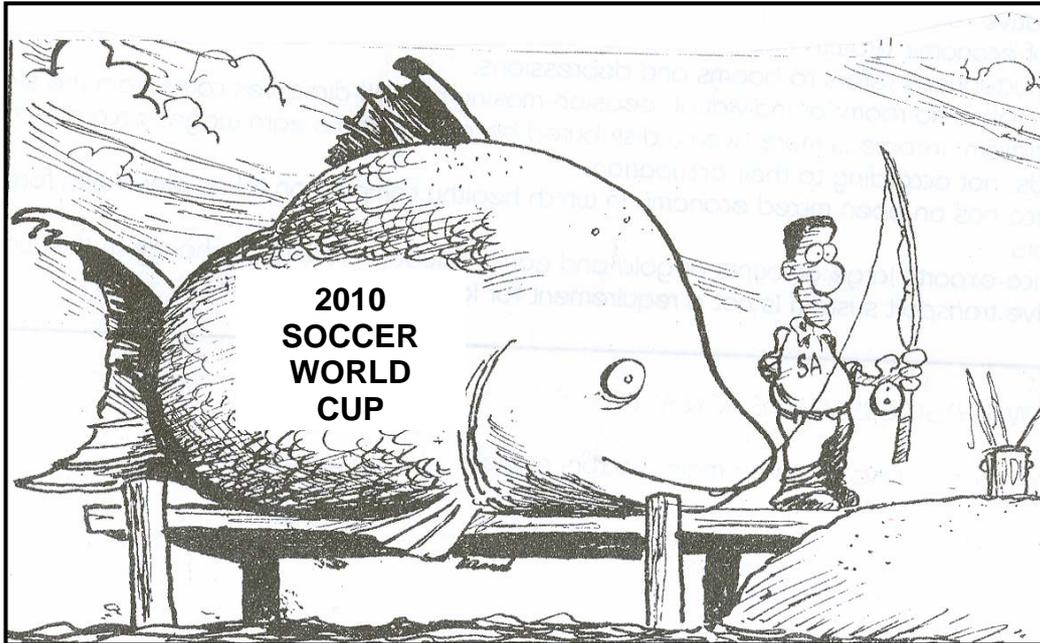
Discuss and assess the economic indicators as depicted below, in terms of the state of the South African economy.

ECONOMIC INDICATORS MEASURE THE PERFORMANCE OF THE ECONOMY

	2008	2009
R(GDP) - % change	-2%	-6%
PER CAPITA R(GDP)	R22 622	R23 403
CPI	9,0%	6,2%
REPO RATE	10,5%	7,5%
GINI COEFFICIENT	57,8	57,8

[Economic Indicators for South-Africa, *Quarterly Bulletin SARB*, June 2009]

[50]

QUESTION 10**50 MARKS – 40 MINUTES**

Discuss the positive impact of tourism, highlighting the contribution of the 2010 Soccer World Cup, on the South African economy.

[50]

TOTAL SECTION C: 100
GRAND TOTAL: 300