**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

JUNE 2016

ECONOMICS P1

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.   Write the question number above each answer.

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,
          content and context 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.

9.   Use only black or blue ink.

10.   Non-programmable pocket calculators may be used.

SECTION A (COMPULSORY)

QUESTION 1 **30 MARKS − 20 MINUTES**

1.1 Various options are provided as possible answers to the following
    questions. Choose the correct answer and write only the letter (A–C)
    next to the question number (1.1.1–1.1.8) in the ANSWER BOOK.

   1.1.1 The transfer of ownership from the public to the private sector
         is known as …

         A   decentralisation.
         B   nationalisation.
         C   privatisation.

   1.1.2 In a business cycle, estimating something known from
         information that is unknown, is called …

         A   amplitude.
         B   extrapolation.
         C   trend.

   1.1.3 The money market in the RSA is a market for … savings and
         loans.

         A   short-term
         B   medium-term
         C   long and short term

   1.1.4 A tax paid on goods to reduce imports is known as an/a ...

         A   embargo.
         B   quota.
         C   tariffs.

   1.1.5 Which ONE of the following can cause a deficit on the balance
         of payments?

         A   Inward foreign investments
         B   Increase in foreign currency reserves
         C   Decline in mineral exports

1.1.6 The process to increase production of goods and services in the economy.

    A   Economic development
    B   Economic growth
    C   Economic indicator

1.1.7 During the ... phase, the economy experiences high inflation.

    A   prosperity.
    B   recovery.
    C   recession.

1.1.8 A trade agreement between a group of emerging markets.

    A   BRICS
    B   AGOA
    C   MERCUSOR   (8 x 2)   (16)

1.2 Choose the correct 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	Kuznets cycle	A	public goods
1.2.2	Full employment	B	buying and selling equities / shares
1.2.3	Deregulation	C	the flow of goods and services
1.2.4	Portfolio investments	D	caused by changes in the building and construction industry
1.2.5	Real flow	E	provided by the state and used by all
1.2.6	Trade liberalisation	F	removal of unnecessary restrictions by law
1.2.7	Non-excludability	G	human resources used to maximum capacity
1.2.8	Real figures	H	involve removing barriers to international trade
		I	GDP figures that has taken into account the changes in the level of prices

                           (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 trade policy whereby a country encourages the local production of goods, rather than importing the goods

     1.3.2   The largest contributor to the government revenue

     1.3.3   A statement of a country's trade and financial transactions with the rest of the world, over a particular time period

     1.3.4   The ratio between the imports and exports index

     1.3.5   A curve that illustrates the relationship between unemployment and inflation

     1.3.6   The withdrawal of money from the circular flow   (6 x 1)   (6)

TOTAL SECTION A: 30

SECTION B

Answer 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 an example each of a lagging and a coincident
             indicator.   (2 x 1)   (2)

      2.1.2   What effect will corruption have on the efficiency of the
             government?   (1 x 2)   (2)

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

GROSS VALUE ADDED BY KIND OF ECONOMIC ACTIVITY (R MILLIONS)	2014
At current prices	
Primary sector	**371 268**
Agriculture, forestry, fishing	84 662
Mining, quarrying	286 606
Secondary sector	**(C)** ***2.2.3***
Manufacturing	452 326
Electricity, gas and water	125 377
Construction	138 917
Tertiary sector	**2 316 605**
GVA @ basic prices	**3 404 493**

[Source: Quarterly Bulletin SARB 2105]

      2.2.1   Identify the method used in the above table to calculate GVA.   (2)

      2.2.2   Classify any activity under the tertiary sector.   (2)

      2.2.3   Calculate the contribution of the secondary sector to the
             GDP **(C)**.   (2)

      2.2.4   Highlight the importance of National Account Aggregates.   (4)

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

<div style="border:1px solid">

E-TOLL IS HERE TO STAY!

"E-toll tariffs will be adjusted downwards but government remains committed to the principle of road users funding improvements to keep Sanral solvent," the National Treasury said on Wednesday.

In his 2015/16 budget speech in the National Assembly, Finance Minister Nhlanhla Nene said. "Concerns regarding the socio-economic impact of toll tariffs have been heard, and revised monthly ceilings will shortly be proposed."

[Adapted from the National budget 2015]

</div>

2.3.1   Explain the term *e-toll*.   (2)

2.3.2   What does the acronym SANRAL stand for?   (2)

2.3.3   What negative socio-economic impact can e-toll tariffs have on the South African economy?   (2)

2.3.4   In your opinion what is the most important cause of public sector failure in SA? Motivate your answer.   (4)

2.4   Explain the exogenous cause (monetarism) for a business cycle.
                                                   (4 x 2)   (8)

2.5   How effective is international trade for South Africa?   (4 x 2)   (8)
                                                                [40]
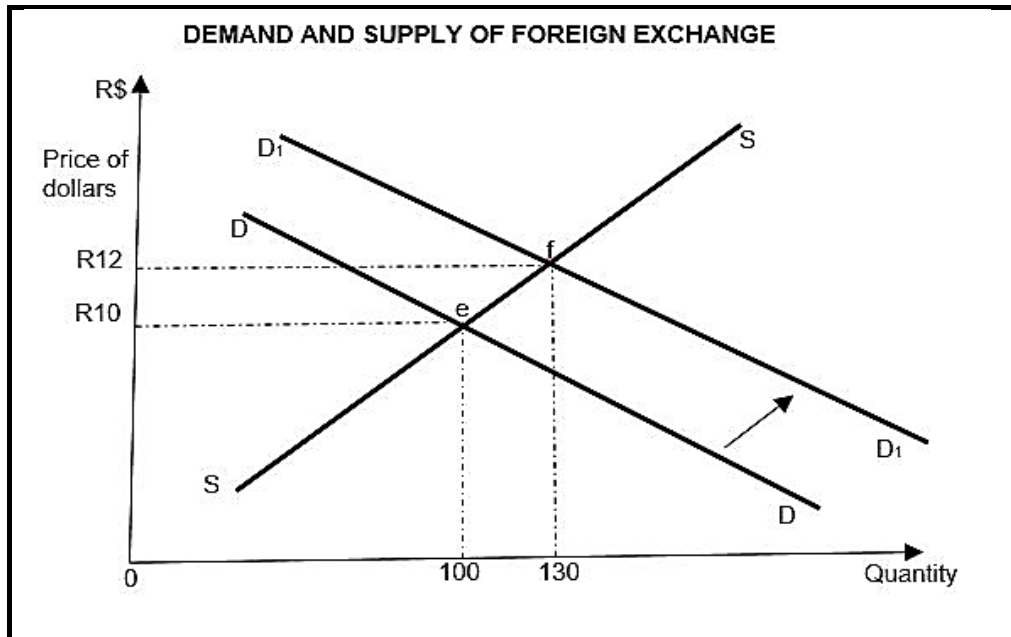
QUESTION 3: ECONOMIC PURSUITS   40 MARKS – 30 MINUTES

3.1   Answer the following questions.

       3.1.1   Give TWO methods to promote exports.   (2 x 1)   (2)

       3.1.2   What effect will an increase in investment have on the
               economy?   (1 x 2)   (2)

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

DEMAND AND SUPPLY OF FOREIGN EXCHANGE

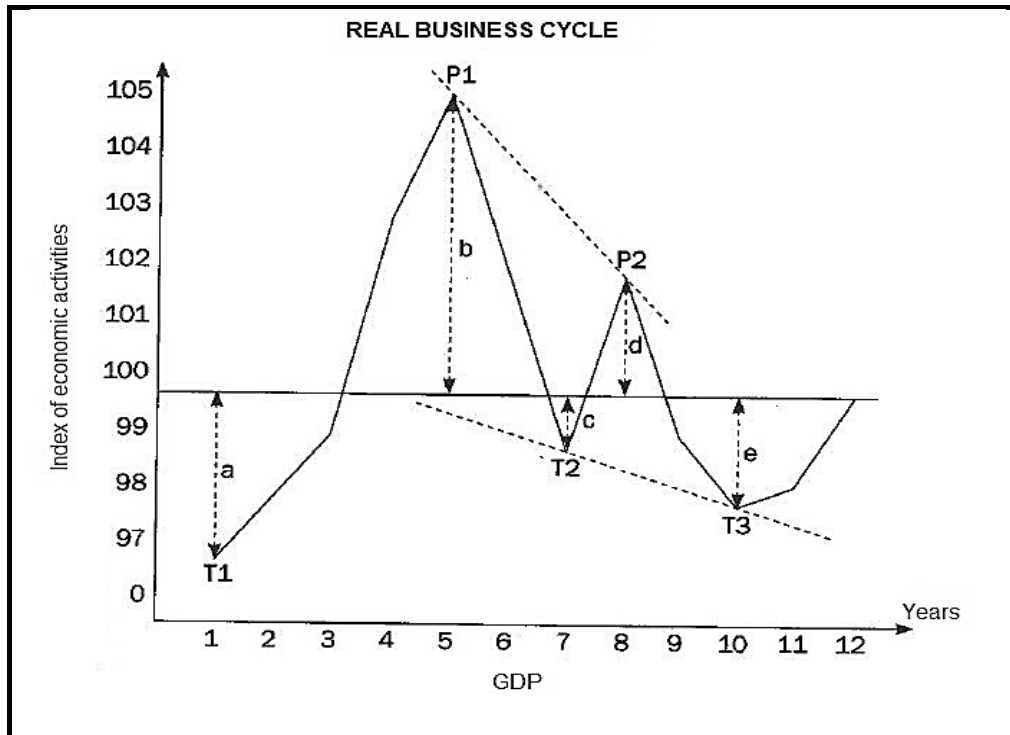   3.2.1   At what point on the graph does equilibrium for exchange
               originally occur?   (2)

       3.2.2   Give TWO reasons for the shift of the demand curve from
               DD to D1D1.   (4)

       3.2.3   What happens to the value of the rand, when DD shifts to
               D1D1? Motivate your answer.   (4)

3.3 Study the following graph and answer the questions that follow.

REAL BUSINESS CYCLE

3.3.1 What do dotted lines **a** and **b** represent? (2 x 1) (2)

3.3.2 Define the term *real (actual) business cycle*. (2)

3.3.3 What is the importance of the length (T2 T3) of the business cycle? (2)

3.3.4 What can government do to ensure that high inflation does not occur during peaks of business cycles? (2 x 2) (4)

3.4 Argue in favour of import substitution. (4 x 2) (8)

3.5 How are interest rates and taxation influenced in expansionary and contractionary situations? (4 x 2) (8)

[40]

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

4.1   Answer the following questions.

   4.1.1   Name TWO models that are used to explain economics.
                                                          (2 x 1)   (2)

   4.1.2   What effect will a weak rand have on foreign trade?   (1 x 2)   (2)

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

PUBLIC SECTOR'S BUDGET FRAMEWORK				
R BILLION	**REVISED**	**MEDIUM-TERM ESTIMATES(MTEF)**		
	2012/2013	**2013/2014**	**2014/2015**	**2015/2016**
Revenue	**830**	**904**	**1 005**	**1 118**
Percentage of GDP	27%	27%	27,80%	28%
Expenditure	**972**	**1 058**	**1 149**	**1 239**
Percentage of GDP	32%	32%	31%	31%
Surplus/ Deficit	**-142**	**-153**	**-143**	**-12**
Percentage of GDP	-4%	-4%	-4%	**(A)** *4.2.3*
Gross Domestic Product	**2995**	**3 301**	**3 622**	**3 997**

[Adapted from The National treasury: Budget Review]

   4.2.1   What does the abbreviation MTEF stand for?   (2)

   4.2.2   The deficit on the budget should NOT exceed which
           percentage of GDP?   (2)

   4.2.3   Calculate the budget deficit as a percentage of GDP **(A)**.   (2)

   4.2.4   In your opinion, what can the government do to reduce the
           budget deficit?   (4)
                                                            [10]

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

> **NOTE ON THE CONVERSION AND REVISION OF SOUTH AFRICA'S BALANCE OF PAYMENTS STATISTICS**
>
> In order to keep abreast of international best practice in the compilation and dissemination of balance-of-payments statistics, the South African Reserve Bank has aligned South Africa's balance of payments statistics with the guidelines provided in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) of the International Monetary Fund (IMF).
>
> **Revisions in the financial account.**
>
> The previous three categories in the financial account of the balance of payments, namely direct investment, portfolio investment and other investment, were expanded to include two additional functional categories, namely financial derivatives and reserves assets.
>
> [Source: SARB Quarterly Bulletin 2014]

4.3.1   Name TWO items in the financial account of the balance of payment.   (1 x 2)   (2)

4.3.2   Which institution gives guidelines in the compilation of payments?   (1 x 2)   (2)

4.3.3   According to the BPM6, how many accounts does the balance of payments have?   (1 x 2)   (2)

4.3.4   Briefly explain how disequilibrium in the balance of payments can be corrected using borrowing and lending.
                                                                        (2 x 2)   (4)

4.4   Explain the *new economic paradigm*.   (4 x 2)   (8)

4.5   How is the economy negatively affected by public sector failure?
                                                                        (4 x 2)   (8)
                                                                                [40]

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two questions in this section.

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 **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. 26 Max. 10
Conclusion Any relevant higher order conclusion that should include: • A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body • An opinion or valued judgment on the facts discussed • Additional support information to strengthen the discussion / analysis • A contradictory viewpoint with motivation, if so required • Recommendations	Max. 2
TOTAL:	**40**

QUESTION 5: MACROECONOMICS   40 MARKS – 40 MINUTES

Economists present the economy as a simplified circular flow model to show how the different participants interact with each other.

• Discuss in detail, without the use of a graph, the interaction of all participants in an open economy circular flow model.   (26)
• Draw and explain the multiplier process by using a fully labelled graph.   (10)
                                                                                    [40]

QUESTION 6: ECONOMIC PURSUITS   40 MARKS – 40 MINUTES

To be internationally competitive, a country needs to have suitable trade policies in place. They have to grow their industries if they want to increase the standard of living.

• Discuss, in detail, the arguments in favour of protectionism.   (26)
• In your opinion, how can the government use subsidies to ensure that local industries are protected against unfair competition from abroad.   (10)
                                                                                    [40]

                                                        TOTAL SECTION C: 40
                                                        GRAND TOTAL: 150