GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2019

10731

ECONOMICS

PAPER 1

TIME: 2 hours

MARKS: 150

13 pages

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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 TWO of the three questions.
   - SECTION C: Answer ONE of the two questions.

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

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

4. Write the question number 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 The 'multiplier effect' refers to how an initial increase in investment, government spending or exports leads to a larger increase in the level of aggregate …

A income.
B prices.
C interest rates.
D unemployment.

1.1.2 The concept used to analyse the changes in a series of data over a certain time period is called …

A trends.
B moving average.
C composite indicators.
D amplitude.

1.1.3 The Medium Term Expenditure Framework (MTEF) indicates the government expenditure and revenue projection for a period of … year/s.

A one
B two
C three
D four

1.1.4 If the exchange rate changed from $1 = R6 to $1 = R8, due to market forces then …

A the $ depreciated against the R.
B the R depreciated against the $.
C the R devalued against the $.
D the $ devalued against the R.

1.1.5 An international benchmark using health, level of education and income level per capita, to compare economic development in countries is called …

A the Human Development Index.
B the Gross National Income per capita.
C the North-South divide.
D millennium goals.

1.1.6 The Industrial Development Zone (IDZ), which is found in the Eastern Cape and focuses on motor vehicle manufacturing for export is called the … IDZ.

A Richards Bay
B OR Tambo International Airport
C Saldanha
D Coega

1.1.7 Data collected, which relates to the composition of the population of a country is called …

A statistics.
B affirmative action.
C demographics.
D education.

1.1.8 In South Africa, most of the physical infrastructure such as transport, communication and energy is controlled by …

A the economy.
B private investors.
C the Johannesburg Securities Exchange (JSE).
D the government. (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	Gross Domestic Income	A	Commercial banks pay to borrow money from the Reserve Bank.
1.2.2	Trade liberalisation	B	The total remuneration received by the factors of production for producing final goods and services within the borders of a country
1.2.3	Expansionary policy		
1.2.4	Free-floating exchange rate	C	It is measured by Real GDP divided by the number of workers.
1.2.5	Industrial Policy Action Plan (IPAP)	D	The purpose is to expand production in value-added sectors with the focus on metals fabrication and green and energy-saving industries.
1.2.6	Expanded Public Works Programme		
		E	The abolishment of government intervention in international trade

1.2.7	Repo rate	F	A nation-wide government intervention to create employment using labour-intensive methods	
1.2.8	Life expectancy	G	Government decreases taxes and increases government spending.	
		H	The probable number of years a person will live after birth	
		I	The value of a currency is controlled by market forces. (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. Abbreviations and acronyms will NOT be accepted.

1.3.1 Spending by firms on capital goods

1.3.2 When government expenditure is greater than government income

1.3.3 The protocol or organisation which aims to accelerate the process of integration of African countries on the continent.

1.3.4 Spatial areas that offer particular advantages to mining, manufacturing, tourism and other businesses

1.3.5 The government department which publishes a scorecard that is used to measure the empowerment and transformation progress of business and industries

1.3.6 This index (indicator) removes the effect of inflation so that the real GDP is indicated. (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: MACROECONOMICS **40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO reasons for a demand for foreign currency, such as US dollars. ($) (2 x 1) (2)

2.1.2 Why are households regarded as important participants in the circular flow? (1 x 2) (2)

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

WHERE THE MONEY COMES FROM

The biggest portion of the money that the government spends, comes from the National Revenue Fund, mainly through taxes and levies. Government also borrows from investors, so it can build schools, hospitals and better roads. Government is cognisant of the risks associated with accumulated debt and would like departments to work more efficiently with public funds and reduce wastage.

TAX REVENUE	2018/ 19
PERSONAL INCOME TAX	505.8bn
CORPORATE INCOME TAX	231.2bn
VAT	348.1bn
CUSTOMS AND EXCISE DUTIES	97.4bn
FUEL LEVIES	77.5bn
OTHERS	84.8bn
TOTAL	**1344.8bn**

[Source: *https://ww.pwc.co.za*]

2.2.1 Identify ONE indirect tax from the table above. (1)

2.2.2 Name the government department responsible for monitoring the effective use of public funds. (1)

2.2.3 Briefly describe the tax *excise duties.* (2)

2.2.4 Why is it necessary for government to provide schools and hospitals for its citizens? (2)

2.2.5 Calculate the total percentage contribution of personal income tax to the government's total tax revenue. Show all calculations. (Round-off to two decimals.) (2 x 2) (4)

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

SA, NIGERIA HOLD OFF ON FREE TRADE

The free trade agreement tabled in Kigali remains unsigned by the two continental giants, South Africa and Nigeria. The agreement on the African Continental Free Trade Area (ACFTA) is seen as a new beginning for the continent, that will catapult African countries and companies to higher levels of growth.

The agreement commits countries to remove tariffs on 90% of goods.

[Source: *The New Age Business,* 22 March 2018]

2.3.1 Name ONE other trade agreement that South Africa is part of with other African countries. (1)

2.3.2 Give ONE benefit South Africa would have from trading with Nigeria. (1)

2.3.3 Briefly describe the term *free trade area.* (2)

2.3.4 Explain the impact of free trade on the prices of goods. (2)

2.3.5 How would imposing tariffs on imported goods benefit South Africa? (4)

2.4 Explain the role of the business sector (firms) in the circular-flow model. (4 x 2) (8)

2.5 Evaluate the provisioning of public goods and services in South Africa. (8)
[40]

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

3.1 Answer the following questions.

3.1.1 Name any TWO components included in the M3 of money supply indicators. (2 x 1) (2)

3.1.2 How can technology contribute towards supporting small business development? (1 x 2) (2)

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

Chinese companies to invest $10 bn in Limpopo Special Economic Zone

Nine Chinese companies have committed to investing more than US $10 billion in the Musina-Makhado special economic zone (SEZ).

There are four projects in the SEZ, namely the power plant, coking plant, alloy factory, and steel manufacturing.

This will see the SEZ getting off the ground and beginning to change the economic landscape of Musina and Makhado by creating business and employment opportunities for the people of the Vhembe district.

[Source: *The Citizen,* 26 May 2018]

3.2.1 Name ONE benefit of the SEZ investment to the Limpopo communities. (1)

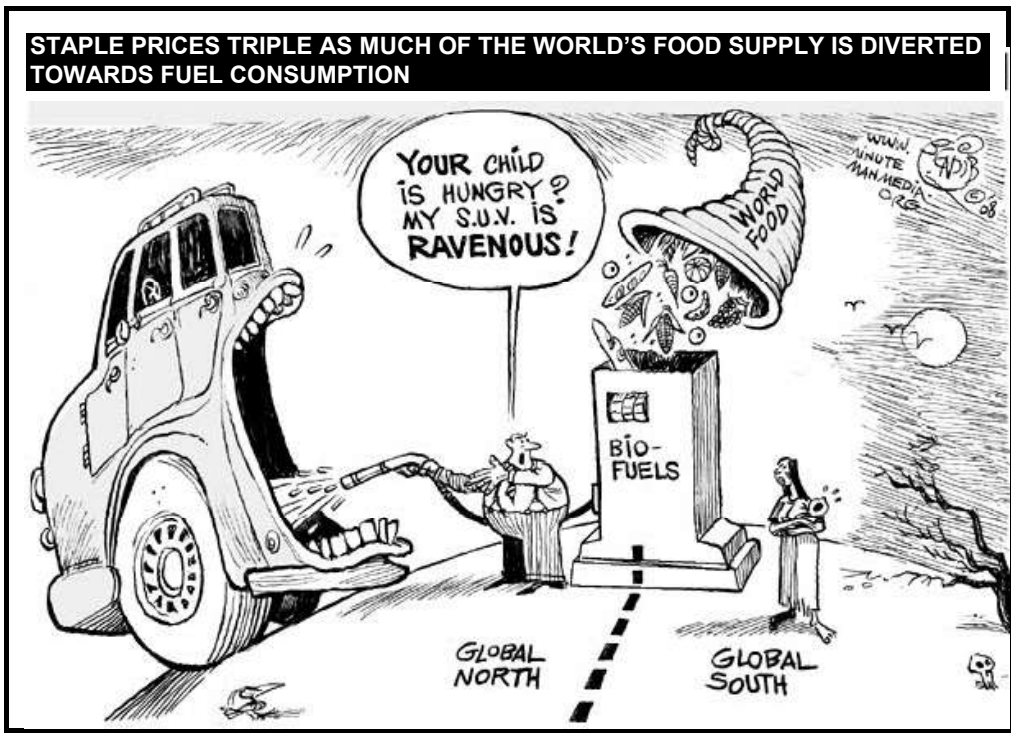
3.2.2 State an important mineral from the area that is used for steel manufacturing. (1)

3.2.3 Briefly explain what a *special economic zone* is (SEZ). (2)

3.2.4 Explain why regional development should be a multi-dimensional process. (2)

3.2.5 How would regional development in South Africa benefit the rest of Africa? (2 x 2) (4)

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



[Source: *euro-meeting.blogspot.co.za/2010/11/feeding-world.html*]

3.3.1 Why is the lady's baby in the Global South hungry? (1)

3.3.2 Name ONE benefit of using bio-fuels. (1)

3.3.3 Briefly explain the *North-South divide.* (2)

3.3.4 Why is South Africa ranked as a medium human development country according to the Human Development Index (HDI)? (2)

3.3.5 How is South Africa benefiting from globalisation? (2 x 2) (4)

3.4 Explain *good governance* and *investment of social capital* as benchmarks for regional development in South Africa. (2 x 4) (8)

3.5 Evaluate the impact of a downgrading of South Africa's credit ratings on the economy. (8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 Answer the following questions.

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

4.1.2 What effect will a high illiteracy rate have on economic development? (1 x 2) (2)

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



[Source: *www.cartoonstock.com*]

4.2.1 Name ONE endogenous cause of business cycles (1)

4.2.2 Describe the state of an economy during a recession. (1)

4.2.3 When is an economy officially in a recession? (2)

4.2.4 What can the SARB do to stimulate the economy? (2)

4.2.5 How can aggregate supply be increased to combat inflation, caused by excess demand? (2 x 2) (4)

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

HOUSEHOLD DISTRIBUTION PER PROVINCE, 2011 AND 2017

Basic services are not delivered to individuals, but to groups of people who live together and who share resources as households.

Province	2011	2011	2017	2017
	Households	% Distribution	Households	% Distribution
Western Cape	1 634 000	11,3	1 933 876	11,4
Eastern Cape	1 687 385	11,7	1 773 395	10,5
Northern Cape	301 404	2,1	353 709	2,1
Free State	823 316	5,7	946 639	5,6
KwaZulu-Natal	2 539 429	17,6	2 875 843	17,0
North West	1 062 015	7,3	1 248 766	7,4
Gauteng	3 909 022	27,1	4 951 137	29,3
Mpumalanga	1 075 488	7,4	1 238 861	7,3
Limpopo	1 418 102	9,8	1 601 083	9,5
South Africa	**14 450 162**	**100**	**16 923 309**	**100**

[Source: *StatsSA – the state of basic service delivery in South Africa: In-depth analysis of the community survey 2017 data*]

4.3.1 Give ONE example of a basic service. (1)

4.3.2 Which province had the most improvement in service delivery? (1)

4.3.3 Briefly explain the term *social indicator.* (2)

4.3.4 How can South Africa secure sufficient water supplies to the country? (2)

4.3.5 Why is the interpretation and comparison of social indicators a challenge? (2 x 2) (4)

4.4 Briefly discuss the *current account* and the *capital transfer account* in the Balance of Payments. (4 x 2) (8)

4.5 Evaluate the use of indicators to monitor the health of a population. (8)
[40]

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two questions from this section in the ANSWER BOOK. Your answer will be assessed as follows.

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower order response: • A good starting point would be to define 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 **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. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any 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: MACROECONOMICS **40 MARKS – 40 MINUTES**

- Discuss the role of markets in a circular flow model. (26 marks)

- Evaluate the multiplier formula of a 2 sector market below on the economy.

$\frac{1}{1-mpc}$ or $\frac{1}{mps}$

(10 marks)

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

- Discuss in detail how demand can be stimulated to promote growth and development in South Africa, using the following headings:

  - Monetary policy (10 marks)
  - Fiscal policy (16 marks) (26 marks)

- Evaluate the successes (or Potential Success) of the National Development Plan (NDP) in promoting growth and development
  (10 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 150

END