



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS
EXEMPLAR 2008**

MARKS: 300

TIME: 3 hours

This question paper consists of 15 pages.

INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows:
 - SECTION A: COMPULSORY
 - SECTION B: Answer any THREE questions in the ANSWER BOOK.
 - SECTION C: Answer any TWO questions in the ANSWER BOOK.
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 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.
9. Use only black or blue ink. Lead pencil answers will NOT be marked.
10. Non-programmable pocket calculators may be used.

SECTION A (COMPULSORY)**QUESTION 1: LO1 – LO4**

- 1.1 Various possible options are provided as 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 model that illustrates the continuous flow of spending, production and income between the different sectors in an economy, is known as a(n) ... model.
- A economic-cycle
 - B circular-flow
 - C business-flow
- 1.1.2 The number of new motor cars sold is a ... business cycle indicator.
- A lagging
 - B coincident
 - C leading
- 1.1.3 The systematic record of all the transactions of a country's inhabitants with the rest of the world, is known as the ...
- A trade balance.
 - B balance of payments.
 - C national budget.
- 1.1.4 The interest that an entrepreneur forfeits on his/her own capital that he/she is using in the business is regarded as ... costs.
- A explicit
 - B indirect
 - C implicit
- 1.1.5 A monopolist, in comparison with a perfect competitor, will produce ...
- A less and charge more.
 - B more and charge the same.
 - C more and charge less.
- 1.1.6 Cost-benefit analysis is a technique for enumerating and evaluating the total social cost and total social ... associated with an economic project.
- A benefit
 - B need
 - C income

- 1.1.7 South Africa has a ... economy.
- A developed
 - B closed
 - C developing
- 1.1.8 The inflation target range of the South African Reserve Bank is ...
- A 2% – 5%.
 - B 3% – 5%.
 - C 3% – 6%.
- 1.1.9 Exports can be promoted through ...
- A incentives and subsidies.
 - B exchange control.
 - C restrictions on free trade.
- 1.1.10 Stagflation is a combination of ...
- A deflation and unemployment.
 - B inflation and unemployment.
 - C inflation and employment.
- 1.1.11 Development based on meeting the needs of the present generation without compromising the needs of the future, is known as ... development.
- A sustainable
 - B economic
 - C healthy
- 1.1.12 An example of South African indigenous uniqueness is represented by ...
- A Ushaka Marine World.
 - B Robben Island.
 - C the Addo Elephant Park.
- (12 x 2) (24)

- 1.2 Complete the following statements by using the words provided in the list below. Write only the word next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

social; factor; demand; headline; monopoly; product; hyper; private; supply; oligopoly

- 1.2.1 The importation of goods and services triggers a ... for/of foreign exchange.
- 1.2.2 In a(n) ... market a few sellers dominate the market.
- 1.2.3 When the general price level is rising so rapidly that people lose confidence in the value of money a situation of ... inflation prevails.
- 1.2.4 Goods and services are exchanged on the ... market.
- 1.2.5 Green taxes and subsidies are aimed at adjusting ... costs to account for the negative effect of externalities. (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	South African Reserve Bank	A	a key institution in the capital market
1.3.2	Externalities	B	occurs when there are only two oligopolies in the market
1.3.3	Agricultural produce	C	a good example of durable goods
1.3.4	JSE Securities Exchange	D	these products are often graded to make them homogeneous
1.3.5	Duopoly	E	a key institution in the money market
1.3.6	Economic indicator	F	also known as spillover effects
1.3.7	Globalisation	G	an agreement which addresses issues regarding the ozone layer
1.3.8	Montreal Protocol	H	shows the behaviour of one or other economic variable
		I	the worldwide interfacing and interaction of economies with trade as an important element

(8 x 2) (16)

TOTAL SECTION A: 50

SECTION B

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

QUESTION 2: LO1 MACRO-ECONOMICS, AS1 – AS3

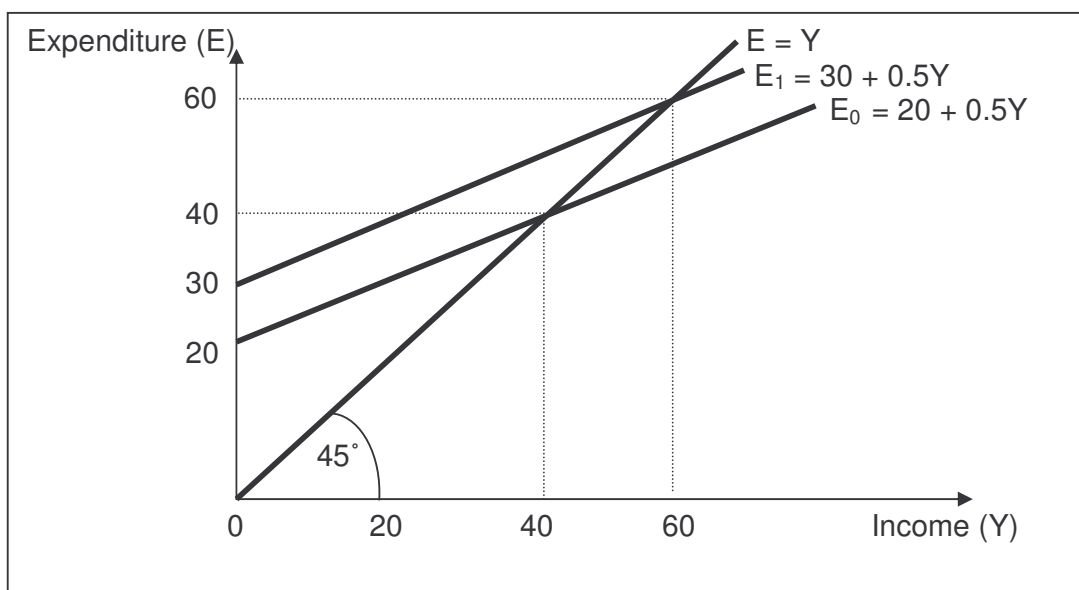
2.1 Answer the following questions appropriately.

2.1.1 Choose the correct word from those given in brackets. Write only the word next to the letter (a – d) in the ANSWER BOOK.

- (a) Taxes form part of (leakages/injections) in the economic circular flow.
- (b) The lowest turning point in the business cycle is referred to as a (peak/trough).
- (c) The MTEF shows income and expenditure estimates for a (one/three)-year period.
- (d) A decrease in the value of a country's currency in terms of another currency by market forces, is known as (devaluation/depreciation). (4 x 2) (8)

2.1.2 List any THREE subaccounts/components of the balance of payments. (3 x 2) (6)

2.2 Study the graph below that depicts a simplified two-sector economy (where $E = C + I$) and answer the questions that follow.

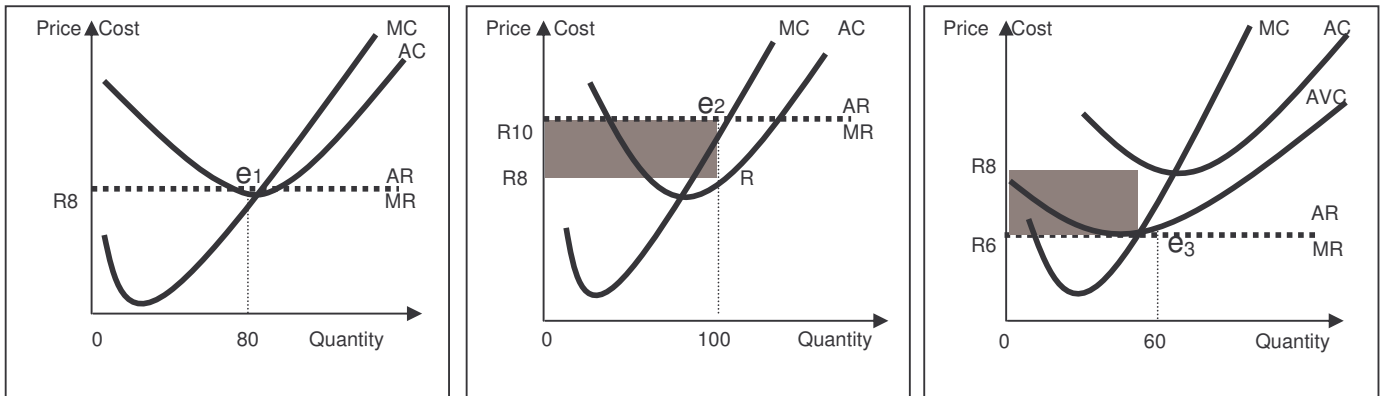


- 2.2.1 Name the TWO sectors involved in deriving the macro-economic multiplier. (4)
- 2.2.2 What is represented by the line $E = Y$? (4)
- 2.2.3 Use the formula, $k = \Delta Y / \Delta J$, to calculate the multiplier (k) for the above scenario. (4)
- 2.2.4 Calculate the multiplier, using the formula, $k = 1 / (1 - MPC)$, when the marginal propensity to consume (MPC) = 0.8. Show calculations. (6)
- 2.2.5 Explain the relationship between the MPC and the multiplier. (2)
- 2.3 Discuss the new economic paradigm, referring to the demand-and-supply-side policies. Illuminate your answer with graphs. (16)
[50]

QUESTION 3: LO2 MICRO-ECONOMICS, AS1 – AS3

- 3.1 Answer the following questions appropriately.
- 3.1.1 Choose the correct word from those given in brackets. Write only the word next to the letter (a – d) in the ANSWER BOOK.
- (a) All products sold in the perfect market, are (homogeneous/heterogeneous).
- (b) A typical cost-benefit analysis involves (six/seven) stages.
- (c) Cigarettes, alcohol and non-prescription drugs are typical examples of (demerit/merit) goods.
- (d) Brands like OMO and KFC play a significant role in (perfect/imperfect) markets. (4 x 2) (8)
- 3.1.2 List any THREE characteristics of a monopoly. (3 x 2) (6)

3.2 Study the following graphs and answer the questions that follow.



A

B

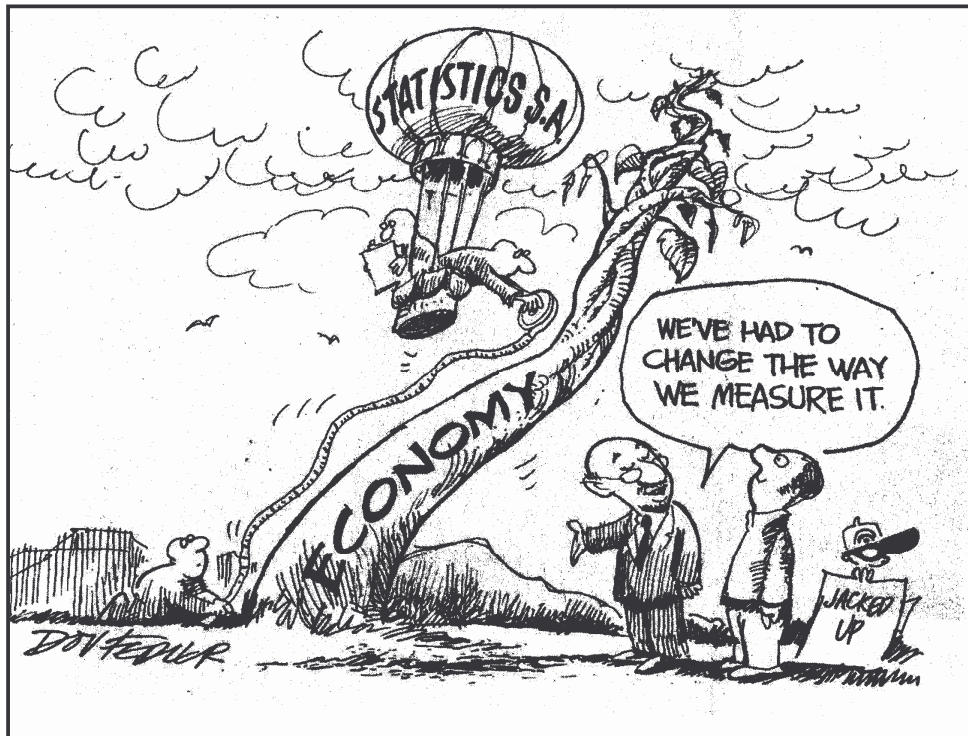
C

- 3.2.1 Which of the above graphs are associated with (i) loss (ii) normal profit (iii) economic profit? (6)
 - 3.2.2 Define *normal profit*. (3)
 - 3.2.3 Identify the profit maximisation point in Graph B. (3)
 - 3.2.4 Calculate the total economic loss as reflected in Graph C. Show ALL calculations. (6)
 - 3.2.5 Calculate total revenue as indicated in Graph A. (2)
- 3.3 Discuss the characteristics of a typical oligopoly. (4 x 4) (16)
- [50]**

QUESTION 4: LO3 ECONOMIC PURSUITS, AS1 – AS3

- 4.1 Answer the following questions appropriately.
- 4.1.1 Choose the correct word from those given in brackets. Write only the word next to the letter (a – d) in the ANSWER BOOK.
 - (a) The percentage change in real GDP has an impact on economic (growth/development).
 - (b) The South African government identified (tourism/small businesses) as one of the key growth sectors of the economy.
 - (c) Economic boycotts lead to (forced/voluntary) import substitution.
 - (d) A measure used to determine the relative degree of income inequality in a country is known as the (Gini coefficient/per capita income). (4 x 2) (8)
 - 4.1.2 List any THREE advantages of export promotion. (3 x 2) (6)

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



[Source: *Business Report*, 26 May 2006]

- 4.2.1 What role does the person talking in the cartoon play in the South African economy? (3)
- 4.2.2 Name any TWO institutions responsible for publishing statistics in South Africa. (4)
- 4.2.3 Why, in your opinion, was there a change in the way the economy is measured? (3)
- 4.2.4 Who is involved in the international standardisation of economic indicators? Name any TWO organisations. (4)
- 4.2.5 State any TWO uses of real per capita GDP figures. (6)
- 4.3 Tabulate the major differences between the developed countries in the North and the developing countries in the South (North-South divide). (16)

[50]

QUESTION 5: LO4 CONTEMPORARY ECONOMIC ISSUES, AS1 – AS4

5.1 Answer the following questions appropriately.

5.1.1 Choose the correct word from those given in brackets. Write only the word next to the letter (a – d) in the ANSWER BOOK.

- (a) The SARB uses the (CPIX/CPI) in the pursuit of its inflation target.
- (b) The tourism policy at national level is directed by the (DEAT/Tourism Forum).
- (c) Pollution is an example of a (positive/negative) externality.
- (d) The Rio Summit is also known as the (Earth/Environmental) Summit. (4 x 2) (8)

5.1.2 List any THREE forms of pollution. (3 x 2) (6)

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

NEW FUEL LEVIES

When sources of state income run dry, governments sometimes need to create special taxes to cover the shortfall. South Africa's provinces are empowered, to a certain extent, by the Constitution to create their own revenue streams.

According to the *Intergovernmental Fiscal Review 2001* the key objective of provincial taxes is to improve resource allocation and provide additional revenue.

[Adapted from: *Financial Mail*, 11 August 2006]

5.2.1 Give a reason why you think local governments may turn to taxing fuel as a source of income. (3)

5.2.2 Name any TWO other typical incomes of provincial governments. (6)

5.2.3 What impact will the fuel levies have on inflation, tourism and the environment respectively? (9)

5.2.4 Fuel levies can be regarded as being of a (direct/indirect) nature. (2)

5.3 Discuss the causes of demand-pull inflation. (4 x 4) (16)
[50]

QUESTION 6: LO3 – AS3 & AS 4 AND LO4 – AS4, ECONOMIC PURSUITS AND CONTEMPORARY ECONOMIC ISSUES

6.1 Answer the following questions appropriately.

6.1.1 Choose the correct word from those given in brackets. Write only the word next to the letter (a – d) in the ANSWER BOOK.

(a) Embargoes form part of (exchange/physical) control on the importation of certain goods.

(b) The United States of America has a (developed/developing) economy.

(c) Ecotourism is a combination of tourism and (manufacturing/the environment).

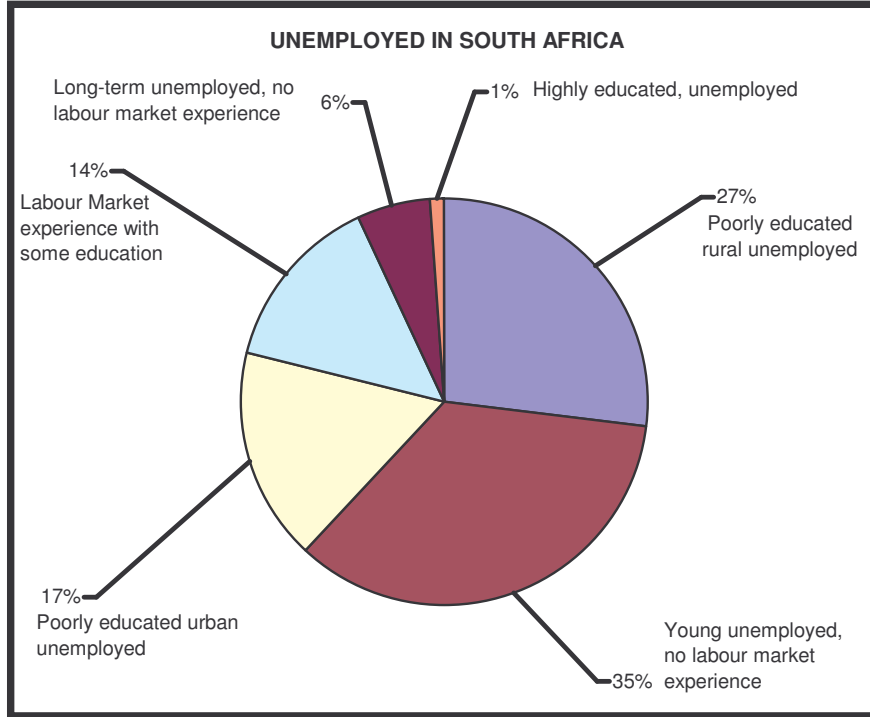
(d) Minerals are a typical example of (non-renewable/renewable) resources. (4 x 2) (8)

6.1.2 List any THREE arguments in favour of a policy aimed at protecting local industries. (3 x 2) (6)

6.2 Study the following information and answer the questions that follow.

NOTHING SHORT OF A SKILL REVOLUTION ... WILL EXTRICATE US FROM THE CRISIS WE FACE.

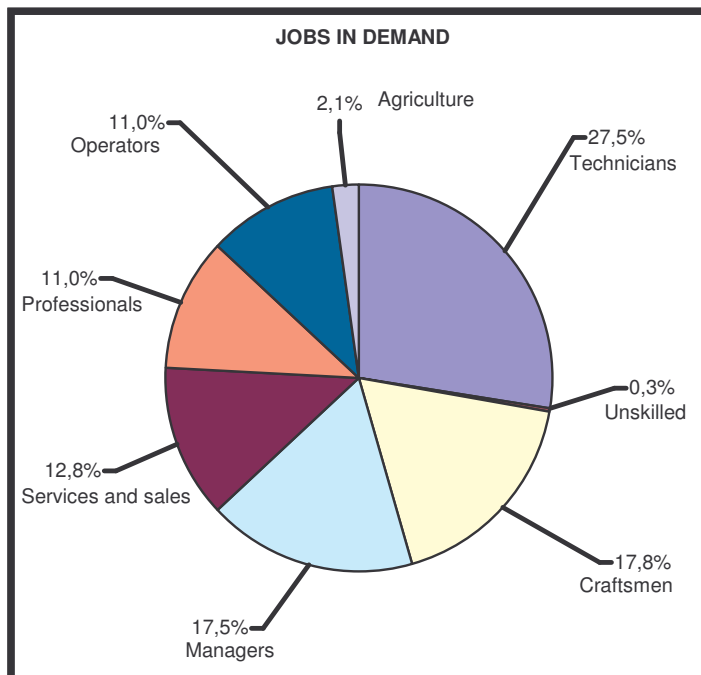
[Deputy President, Phumzile Mlambo-Ngucka]



Pie Chart 1

RSA Unemployment rate: 27,9%

Global unemployment rate 6,3%



Pie Chart 2

[Adapted from: *Financial Mail*, April 2006]

- 6.2.1 With reference to Pie Chart 1:
- (a) Give the most important reason for unemployment in South Africa. (2)
 - (b) Indicate how you will empower yourself against unemployment. Give a reason for your answer. (6)
 - (c) Name any TWO ways in which tourism can combat unemployment in the rural areas of South Africa. (4)
- 6.2.2 What can the government do to narrow the gap between the unemployment rates of South Africa and the rest of the world? (2)
- 6.2.3 With reference to Pie Chart 2:
- (a) Which job is most in demand? Provide figures (%) to substantiate your answer (4)
 - (b) What, according to you, is the main reason for the shortage of highly skilled professionals in South Africa? (2)
- 6.3 Discuss public sector intervention to ensure environmental sustainability. (16)
[50]
- TOTAL SECTION B: 150**

SECTION C

Answer any TWO questions from this section in the ANSWER BOOK.

INTRUCTIONS

1. Essay responses should include an introduction, body and conclusion. Five marks will be awarded for the introduction and conclusion. In addition, 5 marks will be allocated for the interpretation of the topic and language usage. A maximum of 40 marks will be awarded for the body.
2. Other questions with long answers: Five marks will be awarded for the structure. In addition, 5 marks will be awarded for the interpretation of the topic and language usage. A maximum of 40 marks will be awarded for the body.

QUESTION 7: LO1 MACRO-ECONOMICS, AS3

Fiscal policy is the government's policy in respect of the nature, level and composition of government spending, taxation and borrowing. Through fiscal policy government aims to achieve particular economic goals.

Discuss the features, composition and effects of fiscal policy (including a clearly labelled Laffer curve).

[50]**QUESTION 8: LO2 MICRO-ECONOMICS, AS2**

A monopoly is a good example of a market where profit maximisation implies under-provisioning and overcharging of goods and services. This type of market is usually an unregulated market that fails to produce an ideal state of affairs.

Write an essay explaining in detail the reasons for market failures.

[50]**QUESTION 9: LO3 ECONOMIC PURSUITS, AS2**

Analyse the information in the table below and evaluate South Africa's growth and development policies in terms of international best practice in a formal letter to the Minister of Finance.

INDICATORS	1994	2000	2005
Real GDP (% increase)	3,2	4,2	4,9
Real per capita GDP (% increase)	1,1	2,1	3,5
Inflation: CPI (%)	9,0	5,3	3,4
CPIX (%)		7,8	3,9
Employment (% increase)	0,4	-2,0	5,1
Exchange rate: rand per US\$	3,55	6,94	6,36
Reserves (% GDP)	3,1	9,1	18,7
Repo rate (% end of year)	13,0	12,0	7,0
Budget deficit as % of GDP	5,1	2,4	1,2

[50]

QUESTION 10: LO4 CONTEMPORARY ECONOMIC ISSUES, AS2

Tourism can be an engine of growth, capable of dynamiting and rejuvenating other sectors of the economy. We must see tourism as a means for a better life for all. Tourism is the world's largest industry and every year it pumps millions of dollars into some of the poorest countries.

Discuss the effects of tourism on the South African economy, highlighting its impact on GDP, employment, poverty, externalities, the environment and infrastructure.

[50]**TOTAL SECTION C: 100****GRAND TOTAL: 300**