



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**JUNE 2021**

**ECONOMICS P1  
(EXEMPLAR)**

**MARKS: 150**

**TIME: 2 hours**

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This question paper consists of 13 pages.

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**INSTRUCTIONS AND INFORMATION**

1. Answer FOUR questions as follows in the ANSWER BOOK:
  - SECTION A: COMPULSORY
  - SECTION B: Answer TWO of the three questions.
  - SECTION C: Answer ONE of the two questions.
2. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully and start each question on a NEW page.
5. Leave 2–3 lines between subsections of questions.
6. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only blue or black ink.
9. You may use a non-programmable pocket calculator.
10. Write neatly and legibly.

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

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 D

1.1.1 A systematic record of all transactions between one country and other countries within a specific period is ...

- A balance of payments.
- B terms of trade.
- C current account.
- D foreign exchange market.

1.1.2 Comparative cost advantage shows that world output can increase if countries ...

- A impose tariffs.
- B limit the use of technology.
- C specialise in what they do best.
- D protect workers.

1.1.3 The Laffer curve shows the relationship between ...

- A income and expenditure.
- B nominal and real figures.
- C tax revenue and tax rate.
- D tax revenue and wages.

1.1.4 An indication of long-term growth in the economy is referred to as ...

- A trend line.
- B amplitude.
- C extrapolation.
- D trough.

1.1.5 Aggregate supply can be stimulated through a government policy of ...

- A lowering the productivity of the factors of production.
- B reducing production factors.
- C limiting the efficiency of inputs.
- D improving the efficiency of markets.

1.1.6 National income will decrease when ...

- A  $G + I + X = S + T + M$
- B  $G + I + X < S + T + M$
- C  $G + I + X > S + T + M$
- D  $S + T + M < G + I + X$

1.1.7 A market for short-term and very short-term savings and loans is ...

- A capital market.
- B real market.
- C nominal market.
- D money market.

1.1.8 A tax is regressive when ...

- A the average tax rate is the same for all taxpayers.
- B it takes a larger percentage of the income of low-income earners than those with higher income.
- C a general tax is levied in each unit of the product.
- D people with higher incomes pay a larger percentage of their income in tax than people with lower incomes.

(8 x 2) (16)

- 1.2 Choose a description from COLUMN B that matches an item in COLUMN A in the ANSWER BOOK. Write only the letter (A–I) next to the question numbers (1.2.1–1.2.8) in the ANSWER BOOK, for example 1.2.9 K.

| COLUMN A                          | COLUMN B   |
|-----------------------------------|--|
| 1.2.1 Capital market              | A includes libraries, health services, research programme and education  |
| 1.2.2 Real figures                | B where resources cannot be reallocated to make one individual better off without making at least one individual worse off |
| 1.2.3 Lagging indicators          | C allowed to respond to market forces within certain limits  |
| 1.2.4 Managed exchange rates      | D does not change until after the business cycle has changed   |
| 1.2.5 Special drawing rights      | E where long-term funds are borrowed and saved by consumers and business enterprises                                       |
| 1.2.6 Pareto efficiency           | F prescribed by the United Nations to compile gross domestic product   |
| 1.2.7 System of national accounts | G does not change direction until after the business cycle has changed its direction                                       |
| 1.2.8 Merit goods                 | H a form of credit that the international monetary fund can use for a consistent disequilibrium                            |
|                                   | I also known as the national product at constant prices  |

(8 x 1) (8)

1.3 Give ONE term/word for each of the following descriptions. Write only the term/word next to the question numbers (1.3.1—1.3.6) in the ANSWER BOOK. NO abbreviations NOR acronyms will be accepted as answers.

1.3.1 A deliberate increase in the value of the currency in terms of another currency

1.3.2 Taxes that are not shifted to the end user

1.3.3 Value of all final goods and services produced by the permanent citizens of the country for a specific period

1.3.4 Expresses a country's export prices in terms of its import prices

1.3.5 The flow of goods and services between the participants in the circular flow

1.3.6 Withdrawal of capital investment from a company or country

(6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

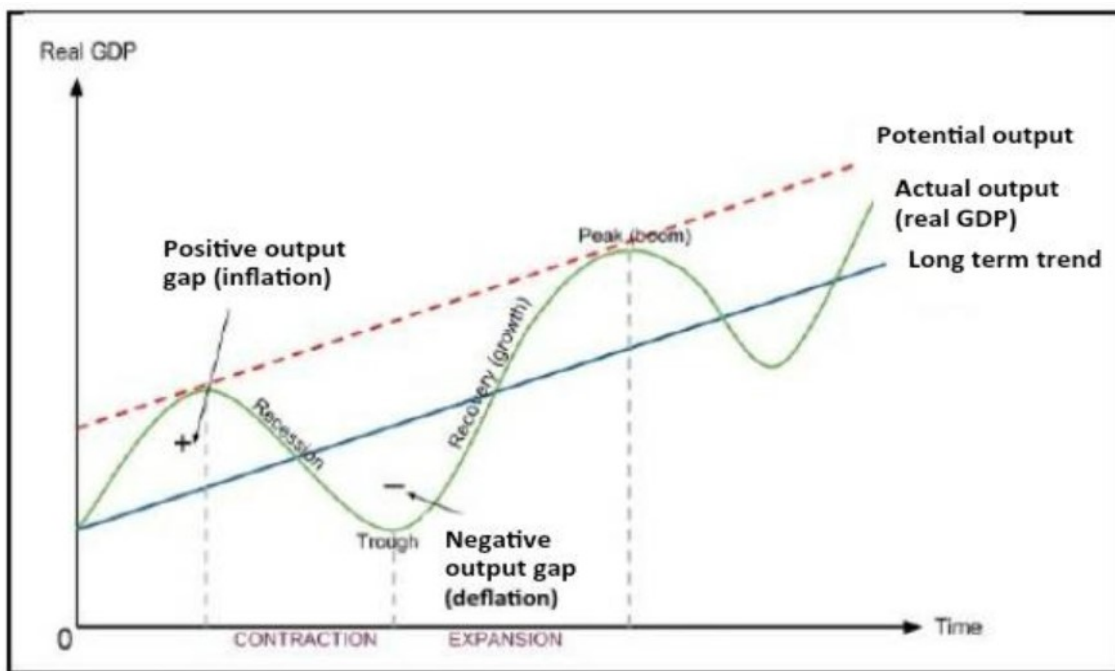
**QUESTION 2**

2.1 Answer the following questions.

2.1.1 Name TWO purposes of conditional grants to municipalities. (2 x 1) (2)

2.1.2 Why is it not possible to exclude individuals from using public goods? (1 x 2) (2)

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



(Source: [www.google.com](http://www.google.com))

2.2.1 Give an alternative term for recovery (growth) as depicted from trough to peak. (1)

2.2.2 What is measured from peak to peak or trough to trough? (1)

2.2.3 Briefly describe the term *real GDP*. (2)

2.2.4 Explain the government policy that the central bank can use in smoothing business cycles when the economy is at a peak. (2)

2.2.5 Why are endogenous factors viewed as a cause of business cycles? (4)

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

| R BILLIONS  |       |       |                 |
|---|-------|-------|-----------------|
| CURRENT ACCOUNT                                   | 2016  | 2017  | 2018            |
| Merchandise export                                | 1 074 | 1 089 | 1 056           |
| Net gold exports                                  | 50    | 68    | 77              |
| Merchandise imports                               | 1 066 | 1 106 | 1 158           |
| Trade balance                                     | 58    | 51    | -25             |
| Net service, income and current transfer payments | -150  | -181  | -204            |
| Balance on the current account                    | -92   | -129  | <b>2.3.5 ??</b> |

[Source: SARB QB, DES. 2018]

- 2.3.1 Name ONE other account of the balance of payment. (1)
- 2.3.2 Give a reason why net gold exports are entered separately from other exports. (1)
- 2.3.3 Briefly describe the term *current transfers*. (2)
- 2.3.4 Explain the use of unrecorded transactions in the balance of payments. (2)
- 2.3.5 Calculate the balance of the current account balance for 2018. (4)
- 2.4 Discuss the multiplier and its effects on the national income if the marginal propensity to consume (MPC) is 0,6 and investment increases by R10 bn. Show calculations. (4 x 2) (8)
- 2.5 How is the South African economy influenced by the effects of international trade? (8)
- [40]**



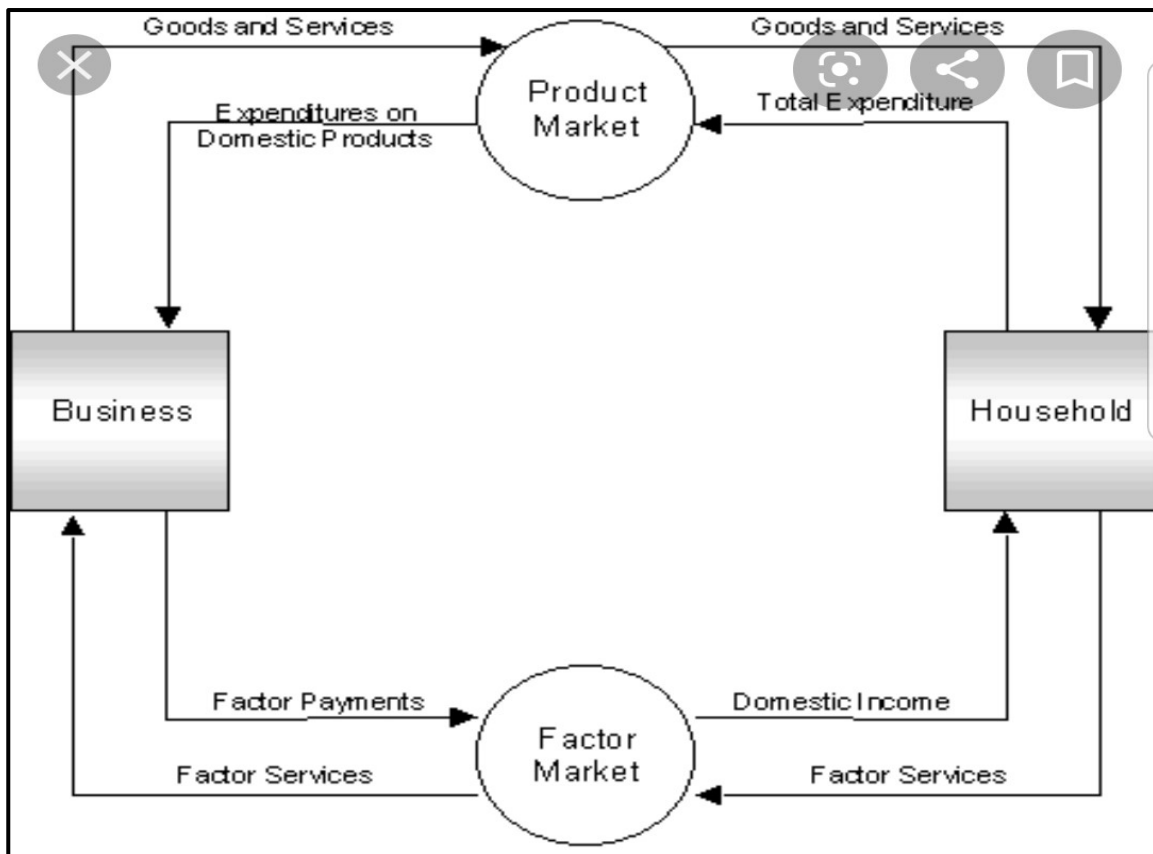
**QUESTION 3**

3.1 Answer the following questions.

3.1.1 Name TWO items involved in the conversion of GDP at factor cost to GDP at basic prices. (2 x 1) (2)

3.1.2 What effect will the depreciation of the Rand have on the demand for foreign goods? (1 x 2) (2)

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



[Source: [sites.google.com/site/maeconomicsku](https://sites.google.com/site/maeconomicsku)]

3.2.1 What is depicted in the diagram above? (1)

3.2.2 Name an example of money flow. (1)

3.2.3 Briefly describe the term *factor market*. (2)

3.2.4 Briefly explain the role of firms in the economy. (2)

3.2.5 How can Foreign Direct Investment influence the national income? (4)

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



[Source: [www.google.com](http://www.google.com)]

- 3.3.1 Name any ONE budget plan that the government supervises. (1)
- 3.3.2 What challenge is the government facing as depicted? (1)
- 3.3.3 Describe the term *budget*. (2)
- 3.3.4 Why will an increase in the tax rate not necessarily increase government revenue? (2)
- 3.3.5 How can the government effectively reduce management failure? (4)
- 3.4 Discuss free-floating exchange rates. (4 x 2) (8)
- 3.5 Evaluate the impact of the downgrading South Africa's credit rating on the economy. (8)
- [40]**

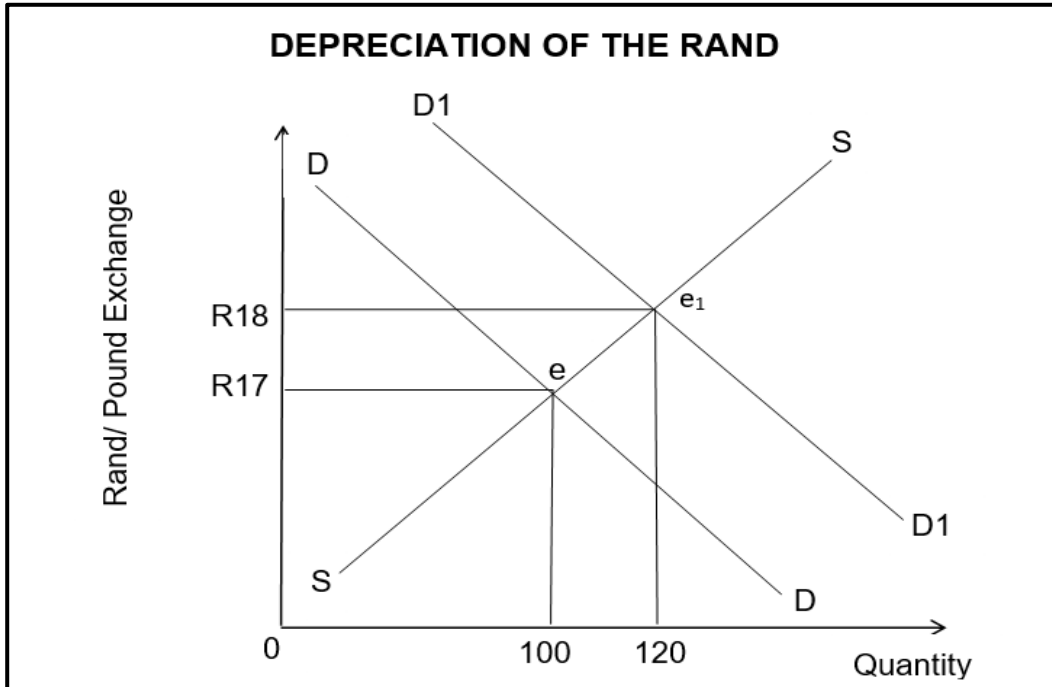
**QUESTION 4**

4.1 Answer the following questions.

4.1.1 Name TWO demand factors for foreign exchange. (2 x 1) (2)

4.1.2 Why are households regarded as an important participant in the circular flow? (1 x 2) (2)

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



4.2.1 What is the original equilibrium exchange rate in the above graph? (1)

4.2.2 What has happened to the value of the Rand when prices change from R17 to R18? (1)

4.2.3 Describe the term *depreciation of a currency*. (2)

4.2.4 Explain how managed exchange rates correct disequilibria in the balance of payments. (2)

4.2.5 How will the depreciation in the value of a currency affect businesses? (4)

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

| <b>NATIONAL ACCOUNTS</b> |                                |                             |
|--------------------------|--------------------------------|-----------------------------|
| <b>Year</b>              | <b>Nominal GDP (R billion)</b> | <b>Real GDP (R billion)</b> |
| 2015                     | 4 049 759                      | 3 008 436                   |
| 2016                     | 4 336 988                      | 3 009 860                   |

[ Source: QB March 2017]

- 4.3.1 Which year is currently used by the Reserve Bank as a base year? (1)
- 4.3.2 Name any institution that compiles the data in the above table. (1)
- 4.3.3 Briefly describe the term *constant prices*. (2)
- 4.3.4 Explain the difference between *nominal GDP* and *real GDP*. (2)
- 4.3.5 Calculate the GDP deflator for 2016. Show ALL your calculations. (2 x 2) (4)
- 4.4 Discuss production and expenditure as methods to determine Gross Domestic Product (GDP). (2 x 4) (8)
- 4.5 How can free trade contribute to a more efficient economy? (8)

**[40]**

**TOTAL SECTION B: 80**

**SECTION C:** Answer any ONE of the TWO questions in this section.

Your answer will be assessed as follows:

| STRUCTURE OF ESSAY   | MARK ALLOCATION               |
|--|-------------------------------|
| <p><b>Introduction</b></p> <ul style="list-style-type: none"> <li>• A good starting point would be to define a concept or key word that appears in the question.</li> <li>• Include other sentences to support the topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body.</li> </ul>  | <p>Max. 2</p>                 |
| <p><b>Body:</b></p> <p><b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/ Assess/Debate</p> <p><b>Additional part:</b> 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/Use the information and argue, debate, evaluate.</p> | <p>Max. 26</p> <p>Max. 10</p> |
| <p><b>Conclusion</b></p> <ul style="list-style-type: none"> <li>• The conclusion is a wrap-up of the discussion of the topic in the body and should be treated as a higher order response.</li> <li>• The conclusion can take the form of an own opinion, with examples to support your discussion or contradictory viewpoint from what has been discussed.</li> <li>• No aspect from either the introduction or the body should be included in the conclusion.</li> </ul>                                     | <p>Max. 2</p>                 |
| <b>TOTAL</b>   | <b>40</b>                     |

**QUESTION 5: MACROECONOMICS**

- Discuss in detail the main objectives of the government in the economy. (26 marks)
- How can privatisation be used to address the challenge of a slow service delivery in South Africa? (10 marks)

**QUESTION 6: MACROECONOMICS**

- Discuss in detail the demand-side policies in smoothing of business cycles. (26 marks)
- How could the Monetarist’s viewpoint on government policies cause a contraction in the business cycle? (10 marks)

**[40]**

**TOTAL SECTION C: 40**  
**GRAND TOTAL: 150**