



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS P1

COMMON TEST

JUNE 2014

MARKS : 150

TIME : 1½ hours

This question paper consists of 10 pages.



INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows:
 - SECTION A: COMPULSORY
 - SECTION B: Answer BOTH questions.
 - SECTION C: Answer any ONE of the two questions.
2. Answer only the required number of questions. Additional answers will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read ALL the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2–3 lines between subsections of questions.
8. 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.
9. Use only black or blue ink.
10. Non-programmable pocket calculators may be used.
11. Write neatly and legibly.

SECTION A (COMPULSORY)**QUESTION 1****(30 MARKS – 15 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 The government's policy that is used to achieve economic objectives through taxation is the ... policy.
- A fiscal
 - B monetary
 - C mixed
- 1.1.2 The money that enters the circular flow is referred to as a/an ...
- A leakage.
 - B subsidy.
 - C injection.
- 1.1.3 The establishment of a firm by one country in another country is called Foreign ...
- A. trade.
 - B. direct investment.
 - C. firm.
- 1.1.4 The lower turning-point of a business cycle is the ...
- A amplitude.
 - B peak.
 - C trough.
- 1.1.5 The economic indicators that change direction after the actual economy has changed, are referred to as ... indicators.
- A lagging
 - B coincident
 - C leading
- 1.1.6 A person who enjoys a public good or service without paying for it is a ...
- A go-getter.
 - B thief.
 - C free rider.

1.1.7 The removal of rules that prevent the private sector from participating freely in the economy is referred as ...

- A deregulation.
- B nationalisation.
- C contracting.

1.1.8 The value of exports and imports is reflected in the ... account of the Balance of payments.

- A capital
- B current
- C financial

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A–I) next to the question.

COLUMN A		COLUMN B	
1.2.1	Investment	A	It seeks to prevent contraction and sustain prosperity
1.2.2	Foreign exchange	B	Money paid without a productive service being rendered in return
1.2.3	Portfolio investment	C	It is where productive resources are bought and sold
1.2.4	Stabilisation policy	D	The distance between the turning points and the trend line
1.2.5	Transfer payment	E	Another country's currency
1.2.6	Amplitude	F	Businesses owned and managed by the state
1.2.7	Factor market	G	Money spent by firms to buy capital goods
1.2.8	Parastatals	H	The purchase of financial assets such as shares
		I	Government's intervention in the economy

(8 x 1) (8)

- 1.3. Give the economic term/concept for each of the following descriptions.
Write only the term/concept next to the question number.
- 1.3.1 The goods and services that are provided by the state for use by all members of the society.
- 1.3.2 The deliberate decrease in the value of a country's currency by its authorities.
- 1.3.3 A situation where one country produces the product at a lower opportunity cost than the other.
- 1.3.4 A phenomenon where groups of people with personal interests want to improve their wellbeing at the expense of government.
- 1.3.5 A statistical analytical tool used to smooth out fluctuations to reveal trends in business cycles.
- 1.3.6 The index that is used to convert nominal GDP to real GDP.

(6 x 1) (6)

SECTION B

Answer BOTH questions in this section.

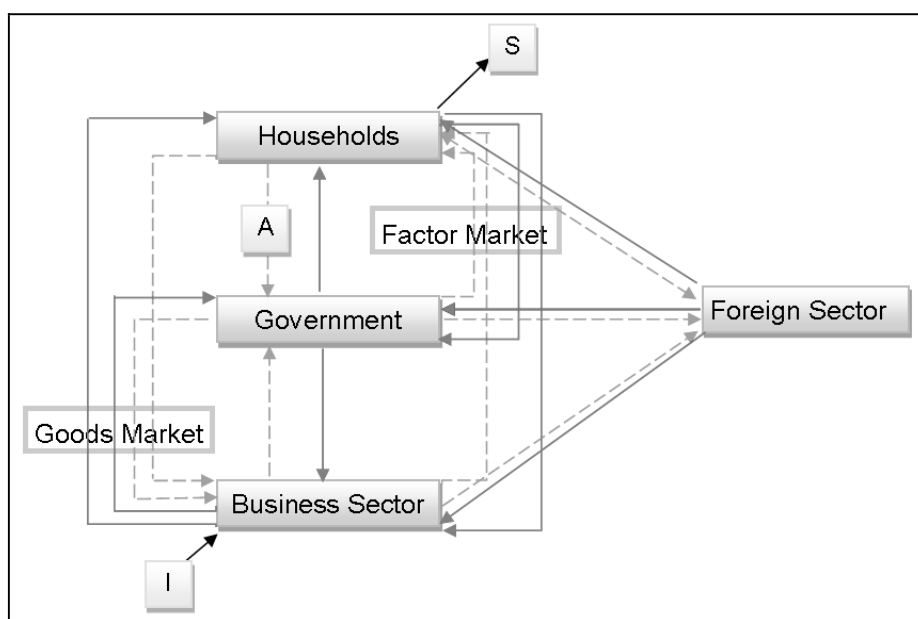
QUESTION 2**(40 MARKS – 20 MINUTES)**

2.1 Answer the following questions appropriately.

2.1.1 Name TWO flows found in the circular flow model. (2 x 1) (2)

2.1.2 Explain how the problem of double counting can be avoided when calculating GDP. (2)

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



2.2.1 Identify the interaction that letter “A” stands for. (2)

2.2.2 What is represented by the letter “S” in the diagram? (2)

2.2.3 Give a formula for calculating GDE. (3)

2.2.4 What kind of the economy is represented by the diagram above? Motivate your answer. (3)

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

Income received through production factors in 2012	
1. Compensation of employees	R1 317 655
2. Net operating surplus	R937 150
3. Consumption of fixed capital	R376 422
4. Gross value added @ factor cost	R2 631 227
5. Other taxes on production	R50 009
6. Other subsidies of production	R10 732
7. Gross value added @ basic prices	A
8. Taxes on products	R312 816
9. Subsidies on products	R19 106
10. B	R2 964 261

2.3.1 Name the institution that is responsible for the recording and publishing of GDP figures. (2)

2.3.2 Identify the item represented by letter “B” in the table. (2)

2.3.3 Explain the concept “*subsidies on products*”. (2)

2.3.4 Calculate the gross value added at basic prices (A). Show your calculations. (4)

2.4 Distinguish between a *factor market* and a *product market*. (8)

2.5 With the aid of a formula explain the multiplier concept. (8)
[40]

QUESTION 3

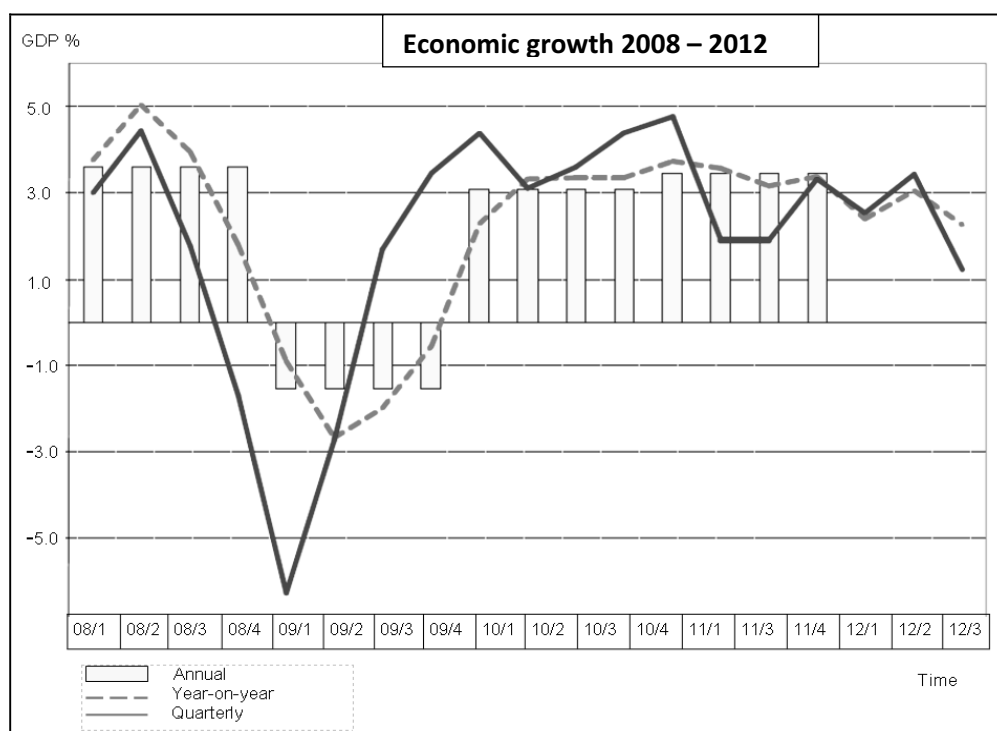
(40 MARKS – 20 MINUTES)

3.1 Answer the following questions appropriately.

3.1.1 Name TWO broad categories of causes of business cycles. (2 x 1) (2)

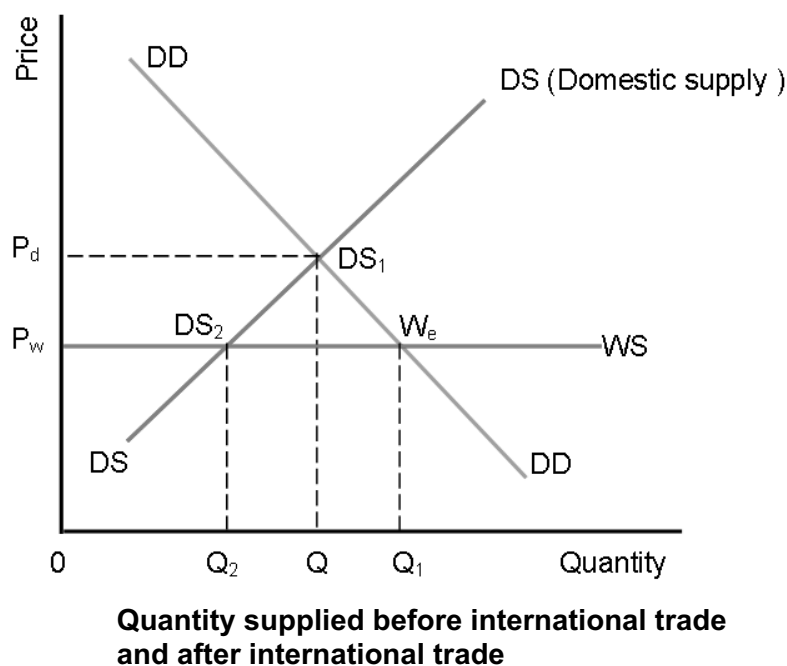
3.1.2 Why the length of the business cycle important in the forecasting of business cycles? (2)

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



- 3.2.1 Which quarter according to the graph above experienced the biggest slump in the economy? (2)
- 3.2.2 What was the highest economic growth rate on a year-on-year basis this country ever achieve according to the diagram above? (2)
- 3.2.3 Determine the average annual economic growth rate of South Africa. (2)
- 3.2.4 What policies could the government have implemented in 2009 to lift the economy out of a recession? (4)

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



- 3.3.1 Define the term “*international trade*”. (2)
- 3.3.2 Identify the price that was charged for the product above before trade. (2)
- 3.3.3 Explain why the world supply curve (WS) is horizontal. (2)
- 3.3.4 Explain the impact of opening up of international trade on prices and quantities. (4)
- 3.4 Compare and contrast the expansion period and the contraction period of a business cycle. (8)
- 3.5 Advise the Minister of Finance on how he can use tariffs to reduce unnecessary imports. (8)
- [40]**

TOTAL SECTION B: 80

SECTION C

Answer ONE question from this section.

MARK ALLOCATION FOR ESSAY RESPONSES

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max. 2
Body: (make use of headings and sub-headings) <ul style="list-style-type: none"> ▪ Main part: ▪ Additional part: 	Max. 26 Max. 10
Conclusion	Max. 2
TOTAL	40

QUESTION 4**(40 MARKS – 35 MINUTES)**

“One of the functions of government is to provide communities with basic services. However, there are certain challenges it is faced with when performing this task.”

- Discuss the problems of public sector provisioning. (30)
 - Use the Laffer curve to explain the incentive to work. (10)
- [40]**

QUESTION 5**(40 MARKS – 35 MINUTES)**

“In the spirit of globalisation, it is essential that countries of the world interact with one another on an on-going basis.”

- Discuss the supply reasons for international trade. (30)
 - Briefly advise the Minister of Trade and Industry how he can use exchange rates to correct the balance of payments disequilibrium. (10)
- [40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150

