

education

Department:
Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATION - 2006

ECONOMICS

HIGHER GRADE

OCTOBER/NOVEMBER 2006

404-1/0E

ECONOMICS HG

MARKS: 400



404 1 0E

HG

TIME: 3 hours

X25



This question paper consists of 23 pages and an answer sheet.



INSTRUCTIONS AND INFORMATION

1. Answer only SEVEN questions.
2. This question paper consists of THREE sections:

SECTION A: QUESTION 1 is COMPULSORY and must be answered by ALL the candidates on the ANSWER SHEET provided.

SECTION B: Answer any FOUR questions in the ANSWER BOOK.

SECTION C: Answer any TWO questions in the ANSWER BOOK.
3. If you answer more than the required number of questions, only the required number of questions will be marked. ALL work you do NOT want to be marked, must be clearly crossed out.
4. Use only black or blue ink. Answers in pencil will NOT be marked.
5. Number the answers according to the numbering system used in this question paper.
6. Read the questions carefully and start each question on a NEW page.
7. Leave 2 to 3 lines between subsections of questions.
8. Answer in full sentences and ensure that the format and content of your answers comply with the cognitive requirements of the questions.
9. Write neatly and legibly.
10. Non-programmable calculators may be used.

SECTION A**QUESTION 1 (COMPULSORY)****1.1 MULTIPLE-CHOICE QUESTIONS**

Various possible options are provided as answers for the following questions. Indicate the correct answer by making a cross (X) over the letter (A - D) next to the question number (1.1.1 - 1.1.20) on the answer sheet.

NATIONAL INCOME

- 1.1.1 The study of aggregates in the economy is known as ... economics. (3)
- A monetary
 - B macro-
 - C micro-
 - D public sector
- 1.1.2 The reason for the omission of the payment of social grants when calculating the national income is because it is ... (3)
- A a part of household spending.
 - B difficult to determine.
 - C payment without productive services being rendered.
 - D a payment made by the state.
- 1.1.3 In national accounts, production is valued at ... prices. (3)
- A basic
 - B inflated
 - C market
 - D normal
- 1.1.4 Economic growth is measured by an increase in the ... (3)
- A quantity of goods produced.
 - B GDP per capita.
 - C nominal GDP.
 - D real GDP.

PRICE FORMATION

- 1.1.5 A perfectly elastic demand curve runs parallel to the ...
A origin.
B X-axis.
C Y-axis.
D Z-axis. (3)
- 1.1.6 A decline in the income of consumers in the lower income group may cause an increase in the demand for ...
A maize meal.
B red meat.
C fish.
D fur coats. (3)
- 1.1.7 The scope of human wants depends mainly on the ...
A availability of natural resources.
B level of development.
C amount of money available.
D influence of advertising. (3)
- 1.1.8 The Johannesburg Equities Trading System (JET) can be described as a market tending towards a(n) ... market.
A monopolistic
B perfect market
C imperfect market
D share (3)

ECONOMIC DEVELOPMENT, REGIONAL DEVELOPMENT AND URBANISATION

- 1.1.9 To meet the basic needs of people is one of the key principles of the ...
A DBSA.
B GEAR.
C IDT.
D RDP. (3)
- 1.1.10 Normally developing countries cannot process their natural resources because of ...
A a lack of skills and capital.
B scarcity of natural resources.
C over-exploitation of resources.
D time constraints. (3)

- 1.1.11 The informal sector is often characterised by ...
- A high income.
 - B scarcity of capital.
 - C short working hours.
 - D mass production. (3)

- 1.1.12 ONE example of a developed country is ...
- A Nigeria.
 - B India.
 - C Canada.
 - D Brazil. (3)

INTERNATIONAL TRADE

- 1.1.13 The main aim of import substitution is to ...
- A discourage exports.
 - B discourage imports.
 - C encourage imports.
 - D encourage exports. (3)

- 1.1.14 The current exchange rate in South Africa is determined by the ...
- A South African Reserve Bank.
 - B quantity of gold linked to reserves.
 - C supply and demand of international currencies.
 - D World Bank. (3)

- 1.1.15 A geographical cause of international trade is ...
- A immigration.
 - B natural resources.
 - C specialisation.
 - D labour. (3)

- 1.1.16 The value of all transactions related to goods and services is recorded in the ... account of the balance of payments (BOP).
- A financial
 - B capital transfer
 - C current
 - D official reserve (3)

THE STATE

- 1.1.17 The state acts as legislator to ensure that the ...
- A profits of private enterprises are maximised.
 - B production processes function orderly.
 - C duplication of business is avoided.
 - D price mechanism is controlled. (3)
- 1.1.18 The state revenue derived from issuing permits, licences or fines is known as ...
- A commercial income.
 - B income from state property.
 - C administrative income.
 - D operating income. (3)
- 1.1.19 Poor people would regard a ... system of taxation as being fair.
- A proportional
 - B progressive
 - C regressive
 - D preferential (3)
- 1.1.20 New, urgent matters, which have NOT been provided for in the main budget, are provided for in the ... budget.
- A partial
 - B complementary
 - C supplementary
 - D additional (3)

- 1.2 Indicate whether the following statements are TRUE or FALSE. Make a cross (X) over the word 'true' or 'false' next to the question number (1.2.1 - 1.2.10) on the answer sheet.
- 1.2.1 Per capita national income is the gross national income divided by the population number. (2)
- 1.2.2 GDP at market prices equals gross value added plus indirect taxes plus subsidies. (2)
- 1.2.3 Wants are unlimited, but have a limited intensity. (2)
- 1.2.4 The marginal utility curve has a negative slope. (2)
- 1.2.5 High levels of education and employment opportunities result in a lower birth rate. (2)
- 1.2.6 Mechanisation and automation of farming methods has created more employment in the agricultural sector. (2)
- 1.2.7 The Republic of South Africa's foreign reserves consist of gold and special drawing rights (SDRs) only. (2)
- 1.2.8 Revaluation is a deliberate measure taken by the state to decrease the value of its currency. (2)
- 1.2.9 The state president is liable to pay tax. (2)
- 1.2.10 The budget is used as an instrument of government's monetary policy. (2)

- 1.3 Choose (a) word(s) from the list below that best match(es) the descriptions below. Write only the word(s) next to the question number (1.3.1 - 1.3.10) on the answer sheet.

opportunity cost; Labour Relations Act; developed economies; capital gains tax; spatial development initiative; capital profit tax; core inflation; consumer price index; national income; industrial development zone; dumping; monetary policy committee; Statistics South Africa; budget surplus; consumer surplus; developing economies

- 1.3.1 Remuneration of the four factors of production (2)
- 1.3.2 The difference between the price the consumer is willing to pay for an article rather than doing without it, and the price that he/she actually pays (2)
- 1.3.3 High levels of income and capital formation (2)
- 1.3.4 The sale of goods in other countries at below cost (2)
- 1.3.5 A situation where the state revenue exceeds the state expenditure (2)
- 1.3.6 The principal aim of this legislation is the promotion of peaceful interaction between employers and employees (2)
- 1.3.7 This tax is levied on the profit on the sale of assets (2)
- 1.3.8 A measure of inflation (2)
- 1.3.9 A clearly demarcated area set aside for controlled processing (2)
- 1.3.10 This committee is tasked to monitor the repo rate (2)

TOTAL SECTION A: 100

SECTION B

Answer any FOUR questions from this section in the ANSWER BOOK.

QUESTION 2: NATIONAL INCOME

2.1 Choose the correct word(s) in brackets and write only the word(s) next to the question number (2.1.1 - 2.1.3).

2.1.1 The interdependence of all economic activities is shown in the economic (cycle/circular flow). (2)

2.1.2 Undeclared income will (under/over)-estimate the national income. (2)

2.1.3 Consumers spend most of their income on (semi/non) -durable consumer goods. (2)

Complete the following sentence by writing only the missing word(s) next to the question number (2.1.4):

2.1.4 The total value of all final goods and services produced by the permanent residents of a country in a given year is known as (2)

2.1.5 List any THREE limitations of national income figures. (6)

2.2 Study the information below and answer the questions that follow:

| GROSS VALUE ADDED BY KIND OF ECONOMIC ACTIVITY | R Millions (2004) | |
|--|--------------------|-------------------|
| | At constant prices | At current prices |
| Agriculture, forestry and fishing | 26 926 | 41 323 |
| Transport, storage and communication | 103 695 | 120 095 |
| Manufacturing | 171 563 | 246 467 |
| Community, social and personal services | 194 175 | 257 856 |
| Mining and quarrying | 69 436 | 87 058 |
| Construction (contractors) | 26 218 | 29 190 |
| Wholesale and retail trade, catering and accommodation | 145 392 | 172 667 |
| Electricity, gas and water | 22 521 | 28 239 |
| Financial intermediation, insurance, real estate and business services | 194 093 | 247 514 |
| Gross value added | 2.2.3 | 1 230 409 |

(SARB Quarterly Bulletin – September 2005)

- 2.2.1 Why are constant prices always lower than current prices? (3)
- 2.2.2 Which activity contributed the most towards the tertiary sector? (3)
- 2.2.3 Calculate the gross value added at constant prices. (3)
- 2.2.4 Calculate the contributions of the secondary and tertiary sectors respectively to the gross value added at current prices. Show ALL the calculations. (9)
- 2.2.5 Name ONE industry (economic activity) that operates in the primary sector of the economy. (2)
- 2.3 Discuss the monetary causes of business cycles. (16)

[50]

QUESTION 3: PRICE FORMATION

3.1 Choose the correct word in brackets and write only the word next to the question number (3.1.1 - 3.1.3).

3.1.1 When the consumption of an additional unit renders no utility, the (final/saturation) point is reached. (2)

3.1.2 The demand for habit-forming products tends to be (elastic/inelastic). (2)

3.1.3 Control over scarce natural resources is an important reason for (perfect/imperfect) competition. (2)

Complete the following sentence by writing only the missing word(s) next to the question number (3.1.4):

3.1.4 The law of ... prevails when sellers offer more at high prices and less at low prices. (2)

3.1.5 List any THREE reasons for an exceptional demand curve. (6)

3.2 Read the letter to the editor given below and answer the questions that follow:

EXCESSIVE PROFITS!

For any company, it is a great challenge and a wonderful achievement to make a good profit. However, in Telkom's case it is a disgrace.

First, Telkom is a monopoly, so there are no competitors. If no one is allowed to compete against you, winning is no great achievement.

Secondly, the state has a controlling share in Telkom, and we all know how many doors that will open for you.

Thirdly, Telkom's rates are among the highest in the world. So the huge profit is not a surprise – the consumers have paid for it.

Finally, to all those who bought Telkom shares when they were cheap, I would like to point out that their huge profits were made at the expense of the poor, who have to pay exorbitant phone rates.

(Source: *Financial Mail*, June 2004 - adapted)

- 3.2.1 What causes businesses to make profits? (3)
- 3.2.2 Why does the reader think that Telkom's profits are a disgrace? (6)
- 3.2.3 Will the establishment of a second national operator make a difference to telecommunication users? (3)
- 3.2.4 What does the following mean: 'The state has a controlling share ...'? (3)
- 3.2.5 What effect does Telkom's monopoly status have on its human resources? (3)
- 3.2.6 What is a *monopoly*? (2)
- 3.3 Discuss the relationship between *price*, *value* and *utility*. (16)
- [50]**

QUESTION 4: ECONOMIC AND REGIONAL DEVELOPMENT AND URBANISATION

- 4.1 Choose the correct word in brackets and write only the word next to the question number (4.1.1 - 4.1.3).
- 4.1.1 Poor countries of the world are known as (developing/backward) countries. (2)
- 4.1.2 The 2nd economy is generally referred to as the (household/informal) sector. (2)
- 4.1.3 The aim of South Africa's SDI programme is to attract infrastructure and business investment to (urban/rural) areas. (2)
- Complete the following sentence by writing only the missing word(s) next to the question number (4.1.4):
- 4.1.4 The process which is aimed at improving the general standard of living of the inhabitants of a country is known as (2)
- 4.1.5 List any THREE objectives of spatial development initiatives. (6)

4.2 Study the newspaper extract below and answer the questions that follow:

A MAN WITH A PLAN

South Africa's third democratic parliament opened with great ceremony last Friday. But amid the rousing fanfare, President Thabo Mbeki's speech was like a PowerPoint presentation: a work programme with tasks and deadlines.

At the heart of Mbeki's plan for the next five years is the objective of lowering the cost of doing business, particularly, three critical inputs: energy, telecommunication and transport. Linked to this is releasing the bottlenecks (backlogs) in infrastructure - the railways and the ports that have hampered exporters' effort to compete in the global market. At trade and industry, great attention is to be paid to correcting two problems: small business financing and support, and financing for black economic empowerment.

The drive is to make public enterprises; trade and industry assist rather than hinder business.

This time the mandate from Mbeki is unequivocal: make public corporations central to economic development and enable businesses to thrive through better service and cost-effective policies.

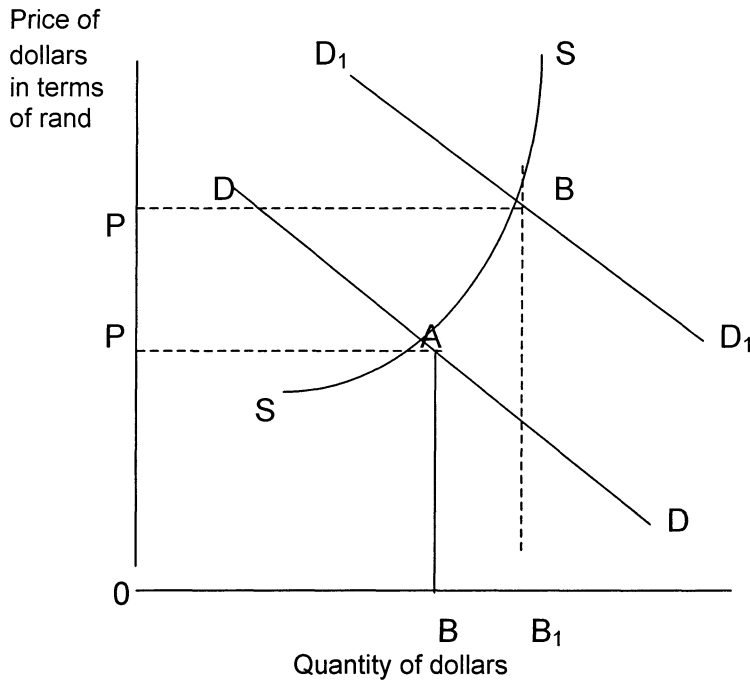
(Source: *Financial Mail*, 28 May 2004)

- 4.2.1 What was the core of the President's speech? (3)
- 4.2.2 What does the *global market* refer to? (3)
- 4.2.3 What are the constraints to economic growth according to the President? (6)
- 4.2.4 What solutions does he offer for sustained economic growth? (6)
- 4.2.5 Give ONE reason why foreign direct investment does not flow into South Africa. (2)
- 4.3 Explain the role of the informal sector in the South African economy. (16)
- [50]**

QUESTION 5: INTERNATIONAL ECONOMICS

- 5.1 Choose the correct word(s) in brackets and write only the word(s) next to the question number (5.1.1 - 5.1.3).
- 5.1.1 A tariff, which amounts to a certain percentage of the value of imported goods, is known as a/an (specific/ad valorem) tariff. (2)
- 5.1.2 A decrease in the value of a country's currency due to market forces is known as (devaluation/depreciation). (2)
- 5.1.3 The DBSA finances economic development in (South Africa/Southern Africa). (2)
- Complete the following sentence by writing only the missing word(s) next to the question number (5.1.4):
- 5.1.4 The price of one country's currency in terms of that of another country is known as the (2)
- 5.1.5 List any THREE factors determining the supply of foreign exchange. (6)

5.2 Study the diagram below and answer the questions that follow:



- 5.2.1 Which point on the graph indicates the new equilibrium rate of exchange? (3)
- 5.2.2 How many dollars will be demanded and supplied at this price? (3)
- 5.2.3 What does the shift in the demand curve from DD to D_1D_1 indicate? (3)
- 5.2.4 What will happen to the price of dollars in terms of rand if the USA increases the supply of dollars? (3)
- 5.2.5 Name TWO negative effects of a strong rand on the South African economy. (6)
- 5.2.6 Name the currency of Botswana. (2)
- 5.3 Discuss the elements of the financial account of the Balance of Payments. (16)
- [50]**

QUESTION 6: THE STATE

6.1 Choose the correct word(s) in brackets and write only the word(s) next to the question number (6.1.1 - 6.1.3).

6.1.1 State debt can be financed by (issuing shares/domestic borrowing). (2)

6.1.2 The main budget is tabled in parliament by the Minister of (Trade and Industry/Finance). (2)

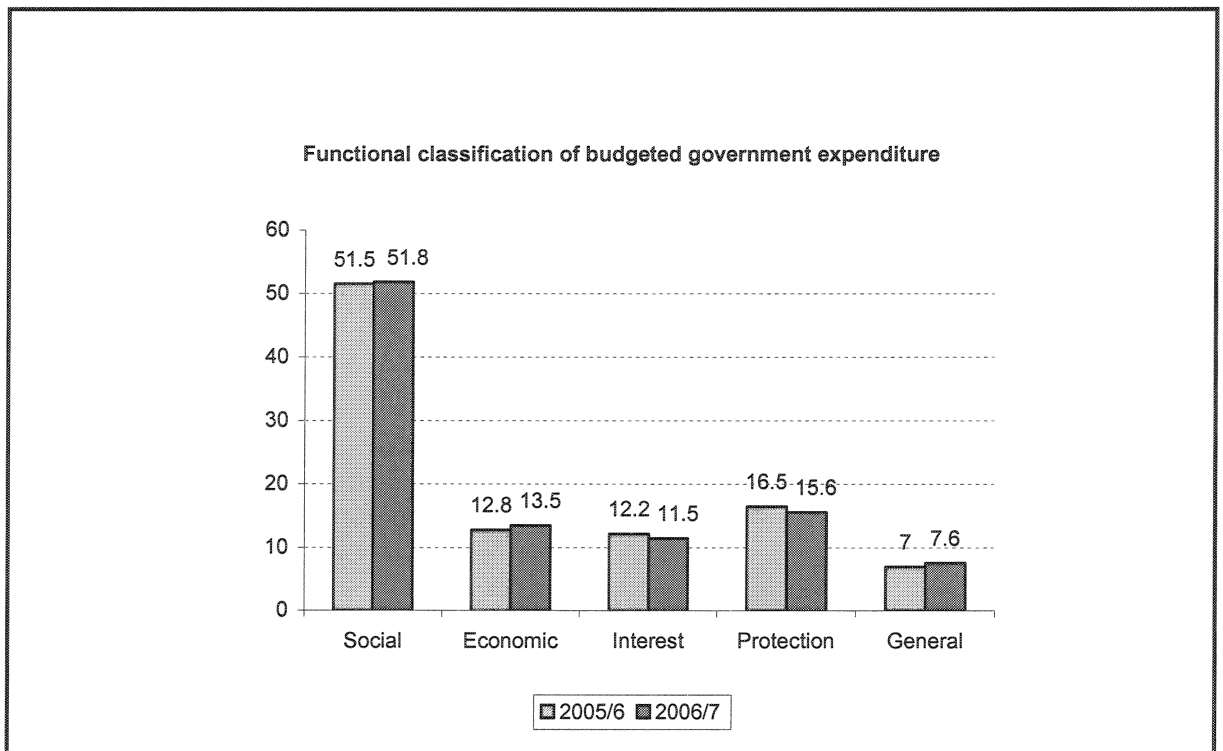
6.1.3 A taxation system can be regarded as fair if it is (progressive/popular). (2)

Complete the following sentence by writing only the missing word(s) next to the question number (6.1.4):

6.1.4 The transfer or sale of appropriate functions, activities or property from the public to the private sector is known as (2)

6.1.5 Give any THREE reasons why the state acts as an entrepreneur. (6)

6.2 Study the bar graph below and answer the questions that follow:



(Source: SARB Quarterly Bulletin, March 2006)

- 6.2.1 Which ONE is the largest functional category of government expenditure in 2006/7? (3)
- 6.2.2 Name TWO important expenditure items included in the category 'social spending'. (3)
- 6.2.3 Give ONE reason for the payment of interest. (3)
- 6.2.4 Why did the government budget more for interest expenditure in 2005/6? (3)
- 6.2.5 Calculate the percentage change in economic expenditure over the two-year period. (6)
- 6.2.6 Except for Statistics South Africa, which other institution produces statistics on a regular basis? (2)
- 6.3 Discuss how the South African Reserve Bank uses monetary policy to carry out the aims of the state's economic policy. (16)

[50]



QUESTION 7: LABOUR RELATIONS**CHOICE MODULES (IMPORTANT SOUTH AFRICAN ECONOMIC TOPICS)**

Choose any TWO of the following topics. Make use of clear headings to indicate the topics of your choice.

7.1 Choose the correct word(s) in brackets and write only the word(s) next to the question number (7.1.1).

7.1.1 If the CCMA is unable to resolve disputes, they are referred to the (Labour court/Department of Labour). (2)

Complete the following sentence by writing the missing word(s) next to the question number (7.1.2):

7.1.2 Giving opportunities to previously disadvantaged groups or individuals is known as (2)

7.1.3 List any TWO functions of labour unions. (4)

7.2 Study the following newspaper extract and answer the questions that follow:

'RECKLESS LABOUR REFORM' WARNING

The labour minister has warned against 'reckless labour market reforms' and employers seeking reasons to dismiss workers. He said that the CCMA and bargaining councils had clung to rigorous and inflexible interpretations of what is a fair dismissal.

(Source: *Sunday Times Business Times*, 4 December 2005 – adapted)

7.2.1 Why is there a call for labour market reforms? Suggest any TWO reasons. (6)

7.2.2 What is the most common dispute referred to the CCMA? (3)

7.3 Briefly explain workplace forums established in terms of the Labour Relations Act (Act No. 66 of 1995). (8)

PRODUCTIVITY AND UNEMPLOYMENT

7.4 Choose the correct word in brackets and write only the word next to the question number (7.4.1):

7.4.1 South Africa has an oversupply of (skilled/unskilled) labour. (2)

Complete the following sentence by writing the missing word(s) next to the question number (7.4.2):

7.4.2 The best available instrument to measure national productivity is known as the ... per worker. (2)

7.4.3 List any TWO causes of unemployment in the formal agricultural sector. (4)

7.5 Study the following table and answer the questions that follow:

| After improved productivity | | Before improved productivity | |
|-----------------------------|--------|------------------------------|--------|
| Selling price | R40,00 | Selling price | R40,00 |
| Cost price | R24,00 | Cost price | R28,00 |
| Profit | R16,00 | Profit | R12,00 |

7.5.1 State TWO advantages of improved productivity as depicted in the above table. (6)

7.5.2 State the formula that is used to measure productivity. (3)

7.6 Explain how the government has contributed to creating job opportunities. (8)

INFLATION

7.7 Choose the correct word(s) in brackets and write only the word(s) next to the question number (7.7.1).

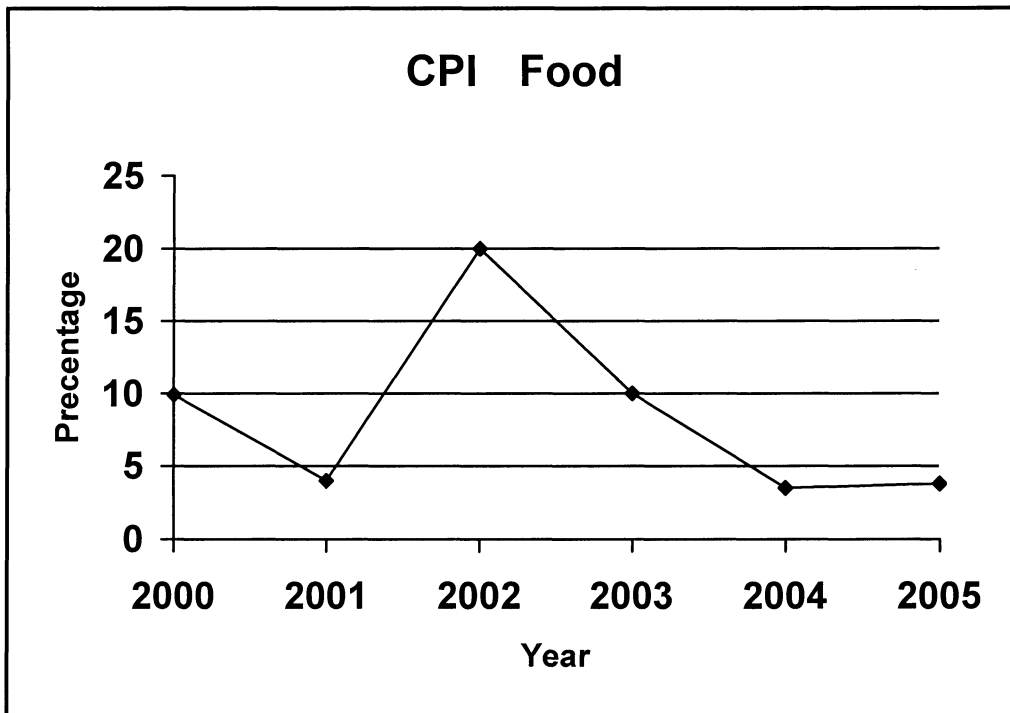
7.7.1 The most important reason for the decline in the buying power of the South African rand is (the exchange rate/inflation). (2)

Complete the following sentence by writing the missing word(s) next to the question number (7.7.2):

7.7.2 A condition under which high rates of unemployment and of inflation occur at the same time, is known as (2)

7.7.3 List any TWO groups of people who are negatively affected by inflation. (4)

7.8 Study the graph below and answer the questions that follow:



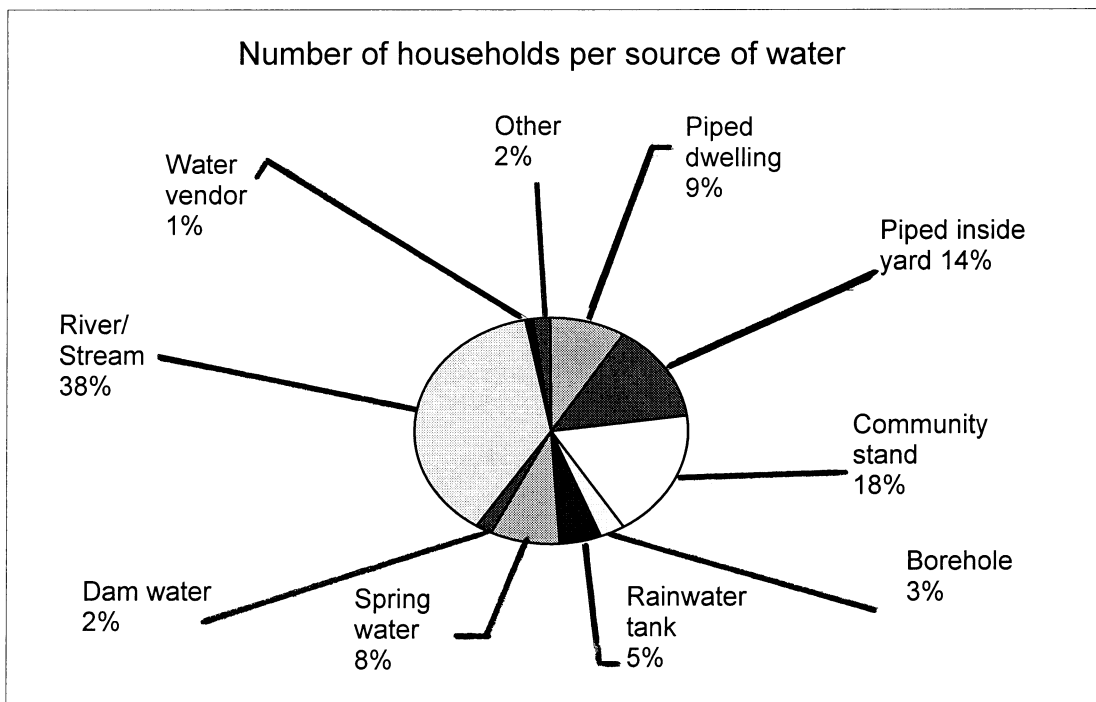
(Source: SARB Quarterly Bulletin, March 2006)

- 7.8.1 Give ONE reason for the steady decline in the inflation rate since 2002. (3)
- 7.8.2 What is the inflation target for the year 2006/7? (3)
- 7.8.3 What does *CPI* refer to? (3)
- 7.9 Discuss how government spending may cause inflation. (8)

STRATEGIC RESOURCES

- 7.10 Choose the correct word in brackets and write only the word next to the question number (7.10.1).
- 7.10.1 In South Africa, fuel is produced from coal by (PetroSA/SASOL). (2)
- Complete the following sentence by writing only the missing word(s) next to the question number (7.10.2):
- 7.10.2 Economic activities, which are essential for survival and ensure the protection, promotion, expansion and stability of the broad base of the economy, is known as ... economic activities. (2)
- 7.10.3 List any TWO initiatives with regard to the utilisation of economically viable alternative, renewable energy sources in South Africa. (4)

7.11 Study the pie-diagram given below and answer the questions that follow:



(Source: Department of Water Affairs)

- 7.11.1 Does the diagram reflect the water usage of a developed or developing country? Motivate your response. (3)
- 7.11.2 Which source is the most dangerous for human health and can cause illnesses such as cholera? (3)
- 7.11.3 Name the government department responsible for the management of South Africa's scarce water resources. (3)

7.12 Discuss the most important source of energy in which South Africa has reached an advanced degree of self-sufficiency. (8)
[50]

TOTAL SECTION B: 200

SECTION C

Answer any TWO questions from this section in the ANSWER BOOK.

Essays must be well structured and presented in a systematic format. Responses should have an introduction, body and conclusion.

QUESTION 8

The aim of government's new economic growth strategy, the Accelerated Shared Growth Initiative for South Africa (Asgi-SA) is to help the economy reach the targeted 6% growth rate by 2010.

Explain methods that can be used to achieve this economic growth. **[50]**

QUESTION 9

Analyse, with the aid of graphs, price elasticity of demand. **[50]**

QUESTION 10

Evaluate South Africa's value-added tax system (VAT) against the requirements of a good system of taxation. **[50]**

QUESTION 11

The basic characteristic of a developing country is the low standard of living of the majority of the population, which manifests itself in low income, malnutrition, low levels of education, low life expectancy, sub-standard services and housing.

Relate the above statement to South Africa, and discuss the South African government's endeavours to alleviate and eradicate poverty. **[50]**

TOTAL SECTION C: 100

GRAND TOTAL: 400

| | | | | | | |
|-----------------------|--|--|--|--|--|--|
| CENTRE NUMBER: | | | | | | |
|-----------------------|--|--|--|--|--|--|

| | | | | | | | | | | | | | | |
|----------------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
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ANSWER SHEET - SECTION A

QUESTION 1

| | | | | |
|--------|---|---|---|---|
| 1.1.1 | A | B | C | D |
| 1.1.2 | A | B | C | D |
| 1.1.3 | A | B | C | D |
| 1.1.4 | A | B | C | D |
| 1.1.5 | A | B | C | D |
| 1.1.6 | A | B | C | D |
| 1.1.7 | A | B | C | D |
| 1.1.8 | A | B | C | D |
| 1.1.9 | A | B | C | D |
| 1.1.10 | A | B | C | D |
| 1.1.11 | A | B | C | D |
| 1.1.12 | A | B | C | D |
| 1.1.13 | A | B | C | D |
| 1.1.14 | A | B | C | D |
| 1.1.15 | A | B | C | D |
| 1.1.16 | A | B | C | D |
| 1.1.17 | A | B | C | D |
| 1.1.18 | A | B | C | D |
| 1.1.19 | A | B | C | D |
| 1.1.20 | A | B | C | D |

| | |
|-----------------|-----------|
| | |
| (20 x 3) | 60 |

| | | |
|--------|------|-------|
| 1.2.1 | TRUE | FALSE |
| 1.2.2 | TRUE | FALSE |
| 1.2.3 | TRUE | FALSE |
| 1.2.4 | TRUE | FALSE |
| 1.2.5 | TRUE | FALSE |
| 1.2.6 | TRUE | FALSE |
| 1.2.7 | TRUE | FALSE |
| 1.2.8 | TRUE | FALSE |
| 1.2.9 | TRUE | FALSE |
| 1.2.10 | TRUE | FALSE |

| | |
|-----------------|-----------|
| | |
| (10 x 2) | 20 |

- 1.3.1 _____
- 1.3.2 _____
- 1.3.3 _____
- 1.3.4 _____
- 1.3.5 _____
- 1.3.6 _____
- 1.3.7 _____
- 1.3.8 _____
- 1.3.9 _____
- 1.3.10 _____

| | |
|-----------------|-----------|
| | |
| (10 x 2) | 20 |

TOTAL SECTION A: 100

