



NATIONAL SENIOR CERTIFICATE EXAMINATION
NOVEMBER 2012

ECONOMICS

Time: 3 hours

300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 14 pages. Please check that your question paper is complete.
 2. Read the questions carefully.
 3. All questions are **COMPULSORY**. Answer SIX questions as follows:

ONE compulsory question from SECTION A;
FOUR compulsory questions from SECTION B; and
ONE compulsory question from SECTION C.
 4. Answer SECTION A on the flap of the Answer Book provided and SECTION B and C in the Answer Book.
 5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.
 6. Number the answers exactly as the questions are numbered.
 7. Please leave single line spaces open between answers. Start each question on a new page.
 8. It is in your best interest to write legibly and to present your work neatly.
 9. Non-programmable calculators may be used.
 10. Answer all questions in blue or black ink. Only sketches or diagrams may be done in pencil.
-

SECTION A**QUESTION 1 MULTIPLE CHOICE QUESTIONS**

Choose the most correct answer.

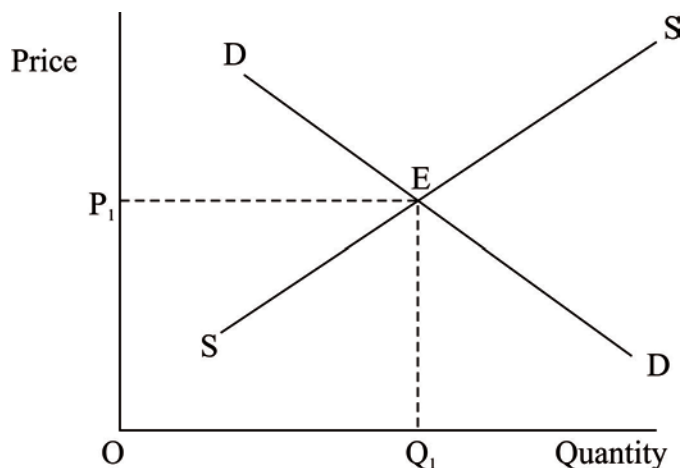
- 1.1 In an economy, an increase of R24 million in household income leads to an immediate increase in consumption spending of R18 million. From this information it can be concluded that:
- A Mpc is 0.75 and the size of the multiplier is 1.33.
 - B Mps is 0.25 and the size of the multiplier is 1.33.
 - C Mpc is 0.75 and the size of the multiplier is 4.
 - D Mpl (marginal propensity for leakages) is 0.75 and the multiplier is 4.
- 1.2 A broad-based consumption tax, such as VAT in South Africa, is considered to be regressive as ...
- A the less you earn the less you pay.
 - B the rate of tax paid is the same for all levels of income.
 - C it redistributes income from high income earners to low income earners.
 - D it involves changing back to a previous tax policy.
- 1.3 If the gross value added at basic prices is R1 353 billion, subsidies on products is R4 billion and taxes on products is R174 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
- 1.4 A 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.

1.5 **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.

1.6 **Graph 1** **Demand and supply**

If the government imposed a price ceiling on loaves of bread on the bread market the following could occur:

- A There would be a surplus of bread.
- B Supply of bread would exceed demand.
- C The government would force suppliers to increase supply.
- D There would be a shortage of bread.

1.7 Which of the following is a **defining** characteristic of a public good?

- A It is produced and distributed by the government.
- B It is freely available to everyone, once it has been produced.
- C It is produced and distributed by private firms under government regulation.
- D The public determine its production through the voting system.

- 1.8 If the rate of inflation is 6%, and the interest rate on bank deposits is 4.5%, then ...
- A the real rate of interest on bank deposits is negative.
 - B there is an incentive to save.
 - C the real rate of interest on bank deposits is positive.
 - D inflation has been anticipated by banks.
- 1.9 The South African CPI was 112.4 in October 2010 and 119.3 in October 2011. The rate of inflation in October 2011 was therefore ...
- A 5.8%
 - B 1.1%
 - C 6.1%
 - D 11%

1.10



Identify the person in the above picture.

- A Julia Gillard, Australian Prime Minister
 - B Angela Merkel, German Chancellor
 - C Gill Marcus, Governor of the SARB
 - D Helen Zille, Premier of the Western Cape
- 1.11 The main aim of the South African government's New Growth Path is to create ...
- A a nationalisation plan to be implemented in the next five years.
 - B economic growth of 5 – 6% by 2014.
 - C the African Union with its own currency and economic policies.
 - D five million jobs over the next 10 years.
- 1.12 Which statement is true about Industrial Development Zones (IDZs)?
- A IDZs' aim is to attract infrastructure and businesses to underdeveloped areas.
 - B The Maputo Development corridor is an example of an IDZ.
 - C IDZs promote co-operation between the public and private sectors.
 - D In IDZs raw materials for production may be imported free of import duties.
- 1.13 The following countries are referred to as CIVETS as they are considered a second wave of emerging economies:
- A China, India, Venezuela, England, Tunisia, Saudi Arabia
 - B Columbia, Indonesia, Vietnam, Egypt, Turkey, South Africa
 - C China, Indonesia, Vietnam, England, Turkey, South Africa
 - D South Africa, Brazil, Italy, Japan, Egypt, Argentina

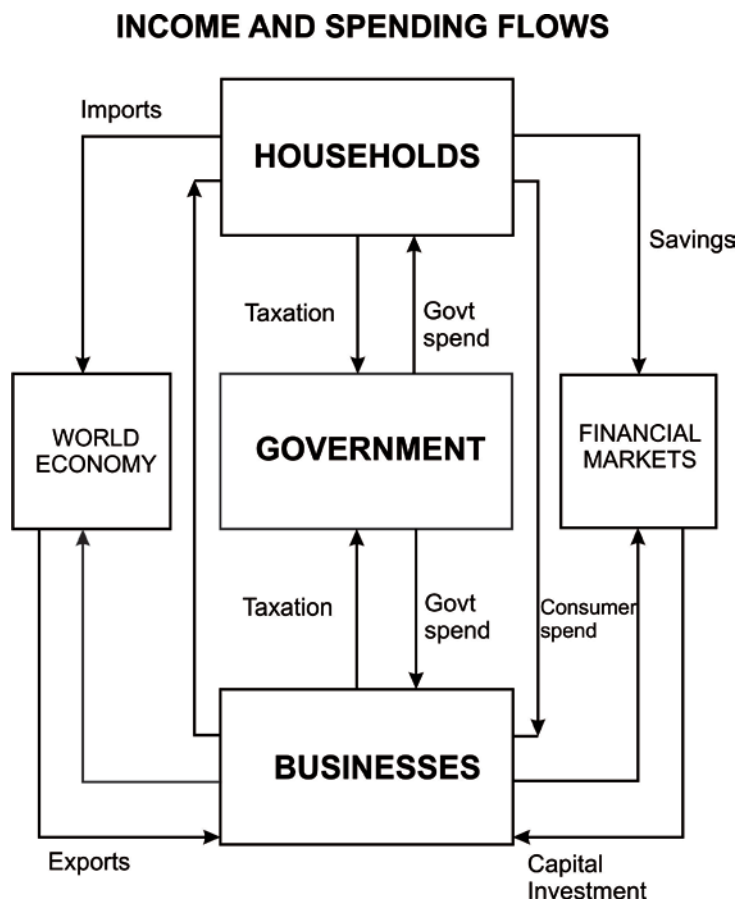
- 1.14 A consumer had an increase in salary from R160 000 per year to R200 000 per year. In the following year her expenditure on holidays increased from R16 000 to R20 000. Her income elasticity of demand for holidays is ... which means that holidays are a/an ... good.
- A 3; inferior
 - B -1; normal
 - C 1; normal
 - D -2.5; inferior
- 1.15 Which one of the following statements with reference to an oligopoly is correct?
- A Many firms dominate the industry.
 - B Control of businesses over prices of products is limited.
 - C Collusion often takes place.
 - D There are no cartels in the market.
- 1.16 The Nikkei is the stock market of ...
- A China
 - B Japan
 - C Hong Kong
 - D Brazil
- 1.17 Who is chairman of the US Federal Reserve Bank?
- A Ben Bernanke
 - B Barack Obama
 - C Mervyn King
 - D Mario Draghi

51 marks

Maximum: 50

SECTION B**QUESTION 2 MACRO-ECONOMICS**

- 2.1 Name the THREE different methods of calculating national income figures. (3)
- 2.2 Differentiate between Gross Domestic Product (GDP) and Gross National Product (GNP). (4)
- 2.3 **Diagram 1 Economic Circular flow model**



Explain how $T + S + M = G + I + X$ in the economic circular flow model above. (10)

2.4 **Table 2** **National Income figures for Country X**

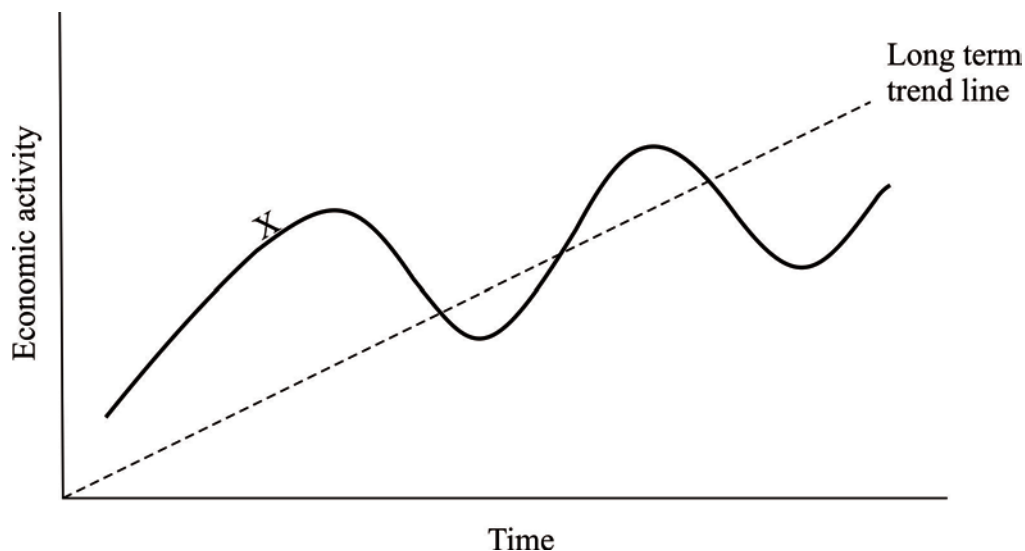
Year	Nominal GDP	Real GDP	CPI
2009	A	1 223 445	100
2010	1 455 678	B	105
2011	1 623 842	1 503 557	108

2.4.1 Calculate the value of **A** in the table. (2)

2.4.2 Calculate the value of **B** in the table. Show all calculations. (3)

2.4.3 Calculate the economic growth rate for Country X in 2011. Show all calculations. (4)

2.5 **Diagram 2** **Business Cycle**



2.5.1 Discuss the state of FOUR economic indicators of the economy that would occur at position X on the business cycle diagram above. (8)

2.5.2 If you were an economic advisor to the South African government, what **economic policies** would you recommend to the government to ensure that economic growth is achieved? (16)
[50]

QUESTION 3 MICRO-ECONOMICS

3.1 Define the law of demand. (2)

3.2 Using **only** a fully labelled diagram, illustrate what would happen to the demand for cars if the government increased personal income tax. (6)

3.3



[Source: Google images]

3.3.1 Explain the concept of complementary products. (4)

3.3.2 Using fully labelled graphs and a detailed discussion, **evaluate** the effect of an increase in the price of materials used in producing DVD players on the price of DVDs. Draw a graph for both products. (12)

3.4 Italian restaurants are an example of a **monopolistic competition** market structure. Justify how this example corresponds with the characteristics of monopolistic competition. (10)

3.5 'Price elasticity of demand refers to the responsiveness of the quantity demanded of a certain product to a change in price.'

Using examples discuss in detail the following factors which affect price elasticity of demand:

- The range and availability of substitutes
- The time period
- The proportion of income spent on the product
- Habit-forming products

(16)
[50]

QUESTION 4 ECONOMIC PURSUITS

- 4.1 What are economic indicators? (2)
- 4.2 Explain how the following economic indicators are **measured** and the **problems** associated with their measurement.
- 4.2.1 Economic growth (5)
- 4.2.2 Unemployment (5)
- 4.3 Study the following table of information and answer the questions that follow.

Table 3 Economic and Social indicators

Indicator	Columbia	Indonesia	Mozambique	South Africa	India
Population	44,7 mill	245,6 mill	22,9 mill	49,0 mill	1,1 bill
Growth rate (%)	4,3	6,1	7	2,8	10,4
GDP	\$435,4 bill	\$1,03 trill	\$21,81 bill	\$524 bill	\$4,06 trill
Inflation (%)	2,3	5,1	13	6,1	12
GDP per capita	\$9 800	\$4 200	\$1 000	\$10 700	\$3 500
Unemployment (%)	11,8	7,1	21	25	10
Life expectancy (y)	74,5	71,33	51,78	49,33	66,8
Literacy rate (%)	90,4	90,4	47,8	86,4	61
HDI rating	0,785	0,697	0,322	0,658	0,602

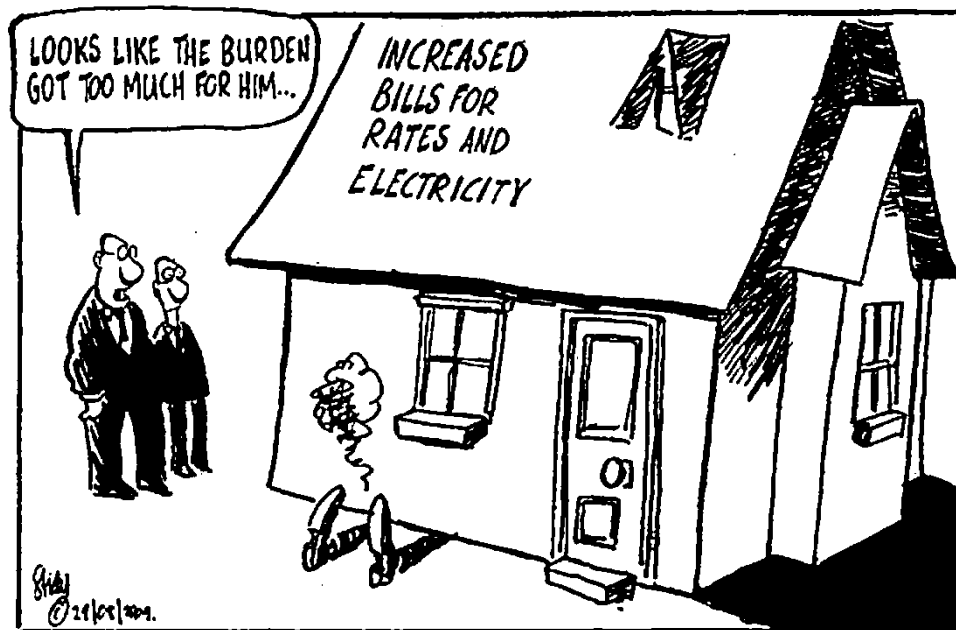
[Source: CIA Factbook, 2011]

- 4.3.1 Which country in the table is the least developed? Justify your answer. (8)
- 4.3.2 Your Financial Advisor recommends that you invest some of your money in India rather than in any of the other countries in the above table. After analysing the economic and social indicators you decide to take his advice. Give **THREE** reasons why you would recommend investing in India rather than any other country. (6)
- 4.4 *'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. (8)
- 4.5 *'The World Trade Organisation (WTO) encourages free trade and has targets for the reduction of the level of international protection.'*
- Briefly discuss **FOUR** reasons why developing countries tend to prefer a policy of protectionism. (16)

[50]

QUESTION 5 CONTEMPORARY ECONOMIC ISSUES AND MIXED QUESTIONS

5.1



[Source: <googleimages.com>]

Discuss the main causes of inflation and **evaluate** the extent to which **demand side** policies used by governments are effective in reducing inflation.

(20)

5.2 Differentiate between the terms 'deflation' and 'hyperinflation'.

(4)

5.3 *'Eskom has increased its price for electricity considerably in the last three years. This is partly due to monopoly power but it also involves the price elasticity of electricity.'*

Discuss the price elasticity of electricity in South Africa.

(8)

5.4 The manager of the Monks Cowl golf course at a popular holiday resort rents out equipment to non-members who want to play occasional rounds of golf when they are on holiday. He estimates that in December and January, if he lowers the rental fee of clubs by 10%, the number of non-members playing will increase by 25%.

5.4.1 Calculate the cross elasticity of demand.

(2)

5.4.2 Comment on the cross elasticity of demand that you have calculated in Question 5.4.1.

(4)

5.5



[Source: Africartoons, Dov Fedler, 8 August 2011]

With reference to the cartoon above, name THREE advantages and THREE disadvantages of nationalising mines and banks in South Africa.

(12)

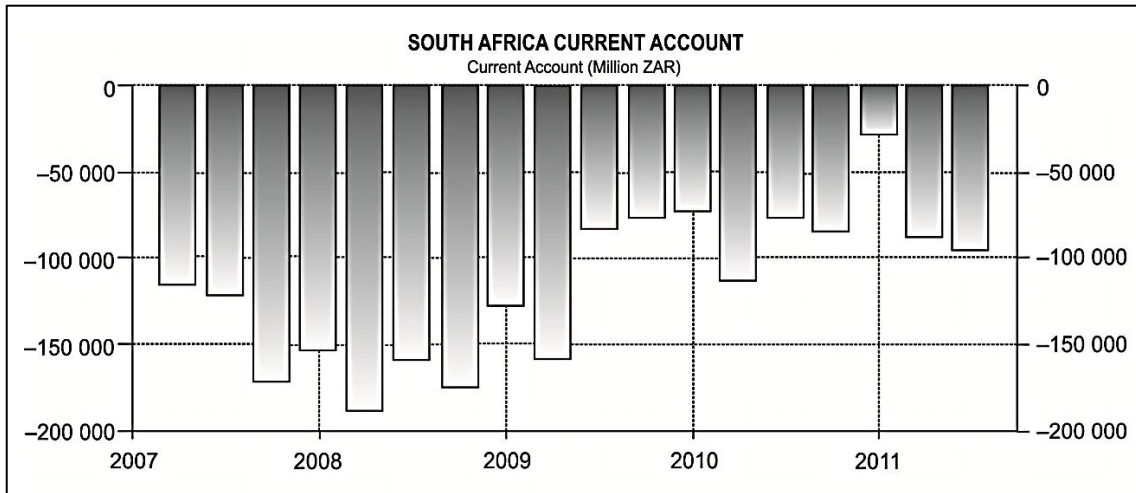
[50]

200 marks

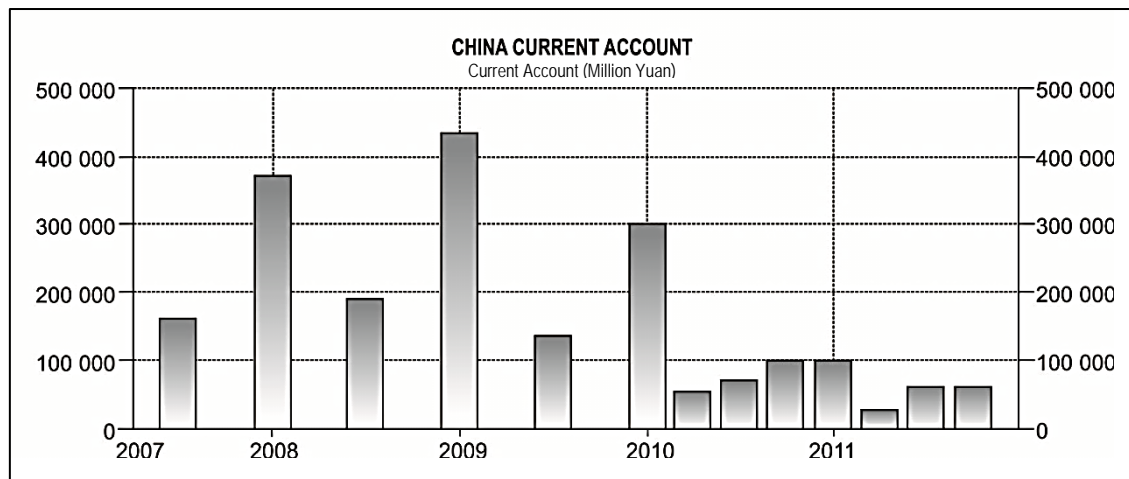
SECTION C**QUESTION 6 DATA RESPONSE**

6.1 Define the term balance of payments.

(2)

6.2 **Graph 2 South Africa's current account from 2007 – 2011**

[Source: <TradingEconomics.com, South African Reserve Bank]

Graph 3 China's current account from 2007 – 2011

[Source: <TradingEconomics.com>, State Administration of Foreign Exchange]

Compare the trends of South Africa's and China's current accounts from 2007 to 2011.

(8)

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

Table 4 South Africa's balance of payments account Third Quarter 2011

Current account:	R Millions
Merchandise exports	161 802
Net gold exports	16 617
Service receipts	23 892
Income receipts	10 065
Less: Merchandise imports	168 951
Less: Service payments	36 079
Less: Income payments	24 000
Current transfers (net)	-4 399
Balance on current account	?
Capital transfer account	61
Financial account:	
Net direct investment	13 800
Net portfolio investment	24 649
Net other investment	-3 045
Balance on financial account	35 404
Unrecorded transactions	-12 052
Change in net gold and other foreign reserves	2 360

[Source: SARB Quarterly Bulletin December 2011]

6.3.1 Calculate the balance of trade. Show all calculations. (4)

6.3.2 Calculate the balance on the current account. Show all calculations. (4)

6.3.3 Is there a deficit or surplus on the balance of payments account? Motivate your answer. (4)

6.4 "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.

[Extract from the article *Inflows finance shortfall on current account*, Business Day, 14 September 2011]

6.4.1 Why is South Africa's current account described as the 'Achilles heel' or weak point of the South African economy? (4)

6.4.2 Name **TWO** advantages of a weak Rand for the South African economy. (4)



[Source: <mediagallery.usatoday.com>]

- 6.5 Analyse the possible effects of the European debt crisis on the South African balance of payments account. (8)
- 6.6 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)
- [50]

50 marks

Total: 300 marks