



DEPARTMENT OF EDUCATION
DEPARTEMENT VAN ONDERWYS
LEFAPHA LA THUTO
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**PROVINSIALE VOORBEREIDINGSEKSAMEN/
PROVINCIAL PREPARATORY EXAMINATION**

Stanmorephysics.com

GRAAD/GRADE 12

**EKONOMIE V1/
ECONOMICS P1**

SEPTEMBER 2023


Stanmorephysics.com

PUNTE/MARKS: 150

TYD/TIME: 2 uur/hours

**Hierdie vraestel bestaan uit 13 bladsye./
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 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)

30 MARKS-20 MINUTES

QUESTION 1

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

1.1.1 The type of consumption of household spending which is independent of income is called ... consumption.

- A autonomous
- B induced
- C fixed
- D staple

1.1.2 The highest turning point of a business cycle is known as the ...

- A trough.
- B trend.
- C peak.
- D amplitude.

1.1.3 The government level that consists of metropolises, districts and municipalities is called ... government.

- A local
- B provincial
- C foreign
- D central

1 1.4 The exchange rate system where currencies are devaluated or revaluated is called the ... exchange rate

- A free floating
- B fixed
- C foreign
- D managed floating

1 1.5 The selling goods in a foreign country at lower prices than in the country of origin is known as ...

- A exports.
- B dumping.
- C imports.
- D free trade.



1.1.6

The growth and development policy that aims to eliminate poverty and inequality by 2030 is known as ..

- A National Development Plan (NDP).
- B National Growth Path (NGP).
- C National Skills Development Strategy (NSDS).
- D Reconstruction and Development Plan (RDP).

1.1.7

An industrial policy that encourages industrial development in a few urban areas is called ...

- A privatisation.
- B decentralisation.
- C centralisation.
- D nationalisation.

1.1.8

A high standard of living is directly related to ..

- A intelligence.
- B low economic growth.
- C reduction in expenditure.
- D education.

(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 to 1.2.8) in the ANSWER BOOK. e.g. 1.2.9 J

COLUMN A

- 1.2.1 Multiplier
1.2.2 Financial Derivatives
1.2.3 State-owned enterprises
1.2.4 Taxation
1.2.5 Urbanization
1.2.6 Integrated Manufacturing Strategy
1.2.7 Expanded public works program
1.2.8 Subsidies

COLUMN B

- A it strengthens institutional capacity and development
B financial contracts that get their value from underlying assets
C government intervention to create employment using labour-intensive methods
D financial incentives by the state to help businesses produce more
E a business that is partly or wholly owned by the government and run by a public entity
F increase in the number of people living in cities or towns instead of in the countryside
G financial capital held by the monetary authorities in the form of foreign currency
H a change in spending results in a much bigger change in income
I compulsory contribution by the citizens of a country to the state coffers

(8 x 1) (8)

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

1.3.1 The total remuneration for the factors of production received by the people of South Africa nationally in a given period

1.3.2 The measures taken by the government in respect of taxation, government spending and borrowing to influence economic growth

1.3.3 A form of credit that the International Monetary Fund can use when a country experiences balance of payments disequilibrium

1.3.4 Worldwide exposure and interaction of economies with trade as a key element

1.3.5 A purpose-built industrial estate linked to an airport or seaport with export as the main objective

1.3.6 An increase in the number of people in a country. (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

40 MARKS – 30 MINUTES

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

QUESTION 2

2.1 Answer the following questions

2.1.1 Name any TWO problems of public sector provisioning. (2 x 1) (2)

2.1.2 Why are real figures used instead of nominal figures to measure Gross Domestic Products? (1 x 2) (2)

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



ECONOMIC GROWTH



BUDGET



[Adapted from Google Images, 2023]

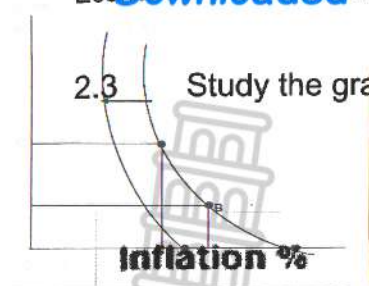
2.2.1 Identify the macro-economic objective of the state in the cartoon above. (1)

2.2.2 Name the main source of income for the state. (1)

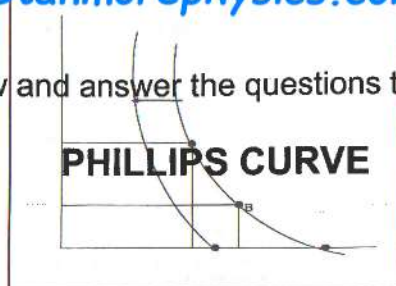
2.2.3 Briefly describe the term *budget deficit*. (2)

2.2.4 Why is a positive economic growth rate important for a country? (2)

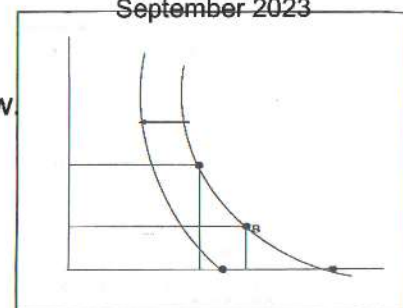
2.2.5 How can the South African government use its income effectively to achieve economic growth? (4)



10



PC1 PC



6



2



[Adapted from Google Images, 2023]

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

- 2.3.1 Identify the point on the graph that indicates the initial natural unemployment rate. (1)
- 2.3.2 Name any type of business cycle in South Africa. (1)
- 2.3.3 Briefly describe the term *new economic paradigm*. (2)
- 2.3.4 What supply-side measures can be used to shift the PC graph to PC1? (2)
- 2.3.5 Explain the relationship between unemployment and inflation in the graph. (2 x 2) (4)

2.4 Briefly discuss the *product* and *factor markets* in a four-sector circular flow model. (2 x 4) (8)

2.5 Evaluate how successful the South African Government is in the provisioning of public goods and services. (4 x 2) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS**40 MARKS- 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO corridors in South Africa.

(2 x 1) (2)

3.1.2 Why must the South African Reserve Bank (SARB) lower the repo rate when facing a recession?

(1 x 2) (2)

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

FREE TRADE AREAS

The landmark African Continental Free Trade Area (AfCFTA) agreement has the potential to create a continental free-trade zone with a combined Gross Domestic Product (GDP) of USD\$3.4 trillion, according to the African Union (AU).

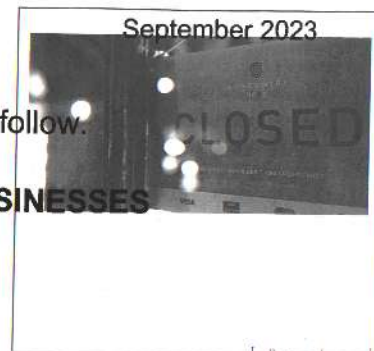
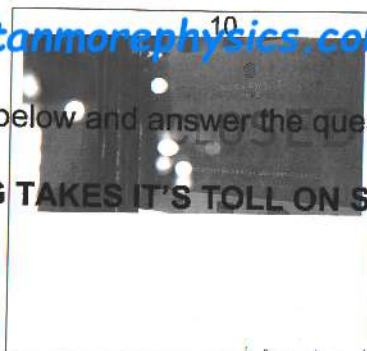
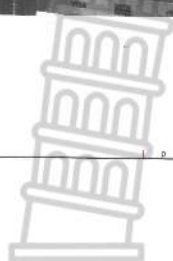
The AfCFTA emphasizes the reduction of tariffs and non-tariff barriers, and the facilitation of the free movement of people and labour, right of residence, right of establishment, and investment.

Adapted from www. ool.com

- 3.2.1 Identify ONE of the major trading alliances (partners) in the world from the extract above. (1)
- 3.2.2 Name the tariff that is paid as a percentage value of imported goods. (1)
- 3.2.3 Briefly describe the term *free trade*. (2)
- 3.2.4 How can the movement of people and labour lead to increased welfare between countries? (2)
- 3.2.5 Why is a desirable mix between import substitution and export promotion needed in a country? (2 x 2) (4)

3.3

Study the information below and answer the questions that follow.

LOADSHEDDING TAKES IT'S TOLL ON SMALL BUSINESSES

Economists warn that there will be job losses as the power cuts continue, and that could have a ripple effect in Africa's most industrialized economy. South African small businesses, often seen as the lifeblood of the economy, account for a third of the country's gross domestic product (GDP).

Analysts say underinvestment in the maintenance of ageing coal plants for years has affected Eskom's capacity to deliver consistent power supply to millions of households. Some of the newer power plants have also broken down due to overburdening.

Adapted - www.aljazeera.com

- 3.3.1 Identify the non-renewable energy resource that humanity is currently dependent on to supply their energy needs. (1)
- 3.3.2 Name ONE reason why the power supply in South Africa is not sustainable. (1)
- 3.3.3 Briefly describe the term *social indicator*. (2)
- 3.3.4 How can government assist small businesses in overcoming loadshedding? (2)
- 3.3.5 Why is loadshedding a threat to the progress of our country and the development of its people? (2 x 2) (4)
- 3.4 Discuss *infant industries and increased employment* as arguments in favour of protectionism. (2 x 4) (8)
- 3.5 Evaluate the appropriateness of Black Economic Empowerment in South Africa. (4 x 2) (8)
- [40]**

QUESTION 4: MACROECONOMICS & ECONOMIC PURSUITS**40 MARKS – 30 MINUTES****4.1** Answer the following questions.**4.1.1** Name any TWO phases in a typical business cycle

(2 x 1) (2)

4.1.2 How can countries in the South reduce the income gap that exists with the countries of the North?

(1 x 2) (2)

4.2 Study the table below and answer the questions that follow.**GROSS DOMESTIC PRODUCT GDP OF SOUTH AFRICA****R MILLIONS****2021****A**

1 451 603

Net operating surplus

922 030

Consumption of fixed capital

405 640

Gross Value Added at factor cost**2 779 273**

Other taxes on production

56 527

Less subsidies on production

15 538

Gross Value Added at basic prices**B**

Taxes on products

338 804

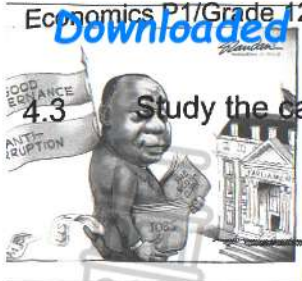
Less subsidies on products

20 086

Gross Domestic Product GDP at market prices**3 138 980**

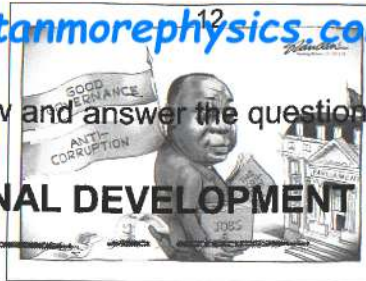
[Source: SARB Quarterly Bulletin]

4.2.1 Identify the method used to calculate GDP in the table above. (1)**4.2.2** Name the item that is missing by letter A in the table. (1)**4.2.3** Briefly describe the term *factor cost*. (2)**4.2.4** Explain the purpose of the system of National Accounts (SNA) as outlined by the United Nations. (2)**4.2.5** Use the figures in the table to calculate Gross Value Added at basic prices, marked B? Show all calculations. (2 x 2) (4)



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

REGIONAL DEVELOPMENT POLICIES



[Adapted from Google Images, 2023]

- 4.3.1 Identify the international benchmark criteria illustrated in the cartoon above. (1)
- 4.3.2 Name the Act that ensures employees receive equal employment opportunities. (1)
- 4.3.3 Briefly describe the term *regional development*. (2)
- 4.3.4 How can anti-corruption strategies improve financial oversights in the economy? (2)
- 4.3.5 Why is the introduction of new skills and technology important in regional development? (2 x 2) (4)
- 4.4 Discuss labour productivity and remuneration per worker as economic indicators. (2 x 4) (8)
- 4.5 How can leading economic indicators be used in forecasting business cycles? (4 x 2) (8)
- [40]

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two questions from this section in the ANSWER BOOK

Your answer will be assessed as follows:

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 the 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.

Body:

Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain Draw a graph and explain/ Use the graph given and explain/Complete the given graph/Assess/Debate

A maximum of 8 marks may be allocated for headings/examples.

Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest

A maximum of 2 marks may be allocated for mere listing of facts.

Conclusion

Any higher-order conclusion should include:

- A brief summary of what has been discussed without repeating facts already mentioned
- Any opinion or valued judgement on the facts discussed
- Additional support information to strengthen the discussion/analysis
- A contradictory viewpoint with motivation, if required
- Recommendations

TOTAAL

Max. 2

Max. 26

Max. 10

Max.2

40

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

- Discuss in detail the reasons for international trade. (26 marks)
- Examine the effect of mass production on international trade. (10 marks) **[40]**

QUESTION 6: ECONOMIC PURSUITS**40 MARKS- 40 MINUTES**

- Discuss in detail the demand-side approach in promoting growth and development in South Africa. (26 marks)
- How can South Africa use supply-side measures to promote economic growth and development? (10 marks) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150



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PROVINCIAL PREPARATORY EXAMINATIONS

GRADE 12

**ECONOMICS P1
SEPTEMBER 2023
MARKING GUIDELINES**

MARKS: 150

These marking guidelines consist of 18 pages.

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

- 1.1.1 A - autonomous ✓✓
- 1.1.2 C - peak ✓✓
- 1.1.3 B - provincial ✓✓
- 1.1.4 D - managed floating ✓✓
- 1.1.5 B - dumping ✓✓
- 1.1.6 A - National Development Plan (NDP) ✓✓
- 1.1.7 C - centralisation ✓✓
- 1.1.8 D - education ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 H - a change in spending results in a much bigger change in income ✓
- 1.2.2 B - financial contracts that get their value from underlying assets ✓
- 1.2.3 E - a business that is partly or wholly owned by the government and run by a public entity ✓
- 1.2.4 I - compulsory contribution by the citizens of a country to the state coffers ✓
- 1.2.5 F - increase in the number of people living in cities or towns instead of in the countryside ✓
- 1.2.6 A - it strengthens institutional capacity and development ✓
- 1.2.7 C - government intervention to create employment using labour-intensive methods ✓
- 1.2.8 D - financial incentives by the state to help businesses produce more ✓

(8 x 1) (8)

1.3 GIVE THE TERM

- 1.3.1 Gross National Income ✓
- 1.3.2 Fiscal Policy ✓
- 1.3.3 Special Drawing Rights ✓
- 1.3.4 Globalisation ✓
- 1.3.5 Industrial Development Zone ✓
- 1.3.6 Population Growth ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MACROECONOMICS

40 MARKS - 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO problems of public sector provisioning.

- Accountability✓
- Efficiency✓
- Assessing Needs✓
- Pricing policy✓
- Parastatals✓
- Privatisation/nationalisation✓

(Accept any other correct relevant response) (2 x 1) (2)

2.1.2 Why are real figures used instead of nominal figures to measure Gross Domestic Production?

Real values of production are the nominal values of national products adjusted for price increases.✓✓

(Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 Identify the macroeconomic objective of the state in the cartoon above.

Economic growth✓ (1)

2.2.2 Name the main source of income for the state.

Taxation✓ (1)

2.2.3 Briefly describe the term *budget deficit*.

When the government's tax revenue is less than its spending for a particular year.✓✓

(Accept any other correct relevant response) (2)

2.2.4 Why is a positive economic growth rate important for a country?

- Positive economic growth will lead to an increase in production and job creation.✓✓
- Will lead to a surplus in the balance of payments✓✓
- Will create investment opportunities/Foreign Direct Investment (FDI)✓✓

(Accept any other correct relevant response) (2)



2.2.5 How can the South African government use its income effectively to achieve economic growth?

- Proper management of funds, accountability in all departments✓✓
- Proper collection of taxes through SARS to ensure maximum taxable income collected✓✓
- Cut down on tax evasion of individuals.✓✓
- Implementation of projects earmarked for the financial year to be completed within given due dates✓✓
- Monitor spending on infrastructural projects through effective budgeting processes✓✓

(Accept any other correct relevant response)

(4)

2.3 DATA RESPONSE

2.3.1 Identify the point on the graph that indicates the initial natural unemployment rate?

Point C ✓

(1)

2.3.2 Name any type of business cycle in South Africa.

Kitchin ✓
Kuznet ✓
Jugler ✓
Kondratieff ✓

(1)

2.3.3 Briefly describe the term *new economic paradigm*.

These are policies that are embedded (rooted) in both demand and supply-side policies to influence the economy✓✓

(Accept any other correct relevant response)

(2)

2.3.4 What supply-side measures can be used to shift the PC graph to PC1?

- Investing in education and training programmes can improve the quality and productivity of the labour force✓✓
- Improvement in health care allows workers to take few sicker days and become more productive. ✓✓
- Investing in new technology and innovation can boost the output of the economy. ✓✓
- Fewer legal restrictions on businesses to encourage entrepreneurship.✓✓

(Accept any other correct relevant response)

(2)



2.3.5 Explain the relationship between unemployment and inflation in the graph.

- There is an inverse relationship between inflation and unemployment. ✓✓
- A trade-off exists between inflation and unemployment. ✓✓
- If unemployment increases from A to B (8% to 10%) then inflation falls from 6% to 2%. ✓✓
- When unemployment increases from B to C (10% to 14%) the inflation falls from 2% to 0%. ✓✓

(Accept any other correct relevant response) (2 x 2) (4)

2.4 Briefly discuss the *product* and *factor* markets in a four-sector circular flow model.

Product market

- The product market is also known as a goods/output market. ✓✓
- Is a market where businesses sell goods and services to households, other businesses and public enterprises. ✓✓
- Consumer goods are classified as durable goods, non-durable goods, semi-durable goods and services. ✓✓
- Capital goods such as buildings and machinery are also part of the product market. ✓✓

(Accept any other relevant responses) max (2 x 2)

Factor market

- The factor market is also known as a resource market/input market. ✓✓
- Factors of production, e.g. labour, entrepreneurship, capital and natural resources are traded on this market. ✓✓
- The factor market distributes income to the owners of productive resources such as wages, interest, profit and rent. ✓✓

(Accept any other relevant responses) max (2 x 2) (8)
(Allocate a maximum of 4 marks for mere listing of facts/examples)

2.5 Evaluate how successful the South African Government is in the provisioning of public goods and services.

The government has been successful in the provisioning of public goods and services:

- Such as merit goods that are provided for by the public sector because it is beneficial for society to have them, and not because of people's demand for it, example clean water and education ✓✓
- Community goods are beneficial products provided by government to all citizens and which can be consumed by many people without a decrease in quality of quantity, namely lighthouses and national defense ✓✓
- The state also provides collective goods in the form of parks and beaches, where fees, charges or tolls can be levied to ensure that they are kept clean and tidy ✓✓

- Consumers are aware of demerit goods and the effect it has on society and their health, through positive advertising campaigns ✓✓
- Government charges tax on cigarettes and alcohol and this serves as an income to the state. ✓✓

The government has been unsuccessful in the provisioning of public goods and services:

- Some communities still lack proper healthcare such as clinics, hospitals and healthcare practitioners. ✓✓
- There are still many rural schools that don't have the proper infrastructure, electricity, books and educators to ensure for quality education ✓✓
- Often community parks are neglected and degraded through vandalism as the local municipalities do not act as custodians of state property ✓✓
- Many communities still do not have clean water and sanitation, as municipalities fail to deliver these valuable services that ensures the basic rights of all individuals ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts/ examples)

(4 x 2)

(8)

QUESTION 3: ECONOMIC PURSUITS

40 MARKS - 30 MINUES

3.1 **Answer the following questions.**

3.1.1 **Name any TWO corridors in South Africa**

- Maputo ✓
- Limpopo ✓
- Subsidies ✓
- Walvis Bay ✓

(Accept any other relevant corridor)

(2 x 1)

(2)

3.1.2 **Why must the South African Reserve Bank (SARB) lower the repo rate when facing a recession?**

A lower repo rate will lead to a decrease in interest rates, resulting in increased spending and an increase in demand for goods and services. ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

3.2 **DATA RESPONSE**

3.2.1 **Identify ONE of the major trading partners in the above extract.**

United Nations (UN) ✓

(1)

3.2.2 **Name the tariff that is paid as a percentage value of imported goods.**

Ad volarem ✓

(1)

3.2.3 **Briefly describe the term *free trade*.**

Is a policy where goods, services, labour, entrepreneurship and capital can move freely between countries without government intervention through tariffs, quotas and subsidies. ✓✓

(Accept any other correct relevant response)

(2)

3.2.4 **How can the movement of people and labour lead to increased welfare between countries?**

Skills and knowledge are transferred from person to person, leading to specialisation of goods and services, resulting in increased welfare of the nation. ✓✓

(Accept any other correct relevant response)

(2)



3.2.5

Why is a desirable mix between import substitution and export promotion needed in a country?

- Domestic production is necessary for job creation. ✓✓
- Exports are needed to ensure inflows of foreign currencies. ✓✓
- Governments must ensure that there is a balance between imports and exports ✓✓

(Accept any other correct relevant response)

(4)

3.3

DATA RESPONSE

3.3.1

Identify the non-renewable energy resource that humanity is currently dependent on to supply their energy needs.

Coal ✓

(1)

3.3.2

Name ONE reason why the power supply in South Africa is not sustainable.

- Underinvestment in the maintenance of coal plants ✓
- Corruption ✓
- Resources are limited/scarc ✓

(Accept any other correct relevant response)

(1)

3.3.3

Briefly describe the term *social indicator*

Statistics that measure one or more aspects of society, and which can be used as tools to give information about the well-being of the people in society. ✓✓

(Accept any other correct relevant response)

(2)

3.3.4

How can government assist small businesses in overcoming loadshedding?

Government can provide loans in the acquisition of solar panels/generators/inverters. ✓✓

(Accept any other correct relevant response)

(2)

3.3.5

Why is loadshedding a threat to the progress of our country and the development of its people?

- Persistent loadshedding destroys businesses and compromises the production of food ✓✓
- The provision of social services such as water, sanitation and community safety are compromised ✓✓
- Investment prospects are reduced to a minimum ✓✓
- Energy infrastructure is destroyed ✓✓

- Job creation is lost/unemployment increases ✓✓
(Accept any other correct relevant response)

(4)

3.4 **Discuss *infant industries* and *increased employment* as arguments in favour of protectionism.**

Infant industries

- Usually newly established and find it difficult to survive due to there average costs being higher than that of their well-established foreign competitors ✓✓
- however, if they are given protection in their early year's they may be able to grow and thereby take advantage ✓✓
- lower their average costs and become competitive ✓✓
- at this point protection can be removed. ✓✓

(Accept any other correct relevant response)

max (2 x 2)

Increased employment.

- It is argued that imports from other countries with relatively low wages represent unfair competition ✓✓ and threaten the standard of living of the more highly paid workers of the local industries ✓✓
- Local industries would therefore, be unable to compete because of higher wages pushing up the price levels of goods.
- Production/income is lost when loadshedding occurs ✓✓
- Smaller business battle to recoup after sustaining sizeable losses on a daily basis ✓✓
- Competition from low-wage countries may also reflect the fact that those countries have a comparative advantage in low-skilled labour-intensive industries. ✓✓

(Accept any other correct relevant response).

max (2 x 2)

(Allocate a maximum of 4 marks for mere listing of facts/examples)

(8)

3.5 **Evaluate the appropriateness of Black economic empowerment in South Africa.**

Positive

- Empower more black people to own enterprises. ✓✓
- Promote access to finance for black economic empowerment. ✓✓
- Assist in the development of the operational and financial capacity of B-BBEE enterprises, especially small, medium, and micro enterprises (SMMEs) and black-owned enterprises. ✓✓
- Increase the extent of black female ownership of enterprises. ✓✓
- Ensure that black-owned enterprises benefit from the government's preferential procurement policies. ✓✓
- Help rural and local communities access economic opportunities ✓✓

max (2 x 2)

Negative



- Policy has been hijacked and repurposed by individuals for the purposes of corruption and self-enrichment. ✓✓
- During COVID national funding was put aside for the procurement of personal protective equipment. ✓✓
- The policy only benefitted a tiny group of people, amid widespread poverty, economic stagnation and unemployment. ✓✓
- There are an elite few who have benefitted the most from BEE, escaping accountability. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts/examples)

max (2 x 2)

(8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS- 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO phases in a typical business cycle

- Recession ✓
- Depression ✓
- Recovery ✓
- Prosperity ✓

(Accept any other correct relevant response)

(2 x 1)

(2)

4.1.2 How can countries in the South reduce the income gap that exists with the countries of the North?

Increased education /skills/knowledge will lead to better qualified jobs and an increase in income levels ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

4.2 DATA RESPONSE

4.2.1 Identify the method used to calculate GDP in the table above.

Income method/GDP (I) ✓

(1)

4.2.2 Name the item that is missing by letter A in the table.

Compensation of employees ✓

(1)



4.2.3 **Briefly describe the term *factor cost*.**

This is the cost of the factors of production (labour, capital, entrepreneurship and natural resources) used to produce goods and services. ✓✓

(Accept any other correct relevant response) (2)

4.2.4 **Explain the purpose of the system of National Accounts (SNA) as outlined by the United Nations.**

The purpose is to provide information that is useful in economic analysis and formulation of macroeconomic policies. ✓✓

(Accept any other correct relevant response) (2)

4.2.5 **Use the figures in the table to calculate Gross Value Added at basic prices, marked B? Show all calculations?**

Gross value added at factor cost + taxes on production – subsidies on production

$$2\,779\,273 \checkmark + 56\,527 \checkmark - 15\,538 \checkmark = 2\,820\,262 \checkmark$$

(Accept any other correct relevant response) (4)

4.3 **DATA RESPONSE**

4.3.1 **Identify the international benchmark criteria that measures the state management of projects in South Africa?**

Good governance ✓ (1)

4.3.2 **Name the Act that prohibits discrimination and requires that the workforce reflects the racial and gender profile of the population in the South African economy.**

The Employment Equity Act ✓ (1)

4.3.3 **Briefly describe the term *regional development*.**

Refers to the promotion of economic development in areas where poverty, unemployment and income inequality are high, in order to uplift these areas. ✓✓

(Accept any other correct relevant response) (2)

4.3.4 **How can anti-corruption strategies improve financial oversights in the economy?**

- Those that are accountable must be held accountable ✓✓
- There should be transparency in the economy ✓✓

(Accept any other correct relevant response) (2)

4.3.5

Why is the introduction of new skills and technology important in regional development?

- New skills and technology lead to increased investments ✓✓
- Results in increased production ✓✓
- More qualified labour because of increased skills ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

4.4

Discuss labour productivity and remuneration per worker as economic indicators.

Labour productivity

- Is watched closely, particularly in relation to real wage increases ✓✓
- e.g. South Africa productivity increased less than labour remuneration ✓✓
- The economy battled to stay out of a recession ✓✓
- Labour productivity is measured by dividing the real GDP by the number of workers employed ✓✓

(Accept any other relevant response)

max (2 x 2)

Remuneration per worker

- If productivity increases are lower than the real wage increases, inflationary pressures will occur ✓✓
- The relationship between productivity and wages is crucial for employers and workers and they are therefore important indicators. ✓✓
- For the employers to survive in vigorous markets. ✓✓
- For the employees to survive on their salaries. ✓✓

(Accept any other relevant response)

(Allocate a maximum of 4 marks for mere listing of facts/examples)


max (2 x 2)

(8)

4.5

How can leading economic indicators be used in forecasting of business cycles?

- There are a number of techniques available to help economists to forecast business cycles using various economic indicators. ✓✓
- Leading economic indicators are indicators that change before the economy changes. ✓✓
- They coincide with the reference turning point ✓✓
- They give consumers, business leaders and policy makers a glimpse (advance warnings) of where the economy might be heading. ✓✓
- These indicators alert economists to specific economic changes and/or changing trends ✓✓
- The leading indicator peaks before a peak is reached in aggregate economic activity. ✓✓
- Leading indicators are especially important when the economy is heading into or out of a recession ✓✓

- 
- This indicator is the most important type of indicator because it helps economists to predict what the economy will be like in the future ✓✓
 - It helps economist know what the sales ratio or job advertising space will be ✓✓
 - When the leading indicators rises, the level of economic activities will also rise in a few months' time ✓✓
 - It will cause an upswing in the business cycle ✓✓
- (Accept any other correct relevant response)**
(Allocate a maximum of 2 marks for the mere listing of facts/examples.

(8)
[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

QUESTION 5: MACROECONOMICS

40 MARKS - 40 MINUTES

- **Discuss in detail the reasons for international trade.** (26 marks)
- **Examine the effect of mass production on international trade.** (10 marks)

INTRODUCTION

International trade is the exchange of goods and services between countries. ✓✓ Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries, or which would be more expensive domestically ✓✓

(Accept any other relevant introduction)

(Max 2)

BODY: MAIN PART

The size of the population impacts demand. ✓

- If there is an increase in population growth, it causes an increase in demand, as more people's needs must be satisfied. ✓✓
- Local suppliers may not be able to satisfy this demand. ✓✓

The population's income levels affect demand. ✓

- Changes in income cause a change in the demand for goods and services. ✓✓
- An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported. ✓✓
- An increase in the wealth of the population leads to greater demand for goods. ✓✓
- People have access to loans and can spend more on luxury goods, many of which are produced in other countries. ✓✓

Preferences and tastes ✓

- Preferences and tastes can play a part in the determining of prices, ✓✓ e.g. customers in Australia have a preference for a specific product which they do not produce and need to import, and it will have a higher value than in other countries. ✓✓

Consumption patterns ✓

- The difference in consumption patterns is determined by the level of economic development in the country ✓✓
- e.g. a poorly developed country will have a high demand for basic goods and services but a lower demand for luxury goods. ✓✓

The level of economic development and income/technical level ✓

- The consumption patterns of developed countries will differ from those of developing countries. ✓✓
- The need for basic necessities, such as food in developing countries may result in more needed goods being imported. (Demand for technical items) ✓✓

International migration ✓

- Different cultures, religions and lifestyles of immigrants will result in certain goods and services being important. ✓✓
- South Africa is a multi-cultural country, demanding various traditional food, clothes, etc ✓✓

The cost of production ✓

- A country could produce goods at the lowest possible cost. ✓✓
- Local consumers will demand goods from other countries at a lower price. ✓✓

Absolute Advantage and Comparative advantage ✓

Absolute advantage

- Where one country can produce goods with fewer resources than another country ✓✓

Comparative advantage

- Where one country can produce goods at a lower opportunity cost- it sacrifices less resources in production. ✓✓

Natural resources ✓

- These resources are not evenly distributed across all countries of the world ✓✓
- They vary from country to country, and can only be exploited in places where the resource exists. ✓✓
- South Africa is well equipped with different natural resources, but less resources with skilled labour and capital ✓✓

Labour resources ✓

- Labour differs between different countries in terms of skills, knowledge, training, quality, quantity and also cost ✓✓
- Some countries have highly skilled, well-paid workers, and high productivity levels, such as Switzerland ✓✓

Climatic conditions✓

- These countries make it possible for others to produce certain goods at a lower price than other countries✓✓
- An example is Brazil, which is the largest producer of coffee✓
- Countries have different climatic conditions and are therefore able to produce different products✓✓

Technological resources✓

- The developmental levels and innovation processes of countries will always differ as a result other countries may have them in abundance, while others may not✓✓
- Countries such as Germany and the USA are able to use capital which embodies high levels of technology, while other countries do not have access to the latest technology, such as basic internet services and healthcare. ✓✓

Specialisation✓

- The production of certain goods and services allows some countries to produce them at a lower cost than other producers✓✓
- Japan produces electronic goods and sell these at a much lower price. ✓✓
- International Trade enables countries to specialise in the production of goods and services in which they have comparative advantage above others✓✓

The availability of capital✓

- In some countries they need to modernize their industries and economies with advanced machinery, equipment (plants), but cannot manufacture this equipment, because they lack the capital to do so. ✓✓
- This factor has therefore increased the need for international trade✓✓

Lack of entrepreneurship✓

- Those countries that have good entrepreneurial skills offer more goods and services for trade. ✓✓
- Efficiency determines the supply of goods and services produced at lower prices and also reduces the opportunity costs of acquiring them. ✓✓

(Accept any other relevant response)

(A maximum of 8 marks may be allocated for mere listing of headings/examples)
(Max 26)

ADDITIONAL PART

The effect of mass production on international trade:

- An increase in production as a result of mass production would lead to an increase in the supply of goods and services on the foreign market. ✓✓
- There will be an increase in exports that lead to an inflow of foreign exchange.✓✓
- The value of the rand appreciates.✓✓
- Mass production creates more job opportunities.✓✓
- Increase in demand for foreign goods that may facilitate international trade.✓✓
- Mass production leads to an access to greater variety of goods and services.✓✓
- Manufacturing products require large-scale production in order to be affordable and profitable. ✓✓

(Accept any other correct and relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts/examples)
(Max 10)

CONCLUSION

Countries that are more open to international trade tend to grow faster, innovate, enhance productivity, and give their citizens higher income and more opportunities. ✓✓/ Integrating into the global economy through international trade and global value chains contributes to local and global economic growth and poverty reduction. ✓✓

(Accept any other relevant higher order conclusion)

(Max 2)

[40]

QUESTION 6: ECONOMIC PURSUITS

40 MARKS- 40 MINUTES

- **Discuss in detail the demand-side approach in promoting growth and development in South Africa.** (26 marks)
- **How can South Africa use supply-side measures to promote economic growth and development?** (10 marks)

INTRODUCTION

An increase in domestic demand for a product or service will cause an increase in the level of its production, and this increase in the quantity of goods and services will lead to economic growth. ✓✓

(Max 2)

(Accept any other correct relevant introduction)

BODY: MAIN PART

Consumption spending by households (C)

Increase in production

- Increase in production leads to an increase in disposable income of households, which leads to increase in consumption which leads to more production etc. (Multiplier effect) ✓✓

Government fiscal policy

- Lowering of direct and indirect taxes leaves more money for households to spend, leading to more production. ✓✓

Government monetary policy

- Lowering interest rates makes credit cheaper and consumers will borrow more, consume more and production will increase. ✓✓

Government programmes to satisfy basic needs

- Government assists poor households to satisfy their basic needs for access to healthcare, clean water, energy and education. ✓✓
- This is done to create jobs which provide incomes to households which leads to consumption which leads to production. ✓✓

Investment spending by firms (I)

- Capital formation increases the production capacity of businesses and the economy. ✓✓

Government spending (G)

- Government spending on public services and economic affairs ensures a level of demand. ✓✓
- This is the easiest and quickest way to increase aggregate demand and get economic growth. ✓✓

Imports and exports

- Imports provide consumers with a wider choice of goods and services; they also provide capital and intermediate goods and services to firms. ✓✓
- An increase in imports leads to a reduction in local production; this could lead to unemployment and reduction in production. ✓✓
- Exports on the other hand leads to job creation and increase in production ✓✓

Monetary policies

- A monetary policy that reduces interest rates and increases money in circulation in a country will stimulate demand, also known as expansionary monetary policy ✓✓
- Central banks manage the availability of money by means of open market transactions and cash reserve requirements. ✓✓
- They manage the cost of money, by means of interest rate changes. ✓✓
- **Interest rate changes** ✓: to make credit more expensive or cheaper. ✓✓
- **Open market transactions** ✓: to restrict bank credit the SARB sells securities. ✓✓
- When banks buy these securities money flows from the banks to the SARB. ✓✓
- The banks have less money to lend and credit reduces. ✓✓
- **Moral suasion** ✓: The SARB consults with banks and persuades them to act in a manner that is desirable, in terms of the economic conditions that prevail at that time ✓✓

Fiscal Policy

- A policy that reduces taxes and keeps them at low levels will stimulate demand. ✓✓
- Cuts in personal income tax will increase disposable income by the same amount. ✓✓
- Fiscal policy focuses on budget deficit and surpluses to either raise or reduce aggregate demand. ✓✓
- **Progressive personal income tax** ✓: Higher-income earners are taxed at higher rates than lower-income earners. The taxes are used to finance social development. ✓✓
- **Wealth tax** ✓: Properties such as houses, offices and factory buildings in urban areas are taxed annually.
- **Transfer duties** ✓: paid when properties are bought – shares and bonds are taxed when traded. ✓✓
- **Capital gains tax** ✓: levied on gains earned on the sale of capital goods, such as properties and shares. ✓✓
- **Estate duties** ✓: levied on the estate of deceased persons with a value R3,5million (2016) ✓✓
- **Cash benefits** ✓: Old-age pensions, disability grants, child support grants and unemployment insurance – also known as social security payments ✓✓
- **Natural benefits** ✓: provision of health care, education and school meals, protection, municipal services and infrastructure. Where user-fees are charged, poor people and low-income earners benefit more than other because they pay nothing or less than higher-income earners. (Limited quantities of free electricity or water) ✓✓
- **Other redistributions** ✓: Public works programme, Spatial Development Initiatives (SDI) and SMMEs to have advantages that favour poor and low-income earners by providing employment subsidies and other cash and financial benefits. ✓✓

- **Land restitution and land redistribution✓✓**: The purpose of land restitution is to return land (or pay cash compensation) to those who lost their land because of discrimination laws and practices.✓✓ Land redistribution focuses on land for residential and productive use. ✓✓
- **Property subsidies✓✓**: helps beneficiaries acquire ownership of fixed residential property. ✓✓

Trade policies

- Demand will be increased through policies to promote exports and decrease the value of imports.✓✓
- A weaker exchange rate, which makes exports cheaper, will increase the quantity of exports.✓✓
- Cooperation with other countries, forming trade blocks will promote exports✓✓
- Exchange control policy to prevent capital assets from being transferred to other countries.✓✓

(Accept any other correct relevant response)

(A maximum of 8 marks may be allocated for mere listing if headings/examples) (Max 26)

BODY: ADDITIONAL PART

South Africa can use supply-side measures to promote economic growth and development by:

- providing free advisory services such as information on new export markets, to promote efficiency and the ease of doing business✓✓
- promoting competition in different markets to improve economic efficiency.✓✓
- lowering some taxes and licence fees to reduce administrative costs for businesses✓✓
- removing unnecessary rules and regulations(deregulation) to improve the efficiency of markets✓✓
- improving the quality of education and training to improve the skills and labour force✓✓
- providing cash incentives and subsidies to encourage capital formation in the economy.✓✓
- providing free advisory services such as information on new export markets, to promote efficiency and the ease of doing business.✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts/examples) (Max 10)

CONCLUSION

The modern economy has become more dynamic and it is important for government to abort some policies that are no longer suitable and introduce new policies that are more relevant.✓✓

(Accept any other correct relevant higher order conclusion)

(Max 2)

[40]

[40]

TOTAL SECTION C:

40

GRAND TOTAL:

150