

ECONOMICS

GRADE 12

JUNE EXAMINATION

DATE: 8 June 2016

TIME: 3 Hours

EXAMINER: Mrs. K Coetzer

MARKS: 300

EXTERNAL MODERATOR: Ms T. Matlhoko

INTERNAL MODERATOR: Mrs. E. van der Westhuizen

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY:

1. This question paper consists of 18 pages. Please check that your question paper is complete.
2. Read all the instructions and questions carefully.
3. All questions are **COMPLUSORY.**
4. Answer the questions where possible, point by point in full sentences. A systematic presentation of facts is required.
5. Number the answers exactly as the questions are numbered.
6. Please leave single line spaces open between answers. Start each question on a new page.
7. It is in your best interest to write legibly and to present your work neatly.
8. Non-programmable calculators may be used.
9. Answer all questions in blue or black ink. Only sketches or diagrams may be done in pencil.
8. **GOOD LUCK ☺**

QUESTION	POTENTIAL MARK	MARK ACHIEVED
Question 1	50	
Question 2	50	
Question 3	50	
Question 4	50	
Question 5	50	
Question 6	50	
TOTAL	300	

Mrs. K Coetzer (Examiner)

Ms T. Matlhoko
(External Moderator via E-mail)

Mrs. E. van der Westhuizen (Internal Moderator)

SECTION A

QUESTION 1 MULTIPLE CHOICE QUESTIONS

1.1 If MPS is equal to 0,3, then the multiplier is ...

- A 1.42
- B 3,33
- C 0,02
- D 2

(2)

1.2 **Table 1 Revenue Figures**

Price	Quantity	Total Revenue (TR)	Marginal Revenue (MR)
10	10		
9	20	A	
8	30	240	
7	40		40
6	50		
5	60		
4	70		B

The values of A and B in the table are:

- A 30 and 20 respectively.
- B 180 and 280 respectively.
- C 220 and 0 respectively.
- D 180 and -20 respectively.

(2)

1.3 When the economy is using most of its resources, such as skilled labour and capital, the business cycle phase will be known as a ...

- A recession.
- B boom.
- C trend.
- D peak.

(2)

- 1.4 If the gross value added at basic prices is R1 353 billion, subsidies on products is R4 billion and taxes on products is R 174 billion, then the gross domestic product at market prices is ...
- A R1 523 billion
 - B R1 183 billion
 - C R1 353 billion
 - D R1 531 billion (2)
- 1.5 Perfectly competitive firm will make a normal profit when ...
- A its total cost of production is equal to its total revenue.
 - B its total revenue is greater than its total cost of production.
 - C it makes an economic loss.
 - D its overhead costs decrease. (2)
- 1.6 China uses a _____ exchange rate system to determine the value of the yuan against the dollar.
- A managed floating
 - B fixed
 - C free floating
 - D mixed (2)
- 1.7 The South African CPI was 112.4 in October 2013 and 119.3 in October 2014. The inflation in October 2014 was therefore ...
- A 5.8%
 - B 1.1%
 - C 6.1%
 - D 11% (2)

- 1.8 This type of monopoly occurs when a parent company takes control over several smaller companies ...
- A Legal Monopoly
 - B Natural Monopoly
 - C Horizontal Monopoly
 - D Vertical Monopoly (2)
- 1.9 A transaction in which the investor does not have control of the enterprise in which he invests would be found in the:
- A net direct investment
 - B net other investment
 - C net portfolio investment
 - D none of the above (2)
- 1.10 Which one of the following is classified as an economic resource?
- A Consumption
 - B Productivity
 - C Production
 - D Entrepreneurship (2)
- 1.11 Which one of the following acronyms is NOT a South African economic development policy?
- A MPC
 - B NGP
 - C RDP
 - D ASGISA (2)

1.12 This country is South Africa's biggest individual African trade partner.

- A Zimbabwe
 - B Botswana
 - C Nigeria
 - D Kenya
- (2)

1.13 **Table 1: Balance of payments**

Item	Amount (R –Billio
Balance on current account	-68 416
Net direct investments	-33 538
Capital Transfer account	80
Net Portfolio investment	47 575
Net other investments	66 897

The balance on the financial account is...

- A R 12 578 billion
 - B R 81 024 billion
 - C R 80 934 billion
 - D R 12 518 billion
- (3)

1.14 Which one of the following statements about a merit good is true?

- A It may be provided by the free market, but not in sufficient quantities.
 - B Once the good has been supplied to one consumer there is no extra cost in supplying it to others.
 - C It is always provided free of charge to consumers.
 - D It tends to be provided by the government because it is non-excludable.
- (3)

1.15 'The USA has a higher GDP per capita than Iceland, but a lower Human Development Index ranking than Iceland.' This means that:

- A Average family size is higher in Iceland.
 - B Life expectancy is higher in Iceland.
 - C School enrolments are higher in the USA.
 - D The population of the USA is larger.
- (3)

- 1.16 Which one of the following is most likely to be an example of a supply-side policy in South Africa?
- A A reduction in the rate of interest to reduce inflation.
 - B An increase in government expenditure on state pensions.
 - C A reduction in company taxes to encourage greater investment.
 - D Buying of foreign reserves which leads to depreciation of the rand. (3)
- 1.17 If cross price elasticity of a good is 3. which one of the following statements is correct?
- A A 1% change in the price of good B leads to a 3% change in the quantity demanded of good A.
 - B The goods are unrelated.
 - C The Goods are complementary.
 - D A 10% change in the price of good B leads to a 0.5% change in the quantity demanded of good A. (3)
- 1.18 If the rand appreciates against the dollar:
- A SA export prices in dollar terms will increase.
 - B The rand price of South African imports will increase.
 - C The current account on the balance of payments should improve.
 - D More Americans will visit SA. (3)

Use Table 2 for question 1.19, 1.20 and 1.21

Table 2

	Interest rate	Government spending	Tax Revenue
A	Increase	Increase	Decrease
B	Decrease	Decrease	Increase
C	Increase	Decrease	Increase
D	Decrease	Increase	Decrease

- 1.19 The economic growth of a country is stagnant. To increase the growth the government and the reserve bank has decided to use the monetary and fiscal policy to assist in promoting economic growth. Which of **A**, **B**, **C** or **D**, is most likely to promote economic growth? (3)

1.20 The Inflation rate in an economy is currently 8%. Which of the following changes in the monetary and fiscal policy, **A, B, C** or **D**, is most likely to decrease the rate of inflation in the economy? (3)

1.21 The country is currently experiencing a boom in the business cycle. Which of the following changes in the monetary and fiscal policy, **A, B, C** or **D**, is most likely to contract the economy? (2)

TOTAL QUESTION 1: (13 x 2) = 26

(8 x 3) = 24

TOTAL: 50

SECTION B

QUESTION 2 MACRO ECONOMICS

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

Table 3: GDP Figures at 2014 constant prices

Item	R million
Taxes on Products	146 738
Operating Surpluses	411 945
Compensation to employees	869 738
Primary payments to the rest of the world	48 611
Other subsidies on production	3 860
Consumption of fixed capital	172 394
Other taxes on production	28 700
Primary payments from the rest of the world	20 642
Subsidies on products	2 671

2.1.1 Which method of calculation of national accounts is used in Table 1? (2)

2.1.2 Calculate the GNI at market price for 2014. Show all calculations. (8)

2.2 'The surplus on the financial account of the South African balance of payments is often greater than the deficit on the current account, which restores equilibrium on the balance of payments.'
 Discuss the elements of the financial account and suggest how South Africa can ensure that more money is coming into the country than leaving the country. (18)

2.3 Read the following article and answer the questions that follow.

South Africa's economic freedom score is 61.8, making its economy the 74th freest in the 2013 Index. Its score is 0.9 point lower than last year due to losses in half of the 10 economic freedoms including those measuring the control of government spending and freedom from corruption. South Africa is ranked 6th out of 46 countries in the Sub-Saharan Africa region, and its overall score is higher than the world and regional averages.

South Africa has been losing ground on economic freedom for five years. The economy continues to be "moderately free," but the level of economic freedom this year is the second lowest in the country's 19-year Index history. The foundations of economic freedom are neither well established nor strongly protected. The judicial system remains weak and vulnerable to corruption, undermining the rule of law and prospects for stable long-term economic development.

South Africa's transition to a more open economic system has been facilitated by a relatively competitive trade regime, but structural reforms to diversify the economic base have achieved only marginal progress. With overall regulatory efficiency constrained by the lack of transparency, policies to sustain dynamic flows of investment are not firmly institutionalized. The government faces challenges in improving the effectiveness of budget management.

[Source: <http://www.bbc.co.uk/news/world-africa-17315157>]

- 2.3.1 Reading the above article, name and provide a definition for the phase you think this economy is in. (4)
- 2.3.2 Briefly explain FOUR characteristics of the phase identified in question 2.3.1. (8)
- 2.3.3 **Evaluate** TWO fiscal policy measures, within the context of the text above that can be used to address the situation in South Africa. (10)

TOTAL QUESTION 2: [50]

QUESTION 3 MICRO ECONOMICS

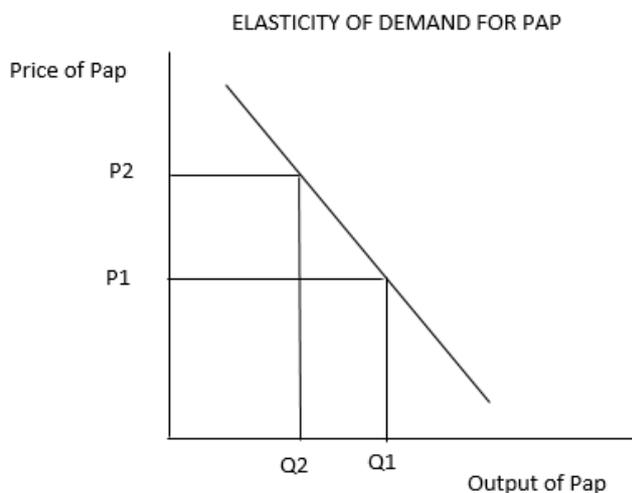
3.1 Use a table, as indicated in Table 2 below, to differentiate between market forms.

Table 4: Market Structures

Criteria	Monopolistic competition	Oligopoly	Monopoly
Entry into market			
Nature of the product			
Availability of Market Knowledge			

(9)

3.2 **Study Graph 1** below and answer the questions that follow.



3.2.1 According to the graph, is the demand for pap price elastic or inelastic? (1)

3.2.2 Define the economic term 'Price elasticity of Demand'. (2)

3.2.3 Discuss in detail THREE factors that influence the price elasticity of demand (PED) for pap. (14)

3.3 You are a second year Economics student from the University of Pretoria. Your brother, who has just started Grade 10 Economics has asked you for some guidance with one of his Economics assignments. Email him the memorandum for this question:

The government believes that the price of brown bread in South Africa is too high and therefore decides to implement a maximum price for brown bread. Use a graph and a short discussion to assess what effect this will have on the market for brown bread. (8)

3.4 'The foreign exchange market is considered to be a good example of a perfect market'.



Discuss this statement by comparing the foreign exchange market to FOUR criteria of a perfect market. (16)

TOTAL QUESTION 3: [50]

QUESTION 4 ECONOMIC PURSUITS

- 4.1 Dismantling barriers to trade, especially those facing South African exporters, are a critical component of any economic strategy that promotes sustainable growth.

[Source: 2006/07 SA Yearbook]

- 4.1.1 List any THREE advantages of export promotion. (3)

- 4.2 ‘Protectionism is a strategy used by governments in order to limit the quantity of goods and services imported into their country.’

Discuss this statement fully by analysing FOUR *arguments in favour* of protectionism. (12)

- 4.3 ‘Some commentators might believe otherwise, but SA’s policymakers need to focus on small-scale farming. It’s pivotal to the sustainability of the country’s economy, says Nico Groenewald, Standard Bank’s head of agribusiness.’

Provide TWO benefits of fair trade to producers, most especially the small scale farmer. (4)

- 4.4 Examine the economic indicators and data in the table below, and answer the questions that follow:

Table 5: Economic indicators for South Africa

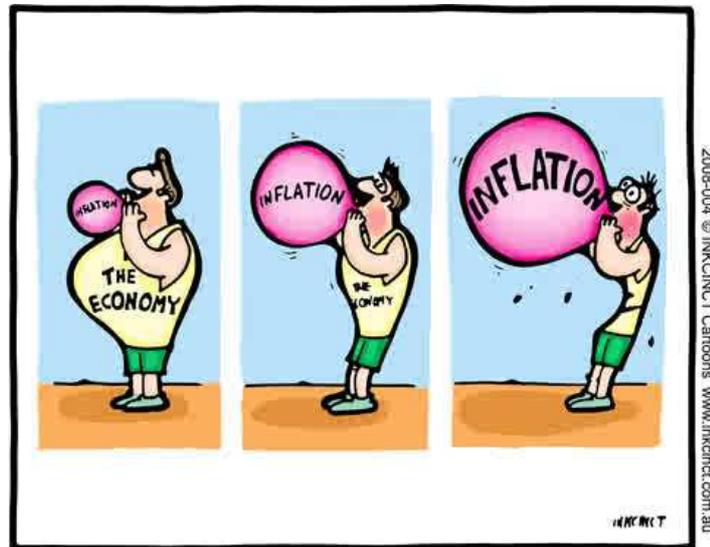
GDP		South Africa
GDP annual growth rate (%)	March 2013	1.9
GDP (\$ billions)	2012	408.24
GDP per capita (\$)	2012	3 825.09
GDP per capita PPP (\$)	2012	10 959.74
Labour		
Unemployment rate (%)	March 2013	25.2
Unemployed persons (000's)	February 2013	4 526
Population (000's)	2012	50.59
Prices		
Inflation rate (%)	April 2013	5.9
Consumer price index (CPI)	March 2013	102.50

- 4.4.1 Define the term 'economic growth'. (3)
- 4.4.2 How is economic growth measured? (3)
- 4.4.3 To the best of your knowledge how does South Africa's unemployment rate compare to developed countries such as the United Kingdom and the United States of America? (3)
- 4.4.4 Explain how inflation targeting is implemented in South Africa. (4)
- 4.5 Explain what the following indicators tell us about the South African economy.
- 4.5.1 South Africa's Human Development Index is 0.629. (4)
- 4.5.2 South Africa's Gini co-efficient is 0.62. (4)
- 4.6 'Economists generally agree that the level of economic growth in South Africa is too low. Government policies must be used carefully as a sharp increase in spending could lead to inflation.'
- With reference to the above statement, use a graph and an explanation to evaluate the supply side approach to improve economic growth. (10)

TOTAL QUESTION 4: [50]

QUESTION 5 CONTEMPORARY ECONOMIC ISSUES

5.1 Explain the following inflation concepts:



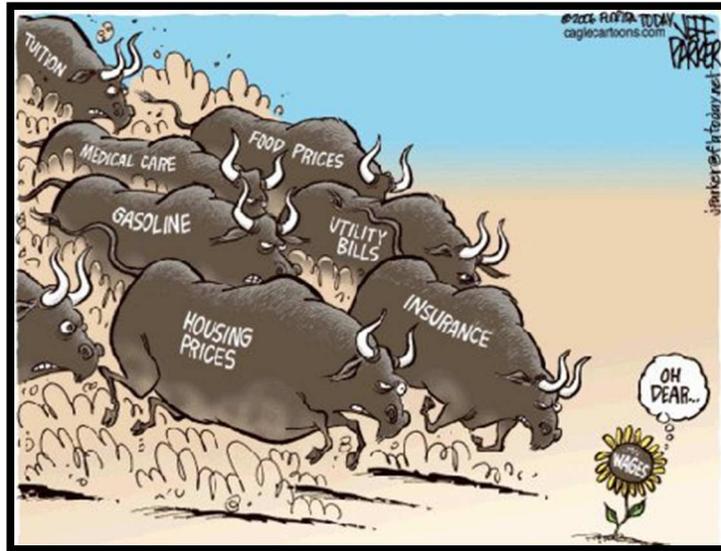
[Source: images/ Fair Trade - www.google.com]

- 5.1.1 hyperinflation (2)
- 5.1.2 stagflation (2)
- 5.1.3 CPIX (2)
- 5.2 Discuss BOTH demand-pull inflation and cost-push-inflation as a cause of inflation? (8)
- 5.3 Discuss FIVE consequences of inflation. (20)
- 5.4 Study the following table and answer the questions that follow.

Table 6: The CPI and Inflation in South Africa

Month	CPI (2000=100) 2001	CPI 2002	Inflation %
August	105,9	116,9	10,4
September	106,2	118,1	A
October	106,1	119,9	13,0
November	106,6	120,3	12,9
December	107,2	120,5	12,4

- 5.4.1 What year is the base year? (2)
- 5.4.2 What is the value of A in the table? Show all calculation. (4)
- 5.5 Study the picture below and answer the questions that follow:



[Source: Google images 2015]

- 5.5.1 What is meant by the cartoon above? (4)
- 5.6 State any **THREE** effects that an increase in the repo rate will have on the economy. (6)

TOTAL QUESTION 5: [50]

QUESTION 6 DATA RESPONSE

6.1 In the view of the article below answer the following questions:

Question 6.1 is based on source 1

Source 1

It always interests me that the Laffer Curve is seen as a right-wing idea. The economic theory – famously scribbled on the back of a napkin – holds that there are times when cutting tax rates can increase revenue. It is demonstrated from first principles: at 0 per cent, clearly no revenue is brought in; at 100 per cent, no revenue is brought in because no-one has any motivation to work; and, since revenue is brought in at rates in between those two, there must be a peak.

Fundamentally, the idea that tax rates should be set to maximise government revenue is an idea that the right ought to be naturally afraid of. The fact that instead, it's become the cornerstone of their tax-cutting arguments suggests that in one corner at least, "big government" arguments have conclusively won the day.

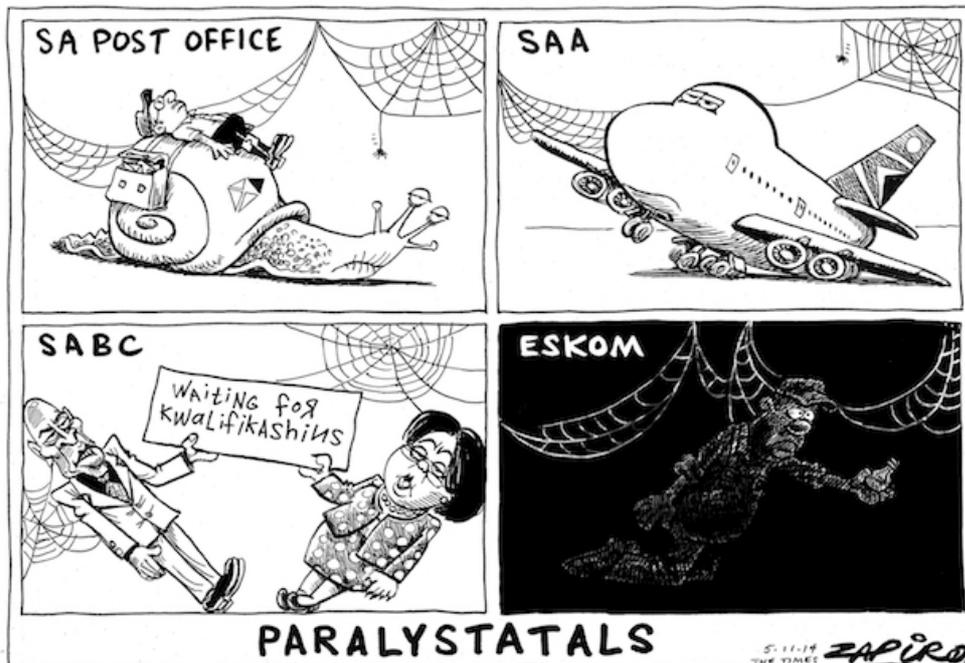
[Source: newstatesman.com/2013]

6.1.1 With the aid of a **Laffer** curve, discuss the relationship between tax and revenue.

(You have to draw the Laffer curve in detail and then discuss the tax rates and how it influences tax revenue) (12)

Question 6.2 is based on source 2.

Source 2



6.2.1 Define the economic term 'parastatal'. (2)

6.2.2 With reference to Source 2, discuss THREE advantages and THREE disadvantages of privatising parastatals in South Africa. (12)

Question 6.3 is based on source 3

Source 3



6.3.1 Analyse the possible effects of the European debt crisis on the South African balance of payments account. (8)

6.3.2 Use a graph and a discussion to predict what would happen to the value of the Rand against the American dollar if there was a surplus on South Africa's current account. (12)

Question 6.4 is based on source 4

Source 4

The balance of payments situation remains one of fairly moderate current account deficits financed comfortably by capital inflows on the financial account," the Reserve Bank's chief economist Monde Mnyande said. In the past the current account deficit has been the Achilles heel of SA's economy, as it has to be financed by capital inflows to prevent the Rand from weakening.

6.4 Name Two Advantages of a weak rand for the South African Economy. (4)

TOTAL QUESTION 6: [50]

TOTAL: [300]