GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2018

10731

ECONOMICS

PAPER 1

TIME: 2 hours

MARKS: 150

13 pages

ECONOMICS: Paper 1
1073E

10731E

X05

P.T.O.

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(Paper 1)

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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**
MULTIPLE-CHOICE QUESTIONS

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 To convert GDP at basic price to GDP at market price you need to ...

A add taxes on production minus subsidies on production.
B add taxes on products minus subsidies on products.
C minus taxes on production plus subsidies on production.
D minus taxes on products plus subsidies on products.

1.1.2 To even out short-term fluctuations, such as seasonal fluctuations in a business cycle … is / are used.

A amplitude
B trend line
C moving averages
D extrapolation

1.1.3 Comparing a country’s export prices with its import prices by means of indexes is known as …

A trade balance.
B terms of trade.
C foreign direct investment.
D absolute advantage.

1.1.4 Government incentives to encourage the production of goods and services for export purposes.

A export promotion.
B government exports.
C embargo.
D protocol.

1.1.5 Free trade occurs when …

A goods are imported without payment.
B import taxes are levied on traded goods.
C industries are declining rapidly.
D there are no barriers of trade, such as taxes on imported goods.

1.1.6 The relationship between inflation and unemployment is illustrated in the … curve.

A Lorenz
B demand
C amplitude
D Phillips

1.1.7 National industrial policy framework includes…

A increasing the participation of previously disadvantaged groups.
B retracting industrial development plans on the continent.
C intensifying centralisation and moving towards primary activities.
D decreasing labour absorbent industries.

1.1.8 A three-year rolling industrial action plan is known as …

A Industrialisation.
B Corridors.
C Industrial Policy Action Plan (IPAP).
D Strategic Integrated Projects (SIP).

(8 x 2) (16)

1.2 **MATCHING ITEMS**

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	Economic equilibrium	A	A tool used by the SARB where banks are usually asked to act in a certain manner
1.2.2	Recession	B	Contributes to world peace and security by creating partnerships between countries
1.2.3	Appreciation	C	Implies an increase in the value of the domestic currency, relative to the currencies of other countries.
1.2.4	Indirect Taxes	D	The government intervenes when certain social objectives are not met
1.2.5	Development state	E	A decline in the level of economic output
1.2.6	Moral persuasion	F	Imposed by government on imported goods to discourage people from buying these goods
1.2.7	Deregulation	G	Develops indicators to measure poverty and strives to eliminate poverty through investment
1.2.8	United Nations (UN)	H	The reduction of laws of controls over economic activities
		I	S + T + M = I + G + X (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 business cycle of about 8 – 11 years where fixed investments by firms is responsible for the cycle

1.3.2 Consumption by one individual does not in any way reduce the consumption by another individual

1.3.3 An account that records all transactions between a country and the rest of the world

1.3.4 Statistics that show the composition and size of a population

1.3.5 Moving from rural to urban areas

1.3.6 Capital formation or expenditure on production of physical capital, such as buildings, machinery, equipment etc.

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2 MACROECONOMICS 40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO components of the Balance of Payment account. (2 x 1) (2)

2.1.2 What effect will Ad Valorem tariffs have on the import of luxury items? (1 x 2) (2)

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

Consolidated government fiscal framework

R Billion / % of GDP	2016/17 Outcome	2017/18 Revised	2018/19 Medium-term estimates	2019/20	2020/21
Revenue	**1 298** *29.5%*	**1 364** *29.2%*	**1 477** *29.7%*	**1 594** *30.0%*	**1 709** *29.9%*
Expenditure	**1 446** *32.8%*	**1 567** *33.5%*	**1 671** *33.6%*	**1 802** *33.9%*	**1 935** *33.9%*
Budget balance	**-147** *-3.3%*	**-203** *-4.3%*	**-193** *-3.9%*	**-208** *-3.9%*	**-226** *-3.9%*
Total gross loan debt	**2 233** *50.7%*	**2 531** *54.2%*	**2 830** *57.0%*	**3 094** *58.2%*	**3 416** *59.7%*

[Source: National Treasury – South Africa]

2.2.1 How many years does the Medium-Term Budget Policy Statement (MTBPS) requires the government to set preliminary budgetary targets? (1)

2.2.2 What is the main source of government revenue? (1)

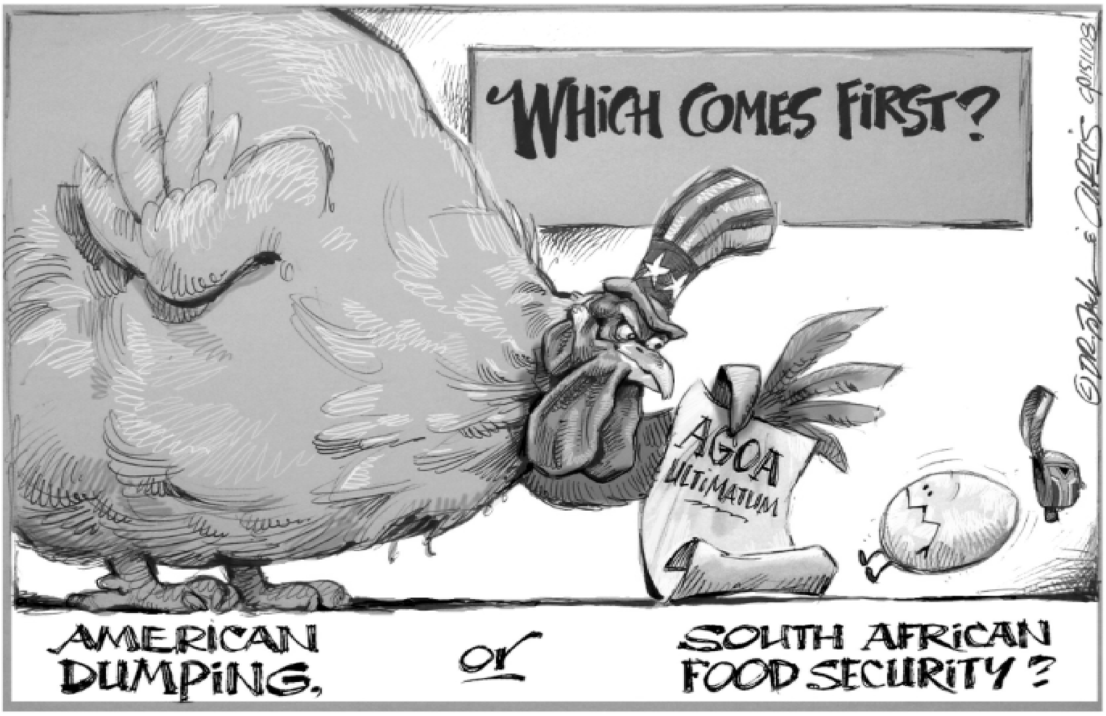
2.2.3 Briefly describe the term *main budget.* (2)

2.2.4 Why is it necessary to calculate a country's total gross loan debt? (2)

2.2.5 What measures can the South African government apply to balance the budget, without making additional loans? (2 x 2) (4)

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

STRICT AGOA RULES PUT SOUTH AFRICAN POLICIES AND TRADE ON THE LINE



South Africa's trade deal with the USA, under the African Growth and Opportunity Act (**AGOA**), may have its benefits, however, overall it is heavily skewed in favour of the US. Due to this deal South Africa is experiencing dumping, bankrupting of companies, health issues and serious job losses.

[Adapted from – *https://agoa.info/news/article/15265; http://www.weeklystorybook.com/comic*]

2.3.1 Identify ONE product that South Africa was forced to import from the USA in the cartoon above. (1)

2.3.2 How would jobs be affected by the increase in imports from the USA? (1)

2.3.3 Briefly describe the term *dumping*. (2)

2.3.4 Give any other protocol that favoured South Africa in trade. (2)

2.3.5 How can the South African chicken industry be protected from unfair trade relations? (4)

2.4 Explain in *detail* the financial market in the circular flow model. (4 x 2) (8)

2.5 Evaluate the success of the South African Reserve Bank in maintaining price stability in the economy. (4 x 2) (8)

[40]

QUESTION 3 ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO characteristics of the countries of the South. (2 x 1) (2)

3.1.2 How can competitiveness of businesses influence regional development? (1 x 2) (2)

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

PRODUCTIVITY ON THE DECLINE IN SOUTH AFRICA

The World Bank report found that productivity in South Africa fell by 6 percent between 2007 and 2016 and revealed that the country's private research expenditures decreased with 40 percent since 2009. The low growth rates affecting the poor, mostly because they depend on a growing economy for jobs, and a sustainable system of social grants.

[Adapted from: http://www.iol.co.za/business report-11279840]

3.2.1 What could have contributed to the fall in productivity in South Africa? (1)

3.2.2 Provide the term that describes the payment by government to individuals without a productive service rendered. (1)

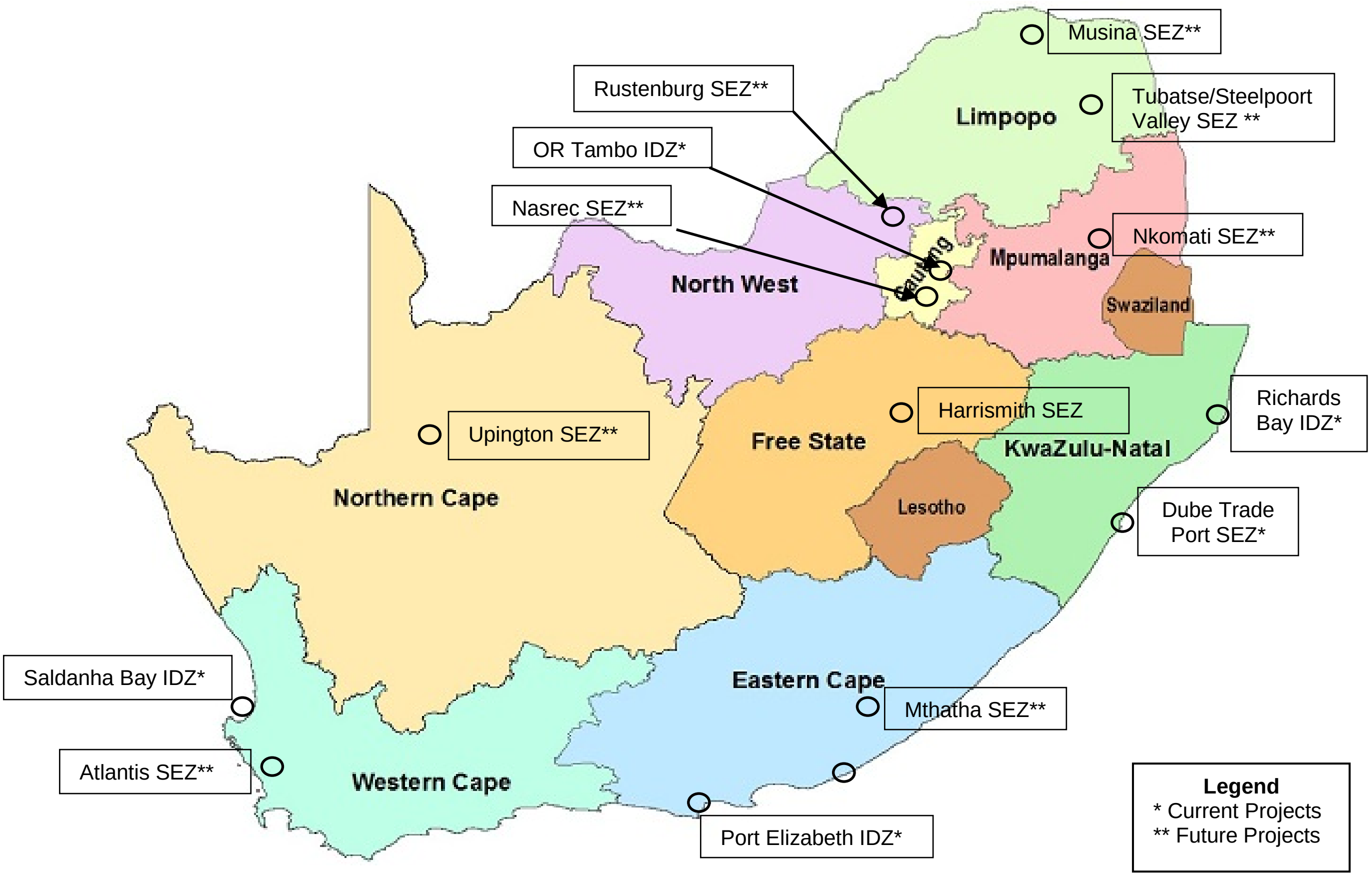
3.2.3 Provide the formula for labour productivity. (2)

3.2.4 Briefly describe the term *productivity*. (2)

3.2.5 How can declining productivity affect the economy negatively? (2 x 2) (4)

3.3 Study the map below and answer the questions that follow.

SOUTH AFRICA: INDUSTRIAL DEVELOPMENT ZONES / SPECIAL ECONOMIC ZONES



[Source: http://aidc.org.za/sas-poor-pay-zuma-rating-downgrade/]

3.3.1 Name ANY characteristic of Industrial Development Zones. (1)

3.3.2 Provide the term that best describes a passageway earmarked for development in an underdeveloped region. (1)

3.3.3 Which Industrial Development Zone (IDZ) can be deemed as the most successful in South Africa? (2)

3.3.4 Briefly describe the term *Special Economic Zone*. (2)

3.3.5 How will a business benefit by investing in one of these zones? (2 x 2) (4)

3.4 Briefly discuss *per capita income* and *education* as methods used by the United Nations (UN) to determine the standard of living. (2 x 4) (8)

3.5 Evaluate the Growth Employment and Redistribution (GEAR) approach as a development policy in South Africa. (4 x 2) (8)

[40]

QUESTION 4 MACROECONOMICS AND ECONOMIC PURSUITS
40 MARKS – 30 MINUTES

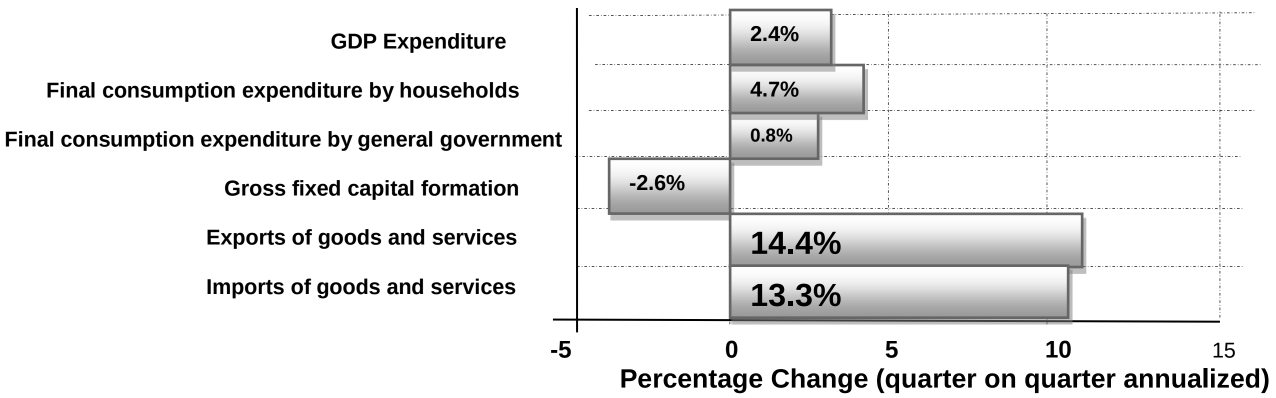
4.1 Answer the following questions.

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

4.1.2 What is the effect of affirmative action on the Black workforce in South Africa? (1 x 2) (2)

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

South Africa's GDP 2nd Quarter: 2017 per expenditure group



[Source: https://www.southafricanmi.com/blog-5sep2017.html]

4.2.1 Which method is used in the graph above to measure the GDP? (1)

4.2.2 Give a reason why net exports only show a marginal gain above. (1)

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

4.2.4 Why is the Gross Fixed Capital formation negative in the table above? (2)

4.2.5 How can the South African government expenditure be used more effectively to achieve economic growth? (2 x 2) (4)

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

RADICAL ECONOMIC TRANSFORMATION

There is general consensus that the South African economy is in dire need of a major overhaul. South Africa remains locked in a low-growth, path-dependent economic trajectory that is currently deepening social inequality and highly concentrated ownership patterns.

Various economic growth and development policies have failed to address economic transformation adequately. The National Development Plan, Industrial Policy Action Plans and the 2014 to 2019 Medium Term Strategic Framework are the latest developmental policies developed to address transformation.

[Adapted from: https://mg.co.za/]

4.3.1 Name any ONE aim of economic transformation. (1)

4.3.2 When was the National Development Plan implemented in South Africa? (1)

4.3.3 Why is social inequality deepening in South Africa? (2)

4.3.4 What is *radical economic transformation*? (2)

4.3.5 How can the National Development Plan achieve radical economic transformation? (2 x 2) (4)

4.4 Compare *consumption patterns* and *income levels* as demand reasons for international trade. (2 x 4) (8)

4.5 How does corruption influence good governance in South Africa? (4 x 2) (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 • A good starting point would be to define a concept or key word that appears in the question. • Include other sentences to support the topic. • Do not include in your introduction any part of the question. • 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 / Assess / Debate	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	Max. 10
Conclusion • The conclusion is a wrap up of the discussion of the topic in the body and should be treated as a higher order response. • The conclusion can take the form of an own opinion, examples to support your discussion or contradictory viewpoint from what has been discussed. • No aspect from either the introduction or body should be included in the body.	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS **40 MARKS – 40 MINUTES**

- Discuss import substitution in detail as part of the South African international trade policy. (26 marks)
- How successful has South African policies been to redress income inequality? (10 marks) **[40]**

QUESTION 6: ECONOMIC PURSUITS **40 MARKS – 40 MINUTES**

- Discuss in detail how monetary and fiscal policies of South Africa are used in the demand-side approach to enhance economic growth and development in South Africa. (26 marks)
- Evaluate the effect of globalisation on South Africa's development. (10 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 150

END