



**education**

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Department:  
Education  
**REPUBLIC OF SOUTH AFRICA**

**SENIOR CERTIFICATE EXAMINATION - 2007**

**ECONOMICS**

**HIGHER GRADE**

**FEBRUARY/MARCH 2007**

**404-1/0**

**ECONOMICS HG**

**MARKS: 400**

**TIME: 3 hours**



**This question paper consists of 19 pages and an answer sheet.**

**X05**



**INSTRUCTIONS AND INFORMATION**

1. Answer SEVEN questions as follows:
2. SECTION A is COMPULSORY and must be answered on the answer sheet provided.
3. SECTION B: Answer any FOUR questions in your answer book.
4. SECTION C: Answer any TWO questions in your answer book.
5. Write the number of the question above each answer.
6. Number the answers according to the system used in this question paper.
7. Read the questions carefully and start each question on a NEW page.
8. Leave 2 - 3 lines between subsections of questions.
9. Answer in full sentences and ensure that the format and content of your responses comply with the requirements of the question.
10. Write neatly and legibly.
11. Answer only the required number of questions. Answers in excess of this number will not be marked.
12. Use only black or blue ink. Answers in lead pencil will not be marked.
13. Non-programmable pocket calculators may be used.

**SECTION A****QUESTION 1 (COMPULSORY)**

## 1.1 MULTIPLE-CHOICE QUESTIONS

Answer the following multiple-choice questions on the attached answer sheet. Indicate the most correct answer by making a cross (X) in the appropriate square on the answer sheet. Write your examination number on your answer sheet.

## NATIONAL INCOME

- 1.1.1 If the population grows more rapidly than the GDP, then there will be a(n) ...
- A decrease in the average welfare.
  - B increase in economic growth.
  - C increase in general welfare.
  - D decrease in the national income. (3)
- 1.1.2 Economic growth is measured by an increase in the ....
- A quantity of goods produced.
  - B GDP per capita.
  - C nominal GDP.
  - D real GDP. (3)
- 1.1.3 If the GNI of a country is R120 000 million per annum and it has a population of 40 million, the GNI per capita is ...
- A R4 000.
  - B R3 000.
  - C R6 000.
  - D R30 000. (3)
- 1.1.4 The gross domestic product expressed in the prices of a certain base year is known as ... product.
- A gross national
  - B per capita domestic
  - C real gross domestic
  - D real gross national (3)

## PRICE FORMATION

- 1.1.5 The difference between the price that the consumer is willing to pay for an article and the price that he/she actually pays is known as ...
- A opportunity cost.
  - B consumer surplus.
  - C diminishing returns.
  - D marginal cost. (3)
- 1.1.6 The demand curve for an antique motorcar that is in excellent condition will ...
- A slope downwards from left to right.
  - B be parallel to the vertical-axis.
  - C be parallel to the horizontal-axis.
  - D slope upwards from left to right. (3)
- 1.1.7 If there is an increase in the demand for DVDs, the price of CDs will ...
- A increase.
  - B decrease.
  - C remain unchanged.
  - D be perfectly inelastic. (3)
- 1.1.8 On an oligopoly market we find many ...
- A buyers and few sellers.
  - B sellers and one buyer.
  - C buyers and sellers.
  - D buyers and one seller. (3)

## ECONOMIC AND REGIONAL DEVELOPMENT AND URBANISATION.

- 1.1.9 The government's macro-economic strategy is known as ...
- A RDP.
  - B GEAR.
  - C NEPAD.
  - D PPP. (3)
- 1.1.10 A country can promote domestic capital formation through ...
- A discouraging exports.
  - B promoting imports.
  - C encouraging savings.
  - D discouraging foreign investment. (3)

- 1.1.11 An example of a developing country is ...
- A RSA.
  - B Italy.
  - C Australia.
  - D Japan.
- (3)
- 1.1.12 Because of the absence of a contractual agreement between employer and employee in the informal sector, workers are ...
- A often exploited.
  - B protected by labour legislation.
  - C well paid.
  - D registered as tax payers.
- (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 Dividends that are earned on share investments abroad enter the South African Balance of Payments under the ... account.
- A current
  - B capital transfer
  - C financial
  - D reserves
- (3)
- 1.1.15 Customs duties that comprise a certain amount per unit of goods imported is known as ... tariffs.
- A ad-valorem
  - B specific
  - C composite
  - D discretionary
- (3)
- 1.1.16 The free movement of production factors between member countries indicate a ...
- A monetary union.
  - B free trade area.
  - C common market.
  - D customs union.
- (3)



## THE STATE

- 1.1.17 The use of taxation and government spending to influence the economy, is known as ... policy.
- A monetary
  - B fiscal
  - C competition
  - D trade
- (3)
- 1.1.18 The largest single category of public spending in South Africa is on ...
- A social services.
  - B state debt.
  - C food subsidies.
  - D defence.
- (3)
- 1.1.19 Cases of wastage and extravagance, within government departments, are investigated and exposed by the ...
- A Minister of Finance.
  - B Finance and Fiscal Commission.
  - C Department of Justice.
  - D Auditor-General.
- (3)
- 1.1.20 A form of taxation that can be shifted onto someone else is ...
- A company tax .
  - B inheritance tax.
  - C Value Added Tax.
  - D income tax.
- (3)
- 1.2 Indicate whether the following statements are TRUE or FALSE. Make a cross (X) over the correct answer on the answer sheet provided.
- 1.2.1 The total expenditure on intermediary goods will be the same as the value of total production. (2)
- 1.2.2 Structural changes are short term shifts in the contribution of the various sectors of the economy towards GDP. (2)
- 1.2.3 Economic goods have usage and exchange value. (2)
- 1.2.4 The marginal utility curve has a negative slope. (2)
- 1.2.5 VW and GM are examples of foreign direct investment in South Africa. (2)

- 1.2.6 Corridors are spatial development areas that offer particular advantages of developing regions. (2)
- 1.2.7 The RSA imports gold from Zimbabwe to avoid political instability. (2)
- 1.2.8 Natural resources are equally distributed across countries. (2)
- 1.2.9 A deficit in the state's revenue account occurs when government expenditure exceeds revenue. (2)
- 1.2.10 Tax evasion is the legitimate method the taxpayer uses to reduce the tax burden. (2)
- [20]

- 1.3 Choose the most appropriate word(s) from the list that fits the description below. Write only the correct word next to each question number on the answer sheet provided.

urbanisation; nominal value; extra utility; petrol; coal; marginal utility; SARS; integration; NEPAD; wages; inflation; national trade; deflation; firewood; tourism; real value; state debt; Mercusor; uranium

- 1.3.1 The monetary value of the national income adjusted for price rises. (2)
- 1.3.2 The utility derived from the consumption of an additional unit. (2)
- 1.3.3 A process whereby people move from rural areas to cities. (2)
- 1.3.4 Trade within the borders of a country. (2)
- 1.3.5 This is incurred when the government borrows money. (2)
- 1.3.6 The organisation that focuses on the development of Africa. (2)
- 1.3.7 General increase in the price level. (2)
- 1.3.8 A source of the renewable energy in rural areas. (2)
- 1.3.9 A resource used by SASOL to produce fuel. (2)
- 1.3.10 A valuable contributor towards economic development. (2)
- [20]

**TOTAL SECTION A: /100/**

**SECTION B**

Answer any FOUR questions from this section.

**QUESTION 2****NATIONAL INCOME**

2.1 Answer the following questions appropriately:

Choose the correct word from within brackets:

2.1.1 One component of financial capital is a (factory/debenture). (2)

2.1.2 Production, consumption and (exchange/capital formation) are the basic economic activities. (2)

2.1.3 The difference between market prices and factor cost is the value of (depreciation/net indirect taxes). (2)

Complete the following sentence:

2.1.4 The value of all final goods and services produced within the borders of a country in a given year is known as ... . (2)

2.1.5 Name ANY THREE economic participants in an open economy. (6)

2.2 Use the following national income and production data and answer the questions that follow: (Show all calculations where applicable!)

R million	2004
Compensation of employees	621 230
Net operating surplus	411 945
Consumption of fixed capital	172 394
Taxes on products	146 738
Subsidies on products	2 671
Other taxes on production	28 700
Other subsidies on production	3 860
Gross domestic product at market price	2.2.1?

(SARB Quarterly Bulletin – September 2005)

2.2.1 Calculate the Gross Domestic Product at market prices in the year 2004. (9)



- 2.2.2 Why is the market price always higher than the basic price? (3)
- 2.2.3 How much was paid for salaries and wages in the year 2004? (3)
- 2.2.4 What is meant by the 'consumption of fixed capital'? (3)
- 2.2.5 Which year is used as a base year in the determination of national income? (2)
- 2.3 Discuss the real causes of business cycles. (16)
- [50]**

**QUESTION 3**

## PRICE FORMATION

- 3.1 Answer the following questions appropriately:

Choose the correct word from within brackets:

- 3.1.1 The demand for expensive items tends to be (elastic/inelastic). (2)
- 3.1.2 Wants have (limited/unlimited) intensity. (2)
- 3.1.3 Oxygen in a fish tank is a/an (free/economic) good. (2)

Complete the following sentence:

- 3.1.4 The sacrifice, in money terms, of one article in order to purchase another is known as ... (2)
- 3.1.5 List ANY THREE advantages of competition in a market. (6)

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

Number of pies consumed	Marginal utility (MU)	Total utility (TU)
1	8	8
2	?	12
3	1	?
4	0	13
5	?	11
6	-5	6

- 3.2.1 How much utility is derived from the consumption of the 2<sup>nd</sup> pie? (3)
- 3.2.2 What is the total utility derived from consuming 3 pies? (3)
- 3.2.3 What is the point known as when the marginal utility is 0? (3)

- 3.2.4 Calculate the marginal utility derived from the consumption of the 5<sup>th</sup> pie. (3)
- 3.2.5 What do you observe with regard to the trend of marginal and total utility as reflected in the table above? (6)
- 3.2.6 When utility of a unit of a commodity decreases as the stock increases in a particular time, it is known as ... (2)
- 3.3 Explain the concept of consumer surplus with the aid of an appropriately labeled graph (16)
- [50]**

#### QUESTION 4

##### ECONOMIC AND REGIONAL DEVELOPMENT AND URBANISATION

4.1 Answer the following questions appropriately:

Choose the correct word from within brackets:

- 4.1.1 Economic development in Southern Africa is financed by the (DBSA/RDP). (2)
- 4.1.2 When people are unable to attain a minimum standard of living, they are said to be (bankrupt/poor). (2)
- 4.1.3 Roads, railways and airports are examples of (physical/social) infrastructure. (2)

Complete the following sentence:

- 4.1.4 A process whereby communities move from one country to another for work, residence and better lifestyle is known as ... (2)
- 4.1.5 List ANY THREE development corridors in South Africa. (6)

4.2 Read the following extract and answer the questions that follow:

#### POVERTY IN SOUTH AFRICA

If India represents the classic case of poverty in the world, then South Africa must be the prime example of inequality. Although South Africa has abolished Apartheid, the country's native black population live in an entirely different world to the whites. White South Africa comprises  $\pm 14\%$  of the population but owns  $\pm 88\%$  of the country's private property and along with foreign investors, 90% of the commerce and industry.

Over half the black population lives beneath the poverty line and 40% of rural black children suffer malnutrition. With a black literacy rate of 33% and 75% of the teachers inappropriately qualified, the education system perpetuates a vicious cycle of poverty and inequality. In order to solve the problems associated with the inequality in the country, higher levels of economic growth needs to be achieved. But economic growth on its own will not be enough; the country needs economic development.

(Source: M. Todaro – Economic Development – adapted, June 2004)

- 4.2.1 List TWO examples from the text which illustrate why South Africa could be considered as a developing country. (6)
- 4.2.2 How can the South African government solve the poverty problem? Suggest any THREE endeavours in this regard. (9)
- 4.2.3 Briefly explain what is meant by 'different world' within the South African context. (3)
- 4.2.4 Define '*poverty*'. (2)
- 4.3 Discuss '*human resources*' as one of the strategies that plays an important part in the development of developing countries. (16)

**[50]**

**QUESTION 5****INTERNATIONAL ECONOMICS**

5.1 Answer the following questions appropriately:

Choose the correct word from within brackets:

5.1.1 If South Africa wants to discourage imports (VAT/customs duties) can be levied. (2)

5.1.2 Payments for services to other countries are shown as a (positive/negative) entry in the Balance of Payments. (2)

5.1.3 The withdrawal of foreign companies from the local economy is known as (sanctions/disinvestments). (2)

Complete the following sentence:

5.1.4 The process whereby countries have closer economic liaison and co-operation is known as ... (2)

5.1.5 List any THREE forms of protection. (6)

5.2 Use the following clues to complete the crossword puzzle given below. Write the answer next the corresponding number in your answer book.

5.2.1 This international organisation provides financial assistance to countries that experience severe balance of payments deficits? (3)

5.2.2 The Balance of Payments consists of ... accounts. (3)

5.2.3 The first transactions of the Balance of Payments relate to the ... account. (3)

5.2.4 South Africa's currency is the ... (2)

5.2.5 Portfolio investments refer to investments in ... (3)

5.2.6 South Africa's reserves are not shown in the Balance of Payments because it represents a ... and the Balance of payments shows flows only. (3)

5.2.7 The ... account comprises transactions relating to direct, portfolio and other investments. (3)

			5.2.1	M	5.2.2			
					U			5.2.6
		5.2.3	U	5.2.4		5.2.5		
						Q		
								C
				D				
5.2.7		N						L
						S		

5.3 Discuss the 'geographical' factors that cause international trade. (16)  
[50]

**QUESTION 6**

**THE STATE**

6.1 Answer the following questions appropriately:

Choose the correct word from within brackets:

- 6.1.1 The incidence of VAT falls on the (consumer/producer) (2)
- 6.1.2 The principle that consumption by one person does not reduce consumption by another is known as non- (rivalry/excludability). (2)
- 6.1.3 The government is (more/less) productive than the private sector. (2)



Complete the following sentence:

6.1.4 The abolition of certain regulatory measures to stimulate trading is known as ... (2)

6.1.5 List ANY THREE aims of privatisation. (6)

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

STATUTORY RATES OF TAX APPLICABLE TO INDIVIDUALS	
WHERE TAXABLE INCOME:	
Does not exceed R100 000	18% of each R1 of the taxable income
Exceeds R100 001 but does not exceed R160 000	R18 000 plus 25% of the amount by which the taxable income exceeds R100 000
Exceeds R160 001 but does not exceed R220 000	R33 000 plus 30% of the amount by which the taxable income exceeds R160 000
Exceeds R220 001 but does not exceed R300 000	R51 000 plus 35% of the amount by which the taxable income exceeds R220 000
Exceeds R300 001 but does not exceed R400 000	R79 000 plus 38% of the amount by which the taxable income exceeds R300 000
Exceeds R400 001	R117 000 plus 40% of the amount by which the taxable income exceeds R400 000
Tax rebates for 2006/7	
Rebates: Primary rebate R7 200 – 65 years and older R4 500	

6.2.1 Name the personal income tax system used in South Africa. (3)

6.2.2 Is the tax rate in the above table progressive or regressive? Substantiate your answer. (5)

6.2.3 What is the marginal tax rate? (3)

6.2.4 Calculate the tax that a 45-year old individual with a taxable income of R200 000 p.a. will pay. Take the tax rebate into account. Show all calculations! (7)

6.2.5 Which organisation administers and controls South Africa's tax system? (2)

6.3 Discuss the characteristics and advantages of direct taxation. [16]  
[50]

**QUESTION 7****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 LABOUR RELATIONS**

7.1.1 Answer the following questions appropriately:

Choose the correct word from within brackets:

- (a) Disputes between employers and employees can be resolved by the (CCMA/NEDLAC). (2)

Complete the following sentence:

- (b) The process whereby economic opportunities and resources are made available to the previously disadvantaged black population is known as ... (2)

- (c) List ANY TWO factors that determine wages. (4)  
[8]

7.1.2 Study the following statement and answer the questions that follow:

**LABOUR**

*'The supply of labour is usually associated with that part of the economically active population ...'*

- (a) Define the concept '*economically active population*'. (3)

- (b) List TWO factors, which determine the size of the labour force. (6)

7.1.3 Discuss the factors that influence the increase in demand for labour. (8)

**/25/**

AND / OR

## 7.2 PRODUCTIVITY AND UNEMPLOYMENT

7.2.1 Answer the following questions appropriately:

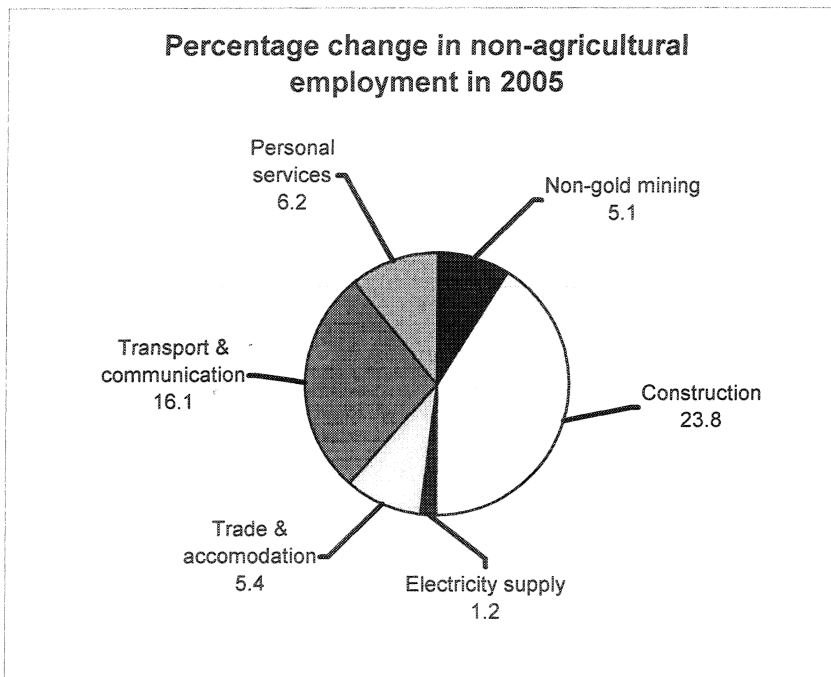
Choose the correct word from within brackets:

- (a) Strikes and 'go-slows' by workers tend to (increase/decrease) productivity. (2)

Complete the following sentence:

- (b) A process whereby a worker does not work to his / her full capacity is known as ... (2)
- (c) List ANY TWO methods of measuring productivity in a sector. (4)

7.2.2 Study the following pie-chart and answer the questions that follow:



(Source: SARB Quarterly Bulletin, March 2006)

- (a) List one example of a non-gold mining activity within the mining industry. (3)
- (b) Which industry showed the greatest percentage change in 2005? (3)
- (c) State one reason why employment in Trade and accommodation improved by 5.4% in 2005. (3)



7.2.3 Briefly explain the advantages of productivity.

(8)  
/25/

AND / OR

7.3 INFLATION

7.3.1 Answer the following questions appropriately:

Choose the correct word from within brackets:

(a) One measure to combat inflation is to (raise/lower) the bank rate. (2)

Complete the following sentence:

(b) A condition of exceptional increases in the general price levels is known as ... (2)

(c) List ANY TWO ways in which predictions and projections can lead to inflation. (4)

7.3.2 Study the following table and answer the questions that follows

IMF PROJECTIONS OF WORLD INFLATION FOR 2005/6		
	INFLATION RATE %	
	2005	2006
Advanced economies:	2,7	2,0
USA	3,1	2,8
UK	2,0	1,9
Japan	-0,4	-0,1
Developing economies:	5,9	5,7
Africa	8,2	7,0
China	3,0	3,8
India	3,9	5,1
South Africa	4,2	5,0

(Source: IMF World Economic Outlook)

(a) Which developing country's inflation rate is the lowest? (3)

(b) What do you observe with regard to the inflation rate in Africa over the two-year period? (3)

(c) Give the concept that describes the inflation situation in Japan. (3)

7.3.3 Discuss government's policy of '*inflation targeting*'

(8)  
/25/

AND / OR

## 7.4 STRATEGIC RESOURCES

7.4.1 Answer the following questions appropriately:

Choose the correct word from within brackets:

- (a) South Africa has (one/two) nuclear power stations in operation. (2)

Complete the following sentence:

- (b) The energy that can be used over several times is known as ... (2)

- (c) List ANY TWO possible solutions to the problem of providing sufficient water for future development. (4)

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

## WHITHER PETROL PRICE?

The price of fuel could soon exceed R6 per litre if global oil prices persist at current high levels. The Minerals and Energy Ministry announced a 14c/ℓ increase in the fuel price last week, citing higher oil prices as a result of tensions in the Middle- East (Iran) in recent weeks.

The 14c/ℓ hike in the price of petrol, effective from the 1<sup>st</sup> of February 2006, may have serious effects on the government's economic growth forecasts. However, economists and analysts are of the opinion that monetary policy would not necessarily react to a hike in the oil price. They forecast that CPIX would remain within the inflation target range until the end of 2006.

(Source: Business Day, 30 January 2006 – adapted)

- (a) Provide one reason for the increase in the oil price. (3)

- (b) Why do consumers have to pay more for fuel in Johannesburg than in Cape Town? (3)

- (c) Name one country, which is a member of the OPEC cartel. (3)

7.4.3 Discuss the importance of water supply and conservation with regard to the primary sector of the South African economy. (8)

**TOTAL SECTION B: 200**

**SECTION C**

Answer any TWO questions from this section.

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

**QUESTION 8 NATIONAL INCOME**

'Although national production, income and expenditure are the best available measures of aggregate domestic economic activity, they are not without problems'.

Explain the problems encountered when calculating national income. **[50]**

**QUESTION 9 PRICE FORMATION**

'When monopolies are formed, supply tends to be restricted, and price tends to be driven up'.

Discuss this statement by referring to the reasons for imperfect competition in practice. **[50]**

**QUESTION 10 INTERNATIONAL ECONOMICS**

Discuss the factors influencing the determination of the rate of exchange between two countries under a system of free-floating exchange rates. Use appropriate graphs to illustrate your response. **[50]**

**QUESTION 11 THE STATE**

In developing countries, the state generally pursues five broad macro-economic objectives. Discuss these five macro-economic objectives with the aid of suitable examples. **[50]**

(You may also refer to recent developments).

**TOTAL SECTION C: /100/**

**GRAND TOTAL: /400/**



**ECONOMICS HG FEB - MAR 2007**

**SECTION A**

**ANSWER SHEET**

**EXAM NO**

**CENTRE NO:**

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

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

**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	

**60**

**20**

**100**