GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2017

10731

ECONOMICS

FIRST PAPER

TIME: 2 hours

MARKS: 150

13 pages

ECONOMICS: Paper 1
1073E
10731E

X10

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P.T.O.

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INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

   - SECTION A: COMPULSORY
   - SECTION B: Answer any TWO of the THREE questions.
   - SECTION C: Answer any ONE of the TWO questions.

2. Answer only the required number of questions. Answers in excess of the required number of questions will NOT be marked.

3. Number the answers correctly according to the numbering system used in this question paper.

4. Write the number of the question above each answer.

5. Read the questions carefully.

6. Start EACH question on a NEW page.

7. Leave 2 – 3 lines between sub-sections of questions.

8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the requirements of the questions.

9. Use only blue or black ink.

10. You may use a non-programmable pocket calculator.

11. Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1 **30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.8) in the ANSWER BOOK.

1.1.1 Earnings received from the export of goods and services are called …

A leakages.
B injections.
C taxes.
D savings.

1.1.2 The money market is a market for … term savings and loans.

A medium
B small
C long
D short

1.1.3 The Laffer curve illustrates the relationship between … and the tax rate.

A demand
B poverty
C tax revenue
D unemployment

1.1.4 Fluctuating factors that originate outside the economic system are referred to as ... factors.

A indigenous
B exogenous
C endogenous
D international

1.1.5 Headline inflation is measured by the unadjusted …

A Producer Price Index figures.
B repurchase rate.
C Consumer Price Index figures.
D exchange rate.

1.1.6 Lowering the repo rate can be seen as a … approach to economic growth.

A demand-side
B banking
C fiscal
D value-added

1.1.7 Social indicators are also known as … indicators.

A human development
B economic
C unemployment
D interest rate

1.1.8 Taxation can be used as a mechanism to redistribute …

A grants.
B wages.
C pensions.
D wealth.

(8 x 2) (16)

1.2 Choose a **description** from COLUMN B that matches an **item** in COLUMN A. Write only the letter (A – I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Appreciation	A The number of children per 1000 live births who die before their first birthday
1.2.2 Free trade	B A cash instrument
1.2.3 Taxation	C An increase in the price of a currency in terms of another currency
1.2.4 Economic growth	D Deliberate government intervention to reduce the value of a country's currency
1.2.5 Devaluation	E The interest that the Reserve Bank charges other banks for borrowing money
1.2.6 Integrated Manufacturing Strategy	F It strengthens institutional capacity and facilitates development
1.2.7 Infant mortality	G Absence of government barriers and restrictions to buy and sell goods globally
1.2.8 Repurchase rate	H A fiscal policy instrument
	I An increase in the real GDP (8 x 1)

(8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK.

1.3.1 A graph that shows the relationship between unemployment and inflation

1.3.2 The worldwide interaction of economies

1.3.3 The application of a trade policy whereby the state discourages the importing of goods that are also locally produced

1.3.4 The increases in people's standards of living

1.3.5 The ratio between real inputs and real outputs in the economy

1.3.6 Spatial areas that offer particular advantages to mining and other businesses along a particular trade route

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions from this section in the ANSWER BOOK.

QUESTION 2: MACRO-ECONOMICS **40 MARKS – 30 MINUTES**

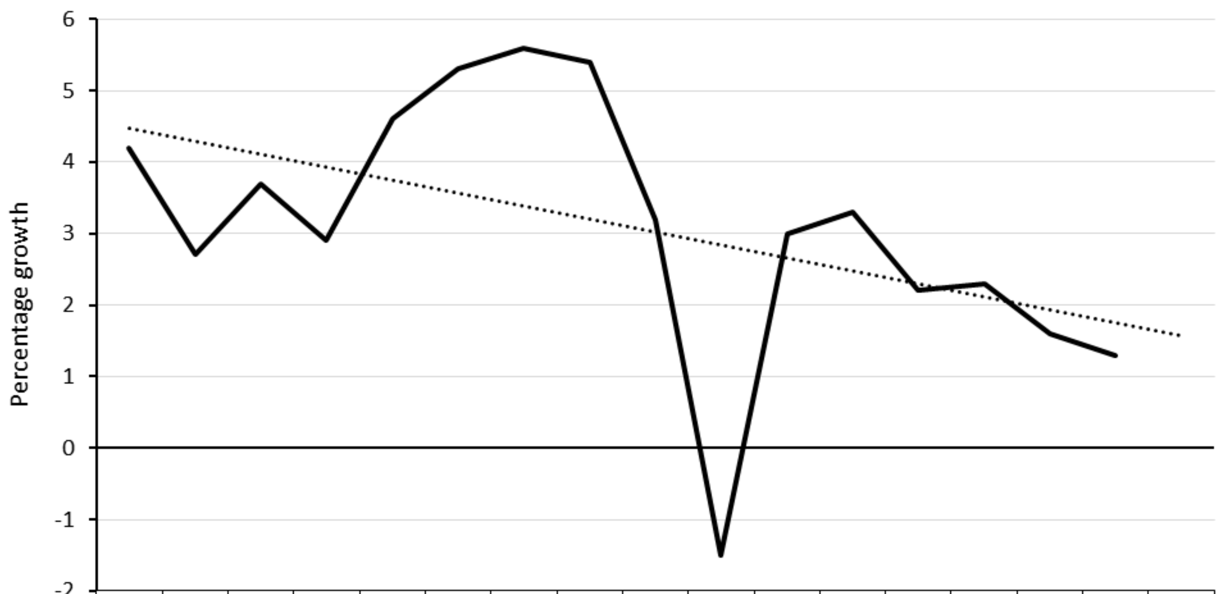
2.1 Answer the following questions.

2.1.1 Name TWO types of markets in the circular flow. (2 x 1) (2)

2.1.2 How will savings be affected by an increase in the marginal propensity to consume? (1 x 2) (2)

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

SOUTH AFRICA: REAL GROSS DOMESTIC PRODUCT



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Series1	4.2	2.7	3.7	2.9	4.6	5.3	5.6	5.4	3.2	-1.5	3	3.3	2.2	2.3	1.6	1.3	

[*Source: Adapted from www.sarb.co.za*]

2.2.1 What was the real GDP growth in 2009? (1)

2.2.2 Identify the period (years) when the longest business cycle can be observed in the above graph. (1)

2.2.3 Briefly describe the term *Gross Domestic Product.* (2)

2.2.4 Explain the underlying forces of the amplitude in 2009. (2)

2.2.5 How can taxation be used to reverse the downward trend in the economy? (2 x 2) (4)

2.3 Read the following extract carefully and answer the questions that follow.

POOR MUNICIPAL AUDIT SIGNALS THE INABILITY TO COMPLY

According to the Public Service Accountability Monitor (PSAM) hard questions needed to be asked about why municipalities are still not following the correct governance procedures. While the Auditor-General of South Africa (AGSA) has adopted sound auditing systems, more needs to be done to hold municipalities to account for the maladministration of public funds.

Over a 10-year period the same thing has been repeated and the same audit finding is being made in terms of insufficient documentation. The system is repeating itself and gives the impression that the recurring problem of unauthorised and irregular expenditure is acceptable.

An AGSA report highlights the appointment processes and difficulties in attracting and retaining skilled staff. It states that one of the biggest challenges for local government over the years has been to attract and retain qualified and competent persons in all areas of administration.

These are factors that can contribute to public sector failure.

[Source*: Adapted from Eye-witness News, November 2016*]

2.3.1 What are the TWO biggest challenges for local government, according to the extract? (2 x 1) (2)

2.3.2 Briefly describe the term *public sector failure*. (2)

2.3.3 What is the effect of unauthorized and irregular expenditure on service delivery? (2)

2.3.4 How will you address the inefficiency of municipalities in South Africa? (2 x 2) (4)

2.4 Differentiate between the *Medium Term Expenditure Framework (MTEF)* and the *Medium Term Budget Policy Statement (MTBPS).* (2 x 4) (8)

2.5 How are leading indicators used in the forecasting of economic activities? (8)
[40]

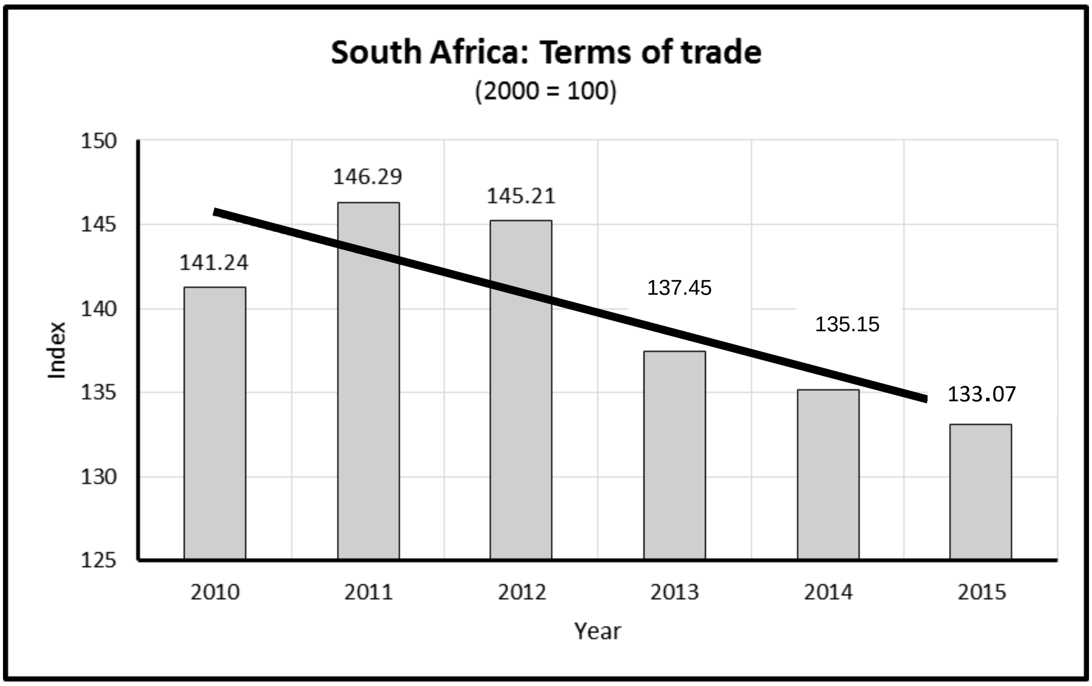
QUESTION 3: ECONOMIC PURSUITS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name TWO South African growth and development policies. (2 x 1) (2)

3.1.2 How will the selling of securities or bonds by the Reserve Bank affect the availability of credit? (1 x 2) (2)

3.2 Study the bar chart below and answer the questions that follow.



[Source: *www.data.worldbank.org*]

3.2.1 Describe the general trend of the terms of trade between 2011 and 2015. (1)

3.2.2 Identify the basis year in the above graph. (1)

3.2.3 Briefly describe the term *terms of trade*. (2)

3.2.4 What does an improvement in the terms of trade mean? (2)

3.2.5 How does a deterioration in the terms of trade impact on the balance of payments? (2 x 2) (4)

3.3 Read the extract below and answer the questions that follow.

SUPPLY REPLACES DEMAND AS MAJOR MINING ISSUE

Insufficient supply is likely to be the dominant issue facing the mining industry in the next few years. Leading economists said that major issues include decreasing levels of supply as well as rising input costs, nationalisation, continued production stoppages and increasing remoteness of mineral resources.

The mining industry is also facing a significant decline in market capitalization. It is believed that the lack of confidence in the industry might be due to global events such as those in the Euro zone, nuclear fallout in Japan, uncertainty about economic growth in China and the economic downgrading of some countries.

[Source: *Sunday Times, Business Times, 17 June 2016*]

3.3.1 Identify ONE reason from the above extract why mines are experiencing an insufficient supply of resources. (1)

3.3.2 Name ONE global event that had an impact on the performance of the mining industry. (1)

3.3.3 Briefly describe the term *nationalisation*. (2)

3.3.4 What is the impact of continued production stoppages on the South African economy? (2)

3.3.5 How do high energy costs affect the struggling mining sector? (2 x 2) (4)

3.4 Briefly discuss *poverty* and *trade* as challenges of globalisation. (2 x 4) (8)

3.5 Evaluate the importance of life expectancy as social indicator. (8)
[40]

QUESTION 4: MACRO-ECONOMICS & ECONOMIC PURSUITS
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name TWO types of exchange rate systems. (2 x 1) (2)

4.1.2 What will be the effect on inflation if the increase in labour productivity is lower than the increase in wages? (1 x 2) (2)

4.2 Study the table below and answer the questions that follow.

Balance of Payments
(R millions)

	2015
Current account	
Merchandise exports………. …………..….	973 776
Net gold exports…………………………….	67 662
Services receipts …………………….…….	191 656
Income receipts……………………….…….	98 016
Less: Merchandise imports………………..	1 075 850
Less: Payment for services.......................	197 643
Less: Income payments …………………..	198 382
Current transfers ……………………….....	-33 533
Balance on current account......................	-174 298
Memo item: Trade balance ……………….	**(A)**

[Source: *Quarterly Bulletin SARB, December 2016*]

4.2.1 Who is responsible for the publication of the above information? (1)

4.2.2 How many sub-accounts are there in the balance of payments? (1)

4.2.3 Briefly describe the term *balance of payments.* (2)

4.2.4 Briefly analyse the balance on the current account as indicated in the table above. (2)

4.2.5 Calculate the trade balance **(A)** for 2015. Show ALL calculations (4)

4.3 Study the cartoon below and answer the questions that follow.

[Source: *Adapted from internet images*]

4.3.1 Identify TWO possible solutions that can prevent the South African economy from sinking completely. (2)

4.3.2 What is the National Development Plan? (2)

4.3.3 What are the main aims of the National Development Plan? (2)

4.3.4 How can the private sector assist in the development policies of the government? (4)

4.4 Discuss the multiplier effect on the national income. (4 x 2) (8)

4.5 How can investment spending be utilised efficiently to stimulate economic development? (8)
[40]

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two questions from this section in the ANSWER BOOK.

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to determine the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Differentiate / Explain	Max. 26
Additional part: Give own opinion / Critically discuss / Evaluate / Critically evaluate / Draw a graph and explain / Use the graph given and explain / Complete the given graph / Calculate / Deduce / Compare / Explain / Distinguish / Interpret / Briefly debate / How? / Suggest	Max. 10
Conclusion Any relevant higher-order conclusion that should include: • A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body • An opinion or value-judgement on the facts discussed • Additional support information to strengthen the discussion / analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACRO-ECONOMICS 40 MARKS – 40 MINUTES

"Economic growth depends on trade, of which one of the strategies is the outward-looking policy of exports and international competitiveness."

- Discuss import substitution as part of South Africa's international trade policy. (26 marks)

- Advise the Minister of Trade and Industry whether the South African government should adopt a policy of free trade or not. (10 marks) **[40]**

QUESTION 6: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

"A range of programmes give effect to the government's commitment to support regional economic development."

- Discuss regional development in South Africa in terms of the best practice benchmarks. (26 marks)

- Why were Industrial Development Zones (IDZs) not very successful since their inception in South Africa? (10 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 150

END