NATIONAL
SENIOR CERTIFICATE

GRADE 12

JUNE 2023

ECONOMICS P1

MARKS: 150

TIME: 2 hours

This question paper consists of 13 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

    SECTION A: COMPULSORY
    SECTION B: Answer any TWO of the three questions
    SECTION C: Answer ONE of the two questions

2. Answer only the required number of questions. Answers in excess of the required number 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 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. You may use a non-programmable pocket calculator.

11. Write neatly and legibly.

SECTION A (COMPULSORY)   **30 MARKS – 20 MINUTES**

QUESTION 1

1.1   Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1 to 1.1.8) in the ANSWER BOOK, for example 1.1.9 D.

       1.1.1   National income will increase when …

            A $I + G + X = S + T + M$.
            B $I + G + X > S + T + M$.
            C $I + G + X < S + T + M$.
            D $I + G + X - S + T + M$.

       1.1.2   One of the biggest challenges when calculating the national income figures is ...

            A   double counting.
            B   the residual item.
            C   compensation of employees.
            D   net income.

       1.1.3   The exchange rate system whereby market forces have absolute control is called the … exchange rate system.

            A   fixed
            B   free floating
            C   managed floating
            D   absolute

       1.1.4   Aggregate supply in the economy can be stimulated by …

            A   increasing the costs.
            B   improving inefficiency of inputs.
            C   maintaining the same costs.
            D   improving the efficiency of markets.

       1.1.5   The institution that provides parliament with annual written reports on the standard of financial management of each government department:

            A   Treasury control
            B   Ministerial responsibilities
            C   Auditor-general
            D   Parliamentary questioning

1.1.6   Public goods where free-riders are excluded through fees, charges or tolls are … goods.

A   collective
B   private
C   community
D   consumables

1.1.7   When a currency is …, interest rates can be decreased which will result in an outflow of foreign currency.

A   overvalued
B   depreciated
C   undervalued
D   appreciated

1.1.8   The typical fluctuations of a business cycle will be a/an …

A   upswing – downswing – trough – peak.
B   peak – downswing – upswing – trough.
C   peak – upswing – trough – downswing.
D   downswing – trough – upswing – peak.   (8 x 2)   (16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–I) next to the question numbers (1.2.1 to 1.2.8) in the ANSWER BOOK.

	COLUMN A		COLUMN B
1.2.1	Progressive tax system	A	purchase of assets such as shares or bonds, where the investor is interested only in the expected financial return on the investment
1.2.2	National account aggregates	B	measured from peak to peak or trough to trough
1.2.3	Amplitude	C	shows the government's projected income and expenditure for three years
1.2.4	Portfolio investments	D	levied according to the amount earned
1.2.5	Medium-term expenditure framework	E	international guidelines for developing and reporting statistics comparable across countries
1.2.6	Special drawing rights	F	studies the behaviour and performance of an economy as a whole
1.2.7	System of National accounts	G	difference in the value of total output between a peak and a trough
1.2.8	Macroeconomics	H	an international reserve asset created by the IMF to supplement the official reserves of its member countries.
		I	a summary of a country's the economic activity of production, income and expenditure

(8 x 1) (8)

1.3   Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

       1.3.1   A small initial increase in spending produces a proportionately larger increase in aggregate national income

       1.3.2   An indication of the general direction of the economy

       1.3.3   The action by the South African Reserve Bank to occasionally change the balance that banks are required to maintain.

       1.3.4   A deliberate downward adjustment to the value of a country's currency, relative to another currency

       1.3.5   A model which shows the relationship between tax rates and tax revenue

       1.3.6   A government policy that uses government expenditure and taxes to influence economic activity   (6 x 1)   (6)

TOTAL SECTION A: 30

                        Please turn over

SECTION B

QUESTION 2: MACROECONOMICS   **40 MARKS – 30 MINUTES**

2.1   Answer the following questions.

     2.1.1   Name TWO turning points of a business cycle.   (2)

     2.1.2   How can a larger marginal propensity to save (mps) affect the size of the multiplier?   (2)

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

NATIONAL INCOME ACCOUNTS OF SOUTH AFRICA	R millions	
	2020	**2021**
Compensation of employees	2 678 050	2 861 309
Net operating surplus	1 493 978	1 795 000
Consumption of fixed capital	752 613	797 230
Gross value added at factor cost	**4 924 641**	**5 453 539**
Other taxes on production	118 022	131 563
Other subsidies on production	13 088	12 494
A	**5 029 575**	**5 572 608**
Taxes on products	541 457	633 854
Subsidies on products	14 116	13 965
Gross domestic product at market prices	**5 556 916**	**B**

[Adapted from *SARB QB*, December 2021]

     2.2.1   What method of calculation is used in the table above to determine the gross domestic product?   (1)

     2.2.2   Name the missing item labelled (**A**).   (1)

     2.2.3   Briefly describe the term *subsidies on production*.   (2)

     2.2.4   How would you convert GDP to GNP?   (2)

     2.2.5   Calculate the value of GDP at market prices for 2021 (**B**). Show all calculations.   (4)

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

The President of South Africa has announced that the Department of Energy would take over Eskom. There was an attempt to privatise Eskom and the entire industry in the late 90s but this was abandoned as no private company wanted to compete with unsustainable and unprofitable electricity prices backed by taxes and debt.

[Adapted from news24.net]

2.3.1   Name the parastatal referred to in the above information.   (1)

2.3.2   Who is indirectly responsible for bailing out state-owned enterprises in South Africa?   (1)

2.3.3   Briefly describe the concept *privatisation.*   (2)

2.3.4   Explain inefficiencies as a feature of public sector failure.   (2)

2.3.5   How could state-owned enterprises contribute towards expanding the economy?   (4)

2.4   Briefly discuss leading and co-incident indicators as features under-pinning forecasting.   (8)

2.5   How can South Africa reduce imports in order to correct the Balance of Payment (BOP) deficit?   (8)

[40]

QUESTION 3: MACROECONOMICS   40 MARKS – 30 MINUTES

3.1   Answer the following questions.

     3.1.1   Name any TWO problems of public sector provisioning.   (2)

     3.1.2   What is the significance of a surplus on the current account of the balance of payment?   (2)

3.2   Study the information below and answer questions that follow.

Years	2018	2019			
Quarters	Q1–4	Q1	Q2	Q3	Q4
Current account items	R bn	R bn	R bn	R bn	R bn
Exported goods	1176	1193	1233	1258	1260
Net gold exports	72	56	50	70	93
Service receipts	210	208	213	215	215
Income receipts	97	123	106	117	121
Current transfers	-35	-36	-35	-36	-36
Imported goods	1223	1207	1314	1284	1250
Service payments	218	221	229	226	230
Income payments	251	266	230	303	241

[Adapted from *SARB QB*, December 2019]

     3.2.1   Give the economic concept illustrated in the table above.   (1)
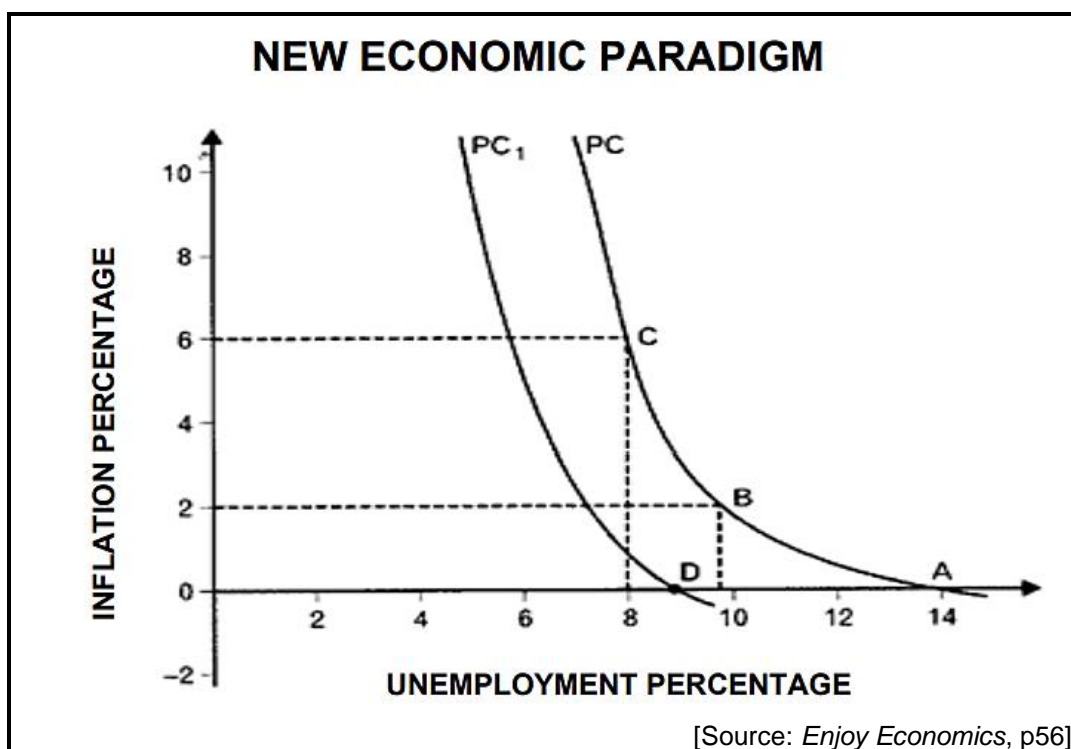
     3.2.2   Which current account item is used for recording donations?   (1)

     3.2.3   Briefly describe the term *trade balance*.   (2)

     3.2.4   Why are net gold export figures positive in South Africa?   (2)

     3.2.5   Calculate the balance on the current account for the second quarter of 2019. Show ALL calculations.   (4)

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

[Source: *Enjoy Economics*, p56]

3.3.1   Provide a name for the graph given above.   (1)

3.3.2   What is the original natural rate of unemployment in the graph above?   (1)

3.3.3   Briefly describe the term *new economic paradigm.*   (2)

3.3.4   Explain how the government can use its fiscal policy to speed up the recovery of an economy.   (2)

3.3.5   With the aid of a graph, illustrate the effect of demand-side and supply side policies in smoothing out business cycles.   (4)

3.4   Explain the effect of an increase in mass production on international trade.   (8)

3.5   How can a recession negatively affect the different economic participants?   (8)

[40]

QUESTION 4: MACRO ECONOMICS   40 MARKS – 30 MINUTES

4.1   Answer the following questions.

     4.1.1   Name any TWO instruments of the monetary policy.   (2)

     4.1.2   How can ineffectiveness result in public sector failure?   (2)

4.2   Read the extract below and answer the questions that follow.

> ### BUSINESS CYCLES
>
> Economies can be disturbed by many factors which can result in downswings and it can also go through periods of growth and prosperity. Countries have to find ways to deal with business cycles in order to achieve stable economies.
>
> [Source: www. https://www.econlib.org/library/Enc/BusinessCycles.html]

     4.2.1   Name the period of business cycle during which the level of economic activities increases.   (1)

     4.2.2   Mention ONE type of a business cycle.   (1)

     4.2.3   Briefly describe the concept *business cycle.*   (2)

     4.2.4   How can natural disasters influence fluctuations in business cycles?   (2)

     4.2.5   How has the Keynesian (endogenous) school of thought influenced business cycles?   (4)

4.3   Study the information below and answer questions that follow.

SOUTH AFRICA: TERMS OF TRADE 2022			
Month	**Index of import prices**	**Index of export prices**	**Terms of Trade**
January	108,2	102,9	95,1
February	107,9	105,4	97,6
March	107,7	109,7	**A**

[Adapted from https://www.statssa.gov.za/publications/P01427/P01427March2022.pdf]

4.3.1   Identify the institution responsible for publishing the data above.   (1)

4.3.2   What is the trend in the index of import prices?   (1)

4.3.3   Briefly describe the concept *terms of trade.*   (2)

4.3.4   What can bring an improvement in the country's terms of trade?   (2)

4.3.5   Calculate the terms of trade for March 2022 (A). Show ALL calculations.   (4)

4.4   Briefly discuss absolute and comparative advantage as supply reasons for international trade.   (8)

4.5   Why is price stability important to prevent extreme fluctuations in business cycles?   (8)

[40]

TOTAL SECTION B: **80**

SECTION C

Answer any ONE question of the TWO questions in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to define the main concept related to the question topic. • Do NOT include any part of the question in your introduction. • Do NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate/Draw a graph and explain/Use the graph given and explain/Complete the given graph **Additional part**: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/ Distinguish/Interpret/Briefly debate/How/Suggest/Analyse	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgment on the facts discussed • Additional support information to strengthen the discussion/ analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS   40 MARKS – 40 MINUTES

• Discuss in detail the markets within the four-sector model.   (26 marks)
• How can the business sector contribute more positively to the economy?
                                                      (10 marks)   **[40]**

QUESTION 6: MACROECONOMICS   40 MARKS – 40 MINUTES

• Discuss in detail the main objectives of the public sector in the economy.
                                                      (26 marks)
• How effective is the South African government in achieving full employment?
                                                      (10 marks)   **[40]**

TOTAL SECTION C: **40**
GRAND TOTAL: **150**