

# education

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Department:  
Education  
**REPUBLIC OF SOUTH AFRICA**

## SENIOR CERTIFICATE EXAMINATION - 2007

**ECONOMICS**

**STANDARD GRADE**

**FEBRUARY/MARCH 2007**

**404-2/0**

**ECONOMICS SG**

**MARKS: 300**



**404 2 0E**

**SG**

**TIME: 3 hours**

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

**X05**



## INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows:
2. SECTION A: QUESTION 1 is COMPULSORY and must be answered on the answer sheet provided.
3. SECTION B: Answer any FIVE other questions in your answer book.
4. Write the number of the question above each answer.
5. Read the questions carefully and start each question on a new page.
6. Leave 2 - 3 lines between subsections of each question.
7. Number the answers in accordance with the system used in this paper.
8. Write neatly and legibly.
9. Non-programmable pocket calculators may be used.
10. Answer only the required number of questions. Answers in excess of this number will NOT be marked.
11. Use only black or blue ink. Answers in lead pencil will NOT be marked.

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

## 1.1 MULTIPLE CHOICE QUESTIONS

Answer the following multiple-choice questions on the answer sheet provided. Write your examination number on your answer sheet. Make a cross (x) over the correct answer on the answer sheet.

## NATIONAL INCOME

- 1.1.1 The national income shows how the ... is divided among the participants in the production process.
- A national expenditure
  - B national consumption
  - C national product
  - D global product
- (3)
- 1.1.2 Micro-economics deals with activities of the ...
- A total economy.
  - B individual components of an economy.
  - C total production.
  - D flow of money and credit in an economy.
- (3)
- 1.1.3 In the circular flow, wages, rent, interest and profit are exchanged for ...
- A investments.
  - B money.
  - C factors of production.
  - D goods and services.
- (3)
- 1.1.4 The owners of the primary factors of production is / are the ...
- A public sector.
  - B businesses.
  - C foreign sector.
  - D households.
- (3)

## PRICE FORMATION

- 1.1.5 Goods which are available in unlimited quantities are known as ...
- A economic goods.
  - B social services.
  - C public goods.
  - D free goods. (3)
- 1.1.6 The value of a product or service is measured in terms of its ...
- A price.
  - B utility.
  - C cost of production.
  - D ability to satisfy wants. (3)
- 1.1.7 The supply curve generally has a ... slope.
- A negative
  - B vertical
  - C positive
  - D horizontal (3)
- 1.1.8 Grapes grown in Cape Town and sold in Johannesburg are an example of a/an ... market.
- A family
  - B national
  - C local
  - D international (3)

## ECONOMIC, REGIONAL DEVELOPMENT AND URBANISATION

- 1.1.9 Most of the people in developing countries ...
- A live in poverty.
  - B enjoy a high standard of living.
  - C receive high incomes.
  - D are employed. (3)
- 1.1.10 Because of the absence of a contractual agreement between the employer and the employee in the informal sector, workers are ...
- A well paid.
  - B often exploited.
  - C protected by labour legislation.
  - D registered as tax payers. (3)



- 1.1.11 An example of a developing country is ...  
A Japan.  
B Switzerland.  
C USA.  
D RSA. (3)
- 1.1.12 Corridors, of the South African and SADC kind, are part of government's ... policy.  
A labour  
B rural development  
C spatial development  
D urban development (3)

## INTERNATIONAL ECONOMICS

- 1.1.13 Income earned by South African Kwaito musicians abroad, will be entered in the balance of payments under the ... account.  
A current  
B capital transfer  
C financial  
D reserve (3)
- 1.1.14 The supply of foreign exchange is determined by ...  
A importation of goods.  
B exportation of goods.  
C payment for services from foreign countries.  
D the transfer of capital to foreign countries. (3)
- 1.1.15 To correct a shortage on the balance of payments, South Africa will ...  
A encourage imports.  
B promote imports.  
C limit exports.  
D encourage exports. (3)
- 1.1.16 The value of a currency is determined by market forces under a ... floating exchange rate system.  
A managed  
B fixed  
C free  
D independent (3)

## THE STATE

- 1.1.17 An example of a social welfare function of the state is ...
- A cultural promotion.
  - B water supply.
  - C control over monopolies.
  - D conservation of natural resources. (3)
- 1.1.18 Legal methods to reduce the tax burden is known as tax ...
- A avoidance.
  - B evasion.
  - C shifting.
  - D dodging. (3)
- 1.1.19 An example of a direct taxation is ...
- A Customs duties.
  - B Entertainment tax.
  - C Value Added Tax.
  - D skills development levy. (3)
- 1.1.20 When new urgent matters arise a/an ... budget is drawn up.
- A main
  - B partial
  - C additional
  - D supplementary (3)
- [60]**

- 1.2 Indicate whether the following statements are TRUE or FALSE. Make a cross (x) over the correct answer on the answer sheet.
- 1.2.1 In the national accounts, production is reflected at basic prices. (2)
- 1.2.2 The total expenditure on capital goods within a specified period is known as net fixed investment. (2)
- 1.2.3 The cost of product A, which is sacrificed in terms of product B, is known as opportunity cost. (2)
- 1.2.4 Free goods have exchange value and usage value. (2)
- 1.2.5 Secondary products dominate the exports of developing countries. (2)
- 1.2.6 Business Partners assist small entrepreneurs in starting their businesses. (2)
- 1.2.7 The currency of Lesotho is the pula. (2)
- 1.2.8 Net gold exports are responsible for a large part of South Africa's foreign exchange earnings. (2)
- 1.2.9 The authorization of the budget means that it has to be passed by Parliament. (2)
- 1.2.10 Indirect tax is levied on the income and wealth of individuals and businesses. (2)
- [20]**

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

2<sup>nd</sup> economy; utility; Department of Trade and Industry; globalisation; scarcity; poverty; SARB; taxation spending; undeclared income; Department of Labour; Auditor-General; Minister of Police; oil; SARS; balance of trade; balance of payments; COSATU; NUM; 1st economy.

- 1.3.1 A reason for the national income statistics not being regarded as accurate. (2)
- 1.3.2 The ability or power of a product or service to satisfy a human want. (2)
- 1.3.3 The formal sector of the economy. (2)
- 1.3.4 A statement of a country's trade and financial transactions with the rest of the world over a particular time period. (2)
- 1.3.5 This person investigates and exposes corruption and fraud in Government departments. (2)
- 1.3.6 The inability to satisfy basic human needs and wants. (2)
- 1.3.7 The largest labour union federation in South Africa. (2)
- 1.3.8 Inspectors of this department visit business sites to ensure compliance with the provisions of the Employment Equity Act. (2)
- 1.3.9 The worldwide movement of goods, services and social and commercial activities. (2)
- 1.3.10 The institution, which is responsible for the control of money supply in South Africa. (2)

**TOTAL SECTION A: 100**



**SECTION B**

Answer any FIVE questions from this section.

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

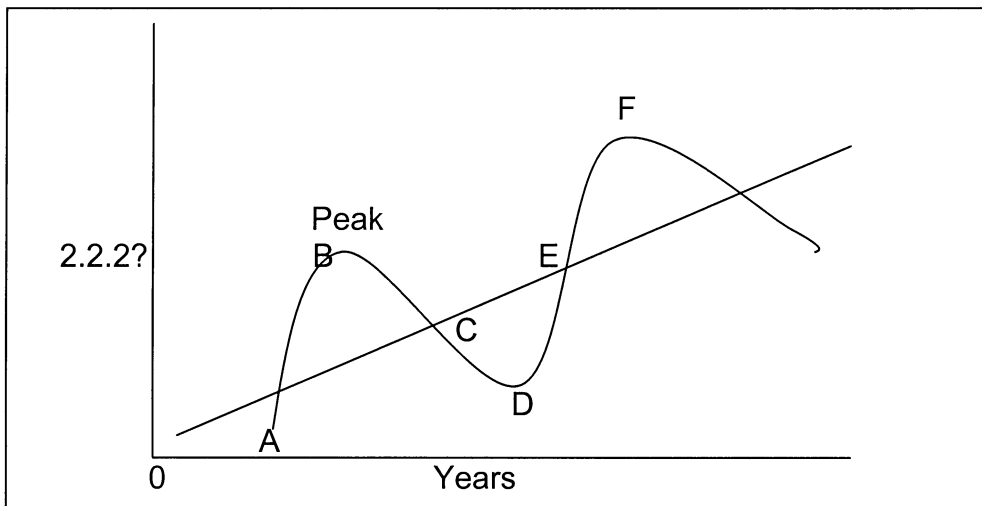
2.1 Answer the following questions appropriately. Write only the answer next to the question number.

2.1.1 The total value of all final goods produced and services provided within the borders of the country is known as (GDP/GNP). (2)

2.1.2 South Africa has an (open/closed) economy. (2)

2.1.3 Name ANY THREE categories of private consumer spending. (6)

2.2. Study the diagram below and answer the questions that follow.



2.2.1 What is depicted in the above diagram? (3)

2.2.2 What does the vertical axis represent? (3)

2.2.3 A-B represents an upswing phase. Identify another upswing phase in the diagram. (3)

2.2.4 What does segment C-D represent? (3)

2.2.5 What is the point D called? (2)

2.3 Explain 'transfer payments' and 'double counting' as two problems in determining national income. (16)  
**[40]**

**QUESTION 3****PRICE FORMATION**

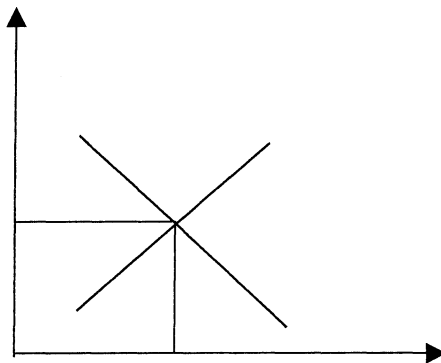
3.1 Answer the following questions appropriately. Write only the answer next to the question number.

3.1.1 In the market place, competition works like a(n) (mechanical/invisible) hand. (2)

3.1.2 When a demand for tea creates a demand for milk, we say that these wants are (complementary/competing). (2)

3.1.3 List ANY THREE factors determining the supply of goods and services. (6)

3.2 Study the following graph, which depicts a situation under conditions of perfect competition and answer the questions that follow:



3.2.1 What phenomenon is depicted in the above graph? (3)

3.2.2 Copy the above graph to your answer book and clearly label its component elements. (5)

3.2.3 Name three requirements (conditions) for a perfect market. (6)

3.3 Discuss the economic importance (significance) of markets. (16)  
**[40]**

**QUESTION 4****ECONOMIC, REGIONAL DEVELOPMENT AND URBANISATION**

4.1 Answer the following questions appropriately. Write only the answer next to the question number.

4.1.1 A high level of capital formation is a characteristic of a (developing/developed) country. (2)

4.1.2 Economic development in Southern Africa is promoted by the (DBSA/NEPAD). (2)

4.1.3 List ANY THREE typical activities found in the informal sector. (6)

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

**STATE MUST REGAIN ROLE IN PROMOTING DEVELOPMENT**

We must ensure that the state regains the development –inducing role and its function as a source of public policies geared to promoting fundamental social rights and the collective welfare.

Unemployment, poverty, migration, and demographic and environmental imbalances: these problems require answers that make sense economically but that are, above all, socially responsible. The mediation between these two often-conflicting requirements can only be undertaken efficiently by a state that is democratic, transparent and under social oversight.

(Source: Sunday Times 12 February 2006 - adapted)

4.2.1 What is meant by the concept 'promoting development'? (3)

4.2.2 Name the two often-conflicting functions of the state as mentioned in the above article. (6)

4.2.3 What is your understanding of environmental imbalances? (3)

4.2.4 Name one cause of poverty (2)

4.3 Briefly explain the development strategies that can be used for the economic development of poorer countries. (16)  
**[40]**

**QUESTION 5**

## INTERNATIONAL ECONOMICS

5.1 Answer the following questions appropriately. Write only the answer next to the question number.

5.1.1 The balance of payments consists of (four/five) accounts. (2)

5.1.2 A measure taken by the government to decrease the value of its currency is known as (depreciation/devaluation). (2)

5.1.3 List ANY THREE causes of international trade. (6)

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

**ALL ABOARD THE EU EXPORT BOAT**

Opportunities still exist for business to get into the export game and take advantages of S A's multilateral trade agreement with the EU. To facilitate increased export to the EU, the DTI held a series of workshops around the country to help business access into this market.

The SA-EU Trade and, Development and Co-operation Agreement (TDCA) call for opening up local markets to trade between the two markets. The key focus is on agricultural and industrial products.

(Source: Gauteng Business, 12 – 27 February 2006, adapted)

5.2.1 What do you understand by the concept 'multi-lateral trade'? (3)

5.2.2 What was the aim of the DTI-workshops held in the country? (3)

5.2.3 Which two sectors are targeted to benefit from this TDCA agreement? (6)

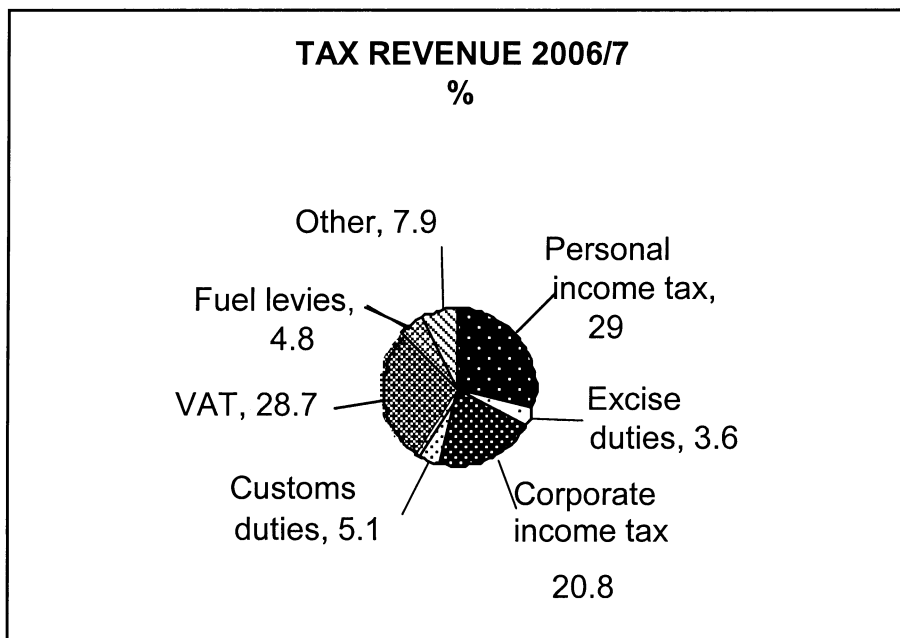
5.2.4 Name any member country of the European Union (EU). (2)

5.3 Discuss 'import duties' as a form of protection. (16)  
**[40]**

**QUESTION 6**

## THE STATE

- 6.1 Answer the following questions appropriately. Write only the answer next to the question number.
- 6.1.1 The final stage in the budgeting process is (execution/responsibility). (2)
- 6.1.2 The MTEF projections are prepared for a (three/four) year period. (2)
- 6.1.3 List ANY THREE social services provided by the state. (6)
- 6.2 Study the pie chart below and answer the questions that follow



- 6.2.1 Name the most important contributor to the government income. (3)
- 6.2.2 What kind of tax is a customs duty? (3)
- 6.2.3 Name one purpose for which the fuel levies can be used. (3)
- 6.2.4 Which one of the above taxes cannot be shifted? (3)
- 6.2.5 Define the concept tax. (2)
- 6.3 Discuss 'Fiscal policy and monetary policy' as means to carry out the state's economic policy (16)

**[40]**

**QUESTION 7****NATIONAL INCOME AND THE STATE**

7.1 Answer the following questions appropriately. Write only the answer next to the question number.

7.1.1 Increased expenditure on defence leads to an (overestimation/underestimation) of the economic welfare of the nation. (2)

7.1.2 Sustained economic growth cannot take place without continuous (debt/capital) formation. (2)

7.1.3 List ANY THREE methods of privatisation. (6)

7.2 Study the following imaginary income tax table and answer the questions that follow:

Taxable income (Per month)	% Tax paid by D	% Tax paid by E	% Tax paid by F
R 4000	15%	15%	15%
R 5000	17%	15%	14%
R 6000	19%	15%	13%
R 7000	21%	15%	12%
R 8000	23%	15%	11%

7.2.1 What is the nature of taxation applied to individual F? (3)

7.2.2 Calculate the amount of tax paid by individual E when the taxable income is R4 000 per month. Show your calculations. (4)

7.2.3 Name the tax system, which you think is the most fair from the above table. Substantiate your answer. (5)

7.2.4 What is the personal income tax system used in South Africa known as? (2)

7.3 Explain 'increases in productivity' as one of the ways of increasing national income. (16)  
**[40]**

**QUESTION 8**

(SOUTH AFRICAN ECONOMIC SUBJECTS)

Choose ANY TWO of the following subjects. Make use of clear headings to indicate the subject of your choice.

**8.1 LABOUR RELATIONS**

8.1.1 Answer the following questions appropriately. Write only the answer next to the question number.

- (a) One of the disadvantages of bargaining councils is that wages in small, low-profit enterprises may (rise/fall). (2)
- (b) List ANY TWO functions of the CCMA. (4)

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

**UNIONS REJECT TALKS AS TRANSNET MOVES ON SALE**

Cape Town - The conflict between Transnet and trade unions over the parastatals contested restructuring plans deteriorated further at the weekend, with union leaders walking out of mediation talks and Transnet announcing the next step of its turnaround strategy.

(Source: Business Day, 6 March 2006)

- (a) Why did labour union leaders walk out of mediation talks? (3)
- (b) Define the concept 'restructuring'. (3)
- 8.1.3 Briefly explain the functions of labour unions. (8)

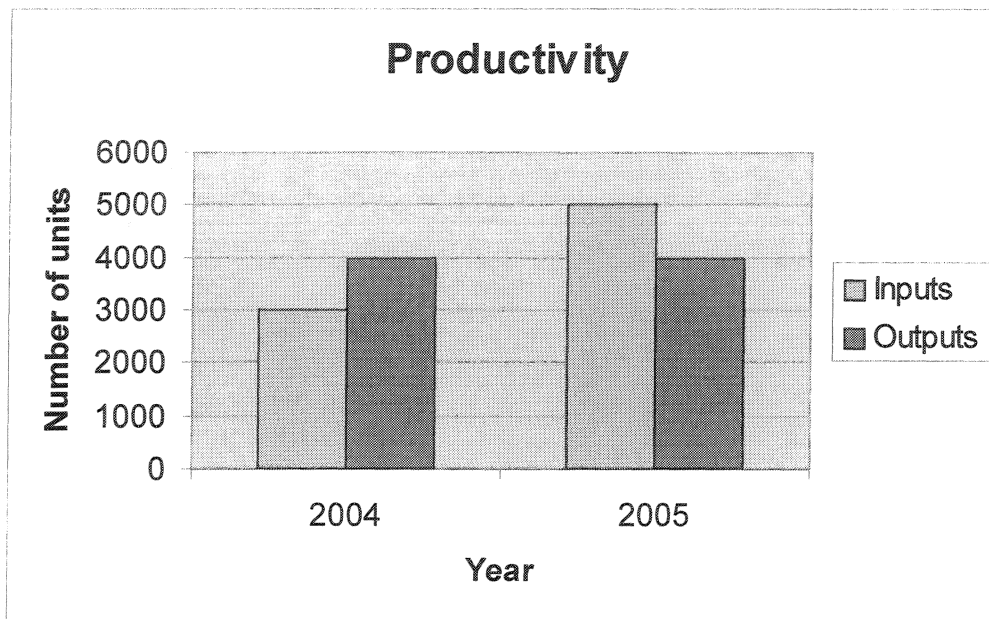
**/20/****AND / OR**

## 8.2 PRODUCTIVITY AND UNEMPLOYMENT

8.2.1 Answer the following questions appropriately. Write only the answer next to the question number.

- (a) South Africa has an oversupply of (skilled/unskilled) labour. (2)
- (b) List ANY TWO types of productivity. (4)

8.2.2 Study the following bar graph and answer the questions that follow:



- (a) What has happened to productivity in the year 2005 compared to that of 2004? (3)
- (b) How many units were produced in year 2004? (3)

8.2.3 Briefly discuss 'seasonal unemployment'. (8)

**/20/**

**AND / OR**



## 8.3 INFLATION

8.3.1 Answer the following questions appropriately. Write only the answer next to the question number.

(a) One of the causes of (demand /cost) inflation is the increase in the direct taxation. (2)

(b) List ANY TWO consequences of inflation to consumers. (4)

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

CENTRAL BANK INTEREST RATES (Percent)	
COUNTRIES	INTEREST RATES 28 OCT 2005 Percent
United States	03,75
Japan	00,00
United Kingdom	04,50
Brazil	19,00
Russia	13,00
India	05,25
China	05,58
South Africa	07,00

(Source: SARB, Monetary Policy Review, November 2005)

(a) Identify the country with the highest interest rate? (3)

(b) Give one reason for the low interest rates in some of the countries. (3)

8.3.3 Briefly explain the characteristics of demand pull inflation. (8)

**/20/**

**AND / OR**

**8.4 STRATEGIC RESOURCES**

8.4.1 Answer the following questions appropriately. Write only the answer next to the question number.

- (a) The national electricity supplier in South Africa is (Petro SA/Eskom) (2)
- (b) List ANY TWO fossil-fuel sources in South Africa. (4)

8.4.2 Read the following imaginary report and answer the questions that follow:

**NEW BOOST FOR RURAL SOUTH AFRICA**

'The UN estimates that world tourism could double within the next 20 years. South Africa is well suited for eco-tourism. It has the scenic beauty and the infrastructure to handle large numbers of South African and foreign tourists. The Environmental Affairs and Tourism Minister said that one new job opportunity is created for every eight visitors to South Africa.'

- (a) What is the most important advantage of tourism to the rural areas? (3)
- (b) Give one reason for the increase of tourism in South Africa. (3)

8.4.3 Explain the importance of water supply and conservation to the South African manufacturing industries. (8)

**/20/**

**[40]**

**TOTAL SECTION B: 200**

**GRAND TOTAL: 300**

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	
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1.3.7	
1.3.8	
1.3.9	
1.3.10	

60

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