Education and Sport Development

Department of Education and Sport Development
Departement van Onderwys en Sport Ontwikkeling
Lefapha la Thuto le Tlhabololo ya Metshameko

NORTH WEST PROVINCE

PROVINCIAL ASSESSMENT

GRADE 12

ECONOMICS

PAPER 1

JUNE EXAMINATION 2018

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 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. 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 answer and write the letter [A-D] next to the question number (1.1.1 – 1.1.8) in the ANSWER BOOK, for example 1.1.3 D

   1.1.1 The economy is in equilibrium if leakages are equal to …

      A. Factor market
      B. Product market
      C. Financial institutions
      D. Injections

   1.1.2 It is obtained when the effects of irregular events, seasons and long-term growth trend are removed from the time series data …

      A. Trend line
      B. Kuznet cycle
      C. Trough
      D. Actual business cycle

   1.1.3 Differ from community goods in that fees are charged or tolls can be levied to exclude free-riders … goods.

      A. Collective
      B. Intermediate
      C. Merit
      D. Teaching

   1.1.4 The financial year of the government runs from … the following year.

      A. 1st February to 31st March
      B. 1st April to 31st March
      C. 1st March to 28th February
      D. 1st January to 31st December

   1.1.5 When consumers and producers are free to buy goods and services anywhere in the world without any restrictions …

      A. Import substitution
      B. Export promotion
      C. Free trade
      D. Current account

1.1.6 An international organization that lends money to countries with ongoing balance of payment problems …

      A. World Trade Organization
      B. International Monetary Fund
      C. Direct investment
      D. South African Reserve Bank

1.1.7 An economic and monetary union which allows imports from member states to qualify for duty-free access to other member states …

      A. New Partnership for African Development
      B. Trade liberalization
      C. South African Development Community
      D. World Trade Organization

1.1.8 When a complete ban or embargo is imposed on the import of certain goods from a particular country …

      A. Physical control
      B. Direct substitution
      C. Diverting trade
      D. Quotas   (8 x 2) (16)

1.2 Choose a description from column B that matches the item in column A. Write only the letter (A - D) next to the question number (1.2.1 - 1.2.8) in the Answer Book.

COLUMN A	COLUMN B
1.2.1 Closed economy	A. Measures the general direction of the economy.
1.2.2 Base year	B. Previously imported goods can increase tax revenues and create jobs.
1.2.3 Peak	C. Includes transactions relating to investment, such as investments in businesses.
1.2.4 Trend line	
1.2.5 Goal bound	D. Central government determines economic and social goals during the budgetary process.
1.2.6 Direct investment	E. Point where the economic expansion is at its highest.
1.2.7 Industrialization	F. A year with very small price changes or price fluctuations.
1.2.8 Customs union	G. Give advance warning of a change in economic activity.
	H. An economy that has no foreign sector as a participant.
	I. Member countries agree to the removal of all tariffs.

(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 – 1.3.6) in the ANSWER BOOK. No abbreviations and acronyms will be accepted.

    1.3.1 Value of all final goods and services produced within the borders of a country for a specific period

    1.3.2 The distance from the trend line to the peak and the trough

    1.3.3 A curve that shows the relationship between tax rates and tax revenue

    1.3.4 Removal of unnecessary laws and regulations to improve the functioning of the economy

    1.3.5 A world wide interaction and integration of economies with trade as the main element

    1.3.6 Refers to a tariff based on a percentage of the value of a good

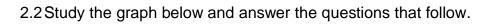   (6 x 1) (6)
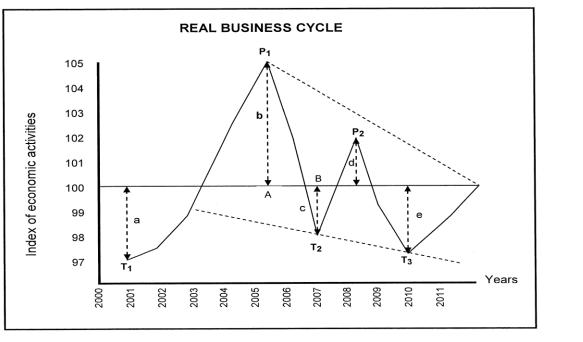
TOTAL SECTION A: 30

SECTION B

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

QUESTION 2   **40 MARKS - 30 MINUTES**

2.1 Answer the following questions

    2.1.1 Give TWO types of flows in the circular flow model.   (2 x 1) (2)

    2.1.2 What impact will an increase in personal income tax have on the household's disposable income?   (1 x 2) (2)

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

REAL BUSINESS CYCLE

2.2.1 Identify a peak in the business cycle above.   (1)

2.2.2 Which letter represents the amplitude in the graph above?   (1)

2.2.3 During which year was the first business cycle fully completed?
       Motivate your answer.   (2)

2.2.4 What fiscal measure was used to stimulate the economy from T_1 to P_1?   (2)

2.2.5 How would you advise the South African Reserve Bank to use expansionary monetary policy when the demand is too low?   (2 x 2) (4)

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

SOUTH AFRICAN VALUE ADDED TAX

Finance Minister says that 19 food items are zero-rated and are only meant to cover basic food items. Poor households will not be affected by the increase of 15% VAT as of 1st April 2018.

Some items are zero-rated and others are exempted from VAT.

The following transactions or goods are zero-rated supplies:

- Brown bread
- Dried mealies
- Dried beans
- Lentils
- Pilchards and sardines in tins or cans
- Rice
- Fresh fruit and vegetables
- Vegetable oil

Source: www.sataxguide.co.za

2.3.1 What does the acronym VAT stand for?   (1)

2.3.2 On which date was the 15% increase on VAT become effective?   (1)

2.3.3 Differentiate between *zero-rated* and *exempted items* from VAT. (2 x 2) (4)

2.3.4 In your opinion, will VAT increase have a huge impact on the demand for basic goods? Motivate your answer.   (4)

2.4 Discuss exogenous reason as a cause of business cycle.   (4 x 2) (8)

2.4 Why do you think that the business cycle indicators are important features in forecasting?   (8)
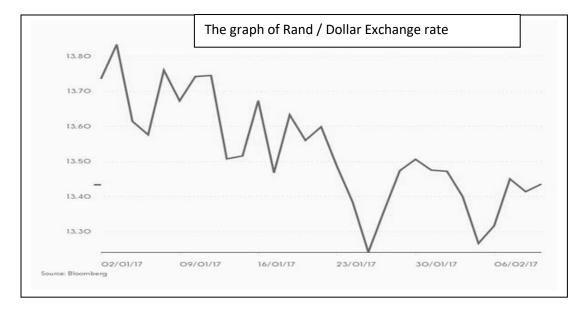
[40]

QUESTION 3   **40 MARKS - 30 MINUTES**
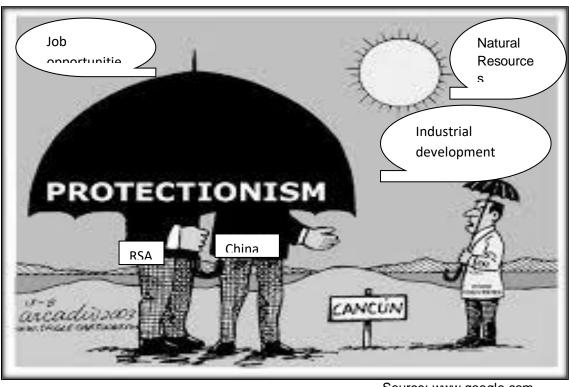
3.1 Answer the following questions:

   3.1.1 Name any TWO types of exchange rates.   (2 x 1) (2)

   3.1.2 Why does the state discourage the importing of goods and services? (1 x 2) (2)

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

The graph of Rand / Dollar Exchange rate

Source: Bloomberg

   3.2.1 Identify the heading for the above graph   (1)

   3.2.2 On which date was the R/$ exchange rate R13.72?   (1)

   3.2.3 Differentiate between *appreciation* and *depreciation* of a currency.

                                                              (2 x 2) (4)

   3.2.4 Briefly explain the impact an appreciation of rand on the 23rd Jan. 2017 had on the South African economy.   (2 x 2) (4)

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

Source: www.google.com

3.3.1 Identify TWO benefits of protectionism from the cartoon.   (2 x 1) (2)

3.3.2 Describe the concept *protectionism.*   (2)

3.3.3 What positive impact will protectionism have on the current account?   (2)

3.3.4 In your opinion, would you support the policy of protectionism? Motivate
      your answer.   (2 x 2) (4)

3.4 List and explain any TWO demand reasons for international trade.   (2 x 4) (8)

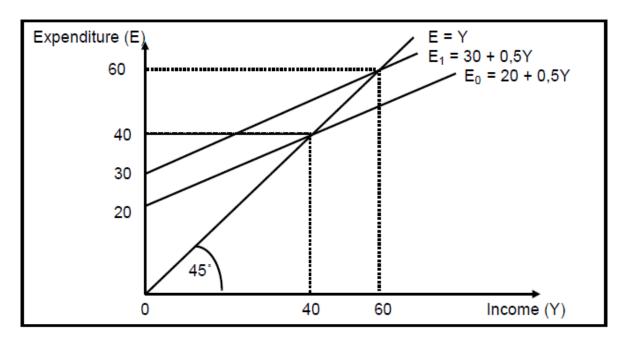3.5 How does specialization influence free trade in South Africa?.   (8)

[40]

QUESTION 4   **40 MARKS - 30 MINUTES**

4.1 Answer the following questions:

    4.1.1 List any TWO types of business cycles.   (2 x 1) (2)

    4.1.2 What is represented by the Phillips curve?   (2)

4.2 Study the graph below that depicts a simplified two-sector economy
    (where E = C + I) and answer the questions that follow.

    4.2.1 Identify ONE participant in the above economy.   (1)

    4.2.2 What does the line E = Y represent?   (1)

    4.2.3 Explain the term *multiplier*.   (2)

    4.2.4 What is the relationship between marginal propensity to consume (mpc)
        and the multiplier?   (2)

    4.2.5 Calculate the multiplier using the following formula:

        $K = \frac{1}{1-mpc}$ [The marginal propensity to consume (mpc) = 0.8]

        (Show all calculations)   (2 x 2) (4)

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

Balance of payments on current account (R billions)						
	2016			**2017**		
	Q3	**Q4**	**Year**	**Q1**	**Q2**	**Q3**
Merchandise exports	1 033	1 071	1 054	1 069	1 102	1 086
Net gold exports	47	49	51	55	74	62
Merchandise imports	-1 086	-1 065	-1090	-1 067	-1 112	-1 077
Trade balance	-7	56	15	57	64	71
Net service, income and current transfer payments	-159	-132	-156	-149	-175	-180
Balance on current acc.	**-3.8**	**-76**	**-142**	**-91**	**-111**	**-109**

Source: Stats SA and SARB QB Nov. 2017

4.3.1 Identify TWO sources of the above information. (2 x 1) (2)

4.3.2 Describe the term *Balance of payments*. (2)

4.3.3 What does an unfavourable balance of payments imply? (2)

4.3.4 Comment about the trade balance in Q2 and Q3 of 2017. (2 x 2) (4)

4.4 Tabulate TWO differences between *privatization* and *nationalization*. (2 x 4) (8)

4.5 Why the Department of Trade and Industry should encourage export promotion? (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer only ONE of the two questions from this section in your 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 stating 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 / Analyze / Compare / Evaluate / Distinguish / Differentiate / Explain **Additional part:** Give own opinion / critically discuss / 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	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

QUESTION 5   **40 MARKS - 40 MINUTES**

The circular-flow model shows how the economy works via the various markets.

- Discuss the role of the various markets in the circular flow without the use of a diagram.   (26 marks)
- Explain the impact of injections in the South African economy.   (10 marks)

[40]

QUESTION 6   **40 MARKS - 40 MINUTES**

The state plays a significant role in a mixed economic system and is therefore one of the largest sectors in the economy.

- Discuss the FIVE macroeconomic objectives of the state.   (26)
- How successful is the implementation of South Africa's fiscal policy?   (10)

[40]
TOTAL SECTION C: 40
GRAND TOTAL: 150