



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATION - 2006

ECONOMICS

STANDARD GRADE

OCTOBER/NOVEMBER 2006

404-2/0E

ECONOMICS SG



404 2 0E

SG

X25



MARKS: 300

TIME: 3 hours

This question paper consists of 18 pages and an answer sheet.



INSTRUCTIONS AND INFORMATION

1. Answer only SIX questions.
2. This question paper consists of TWO sections:

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

SECTION B: Answer any FIVE other 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. Read the questions carefully and start each question on a NEW page.
6. Leave 2 to 3 lines between subsections of each question.
7. Number the answers in accordance with the numbering system used in this question paper.
8. Write neatly and legibly.
9. 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. Make a cross (X) over the letter (A - D) of the answer next to the question number (1.1.1 - 1.1.20) on the answer sheet.

NATIONAL INCOME

- 1.1.1 When the stock exchange market is studied from a global point of view, the ... economic approach is used. (3)
- A micro
 - B macro
 - C monetary
 - D public sector
- 1.1.2 Production in which only the permanent inhabitants of a country are involved is known as ... production. (3)
- A international
 - B local
 - C domestic
 - D national
- 1.1.3 A useful measure for comparing economic welfare levels between countries is the ... (3)
- A nominal national income.
 - B remuneration of employees.
 - C gross national income.
 - D per capita national income.
- 1.1.4 Expenditure by the ... sector is mainly collective in nature. (3)
- A foreign
 - B manufacturing
 - C public
 - D household

PRICE FORMATION

- 1.1.5 The fundamental economic problem is ...
- A choice.
 - B free goods.
 - C price.
 - D scarcity. (3)
- 1.1.6 In a typical supply curve, quantity supplied ...
- A varies in direct proportion to price.
 - B is independent of price.
 - C varies in inverse proportion to price.
 - D varies indirectly with price. (3)
- 1.1.7 A decrease in demand will lead to a ...
- A fall in price.
 - B rise in price.
 - C rise in supply.
 - D rise in price and supply. (3)
- 1.1.8 A market for final products is known as the ... market.
- A capital
 - B labour
 - C producers'
 - D consumers' (3)

ECONOMIC, REGIONAL DEVELOPMENT AND URBANISATION

- 1.1.9 An example of informal sector employment is a/an ...
- A flower seller.
 - B dentist in a hospital.
 - C post office employee.
 - D insurance agent. (3)
- 1.1.10 South Africa's RDP is funded ...
- A from foreign loans only.
 - B by the state only.
 - C by the private sector only.
 - D by the private sector as well as the public sector. (3)

- 1.1.11 With reference to guidelines for urbanisation, the government may ...
- A allow people to occupy farms.
 - B discourage rural development.
 - C provide free services to the people.
 - D encourage urban development. (3)
- 1.1.12 For a developing country to grow it should try to ...
- A build millions of houses per year.
 - B shift unions' focus from shorter working hours to higher productivity.
 - C teach more academic subjects.
 - D encourage agricultural development. (3)

INTERNATIONAL ECONOMICS

- 1.1.13 Transactions relating to the acquisition of share capital in foreign countries are reflected under ... investments in the financial account.
- A direct
 - B portfolio
 - C unrecorded
 - D indirect (3)
- 1.1.14 Special Drawing Rights are issued by the ...
- A International Monetary Fund.
 - B European Central Bank.
 - C Federal Reserve Bank.
 - D United Nations Development Fund. (3)
- 1.1.15 A protection measure whereby a fixed amount is lodged with the monetary authorities, is known as import ...
- A quotas.
 - B control.
 - C restrictions.
 - D deposits. (3)
- 1.1.16 The international competitiveness of South African manufacturers can be improved through ...
- A the imposition of tariffs.
 - B export promotion.
 - C labour intensive manufacturing activities.
 - D stricter exchange control regulations. (3)

THE STATE

- 1.1.17 The supply of water to the people is the responsibility of ...
government.
- A local
 - B provincial
 - C regional
 - D central
- (3)
- 1.1.18 An example of an indirect tax is ...
- A a vehicle license.
 - B customs duties.
 - C company tax.
 - D a hunting license.
- (3)
- 1.1.19 Tax is described as being a ... policy instrument.
- A fiscal
 - B monetary
 - C compulsory
 - D voluntary
- (3)
- 1.1.20 In South Africa the state budget becomes a legal document once
the ... has signed it.
- A Director-General
 - B Minister of Finance
 - C State President
 - D Auditor-General
- (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 The real national income is the monetary value of national income adjusted for price increases. (2)
- 1.2.2 Double counting can be avoided by including the value of intermediary goods and services. (2)
- 1.2.3 An increase in the VAT rate from 14% to 15% will result in a shift of the demand curve to the right. (2)
- 1.2.4 A decline in the income of consumers in the lower income group may lead to an increase in the demand for bread. (2)
- 1.2.5 Economic growth is a prerequisite for economic development. (2)
- 1.2.6 Urbanisation is a process of transformation whereby communities move from urban to rural areas. (2)
- 1.2.7 If the value of the dollar increases, South Africans will buy more goods and services from the USA. (2)
- 1.2.8 Unfavourable climatic conditions locally will lead to South Africa importing maize. (2)
- 1.2.9 In South Africa there is actually more than one national budget. (2)
- 1.2.10 The burden of direct taxation can easily be shifted. (2)

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

transfer payment; state; inflation; market; uranium; supplementary;
free floating; palladium; commercial letters of credit; deregulation;
regulation; unfair dismissal; skilled; unskilled; managed floating;
additional

- | | | |
|--------|---|-----|
| 1.3.1 | Income on payments for which no productive services are rendered | (2) |
| 1.3.2 | A place where exchange of goods and services takes place | (2) |
| 1.3.3 | Deliberate measures taken by the state to remove restrictive laws and regulations that obstruct economic activity | (2) |
| 1.3.4 | Exchange rates which are solely determined by the forces of supply and demand | (2) |
| 1.3.5 | Legislative, judicial and administrative body of a country | (2) |
| 1.3.6 | An increase in the general price level | (2) |
| 1.3.7 | This mineral, when refined, is used in nuclear power stations | (2) |
| 1.3.8 | A person is fired for being HIV positive | (2) |
| 1.3.9 | The type of labour which is used in government's expanded public works programme | (2) |
| 1.3.10 | The budget which is presented to Parliament in May/June | (2) |

TOTAL SECTION A: 100

SECTION B

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

QUESTION 2: NATIONAL INCOME

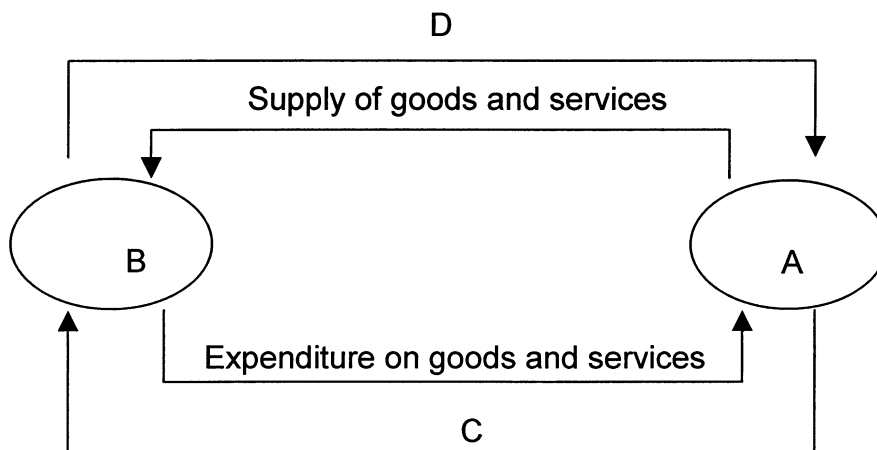
2.1 Choose the correct word from those in brackets. Write only the answer next to the question number (2.1.1 - 2.1.2).

2.1.1 The different sectors of the economy of a country are connected to one another by (consumption/transactions). (2)

2.1.2 The real national income is also known as national income at (current/constant) prices. (2)

2.1.3 Name the THREE methods that can be used to determine the national income. (6)

2.2 Study the following diagram and answer the following questions:



2.2.1 What does A represent? (3)

2.2.2 What is represented by B? (3)

2.2.3 What does C represent? (3)

2.2.4 What is represented by D? (3)

2.2.5 What phenomenon is depicted in the above diagram? (2)

2.3 Briefly discuss any FOUR shortcomings of national income figures. (16)
[40]

QUESTION 3: PRICE FORMATION

3.1 Choose the correct word from those in brackets. Write only the answer next to the question number (3.1.1 - 3.1.2).

3.1.1 The want for security is an example of a (natural/cultural) want. (2)

3.1.2 A typical demand curve has a (positive/negative) slope. (2)

3.1.3 State any THREE characteristics of economic goods. (6)

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

Demand for and supply of computers			
Price	Quantity demanded	Quantity supplied	Shortage/Surplus
4 000	10 000	2 000	(a)
5 000	8 000	4 000	+4 000
6 000	6 000	6 000	0
7 000	4 000	8 000	(b)
8 000	2 000	10 000	-8 000

3.2.1 Why is there no surplus or shortage at a price of R6 000? (3)

3.2.2 Calculate the surplus or shortage that is represented by (a) and (b) in the above table. (6)

3.2.3 What will happen to the demand for printers if the price of computers increases? Briefly motivate your answer. (5)

3.3 Discuss the characteristics (nature) of wants. (16)
[40]

QUESTION 4: ECONOMIC, REGIONAL DEVELOPMENT AND URBANISATION

- 4.1 Choose the correct word from those in brackets. Write only the answer next to the question number (4.1.1 - 4.1.2).
- 4.1.1 One of the problems faced by (developing/developed) countries is their inability to break the cycle of poverty. (2)
- 4.1.2 A person whose family remains in the rural area while he/she works in an urban area is known as a (migrant/seasonal) worker. (2)
- 4.1.3 State any THREE roles of the informal sector. (6)
- 4.2 Read the following extract and answer the questions that follow:
- WE NEED TO BE EFFECTIVE, NOT POLITICALLY CORRECT**

We need a step change from current economic growth, not only in terms of a higher percentage growth, but also in terms of creating and sustaining employment. We all know that to do this we need greater innovation at the level of SMEs.

Unfortunately, SMEs require a depth of skill and knowledge on the part of the operator. As long as we have a shortage of skills we will have a shortage of SMEs.
- (Source: *Sunday Times*, 12 February 2006 - adapted)
- 4.2.1 What is meant by the phrase *sustaining employment*? (3)
- 4.2.2 Outline any TWO important aspects of innovation in South Africa. (6)
- 4.2.3 Name ONE skill that is in short supply in South Africa. (3)
- 4.2.4 What does the abbreviation *SME* mean? (2)
- 4.3 Explain any FOUR reasons (causes) for urbanisation. (16)
- [40]**

QUESTION 5: INTERNATIONAL ECONOMICS

5.1 Choose the correct answer from those in brackets. Write only the answer next to the question number (5.1.1 - 5.1.2).

5.1.1 An increase in the value of a currency due to market forces is known as (appreciation/revaluation). (2)

5.1.2 A policy of protection causes an increase in the level of (unemployment/employment). (2)

5.1.3 State any THREE factors that cause a demand for foreign exchange. (6)

5.2 Read the following newspaper report and answer the questions that follow:

RAND LURCHES TO A THREE-MONTH LOW

The rand lurched to a three-month low in *offshore trade* yesterday, fuelled by positive consumer inflation data, which soothed growing concerns over a possible *rate hike*. Traders said offshore buying of *dollars* after domestic markets shut on Tuesday triggered the move, nudging the *domestic unit* through the key support level of R6,67 a dollar.

(Source: *The Star*, 27 October 2005 - adapted)

5.2.1 What does *offshore trade* mean? (3)

5.2.2 The value of a rand against a dollar is known as a/an (3)

5.2.3 What, according to the report, led to the decline in the value of the rand? (3)

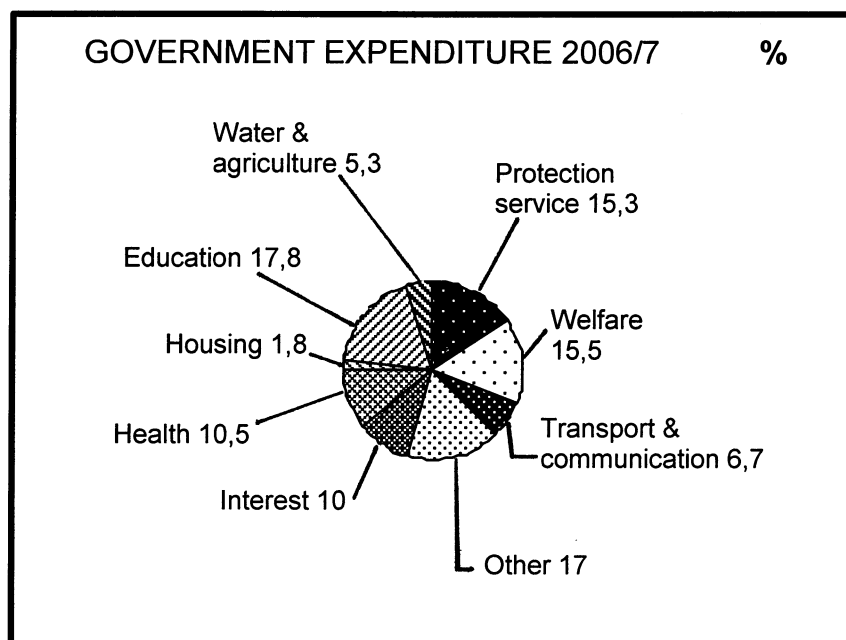
5.2.4 Name the term used in the report that refers to *the rand*. (3)

5.2.5 Which currency is accepted worldwide as a means of payment? (2)

5.3 Explain *infant industries* and *dumping* as arguments for protecting local industries against foreign competition. (16)
[40]

QUESTION 6: THE STATE

- 6.1 Choose the correct word from those in brackets. Write only the answer next to the question number (6.1.1 - 6.1.2).
- 6.1.1 The provision of a country's infrastructure is an important function of (business/the government). (2)
- 6.1.2 The most important source of income for the state is the income from (donations/taxation). (2)
- 6.1.3 State any THREE aims of economic policy of the state. (6)
- 6.2 Study the pie chart below and answer the following questions:



- 6.2.1 Name the sector which receives the highest allocation of state expenditure. (3)
- 6.2.2 Give ONE reason for the payment of interest. (3)
- 6.2.3 Identify an economic service spending. (3)
- 6.2.4 Calculate the total percentage of social service spending. Show ALL calculations. (5)
- 6.3 Discuss the advantages of indirect taxation. (16)
- [40]**

QUESTION 7: ECONOMIC/REGIONAL DEVELOPMENT, URBANISATION AND INTERNATIONAL TRADE

- 7.1 Choose the correct word from those in brackets. Write only the answer next to the question number (7.1.1 - 7.1.2).
- 7.1.1 All transactions relating to assets and liabilities are recorded in the (current/financial) account of the balance of payments (BOP). (2)
- 7.1.2 The duty that amounts to a certain percentage of the value of the imported article is known as (ad valorem/specific) tariff. (2)
- 7.1.3 State any THREE consequences of HIV/Aids on the South African economy. (6)
- 7.2 Study the following information and answer the questions that follow:

BALANCE OF PAYMENTS - ANNUAL FIGURES (R millions)	2005
Merchandise exports, f.o.b.	320 650
Net gold exports	27 023
Service receipts	65 054
Income receipts	29 304
Less: Merchandise imports, f.o.b.	359 678
Payments for services	75 354
Income payments	60 338
Current transfers (net receipts +)	-11 035
Balance	R?

(Source: SARB: *Quarterly Bulletin*, March 2006)

- 7.2.1 In which account of the balance of payments (BOP) is this information reflected? (3)
- 7.2.2 Name the TWO main components of income receipts. (6)
- 7.2.3 Calculate the balance of the above account. Show all calculations. (5)
- 7.3 Explain *low living standards* and *low levels of productivity* as characteristics of developing countries. (16)
[40]

QUESTION 8: 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.

LABOUR RELATIONS

8.1 Choose the correct word from those in brackets. Write only the answer next to the question number (8.1.1).

8.1.1 The demand for labour is a (direct/derived) demand. (2)

8.1.2 State any TWO factors that determine wages in South Africa. (4)

8.2 Read the following article and answer the following questions:

NEW HEAD OF THE CCMA

The newly appointed head of the CCMA has learned never to underestimate the value of mediation.

There is a need to look at employers and employees to encourage them to do more to resolve disputes before coming to the CCMA. The problem is that employers, employees, unions, consultants and commissioners use sections of the Labour Relations Act in a very proceduralistic and legalistic way.

(Source: *Sunday Times*, 19 February 2006 - adapted)

8.2.1 What does the abbreviation *CCMA* mean? (3)

8.2.2 What should employers and employees do before approaching the CCMA? (3)

8.3 Discuss the limitations of trade unions with regard to strikes. (8)

OR

PRODUCTIVITY AND UNEMPLOYMENT

- 8.4 Choose the correct word from those in brackets. Write only the answer next to the question number (8.4.1).
- 8.4.1 The informal sector serves as a safety net for (unemployed/retired) persons. (2)
- 8.4.2 Name any TWO methods to measure unemployment. (4)
- 8.5 Read the following newspaper report and answer the questions that follow:

'THINGS ARE UP, BUT FOR JOBS ...'

Manuel pointed out that the unemployment rate has fallen from 30% to 26,6% in the third quarter of 2005. This figure, of course, does not take into account those jobless people who did not seek work in the couple of weeks preceding the survey.

The massive infrastructure spending plans of the state and initiatives like the expanded public works programme should help create jobs.

(Source: *The Star Editorial*, 27 October 2005 – adapted)

- 8.5.1 Which major initiative does the government use to reduce unemployment? (3)
- 8.5.2 Why did some jobless people stop looking for work in the weeks preceding the survey? (3)
- 8.6 Discuss the misconceptions of productivity. (8)

OR

INFLATION

- 8.7 Choose the correct word from those in brackets. Write only the answer next to the question number (8.7.1).
- 8.7.1 A period of inflation usually benefits (debtors/creditors). (2)
- 8.7.2 State any TWO measures to combat inflation. (4)

8.8 Study the extract below and answer the questions that follow:

CPI

The quarter-to-quarter pace of increase in CPI goods price fell from an annualised rate of 4,8 per cent in the first quarter of 2004 to 0,8 per cent in the third quarter. Following a steep increase in petrol prices in October and November 2004, CPI goods price inflation rose to an annualised rate of 4,4 per cent in the fourth quarter.

(Source: South African Reserve Bank: Quarterly Bulletin, March 2005)

- 8.8.1 Name the kind of inflation envisaged in the above extract. (3)
- 8.8.2 What does the abbreviation *CPI* mean? (3)
- 8.9 Briefly discuss the characteristics of inflation. (8)

OR

STRATEGIC RESOURCES

- 8.10 Choose the correct word from those in brackets. Write only the answer next to the question number (8.10.1).
- 8.10.1 In South Africa the manufacturer of fuel and chemicals from (coal/uranium) is known as SASOL. (2)
- 8.10.2 Name any TWO renewable energy sources. (4)

8.11 Read the extract below and answer the questions that follow:

WATER FOR ALL

The Department of Water Affairs and Forestry's Community Water Supply and Sanitation (CWSS) Programme was to ensure that all South Africans have access to sufficient water and a healthy living environment with the focus on rural areas.

One aim of the CWSS Programme is to capacitate local government and promote the sustainability of water services.

(Source: *South Africa Yearbook*, 2000/01)

8.11.1 State ONE aim of the CWSS. (3)

8.11.2 Which department manages the scarce water resources in South Africa? (3)

8.12 Briefly discuss electricity as the most important form of energy used in South Africa. (8)
[40]

TOTAL SECTION B: 200

GRAND TOTAL: 300

CENTRE NUMBER:						
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EXAMINATION 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

