

GAUTENG DEPARTMENT OF EDUCATION**SENIOR CERTIFICATE EXAMINATION****OCTOBER / NOVEMBER 2005
OKTOBER / NOVEMBER 2005****ECONOMICS HG****TIME: 3 hours****MARKS: 400**

INSTRUCTIONS:

- Answer SEVEN questions:
 - Section A: Question 1 is compulsory.
 - Section B: Answer any TWO questions.
 - Section C: Answer any FOUR questions.
 - Read the questions carefully.
 - Answers in excess of the required number, will not be marked.
 - Answers in lead pencil will not be marked.
 - Questions must be numbered clearly and correctly.
 - Arrange your answers neatly and systematically.
 - Plan the length of your answers according to the marks allocated to each question.
 - Answer questions in point form, where possible.
 - A non-programmable calculator may be used.
 - Write neatly and legibly.
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SECTION A
COMPULSORY

QUESTION 1
GENERAL

Indicate the correct answer by making a cross (X) over the appropriate letter on the **answer sheet** on the **inside cover** of your **answer book**.

E.g.

A	B	C	D
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- 1.1 The formula $C + I + G + X - M$ is a _____-method to calculate the total economic activity of a country.

- A. expenditure
- B. income
- C. production
- D. value added

- 1.2 Study the information below and calculate the GDP at market prices.

	2001 (R million)
GNI at market prices	942 390
Primary income from the rest of the world	18 337
Primary income to the rest of the world	51 143
Imports of goods and services	264 465
Exports of goods and services	301 841

- A. R909 584
- B. R937 820
- C. R1 012 572
- D. R975 196

- 1.3 The total of the added values in the different production processes is _____.

- A. gross domestic expenditure
- B. primary income
- C. national income
- D. production income

1.4 Study the table below and give the correct term for A:

	(R million)
Primary sector	58 455
Secondary sector	154 821
Tertiary sector	370 074
(A)	583 350

- A. Gross value added at market prices
- B. Gross value added at basic prices
- C. Gross value added at factor cost
- D. Gross domestic income

1.5 Make use of the information below and calculate the GDP at factor cost.

	(R million)
Consumption of fixed capital	120 000
Net operating surplus	320 000
Gross operating surplus	440 000
Compensation of employees	600 000

- A. R720 000 m
- B. R1 040 000 m
- C. R1 160 000 m
- D. R920 000 m

1.6 Which **one** of the following factors will ensure economic growth in a country?

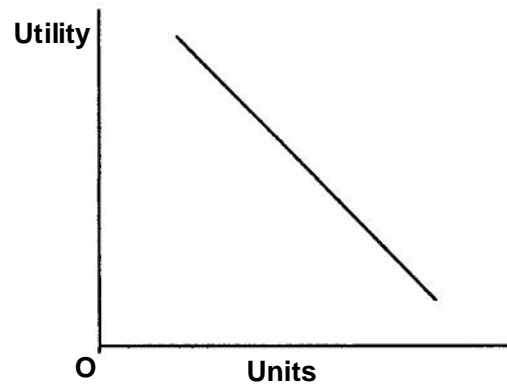
- A. Sanctions against the country concerned
- B. A large population
- C. A high level of investment
- D. A large economically active population

1.7 Make use of the information below and calculate the real national income per capita:

	(R million)
Real national income	898 000
Population	40 million
Economically active population	8 million

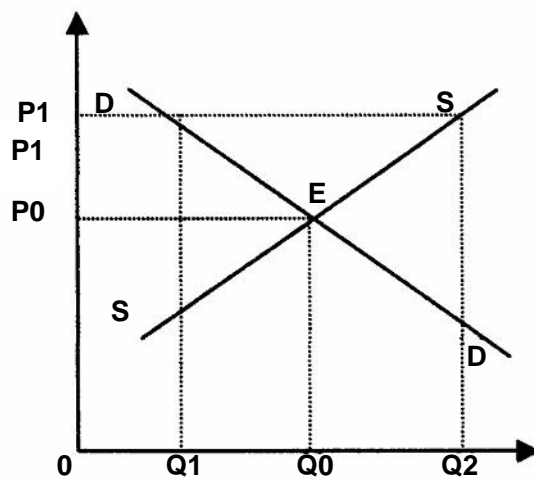
- A. R22 450
- B. R28 063
- C. R18 708
- D. R112 250

1.8 The curve below is a _____.



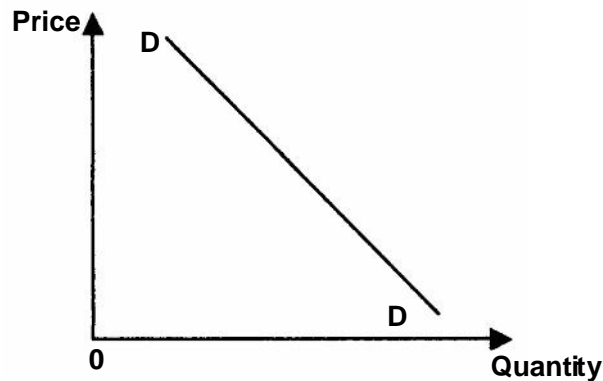
- A. total utility curve
- B. marginal utility curve
- C. demand curve
- D. supply curve

1.9 In the graph below, if price = P_1 , then _____ is illustrated.



- A. excess demand
- B. an increase in supply
- C. equilibrium
- D. excess supply

1.10 The demand curve below is _____.



- A. perfectly elastic
 - B. unitary elasticity
 - C. perfectly inelastic
 - D. relatively elastic
- 1.11 The demand curve has a negative slope because _____.
- A. when the price of a product increases, more would be bought
 - B. the quantity demanded varies in direct proportion to the price change
 - C. at high prices the lower income groups are excluded from the market of a certain commodity
 - D. the curve slopes upward from left to right
- 1.12 Which one of the following factors will cause a change in supply?
- A. Nature of the commodity concerned
 - B. A change in the price of the commodity concerned
 - C. A movement of the supply curve
 - D. A change in the size of the industry

- 1.13 The price below which a seller does not want to sell, is known as the _____.
A. reserve price
B. basic price
C. fixed price
D. factor price
- 1.14 A condition for a perfect market is _____.
A. the manipulation of prices by producers
B. substitute products
C. supply restrictions
D. no preferential treatment
- 1.15 The spatial areas that offer particular advantages to manufacturing, mining and other businesses, are known as _____.
A. spatial development initiatives
B. corridors
C. industrial development zones
D. development areas
- 1.16 A characteristic of developing countries regarding its economic structure is that _____.
A. the majority of the population is dependent upon the agricultural sector
B. unemployment levels are high
C. productivity is high
D. the rainfall is often low and / or the regions are mountainous
- 1.17 In private / public partnerships the state provides at least _____.
A. fixed capital to build factories
B. capital to buy raw materials and employ labour
C. machinery and equipment
D. infrastructure, such as roads and water
- 1.18 A characteristic of the informal sector is _____.
A. capital-intensive production methods
B. formal training
C. homogeneous activities
D. the shortage of capital
- 1.19 The level of development of a country is measured by the _____.
A. total national income
B. per capita income
C. level of agricultural development
D. literacy level

- 1.20 The institution which was established in 1983 to promote economic development in Southern Africa is the _____.
- A. IDC
 - B. DBSA
 - C. IMF
 - D. IDT
- 1.21 Unrecorded transactions in the balance of payments are recorded in the _____ account.
- A. current
 - B. capital transfer
 - C. financial
 - D. official
- 1.22 A uniform tariff on the value of goods passing the borders of member countries as well as the pooling of revenue, is provided by the _____.
- A. SADC
 - B. CMA
 - C. SACU
 - D. DBSA
- 1.23 A composite tariff is a combination of _____.
- A. import duties and import quotas
 - B. import restriction and import deposits
 - C. import quotas and specific tariffs
 - D. specific tariffs and ad valorem tariffs
- 1.24 Which ONE of the following statements about South Africa's trade with foreign countries is TRUE?
- A. South Africa mainly exports primary goods and imports capital equipment.
 - B. South Africa exports more final and intermediary goods than primary goods.
 - C. Ten percent of South Africa's GDP comes from international trade.
 - D. South Africa imports more goods from the rest of Africa than they export to Africa.
- 1.25 A disadvantage of import substitution is _____.
- A. balance of payments account problems
 - B. the encouragement of new businesses
 - C. that local manufacturing could become inefficient
 - D. increased domestic production

- 1.26 If the South African government restricts imports by determining that only 10 000 of a certain type of motorcar may be imported in a specific year, a system of _____ is applied.
- A. export subsidies
 - B. import tariffs
 - C. import deposits
 - D. import quotas
- 1.27 The government's control over money that leaves the country is known as _____.
- A. devaluation
 - B. exchange control
 - C. trade restrictions
 - D. import control
- 1.28 The system of taxation where the taxpayers are in much the same position after paying tax than before the payment, is _____.
- A. progressive
 - B. proportional
 - C. regressive
 - D. productive
- 1.29 Taxpayers who are in the same financial position, should pay the same amount of tax. This means the system of taxation should be _____.
- A. economical
 - B. elastic
 - C. simple
 - D. impartial
- 1.30 A reason for privatisation is to _____.
- A. reduce the tax base
 - B. increase the state's share in the economy
 - C. acquire state funds for financing essential projects without increasing taxation
 - D. maximise social benefits rather than to maximise profits for the private sector
- 1.31 The deliberate intervention by the state in the working of the economy to improve it is known as _____.
- A. the state budget
 - B. nationalisation
 - C. economic policy
 - D. fiscal policy

1.32 Protection services and economic services are part of the _____ classification of state expenditure.

- A. functional
- B. administrative
- C. economic
- D. geographical

1.33 According to the table below a person who earns R110 000 per year will pay R_____ tax.

Taxable income (R)	Rates of tax
0 – 38 000	17% of each R1 of taxable income
38 001 – 55 000	R6 840 + 25% of the amount above R38 000
55 001 – 80 000	R11 260 + 31% of the amount above R55 000
80 001 – 100 000	R19 260 + 36% of the amount above R80 000
100 001 – 215 000	R26 660 + 39% of the amount above R100 000
215 001 and above	R72 660 + 41% of the amount above R215 000

- A. R30 560
- B. R39 000
- C. R26 660
- D. R10 397

1.34 The income received by the state for goods produced or services rendered, is known as _____.

- A. administrative income
- B. commercial income
- C. donations
- D. income from state property

34x3=(100)

TOTAL FOR SECTION A: [100]

SECTION B

- Answer any TWO questions in this section.
- Answers must have introductions, bodies and conclusions.

**QUESTION 2
PRICE FORMATION**

The satisfaction of wants is the motivation for all economic activity. Discuss wants in full. [50]

**QUESTION 3
ECONOMIC DEVELOPMENT**

More than 50% of the South African population is urbanised. Gauteng and the Western Cape are especially highly urbanised provinces. Discuss urbanisation as a reality in South Africa. [50]

**QUESTION 4
INTERNATIONAL TRADE**

The different countries in the world do not all use the same currency. Thus international transactions can only take place by means of exchange rates.

Discuss exchange rates in full.

[No graphs are necessary.] [50]

**QUESTION 5
THE STATE**

Taxation can be seen as a compulsory contribution levied by the state on citizens for the purpose of financing services of general public interest.

Discuss taxation on consumption (indirect taxation) as a form of taxation levied by the state. [50]

TOTAL FOR SECTION B: [100]

SECTION C

- Answer any FOUR questions in this section.

QUESTION 6
NATIONAL INCOME

- 6.1 Study the information in the table below and answer the questions that follow.

At current prices R million	
	2001
Compensation of employees	455 650
Net operating surplus	283 247
Consumption of fixed capital	128 915
Gross value added at factor cost	(A)
Other taxes on production	21 309
Other subsidies on production	2 027
Gross value added at basic prices	(B)
Taxes on products	91 283
Subsidies on products	3 180
Gross domestic product at market prices	(C)

Source: SARB Quarterly Bulletin

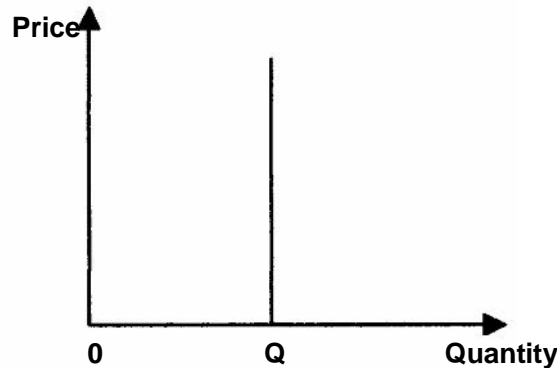
- 6.1.1 Calculate **C**. (4)
- 6.1.2 Subsidies have the effect of making the market prices of goods and services _____ than their basic prices or factor cost. (2)
- 6.1.3 Explain the concept **factor cost**. (2)
- 6.1.4 Explain "Other taxes on production". (2)
- 6.2 Explain the difference between nominal and real national income figures. (12)
- 6.3 Discuss the monetary causes of business cycles in the economy. (18)
- 6.4 State whether the following statements are TRUE or FALSE:
- 6.4.1 Gross operating surplus excludes the consumption of fixed capital.
- 6.4.2 Gross national income includes primary income to the rest of the world.
- 6.4.3 The big changes over the past hundred years in the South African national economy are because of cyclical factors.
- 6.4.4 Economic growth means an increase in the quantity of goods and services in a country over a period of time.

- 6.4.5 Total national income figures indicate whether the different groups in a country benefit from economic growth or not.

5x2=(10)
[50]

QUESTION 7 PRICE FORMATION

- 7.1 Study the graph below and answer the questions that follow.



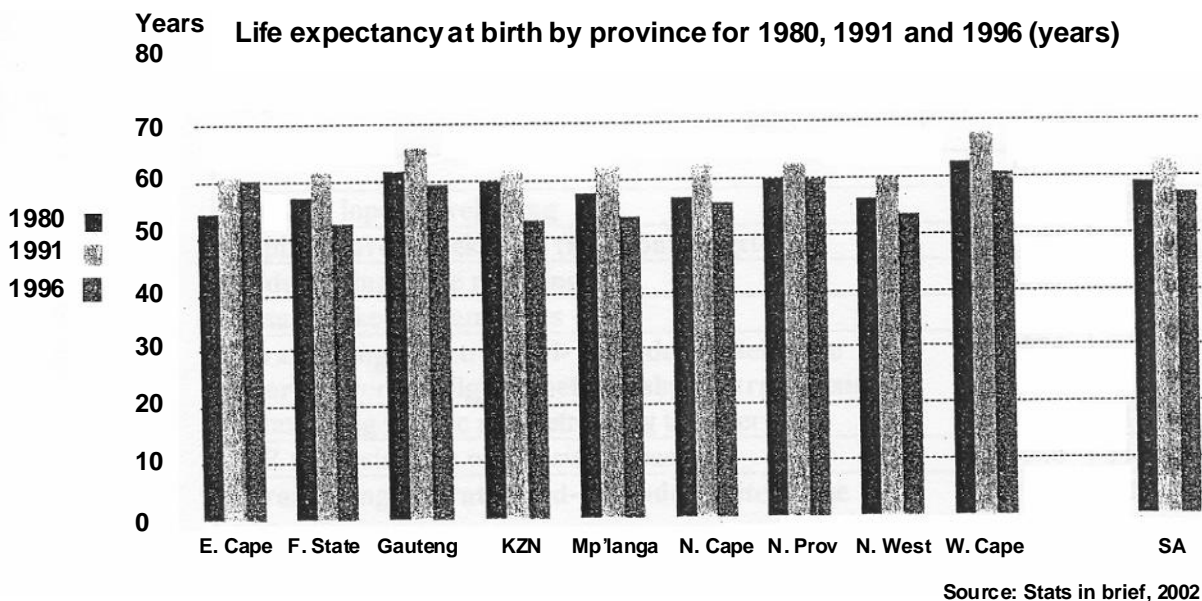
- 7.1.1 Assume the curve represents a demand curve.
- Determine the price elasticity of the demand. (2)
 - Give an example of a product with a demand curve as above. (2)
 - Describe the demand curve above. (2)
- 7.1.2 Assume the curve represents the supply curve of tomatoes.
- Describe the supply curve above. (2)
 - This supply curve will probably exist over the _____ term. (2)
- 7.2 Illustrate with the use of graphs the difference between movements on and of the demand curve. (18)
- 7.3 Compare the perfect and imperfect markets, in terms of their most important characteristics. (12)
- 7.4 State whether the following statements are TRUE or FALSE:
- 7.4.1 The utilitarian value of a product is measured by its price.

- 7.4.2 The law of marginal utility determines that marginal utility increases as more units of a product are used successively.
- 7.4.3 The demand for an article that has many uses, tends to be inelastic.
- 7.4.4 Excess demand is a situation in the market caused by low prices.
- 7.4.5 The consumer surplus of articles such as matches and salt is high because their prices are low.

5x2=(10)
[50]

QUESTION 8 ECONOMIC DEVELOPMENT

- 8.1 Study the graph and answer the questions that follow.



- 8.1.1 In which province is the life expectancy at birth the highest over the three years? (3)
- 8.1.2 What is your opinion about South Africa's average life expectancy? (Refer to development in your answer.) (4)
- 8.1.3 What would you say is probably the reason for the decrease in South Africa's average life expectancy from 1991 to 1996? (3)
- 8.2 Five kinds of financial incentives for the establishment of businesses were available as from 2001 in South Africa. An example is the strategic industries incentives. Discuss FOUR **other** incentives. (24)
- 8.3 Distinguish between **economic development** and **economic growth**. (6)

8.4 State whether the following statements are TRUE or FALSE:

- 8.4.1 The informal sector in South Africa should disappear within the next few years.
- 8.4.2 The contribution of the informal sector to the GDP is insignificant.
- 8.4.3 Developing countries mostly export primary goods.
- 8.4.4 A stable exchange rate is one of the explicit goals of GEAR.
- 8.4.5 The RDP focuses on the inhabitants of the country and not only on economic growth.

5x2=(10)
[50]

QUESTION 9 INTERNATIONAL TRADE

9.1 Study the balance of payments account below and answer the questions that follow.

QUARTERLY FIGURES
R million

	2001	
	02	03
Balance on current account	2 556	-5 769
Capital transfer account (net receipts +)	-96	-89
Balance on financial account	10 363	-795
Unrecorded transactions	-4 799	6 595
Change in net gold and other foreign reserves owing to balance of payment transactions	8 024	-58
Change in liabilities related to reserves	-172	11 179
SDR allocations and valuation adjustments	946	11 166
Change in gross gold and other foreign reserves	8 798	22 287

- 9.1.1 Compare the balances of the current account (quarters 02 and 03) by explaining the difference. (4)
- 9.1.2 Explain the concept **valuation adjustments**. (3)
- 9.1.3 In which account will you find information about transactions regarding portfolio investments? (3)

- 9.2 Briefly explain the THREE components of South Africa's international trade policy. (15)
- 9.3 Explain the different forms of economic integration from the simplest to the most complicated form. (15)
- 9.4 State whether the following statements are TRUE or FALSE:
- 9.4.1 The balancing item in the official reserves account of the balance of payments is the inventory of gold and other reserves.
- 9.4.2 If a country produces a certain product at a lower cost than another country, it has an absolute advantage in the production of such a product.
- 9.4.3 Tax concessions are indirect export promotion incentives.
- 9.4.4 Trade between countries is subject to various restrictions, *inter alia* currency control.
- 9.4.5 A problem with protection is the recognition of industries that will eventually be able to maintain their position without protection. 5x2=(10)

[50]

QUESTION 10 THE STATE

10.1 Taxation policy



- 10.1.1 Explain how the state can apply import duties to protect local businesses. (4)
- 10.1.2 What effect will a higher VAT rate have on the consumer? (3)
- 10.1.3 Excise duties are levied on products of which the demand is _____. (3)
- 10.2 One of the functions of the state is to protect natural resources of the country. Discuss THREE other functions of the state. (18)
- 10.3 Explain monetary policy as a method that the state can use to carry out economic policy. (12)
- 10.4 State whether the following statements are TRUE or FALSE:
- 10.4.1 A characteristic of direct taxation is that the burden of tax falls on the person for whom it is intended.
- 10.4.2 The levying of capital gains tax decreases tax avoidance.
- 10.4.3 The proceeds for the state from indirect taxes can be accurately calculated in advance.
- 10.4.4 Fiscal policy of the state influences the economy by means of state income and expenditure.
- 10.4.5 Nationalisation means inter alia that the state takes over the ownership of private enterprises.

5x2=(10)
[50]

QUESTION 11
IMPORTANT ECONOMIC TOPICS

Note:

- This question consists of four subsections of 25 marks each.
- You must answer any TWO subsections.
- NUMBER YOUR CHOICES CLEARLY.

11.1 LABOUR RELATIONS

11.1.1 State whether the following statements are TRUE or FALSE:

- (a) The Labour Relations Act regulates the relations between employers and employees.
- (b) Excessive wage demands by trade unions increases the demand for labour.
- (c) Before the members of a trade union embark on a strike, attempts must be made to settle disputes through a bargaining council.

3x2=(6)

11.1.2 The total population as well as migration are factors that influence the supply of labour. Discuss FOUR **other** factors that influence the supply of labour in South Africa.

(16)

11.1.3 Give ONE function of the Labour Court (previously known as the Industrial Court).

(3)

[25]

11.2 PRODUCTIVITY AND UNEMPLOYMENT

11.2.1 State whether the following statements are TRUE or FALSE:

- (a) Productivity is equal to working harder instead of working better.
- (b) Measuring productivity does not determine the cause of low productivity.
- (c) Multifactor productivity relates output to the input of both capital and labour.

3x2=(6)

11.2.2 A rapidly changing economy and not enough training are causes of unemployment. Discuss FOUR **other** causes.

(16)

11.2.3 Describe the concept **labour productivity**.

(3)

[25]

11.3 INFLATION

11.3.1 State whether the following statements are TRUE or FALSE:

- (a) Small increases of one to three percent in the general price level are normal and are not regarded as inflation.
- (b) More expensive imported intermediary products can increase cost-push inflation.
- (c) The relaxation of exchange control is a measure to combat inflation.

3x2=(6)

11.3.2 Discuss FOUR consequences of high inflation rates on the income and savings of households.

(16)

11.3.3 Briefly explain the concept **stagflation**.

(3)

[25]

11.4 STRATEGIC RESOURCES IN SOUTH AFRICA

11.4.1 State whether the following statements are TRUE or FALSE:

- (a) Coal is the most important source of energy in South Africa.
- (b) In South Africa Satour promotes tourism.
- (c) Denel is fully state-owned.

3x2=(6)

11.4.2 Water is essential for the agricultural as well as the mining sector. Discuss FIVE other reasons for the importance of water in South Africa.

(15)

11.4.3 Explain nuclear power as a source of energy in South Africa.

(4)

[25]

2x25=**[25]**

TOTAL FOR SECTION C: [200]

TOTAL: 400

END