

GAUTENG DEPARTMENT OF EDUCATION

SENIOR CERTIFICATE EXAMINATION

ECONOMICS SG

FEB / MAR 2006

TIME: 3 hours

MARKS: 300

INSTRUCTIONS:

- Answer SIX questions.
 - Section A: Question 1 is COMPULSORY.
 - Section B: Answer any FIVE questions.
 - Answer Question 1 (multiple-choice questions) on the **answer sheet** on the **inside cover** of your **answer book**.
 - Read the questions carefully.
 - Number your answers clearly and correctly.
 - Plan the length of your answers according to the marks allocated to each question.
 - Answer questions where possible, in point form.
 - A non-programmable calculator may be used.
 - Lead-pencil work will not be marked.
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SECTION A
COMPULSORY**QUESTION 1**
MULTIPLE-CHOICE QUESTIONS

Choose the correct answer from the four possibilities provided (A – D) for Questions 1.1 – 1.34. Indicate the correct answer by making a cross (X) over the corresponding letter on the **answer sheet** on the **inside cover** of your **answer book**.

- 1.1 Taxation is used by the public sector to provide _____ .
- A. business goods
 - B. services to the public
 - C. foreign sector expenditure
 - D. household expenditure

1.2 The biggest contributor to the national income is _____ .

- A. personal services
- B. the manufacturing industry
- C. the construction industry
- D. social services

1.3 Which one of the following is a shortcoming of the national income figures?

- A. Transfer payments
- B. Double counting
- C. Accuracy
- D. Unlawful and undeclared income

1.4 Calculate the real national income for 1995 from the following information.

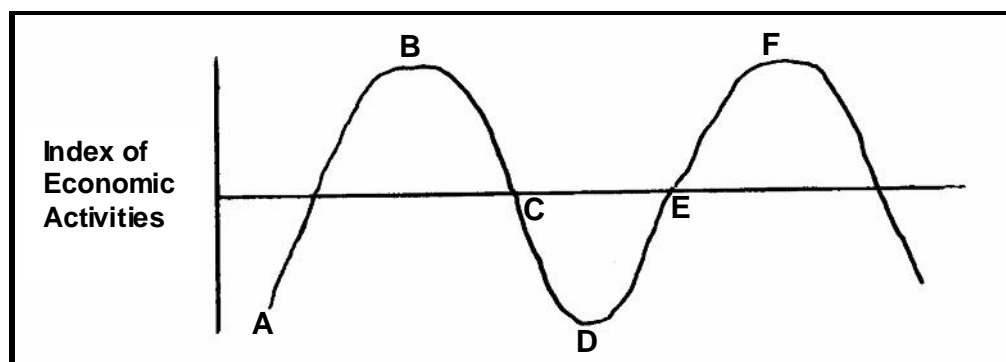
YEAR	NOMINAL NATIONAL INCOME	PRICE INDEX
1994	95 000	100
1995	125 000	125

- A. R115 250
- B. R100 000
- C. R130 000
- D. R 75 000

1.5 The GDP minus the remuneration paid to foreign factors of production that are used in South Africa, plus the remuneration of South African workers in foreign countries is known as the _____ .

- A. Gross National Product
- B. Gross Domestic Product
- C. Net National Product
- D. National income

1.6



Study the figure above and indicate what **CD** on the curve represents.

- A. Depression
- B. Recession
- C. Boom
- D. Recovery

- 1.7 The economic progress of South Africa can be compared with that of Japan by making a study of the _____ of both countries.
- A. real per capita income
 - B. per capita income
 - C. gross national income
 - D. general price income
- 1.8 The demand curve normally slopes from _____ .
- A. top left to bottom right
 - B. bottom left to top right
 - C. bottom right to top left
 - D. top right to bottom left
- 1.9 The scarcity of a product has an influence on _____ .
- A. increase in production cost
 - B. high demand
 - C. increase in supply
 - D. low demand cost
- 1.10 Human wants are insatiable because _____ .
- A. modern market economies encourage striving for status
 - B. enough goods and services are available
 - C. advertising is ineffective
 - D. resources that are available to satisfy wants are unlimited
- 1.11 A market refers to _____ .
- A. a specific place
 - B. any place where there are producers or retailers
 - C. places where buyers can obtain financing
 - D. any place where buyers and sellers can compete
- 1.12 Value can be influenced by _____ .
- A. utility
 - B. price
 - C. accuracy
 - D. markets
- 1.13 When the demand and supply adjust themselves freely until they reach a point of price equilibrium, it is known as _____ .
- A. perfect competition
 - B. a monopoly
 - C. imperfect competition
 - D. restricted market

- 1.14 One of the conditions of a perfect market is that there _____ .
- A. is that preferential treatment
 - B. is only one seller
 - C. are no close substitute goods for the product
 - D. are homogeneous products
- 1.15 The South African economy can be described as _____ .
- A. developed
 - B. underdeveloped
 - C. developing
 - D. undeveloped
- 1.16 Which one of the following is a characteristic of developing economies?
- A. High productivity
 - B. High dependency on primary industries
 - C. Low birth rate
 - D. Sound infrastructure
- 1.17 The prosperity of the inhabitants of a country can be improved by _____ .
- A. creating more jobs
 - B. increasing government expenditure
 - C. increasing tax
 - D. allowing more imports
- 1.18 A situation of change where a community's economic circumstances change so that the standard of living increases, is known as economic _____ .
- A. growth
 - B. redistribution
 - C. development
 - D. reconstruction
- 1.19 The institution that provides large amounts of capital to businesses that cannot obtain it from share issues is known as the _____ .
- A. Industrial Development Corporation
 - B. Development Bank
 - C. Business Partnership
 - D. Johannesburg Stock Exchange
- 1.20 Which one of the following is NOT a characteristic of the informal sector?
- A. Low levels of schooling
 - B. Job creation
 - C. Lack of security
 - D. Homogeneous activities

- 1.21 The primary aim of the SDI programme is to _____ .
- A. develop regions
 - B. privatise state enterprises
 - C. diversify the production structure
 - D. maximise state revenue
- 1.22 Custom duties that are levied as a fixed amount per unit on the goods that are imported are known as _____ duties.
- A. multiple
 - B. double
 - C. specific
 - D. ad-valorem
- 1.23 Financial assistance to local exporting industries, is known as export _____ .
- A. quotas
 - B. restrictions
 - C. subsidies
 - D. prohibitions
- 1.24 Recommendations regarding tariffs are made to the state in South Africa by _____ .
- A. GATT – General Agreement of Trade and Tariffs
 - B. Department of Trade and Industry
 - C. The Board of Tariffs and Trade
 - D. SAFTO
- 1.25 The most important problem when applying a system of import quotas is that _____ .
- A. it is difficult to determine a base period
 - B. importers must pay a large deposit before the goods can be imported
 - C. the Government does not know who qualifies for subsidies
 - D. it increases the administration costs of the exporters
- 1.26 Which one of the following will be the best means of limiting imports?
- A. Import duties
 - B. Import subsidies
 - C. Import deposits
 - D. Import quotas
- 1.27 When the price of the currency of a country, e.g. pound is expressed in terms of the currency of another country, it is known as _____ .
- A. the Balance of payment
 - B. a fluctuation
 - C. an exchange rate
 - D. the balance of trade

- 1.28 Imports create a / an _____ .
- A. demand for foreign exchange
 - B. over-supply of foreign exchange
 - C. increase in the money supply
 - D. stable rate of exchange
- 1.29 A transfer of appropriate activities and property from the state to the private sector is known as _____ .
- A. nationalization
 - B. infrastructure
 - C. privatisation
 - D. substitution
- 1.30 The primary source of government revenue is income obtained from _____ .
- A. loans
 - B. income taxes
 - C. donations
 - D. rental from government properties
- 1.31 The policy of the government that is aimed at controlling the money supply and that is implemented by the Reserve Bank is known as the _____ policy.
- A. fiscal
 - B. monetary
 - C. economic
 - D. marketing
- 1.32 It is illegal for the taxpayer to _____ tax.
- A. avoid
 - B. evade
 - C. shift
 - D. vest
- 1.33 The most important form of direct taxation is _____ .
- A. VAT
 - B. transfer duties
 - C. personal income tax
 - D. customs and excise duties
- 1.34 Which one of the following taxes will discourage imports?
- A. Income tax
 - B. Taxes on companies
 - C. Custom duties
 - D. Transfers

34x3= (100)

TOTAL FOR SECTION A: [100]

SECTION B

- Answer any FIVE questions in this section.
- All questions must be answered in your **answer book**.
- Responses should adequately reflect the contexts required by the questions.

QUESTION 2
NATIONAL INCOME

- 2.1 Choose the correct word(s) between brackets.
- 2.1.1 The characteristic that influences decision-making is (scarcity/limitless means).
- 2.1.2 An example of economic process is (production/demand).
- 2.1.3 The gross national product is the total production (by citizens of a country/ within the boundaries of a country.)
- 2.1.4 When economic growth occurs, the (per capita income/rate of inflation) increases.
- 2.1.5 National income can only be determined by the market value of (finished goods/intermediate goods). 5x2= (10)
- 2.2 Accuracy and service which are not included are a problem in determining the national income. Discuss TWO other problems. 2x6= (12)
- 2.3 Explain TWO methods for determining the national income. 2x(2+2)= (8)
- 2.4 Make use of the table below to answer the questions that follow.

Appendix B

Current 1999 prices in R million

Compensation of employees	40 000
Net operating surplus	21 000
Consumption of fixed capital	10 500
Other taxes on production	14 392
Other subsidies on production	4 500
Subsidies on products	8 000
Taxes on products	7 800
Primary income from the rest of the world	3 000
Primary income to the rest of the world	16 000

- 2.4.1 Calculate **GDP** at basic prices.
- 2.4.2 Calculate **GNP** at market prices. 5x2= (10)

[40]

P.T.O.

QUESTION 3
PRICE FORMATION

- 3.1 Choose the correct word(s) between brackets. Write down only the question number and the answer.
- 3.1.1 Utility of (place / time) is created by storage.
- 3.1.2 Free goods have (exchange value/usage value).
- 3.1.3 The law of demand shows the tendency of the demand curve to have a (positive / negative) gradient.
- 3.1.4 A/An (perfect / imperfect) market is found when one product is being sold by many sellers.
- 3.1.5 The (higher / lower) the price, the greater the quantity the producer will sell. 5x2= (10)
- 3.2 The modern market economy is characterised by competition. Discuss THREE advantages of competition. 3x(2+2)= (12)
- 3.3 Discuss TWO factors that can have an influence on a person's needs. 2x(2+2)= (8)
- 3.4 Draw the graphs from the table below. Show the equilibrium point with the correct equilibrium price and quantity.

PRICE	QUANTITY OFFERED	QUANTITY DEMANDED
R5	3 400	800
R4	2 800	1 300
R3	2 200	2 200
R2	1 500	3 800
R1	400	6 000

(10)
[40]

QUESTION 4
ECONOMIC DEVELOPMENT

- 4.1 Choose the correct answer from the word(s) between brackets.
- 4.1.1 The new policy with regards to regional development is known as the (International Trade Strategy/Industrial Development programme).
- 4.1.2 The concentration of the population in cities is known as (urbanisation/civilisation).
- 4.1.3 A significant improvement in the real gross domestic product of a country is known as economic (development/growth).
- 4.1.4 South Africa is regarded as a (developing/developed) country.

- 4.1.5 One of the characteristics of developing economies is (full employment/unemployment). $5 \times 2 = (10)$
- 4.2 Discuss THREE financial incentives that are available to entrepreneurs for the establishment of new businesses. $3 \times (2+2) = (12)$
- 4.3 Discuss TWO reasons for urbanisation. $2 \times (2+2) = (8)$
- 4.4 Study the following picture and answer the questions that follow.



- 4.4.1 Identify the sector shown above. (2)
- 4.4.2 List FOUR other activities of this sector. $4 \times 2 = (8)$
- [40]**

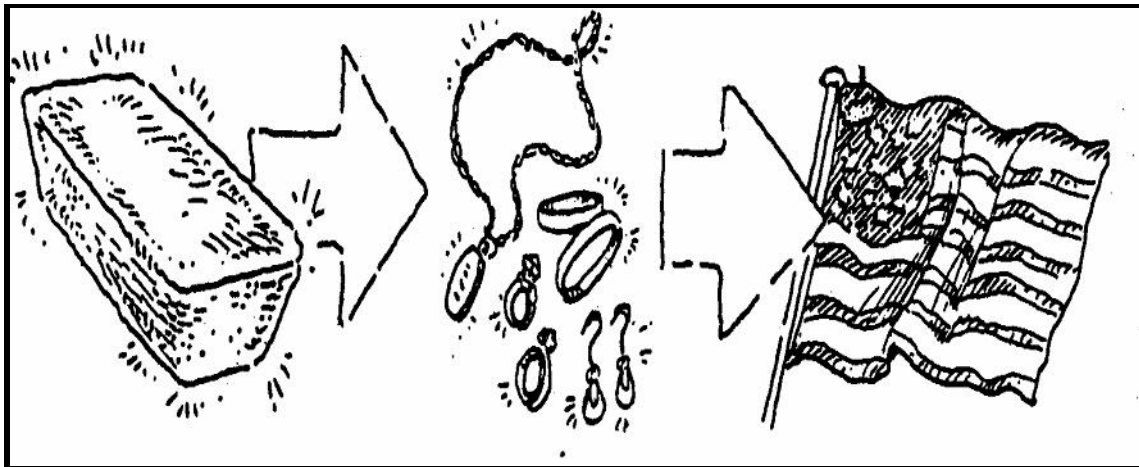
QUESTION 5 INTERNATIONAL TRADE

- 5.1 Match the **term** in **Column A** with the best **description** in **Column B**. Write only the question number and the correct letter e.g. 5.1 – G.

COLUMN A	COLUMN B
5.1.1 Revaluation	A. Market forces determine the price of the currency.
5.1.2 Appreciation	B. A deliberate decision by the authorities to increase the currency.
5.1.3 Depreciation	C. In a system of fixed exchange rates the State decreases the currency
5.1.4 Devaluation	D. The monetary authorities announce a statutory exchange rate.
5.1.5 Floating exchange rate	E. A decrease in the value of a currency because of supply and demand.
	F. As a result of market forces the price of the currency is increased.

$5 \times 2 = (10)$

- 5.2 Discuss FOUR reasons with reference to international trade, why developed countries have an advantage over developing countries. $4 \times (1+2) =$ (12)
- 5.3 Distinguish between **voluntary** and **enforced import substitution**. (8)
- 5.4 Study the following picture and answer the questions that follow.



- 5.4.1 Explain the meaning of the above picture. (4)
- 5.4.2 Name and briefly explain the two groups into which export promotion is divided. $2 \times (1+2) =$ (6)
- (10)**
[40]

QUESTION 6 THE STATE

- 6.1 Choose the correct word(s) between brackets. Write down only the question number and the answer.
- 6.1.1 Drivers' licences are a form of (administrative / commercial) income for the State.
- 6.1.2 The fiscal drag refers only to (progressive / regressive) taxation.
- 6.1.3 The (partial / supplementary) budget is tabled near the end of the financial year usually just after Parliament assembles in January or February.
- 6.1.4 The establishment of the infrastructure is regarded as a (collective / welfare) function of the State.
- 6.1.5 The State's financial year runs from (1 April to 31 March / 1 June to 31 July). (10)

- 6.2 In South Africa some of the requirements for a good tax system of taxation is that it must be simple, convenient and equitable. Discuss THREE other requirements $3 \times (2+2) =$ (12)
- 6.3 Explain the concept **capital gains tax**. $4 \times 2 =$ (8)
- 6.4 Consider the following example and answer the questions that follow.

Person **A** earns R100 000 per year and pays 43 percent of his/her income in tax, while Person **B** earns R35 000 per year and pays 22 percent thereof in tax.

- 6.4.1 Name the method of tax levied by the authorities. (2)
- 6.4.2 Name the other TWO methods of levying tax. (4)
- 6.4.3 Calculate the after-tax income of Person **B**. (4)
- [40]**

QUESTION 7 IMPORTANT ECONOMIC TOPICS

Answer any TWO of the following subsections (7.1, 7.2, 7.3, or 7.4).

7.1 LABOUR RELATIONS

- 7.1.1 Choose the correct word(s) between brackets.
- a) The main aim of Bargaining Councils is to encourage (peaceful labour relations/strikes).
 - b) In South Africa the workplace forum is (recognised/not recognised).
 - c) The decisions taken by the CCMA are (binding/not binding) on all parties. $3 \times 2 =$ (6)
- 7.1.2 Discuss FOUR limitations that apply to trade unions. $4 \times (1+2) =$ (12)
- 7.1.3 Define **trade unions**. (2)
- (20)**

7.2 PRODUCTIVITY AND UNEMPLOYMENT

- 7.2.1 Choose the correct word(s) between brackets.
- a) A decrease in job opportunities can cause an (increase/decrease) in crime.
 - b) The relationship between inputs and outputs in a business is referred to as (production/productivity).
 - c) The most effective way to increase productivity is to increase the (literacy level/unemployment rate). $3 \times 2 =$ (6)

7.2.2 Discuss FOUR measures that can be taken to combat unemployment. $4 \times (1+2) =$ (12)

7.2.3 Define **productivity**. (2)
(20)

7.3 INFLATION

7.3.1 Choose the correct word(s) between brackets.

- a) The Minister of Finance can use (fiscal/monetary) measures to combat inflation.
- b) Debtors are (advantaged/disadvantaged) when the purchasing power of money decreases.
- c) (Demand-pull/Cost-push) inflation is caused by factors on the consumer's side of the market. $3 \times 2 =$ (6)

7.3.2 Discuss FOUR consequences of inflation. $4 \times (1+2) =$ (12)

7.3.3 Define the concept **demand-pull inflation**. (2)
(20)

7.4 STRATEGIC RESOURCES

7.4.1 Choose the correct word(s) between brackets.

- a) (Coal/Uranium) is used to produce nuclear energy at Koeberg.
- b) South Africa receives electricity from (SASOL/ESCOM).
- c) ADE is involved in the (imports/exports) of diesel engines. $3 \times 2 =$ (6)

7.4.2 Discuss FOUR reasons why water is important for primary industries. $4 \times (2+1) =$ (12)

7.4.3 Describe solar energy as an alternative energy source. (2)
(20)
[40]

QUESTION 8 GENERAL

8.1 Choose the correct word(s) between brackets.

8.1.1 (Customs duties/Import subsidies) are levied on all imported goods.

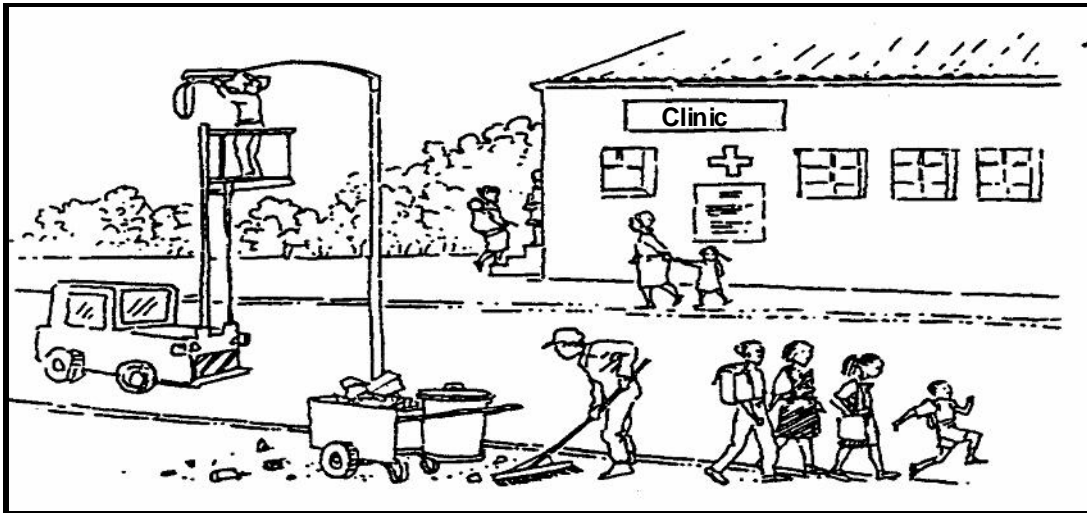
8.1.2 The (reserve/financial) account includes Special Drawing Rights.

8.1.3 The (State President/Minister of Finance) presents his annual MTEF in Parliament.

8.1.4 The (IDC/IDZ) provides businesses with capital.

8.1.5 One characteristic of (urbanisation/the informal sector) is a lack of housing. $5 \times 2 =$ (10)

- 8.2 Discuss TWO production factors which can influence economic growth. $2 \times (2+2) =$ (8)
- 8.3 The market forces of demand and supply determine the exchange rate. Discuss floating rates of exchange. (12)
- 8.4 Study the following picture and answer the questions that follow.



- 8.4.1 The functional classification of State expenditure indicates that there are four groups. Name THREE. $3 \times 2 =$ (6)
- 8.4.2 There are four stages in the financial procedure of the main budget. Identify TWO. $2 \times 2 =$ (4)
(10)
[40]

TOTAL FOR SECTION B: [200]

TOTAL: 300

END