



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**JUNE 2017**

**ECONOMICS P1**

**MARKS: 150**

**TIME: 2 hours**



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This question paper consists of 12 pages.

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**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. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully and start each question on a NEW page.
5. Leave 2–3 lines between subsections of questions.
6. 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.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.

**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 Taxes and subsidies on ... are taken into account when calculating GDP at basic prices.
- A exports
  - B production
  - C commodities
- 1.1.2 The amount of money that flows out of the circular flow is ...
- A injections.
  - B loss.
  - C leakages.
- 1.1.3 When the currency of a country is purely based on market forces, they are using a ... exchange rate system.
- A managed
  - B free floating
  - C fixed
- 1.1.4 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
- 1.1.5 Indicators which change before the business cycle changes are called ... indicators.
- A leading
  - B composite
  - C lagging
- 1.1.6 A technique used in forecasting the unknown by using facts or information that is known, is called ...
- A extrapolation.
  - B innovation.
  - C amplitude.

1.1.7 An argument in favour of the protection of local industries is ...

- A unstable wage levels.
- B the prevention of dumping.
- C fewer job opportunities.

1.1.8 The state aims towards a more equal distribution of income by using a ... personal income tax system.

- A proportional
- B progressive
- C regressive

(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 number (1.2.1–1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Free trade	A Increase in the real GDP
1.2.2 Terms of trade	B Goods which are non-rivalrous in consumption
1.2.3 Financial market	C A business cycle caused by innovations, wars etc.
1.2.4 Investment	D Producers and consumers can buy and sell goods and services anywhere in the world
1.2.5 Community goods	E The state of an economy in which no one is made better off without someone being made worse off
1.2.6 Kondratieff Cycle	F Spending by firms on capital goods
1.2.7 Economic growth	G Offers opportunities for borrowing and saving
1.2.8 Pareto efficiency	H Goods and services are traded in this market
	I The relationship between export prices and import prices

(8 x 1)

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 relationship between unemployment and inflation

1.3.2 A measure that is used to promote exports

1.3.3 A fixed amount paid by consumers for water and electricity irrespective of the units consumed

1.3.4 They are the primary owners of the factors of production

1.3.5 Money received without any productive service rendered

1.3.6 Worldwide interaction of economies through trade (6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

Answer TWO of the three questions from this section in the ANSWER BOOK.

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

2.1 Answer the following questions.

2.1.1 Give TWO examples of non-durable goods. (2 x 1) (2)

2.1.2 How will foreign direct investment benefit the South African economy? (1 x 2) (2)

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

**NATIONAL INCOME ACCOUNTS OF SOUTH AFRICA**

	<b>R MILLIONS</b>	
	<b>2012</b>	<b>2013</b>
Compensation of employees	1 451	1 576
Net operating surplus	922	961
Consumption of fixed capital	406	443
<b>Gross value added at factor cost</b>	<b>2 779</b>	<b>2 980</b>
Other taxes on production	56	64
LESS: Subsidies on production	15	14
<b>...(A) ...</b>	<b>2 820</b>	<b>3 030</b>
Taxes on products	338	374
LESS: Subsidies on products	20	19
<b>Gross domestic product at market prices</b>	<b>3 138</b>	<b>3 385</b>

[Adapted from the SARB Quarterly Bulletin, September 2014]

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

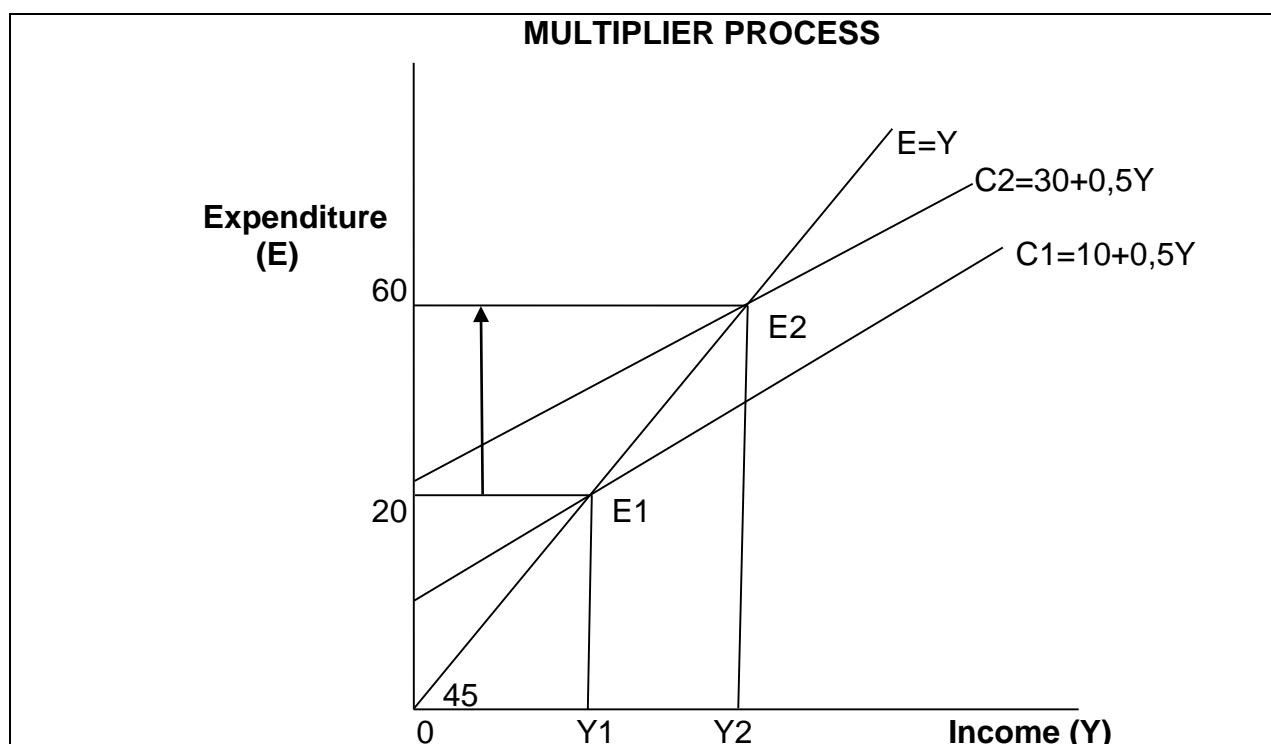
2.2.2 Give ONE example of taxes on products. (1)

2.2.3 Name the missing item labelled (A). (2)

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

2.2.5. Calculate the compensation of employees as a percentage of GDP at market prices in 2013. Show ALL calculations. (4)

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



2.3.1 What is represented by the line  $E = Y$  in the above graph? (2)

2.3.2 Describe the concept *multiplier*. (2)

2.3.3 Explain the relationship between the multiplier and the marginal propensity to consume (mpc). (2)

2.3.4 Calculate the multiplier for the above scenario. Show ALL calculations. (4)

2.4 Differentiate between *real flows* and *money flows* in the circular flow model. (4 x 2) (8)

2.5 How can the establishment of more labour-intensive industries benefit South Africa? (4 x 2) (8)

**[40]**

**QUESTION 3: MACROECONOMICS****40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name TWO indicators that are related to international trade. (2 x 1) (2)

3.1.2 How does the depreciation of the rand impact on the exports of goods and services? (1 x 2) (2)

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

**BUY LOCAL AND BOOST THE SOUTH AFRICAN ECONOMY**

The Proudly South African campaign requested the support of all South African producers. South Africa currently faces the challenge of competing in an unfair global economy. All South Africans buy home-grown products and contribute to job creation.

Our own industries need protection until they establish a base. Korea's giant brands like Samsung and Hyundai are not only big in their own country; they are also global giants and major providers of jobs.

[Adapted from *Fin week*, 12 October 2015]

3.2.1 Name ONE brand from the extract which is imported from Korea. (1)

3.2.2 Identify the challenge faced by South Africa to succeed in the international markets from the extract. (1)

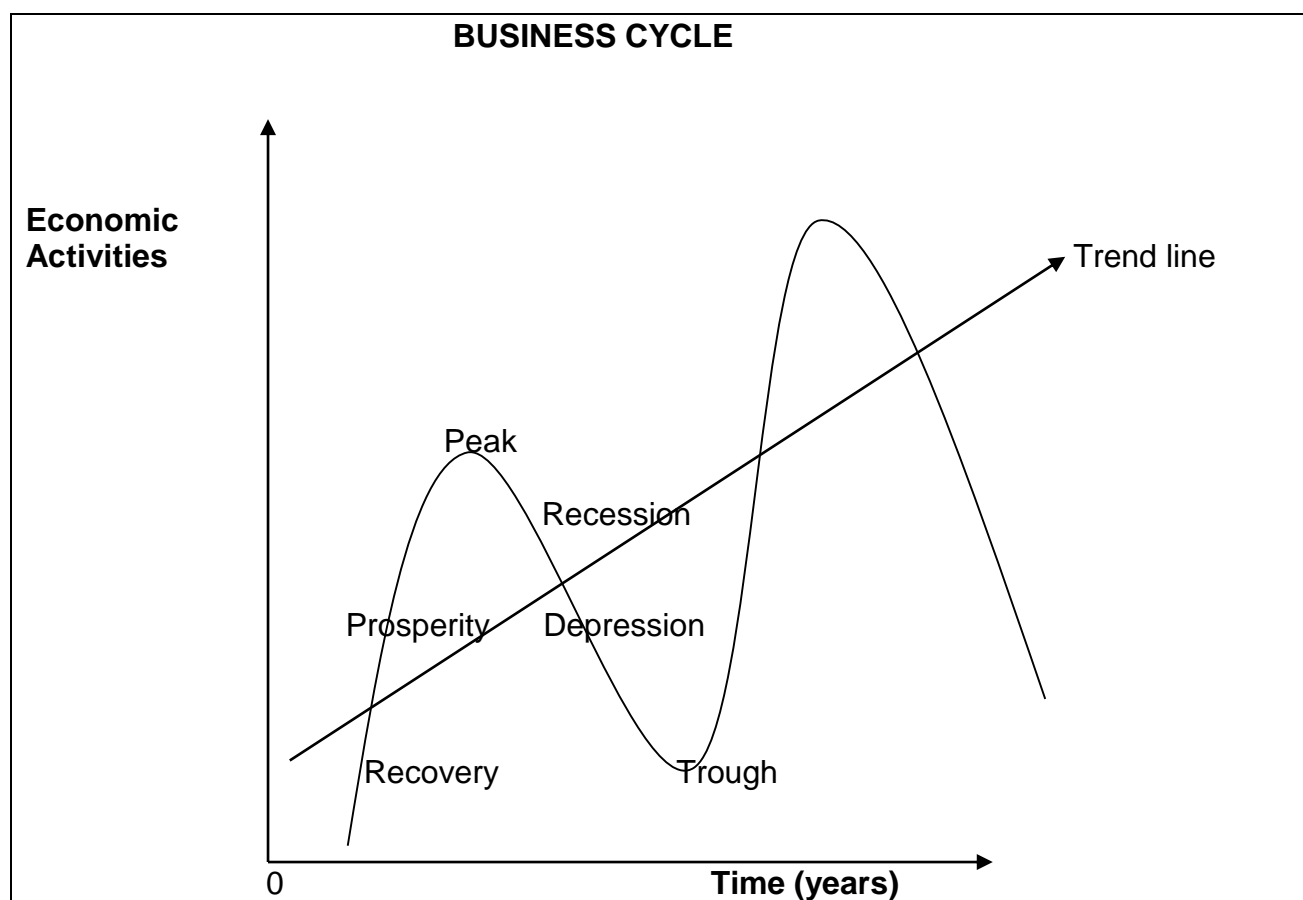
3.2.3 Briefly describe the term *protectionism*. (2)

3.2.4 What measures can government take to ensure that local industries are protected? (2)

3.2.5 In your opinion, how can local support boost the South African economy? (4)



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



3.3.1 At which stage does the economy experience inflation in the above graph? (2)

3.3.2 Describe the term *business cycle*. (2)

3.3.3 What is indicated by the trend line? (2)

3.3.4 Explain how the government can stimulate economic activity in an effort to smooth out business cycles. (4)

3.4 How effective is international trade for South Africa? (4 x 2)

3.5 What impact will the deficit on the current account have on the economy? (4 x 2) (8)

**[40]**

**QUESTION 4: MACROECONOMICS****40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO forms of import substitution. (2 x 1) (2)

4.1.2 How has the government promoted economic equity in terms of its education commitments? (1 x 2) (2)

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

**ECONOMIC INDICATORS**

Economic indicators are statistics used to measure aspects of the economy, which helps to forecast business cycles, for an example unemployment rates, retail sales and job advertising space.

Besides economic indicators, the length and amplitude of a business cycle are other factors that underpin the forecasting of business cycles.

The South African Reserve Bank (SARB) also compiles composite indicators to reflect the performance of the economy.

[Adapted from internet sources, 2013]

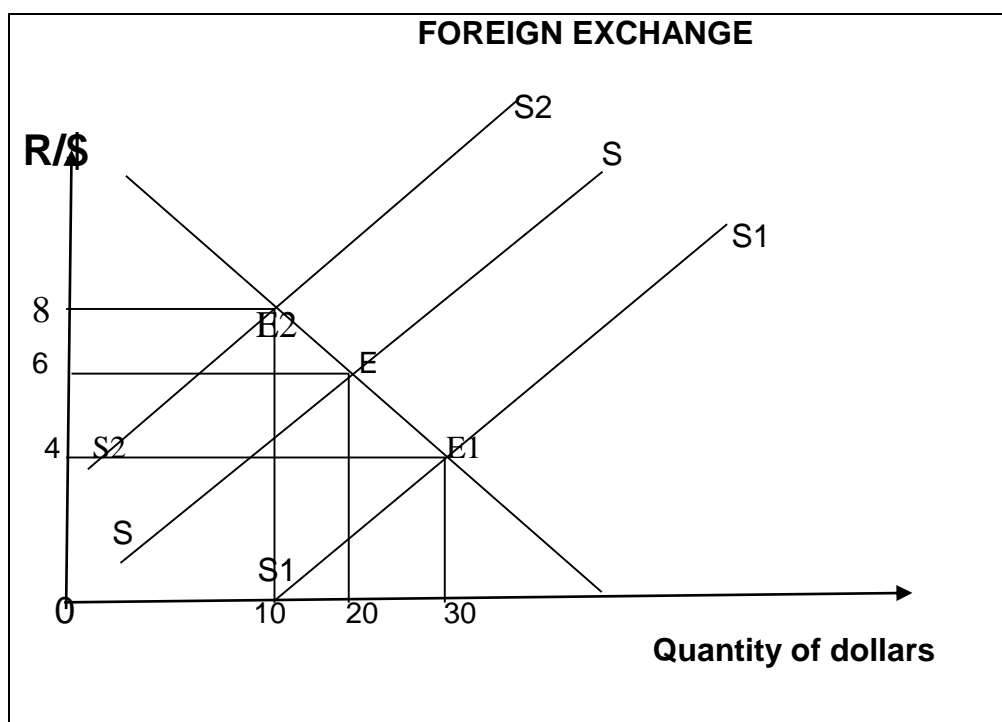
4.2.1 What does the amplitude of a business cycle demonstrates? (2)

4.2.2 Describe the term *length*. (2)

4.2.3 Identify a leading indicator from the above information. (2)

4.2.4 Explain moving averages as a feature that underpins forecasting. (4)

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



- 4.3.1 Which supply curve indicates a decrease in the supply of dollars? (1)
- 4.3.2 What type of exchange rate system is currently used in South Africa? (1)
- 4.3.3 Explain the term *exchange rate*. (2)
- 4.3.4 State ONE factor that could have led to an increase in the supply of dollars. (2)
- 4.3.5 Use the above graph to explain the effect of the increase in the supply of US dollars on the R/US\$ exchange rate. (4)
- 4.4 Differentiate between *exogenous* and *endogenous explanations* for a business cycle. (4 x 2) (8)
- 4.5 Evaluate the success of economic growth and price stability as part of the government's macro-economic objectives. (4 x 2) (8)

**[40]**

**TOTAL SECTION B: 80**

**SECTION C**

Answer ONE of the two questions from this section.

STRUCTURE OF ESSAY:	MARK ALLOCATION:
<b>Introduction</b>	Max. 2
<b>Body:</b> <ul style="list-style-type: none"> <li>• <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate</li> <li>• <b>Additional part:</b> 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</li> </ul>	Max. 26  Max. 10
<b>Conclusion</b> Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body</li> <li>• An opinion or valued judgment on the facts discussed</li> <li>• Additional support information to strengthen the discussion / analysis</li> <li>• A contradictory viewpoint with motivation, if so required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5: MACROECONOMICS****40 MARKS – 40 MINUTES**

*The private sector is not always perfect in the allocation of resources and problems can occur when the public sector intervenes to provide certain goods and services.*

- Discuss the problems of public sector provisioning. (26 marks)
- How can the South African government improve efficiency in service delivery? (10 marks) **[40]**

**QUESTION 6: MACROECONOMICS****40 MARKS – 40 MINUTES**

*International trading is the backbone of our modern commercial world as producers in various nations try to profit from an expanded market, rather than be limited to selling within their own borders.*

- Discuss export promotion as part of South Africa's international trade policy. (26 marks)
- Why are South African consumers encouraged to buy locally produced goods instead of imported goods? (10 marks) **[40]**

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