



NATIONAL SENIOR CERTIFICATE EXAMINATION  
NOVEMBER 2017

**ECONOMICS**

**EXAMINATION NUMBER**

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Time: 3 hours

300 marks

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**PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY**

1. This question paper consists of 37 pages. Please check that your question paper is complete.
  2. Read the questions carefully.
  3. All questions are **COMPULSORY**. Answer questions as follows:  
ONE compulsory question from SECTION A;  
FOUR compulsory questions from SECTION B; and  
ONE compulsory question from SECTION C.
  4. Answer ALL the questions in the spaces provided on this question paper.
  5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.
  6. It is in your best interest to write legibly and to present your work neatly.
  7. Non-programmable calculators may be used.
  8. Please do not **write** in pencil as work in pencil will not be marked. However, any sketches or diagrams may be done in pencil.
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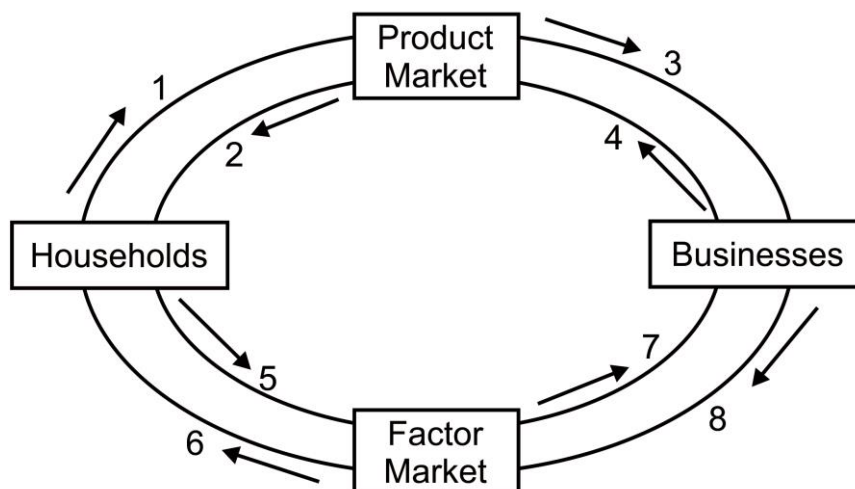
**SECTION A****QUESTION 1**

This question is **compulsory** and should be answered by ALL candidates.

**Select the correct alternative and shade the circled letter of your chosen answer. NO marks will be awarded if more than one circle per question has been shaded. (Please refer to the instructions on the front page.)**

**Question 1.1 and 1.2 are based on Diagram 1.**

**Diagram 1: Circular Flow of Income**



1.1 The flow of goods and services to consumers is best illustrated by the following flows:

A 4 and 2

☐

B 8 and 6

☐

C 2 and 5

☐

D 1 and 3

☐

(2)

1.2 When the South African government purchases vehicles from a South African company, the government has made a major transaction in the ...

A Factor Market

☐

B Public Market

☐

C Product Market

☐

D Foreign Exchange Market

☐

(2)

1.3 Study Table 1 below and answer the question that follows.

**Table 1: National Accounts**

<b>National Account Aggregates 2014</b>	<b>R millions</b>
GDP at market prices	3 796 460
Primary income from the rest of the world	82 235
Primary income to the rest of the world	183 779
GNI at market prices	?

The value of GNI at market prices in Table 1 is ...

A 3 694 916

☐

B 3 898 004

☐

C 4 062 474

☐

D 3 530 446

☐

(2)

1.4 Study Table 2 below and answer the question that follows.

**Table 2: Income Tax Table**

<b>Income per year</b>	<b>Tax paid per year</b>		
	<b>Tax A</b>	<b>Tax B</b>	<b>Tax C</b>
R100 000	R10 000	R10 000	R10 000
R200 000	R20 000	R25 000	R10 000
R300 000	R30 000	R40 000	R10 000
R400 000	R40 000	R60 000	R10 000

Which of these taxes is proportional?

A Tax A

☐

B Tax B

☐

C Tax C

☐

D All of the above

☐

(2)

1.5 Eskom is a typical example of a/an ...

A oligopoly.

☐

B perfect market.

☐

C monopoly.

☐

D monopsony.

☐

(2)

1.6 Which of the following pairs of goods is likely to have a negative cross price elasticity of demand?

A Tea and coffee.

☐

B Washing powder and shampoo.

☐

C Pepsi and Coca-Cola.

☐

D A Sony PlayStation and the games that are played on it.

☐

(2)

1.7 Which of the following is most likely to occur as a country becomes more economically developed?

A Education levels decrease.

☐

B Labour productivity increases.

☐

C Dependence on foreign aid increases.

☐

D The tertiary sector as a share of GDP decreases.

☐

(2)

1.8 If you went shopping in China, which currency would you need?

A Hang Seng

☐

B Yuan

☐

C Yen

☐

D Chinese dollar

☐

(2)

1.9 The number of deaths of children under one year of age per 1 000 live births is the ...

A child mortality rate.

☐

B infant mortality rate.

☐

C toddler mortality rate.

☐

D neo-natal mortality rate.

☐

(2)

1.10 Deflation is ...

A a fall in the value of the currency.

☐

B a fall in the rate of inflation.

☐

C a rise in the real value of money over time.

☐

D a loss in the value of capital stock due to wear and tear.

☐

(2)

1.11 Which one of the following statements about public goods is true?

A They are only provided in perfect markets.

☐

B There is no opportunity cost involved in their provision.

☐

C They are characterised by the free-rider problem.

☐

D They are also known as 'free goods'.

☐

(3)

1.12 Study Table 3 below and answer the question that follows.

**Table 3: National Accounts**

Item	R millions
Final consumption expenditure by households	2 299 426
Final consumption expenditure by general government	771 641
Gross capital formation	772 808
<b>A</b>	23 844
<b>Gross Domestic Expenditure</b>	<b>B</b>

Choose the correct combination for **A** and **B** in the table above.

A Change in inventories and R 3 867 719 million.

☐

B Residual Item and R 3 867 719 million.

☐

C Residual Item and R 3 820 031 million.

☐

D Change in inventories and R 3 820 031 million.

☐

(3)

- 1.13 Table 4 shows estimates of the percentage changes in price and quantity demanded for fresh fruit and vegetables.

**Table 4: Price Elasticity**

Type of food	Price change (%)	Quantity demanded (%)
Fresh fruit	7,0	-7,7
Fresh vegetables	8,0	-9,6

Other things being equal, the data in the table suggests that ...

- A demand is more price elastic for fresh vegetables than fresh fruit. ☐
- B total revenue has increased for producers of both fresh fruit and fresh vegetables. ☐
- C demand is price inelastic for both fresh fruit and fresh vegetables. ☐
- D income elasticity of demand is negative for fresh fruit and fresh vegetables. ☐ (3)

- 1.14 Which of the following is the best example of price discrimination?

- A A bus company charging less than a train company for a ticket from Johannesburg to Pretoria. ☐
- B An airline charging more for business class than economy class. ☐
- C A restaurant charging less for a cup of coffee than a cup of tea. ☐
- D Units of electricity that become cheaper after higher levels of consumption. ☐ (3)

- 1.15 Which of the following statements is **true** concerning perfectly competitive industries?

- A In the short run, firms may incur economic losses or earn economic profit, but in the long run they earn only a normal profit. ☐
- B Economic profits will persist in the long run if consumer demand is strong and stable. ☐
- C There will be economic losses in the long run because of price competition. ☐
- D There are economic profits in the long run but not in the short run. ☐ (3)

1.16 China has announced a devaluation of their currency as part of a strategy to soften their economic slowdown. All other things being equal this devaluation should ...

A increase exports.

☐

B decrease exports.

☐

C increase imports.

☐

D increase the size of the trade deficit.

☐

(3)

1.17 China subsidises rice exports to Vietnam, where rice is also grown. Which of the following will be the likely effect on the market for rice in Vietnam?

A A rise in the price of rice.

☐

B No change in the price of rice.

☐

C A fall in the price of rice.

☐

D Increase in demand for Vietnam's rice.

☐

(3)

1.18 Which of the following would cause an outward shift i.e. right shift of the aggregate supply curve?

A Raising demand through lower interest rates.

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B The discovery of and investment in natural resources.

☐

C A depreciation in the exchange rate.

☐

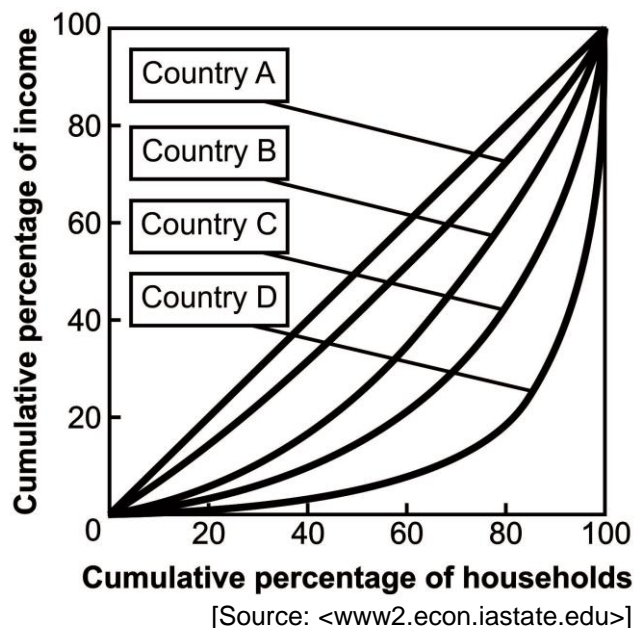
D An increase in the rate of extraction of known natural resources.

☐

(3)

1.19 Diagram 2 shows the Lorenz curves for four different countries.

**Diagram 2: Lorenz Curve**



Which one of the following statements is **false**?

- A Country D's income distribution is the most unequal of the four countries. ☐
- B Country A has an income distribution that is not perfectly equal. ☐
- C The distribution of income is more unequal in country D than in country C. ☐
- D The distribution of income is more unequal in country A than in country B. ☐ (3)

1.20 If South Africa exports half of its citrus produce to the European Union (EU), a recession in the EU would most likely have the following short-run effects in the local citrus market, *ceteris paribus*:

- A the South African market price of citrus will increase and the citrus-exporting farmers will capture new foreign markets. ☐
- B the South African price of citrus will decrease and the citrus-exporting farmers will capture new foreign markets. ☐
- C the South African market price of citrus will decrease with more citrus fruit being sold in the local markets. ☐
- D the South African market price of citrus will increase with citrus-exporting farmers losing their international competitiveness. ☐ (3)

**50 marks**



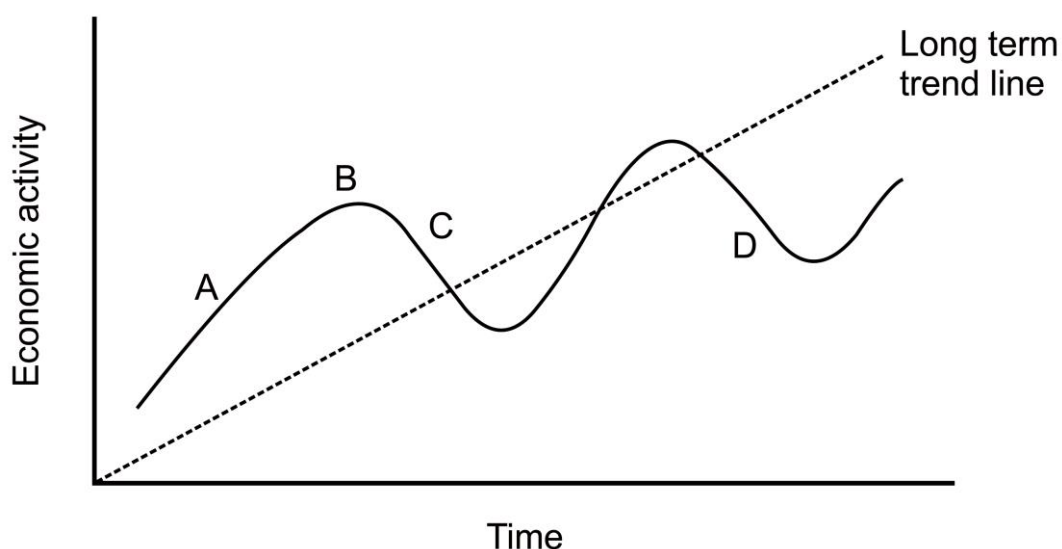
**SECTION B**

**Answer all the questions in this section.**

**QUESTION 2      MACRO ECONOMICS**

2.1 Study Graph 1 and answer the questions that follow.

**Graph 1**



2.1.1 Name A to D.

- |   |       |     |
|---|-------|-----|
| A | _____ | (1) |
| B | _____ | (1) |
| C | _____ | (1) |
| D | _____ | (1) |

2.1.2 **'Shoe repairers experience a rise in demand as people choose to have their shoes repaired instead of buying new ones'.**

In which phase of the business cycle would you expect the above-mentioned situation to occur? Briefly explain your answer.

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(3)

**2.1.3 'Discount stores suffer from a fall in sales as incomes begin to rise'.**

In which phase of the business cycle would you expect the above-mentioned situation to occur? Briefly explain your answer.

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(3)

**2.2 'South Africa's marginal propensity to consume (MPC) is estimated to be 0,7'.**

2.2.1 What is meant by the term 'marginal propensity to consume (MPC)'?

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(2)

2.2.2 Calculate South Africa's multiplier if the marginal propensity to consume is 0,7. Show all calculations.

(4)

2.2.3 What would happen to the size of the multiplier if the MPC increased from 0,7 to 0,8? Justify your answer.

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(4)

2.3 Study Table 5 below and answer the questions that follow.

**Table 5: South Africa's Exchange Rate**

Date	Value (R/\$)
Jan/16	16.38
Dec/16	13.83

[Source:  
<<http://www.resbank.co.za/web/indicators/SDDSDetail.aspx?DataItem=BOP5329M>>]

2.3.1 Briefly describe what happened to the R/\$ exchange rate from January 2016 to December 2016.

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(2)

2.3.2 Use a diagram to illustrate the change in the exchange rate from January 2016 to December 2016.

(6)

2.4 Read the **extract** and answer the questions that follow.

The Minister of Finance is in charge of how much the government spends at a time when real gross domestic product (GDP) growth has been revised downward to 0,5% for this year. The economy needs stimulus but the Minister of Finance has to keep in mind that the government budget is already in a deficit.

The Minister of Finance, however, needs to avoid a low-growth trap – a cycle where low economic growth causes even slower growth.

[Adapted from: <<http://www.iol.co.za/capetimes/business/pierre-heistein>>]

2.4.1 Who is South Africa's current Minister of Finance?

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2.4.2 Describe the economic term 'real gross domestic product'.

(4)

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2.4.3 Identify the TWO main issues that the Minister of Finance has to deal with, according to the article.

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2.4.4 Discuss TWO **fiscal policy** measures that the Minister of Finance could consider to stimulate the economy. In your answer, discuss the likely impact on the budget deficit, if the Minister decided to stimulate the economy.

[illegible]

(12)  
[50]

**QUESTION 3      MICRO ECONOMICS**

3.1 Study Table 6 below and answer the questions that follow.

**Table 6: Marginal and Total Utility**

Units of Energy Drinks consumed	Marginal Utility	Total Utility
1	50	50
2	<b>A</b>	85
3	29	<b>B</b>
4	0	114
5	-4	<b>C</b>

3.1.1 At what unit of energy drinks consumed is disutility reached?

\_\_\_\_\_ (1)

3.1.2 Explain the law of diminishing marginal utility.

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 \_\_\_\_\_  
 \_\_\_\_\_ (2)

3.1.3 Calculate the values of A, B and C.

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 \_\_\_\_\_ (3)

**3.2 'Chocolate companies experience increased sales during the recession as people attempt to cheer themselves up by consuming more sugary treats.'**

3.2.1 Explain the difference between a normal good and an inferior good.

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(4)

3.2.2 To what extent would all chocolate companies experience increased sales during a recession?

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(4)

**3.3 'In some developing economies, there are maximum prices for certain foodstuffs.'**

3.3.1 Briefly explain ONE reason why governments in developing economies would impose a maximum price on certain foodstuffs.

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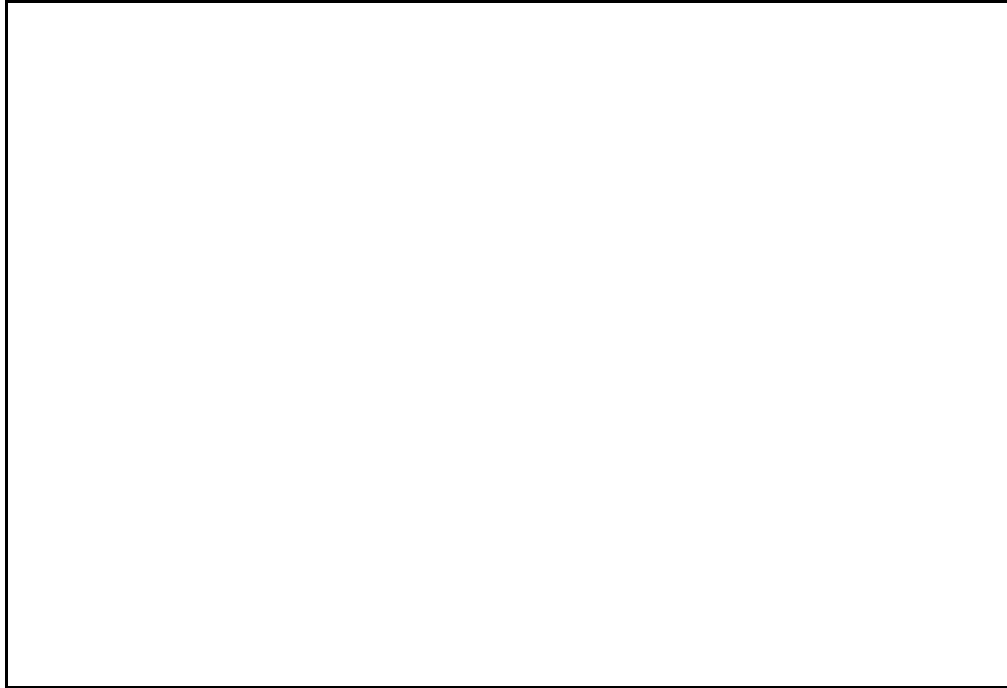
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(2)

- 3.3.2 Explain, with the aid of a diagram, what will happen if a government imposes a maximum price on a product below the equilibrium price and **assess** what effect this will have on the market for that product.



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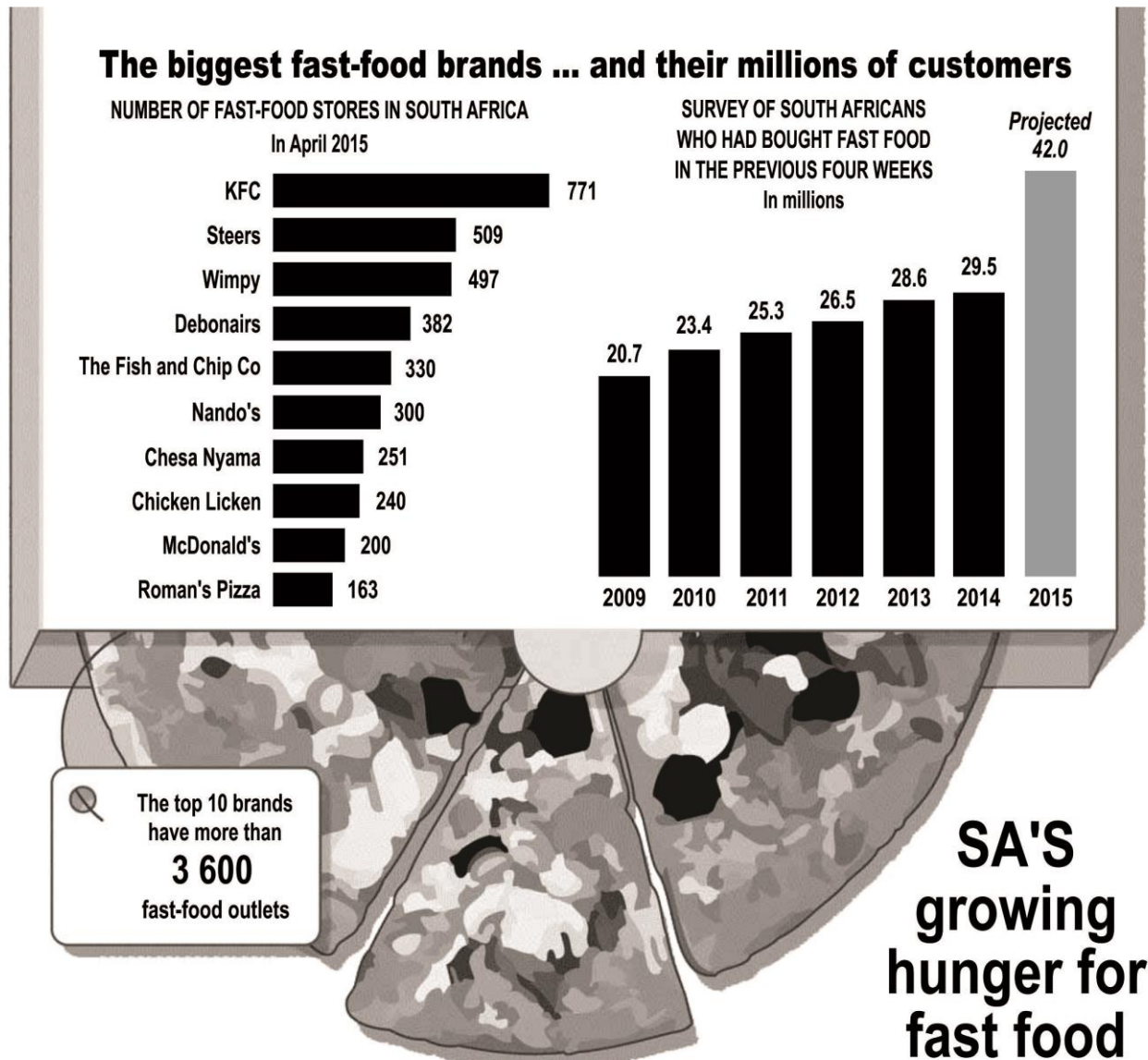
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(8)



Question 3.4 and 3.5 are based on Infographic 1.

### Infographic 1



Graphic: JOHN McCann Data source: INSIGHT SURVEY (AMPS, BUSINESS TECH), EUROMONITOR (2018 PROJECTION)

[Source: <<http://mg.co.za/article/2016-04-11-sa-has-an-appetite-for-fast-food>>]

3.4 3.4.1 Name TWO factors that can increase the demand for fast food.

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(2)

3.4.2 Explain why fast-food items could be classified as 'demerit goods'.

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(4)

3.4.3 Briefly discuss ONE way in which the government can reduce the market failure associated with the sale of fast food.

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(4)

3.5 Fast-food outlets are examples of **monopolistic competition**. Justify how this example corresponds with FOUR characteristics of monopolistic competition.

[illegible]

[illegible]

**QUESTION 4      ECONOMIC PURSUITS**

4.1      Read the **extract** and answer the questions that follow.

Botswana is the world's largest producer of diamonds. Botswana joined the World Trade Organisation in 1995. Reliance on diamond exports has made Botswana's economy vulnerable to external shocks. The reliance on the diamond industry is clear to see. Of the total value of exports in 2010 of \$4 593 million, \$3 206 million (or 70%) came from diamonds and 13% came from copper and nickel. Crucially, the government estimates that the main diamond deposits will be exhausted between 2025 and 2030.

[Source: <<http://www.tutor2u.net/economics/reference/botswana-growth-and-development>>]

4.1.1    What is the role of the World Trade Organisation?

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(2)

4.1.2    Briefly explain TWO economic challenges facing Botswana's economy.

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(4)



4.2.4 Briefly differentiate between HDI and GDP per capita as measures of economic development.

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(4)

4.2.5 Briefly discuss how education, as a supply side policy, can increase a country's HDI ranking.

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(4)

4.3 4.3.1 Explain the difference between an import tariff and an import quota.

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(4)

4.3.2 'Trade tariffs always hurt consumers and efficient producers, to protect inefficient producers.'

Briefly **evaluate** this statement.

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(6)



4.3.3 Discuss THREE reasons why developing countries tend to prefer a policy of protectionism.

[illegible]

(12)  
[50]

**QUESTION 5      CONTEMPORARY ECONOMIC ISSUES AND MIXED QUESTIONS**

5.1 Explain the following concepts:

5.1.1 Disinflation

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(2)

5.1.2 PPI

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(2)

5.1.3 The Phillips Curve

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(2)

5.2 **Demand-pull or Cost-push inflation?**

Analyse the statements below and decide what type of inflation they will cause i.e. demand-pull or cost-push inflation.

5.2.1 Consumers have easier access to credit.

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(2)

5.2.2 Suppliers have to pay higher prices for raw materials.

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(2)

5.2.3 Trade unions are demanding wage increases that are greater than the increase in productivity levels.

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(2)

5.2.4 Consumers' disposable income increases.

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(2)

5.2.5 The current account changes from a deficit to a surplus.

\_\_\_\_\_

(2)

5.3 **'Statistics South Africa announced that the country's annual consumer price index (CPI) accelerated to 6,4%.'**

5.3.1 Briefly explain how the CPI is compiled.

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(4)

5.3.2 Would the South African Reserve Bank be concerned with the news headline? Justify your answer.

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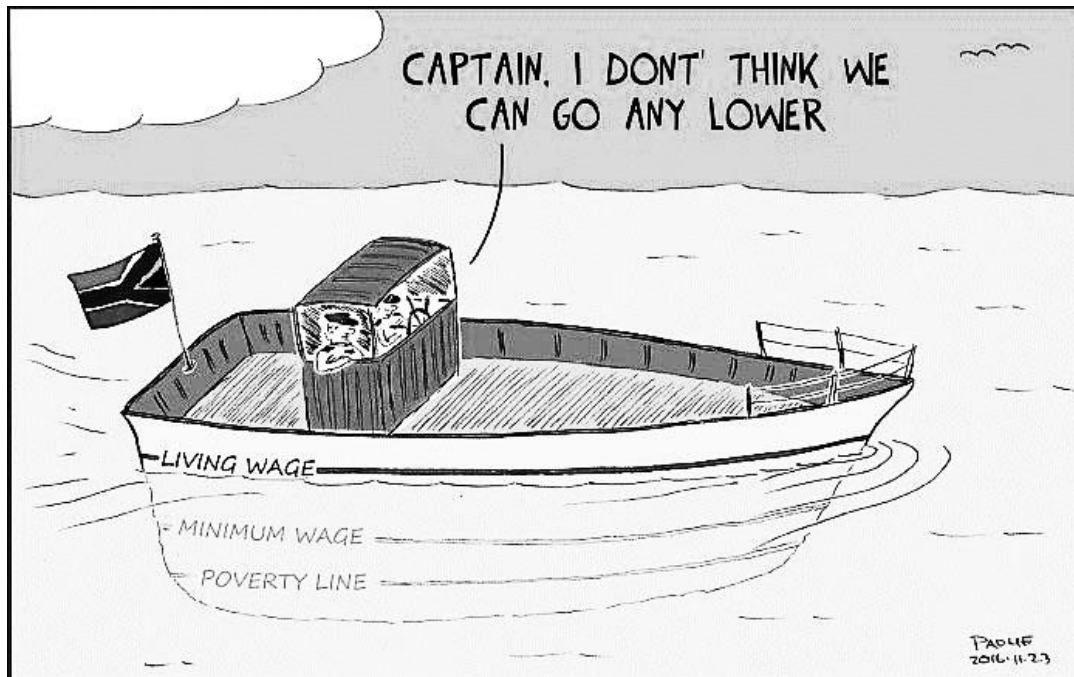
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(4)

5.4 Study Cartoon 1 below, and answer the questions that follow.

**Cartoon 1: Minimum Wage**



[Source: <<http://www.theannouncer.co.za/minimum-wage/>>]

5.4.1 Explain the difference between the 'minimum wage' and the 'living wage'.

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(4)

#### 5.4.2 To what extent will the introduction of a national minimum wage reduce poverty in South Africa?

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(6)

**5.5 'Improvements in the mobility of labour is essential to reduce unemployment'.**

5.5.1 Briefly explain ONE way in which the mobility of labour can be improved.

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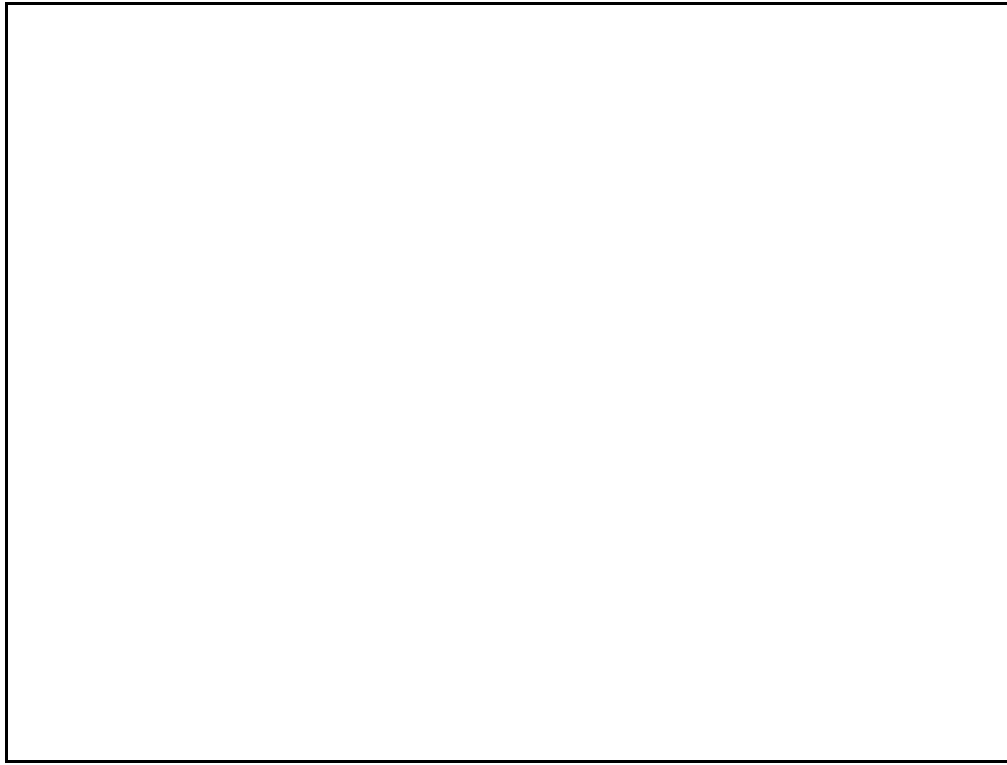
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(4)

- 5.5.2 With reference to the above statement, use a supply and demand diagram and an explanation to show what effect an improvement in the mobility of labour will have on the wage level and quantity of labour employed.



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(12)  
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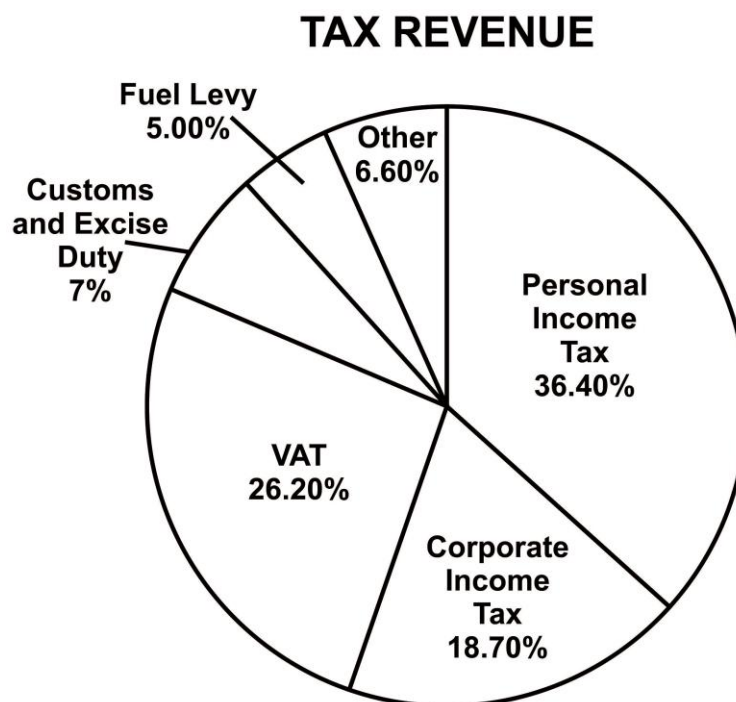
**200 marks**

**SECTION C****QUESTION 6 DATA RESPONSE**

Study the following information and answer the questions that follow.

**Question 6.1 is based on Source 1.**

**Source 1:**



[Source: <<http://www.jnsfinancialservices.co.za/>>]

- 6.1    6.1.1 With reference to Source 1, identify the South African government's largest source of taxation revenue.

(2)

6.1.2 Briefly explain the difference between progressive taxes and regressive taxes, using examples from Source 1.

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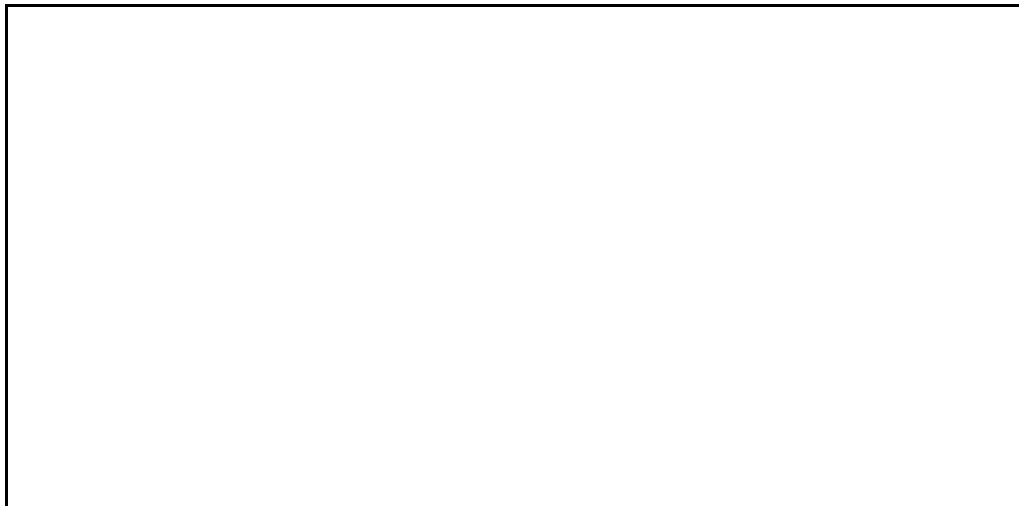
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(6)

6.1.3 Use a diagram and explanation to analyse why a rise in income tax rates may lead to lower tax revenues.



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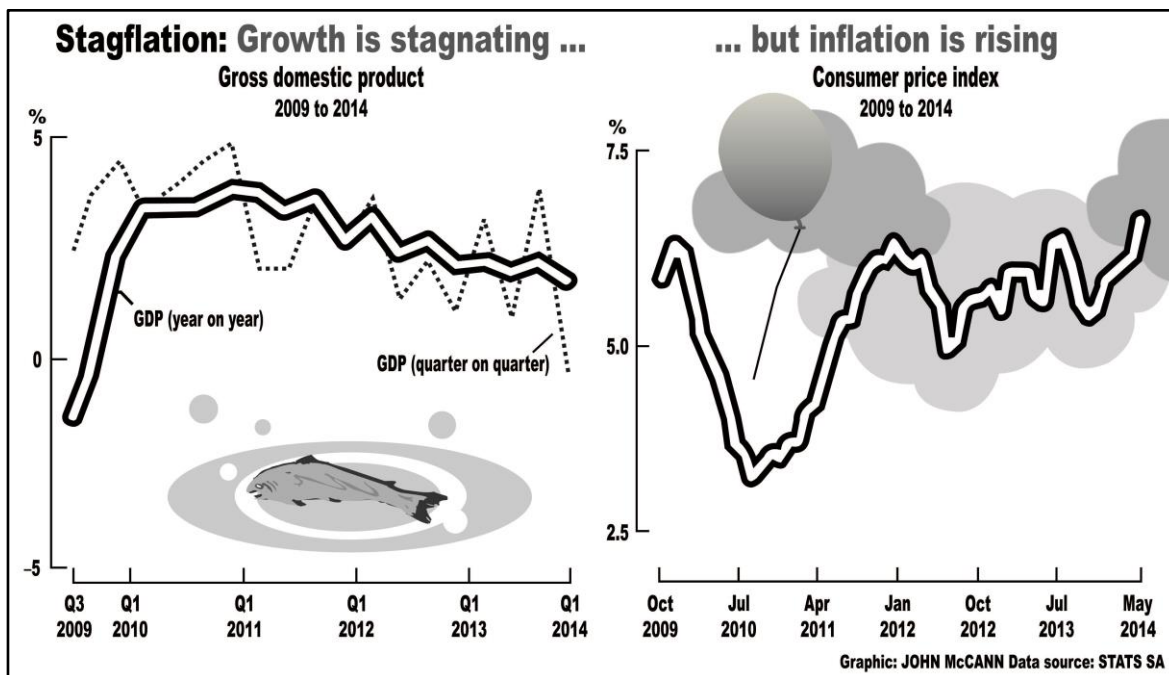
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Question 6.2 is based on Source 2 and Source 3.

Source 2:



Source 3:

Stagflation is stalking the economy, with some economists saying that the country is already in a 'stagflation trap'. The Reserve Bank is faced with a very difficult trade-off between growth and inflation.

[Source: <<http://mg.co.za/article/2014-07-03-sa-faces-stagflation-trap>>]

6.2 6.2.1 Define the economic term 'stagflation'.

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6.2.2 Name South Africa's FIVE macro-economic objectives.

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(5)

6.2.3 Briefly discuss TWO consequences of inflation.

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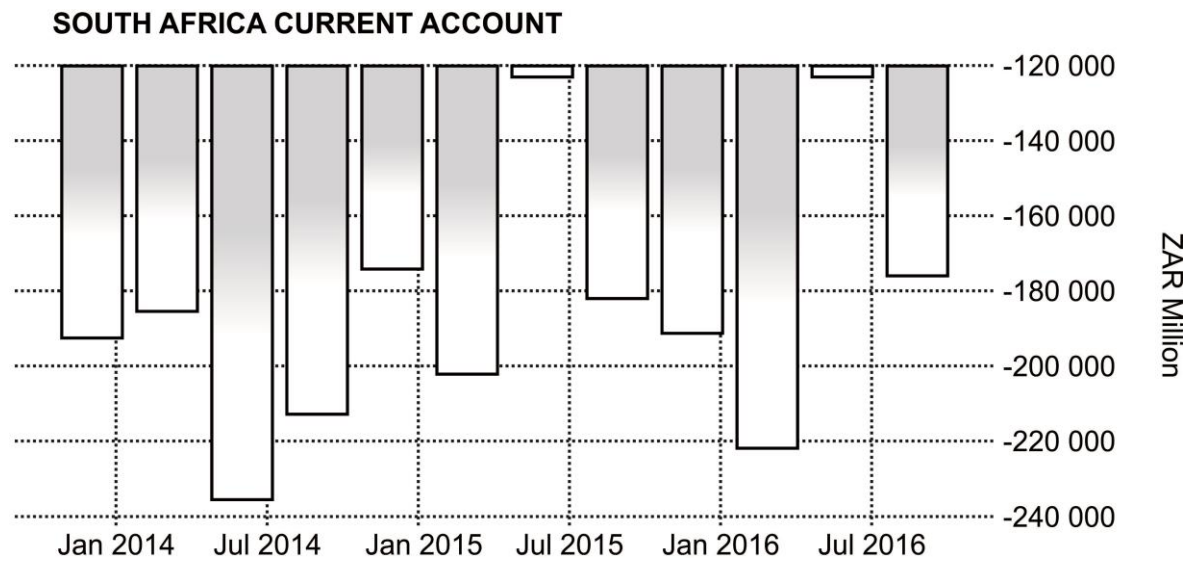
6.2.4 With reference to monetary policy action, explain why 'The Reserve Bank is faced with a very difficult trade-off between growth and inflation'.

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(8)

**Question 6.3 is based on Source 4.**

**Source 4:**



[Source: <<http://www.tradingeconomics.com/south-africa/current-account>>]

- 6.3 6.3.1 With reference to Source 4, identify whether the current account balances represent a leakage or an injection.

(2)

6.3.2 If you were an economic advisor to the government, **suggest** FOUR ways that South Africa could ensure that more money is coming into the country than leaving the country.

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(8)

**50 marks**

**Total: 300 marks**