GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2020

10731

ECONOMICS

PAPER 1

TIME: 2 hours

MARKS: 150

15 pages

P.T.O.

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 require number will NOT be marked.

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

4. Read the questions carefully.

5. Start each question on a NEW page.

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

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

8. Use only black or blue ink.

9. You may use a non-programmable calculator.

10. 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 to 1.1.8) in the ANSWER BOOK.

1.1.1 Globalization is increased by trade …

A liberalisation.
B restrictions.
C barriers.
D entry.

1.1.2 The activity that minimizes the effects of short-term economic fluctuations is called …

A amplitude.
B a trend.
C moving average.
D extrapolation.

1.1.3 The type of investment that is known as “hot money” is …

A an investment in equities.
B an investment in real estate.
C a trade credit.
D a short-term investment.

1.1.4 Economic integration where member countries agree on a common economic policy is called a/an …

A customs union.
B economic union.
C free trade area.
D common market.

1.1.5 Investment spending which depends mainly on the level of savings in a country and confidence in the economic outlook is called the …

A domestic demand.
B supply factor.
C monetary policy.
D trade policy.

1.1.6 A project where the state provides the infrastructure and businesses provide capital to establish a business venture is called a …

A strategic investment programme.
B business process service.
C public-private partnership.
D Small and Medium Enterprise Development Programme.

1.1.7 The interest rate that has been adjusted for inflation is called the …

A repo rate.
B real interest rate.
C nominal rate.
D prime rate.

1.1.8 The Global Competiveness Index (GCI) is compiled annually by the …

A Human Development Index.
B International Monetary Fund.
C World Bank.
D World Economic Forum.

(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 to 1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Juglar business cycle	A	This shows the income and expenditure estimates for a three-year period
1.2.2	Gross National Product	B	A cause of action decided on by government to achieve their goals for the country
1.2.3	Terms of trade	C	Infrastructure development is a cause of this cycle
1.2.4	Medium Term Budget Policy Statement	D	Fixed investments by firms are a cause of this cycle
1.2.5	Redress measures	E	Policies to compensate past inequalities including employment equity and BBEEE
1.2.6	National Industrial Policy Framework (NIPF)	F	To promote a more labour-intensive industry
		G	Expresses a country's export prices in terms of its import prices
1.2.7	Non-aligned movement	H	The total value of all final goods and services produced in the country during a specific period of time
1.2.8	Economic policies	I	Grouping of countries that gained independence from the North aiming to negotiate more favourable prices for their raw materials

(8 x 1) (8)

1.3 Identify the concept described in each of the following statements. Write only the term next to the question number (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms, and examples will NOT be accepted.

1.3.1 Factors that originate outside of the economy that cause business cycles

1.3.2 Goods that are harmful to society, such as cigarettes

1.3.3 The value of goods exported minus the value of goods imported

1.3.4 A standard or norm by which something can be measured

1.3.5 A geographical area in a country that promotes rapid development by acting as a magnet for investments, in targeted economic activities

1.3.6 The ratio between the inputs and outputs in the economy

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

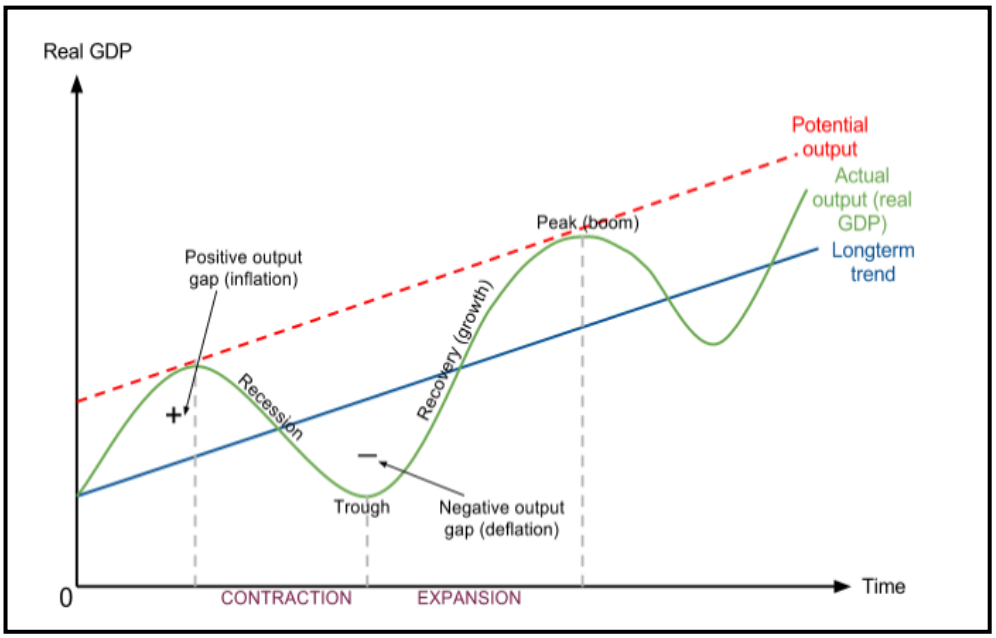
QUESTION 2: MACROECONOMICS 40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO items that convert Gross Value Added at factor costs to Gross Value Added at basic prices. (2 x 1) (2)

2.1.2 How does import substitution contribute towards skills development in South Africa? (2)

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



Source: www.google.com

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

2.2.2 How is the length of a business cycle measured? (1)

2.2.3 Briefly describe the term *business cycle*. (2)

2.2.4 Explain the government policy that is effective in smoothing-out the business cycle when the economy is at the peak. (2)

2.2.5 How effective are government policies in stimulating the economy at the trough? (2 x 2) (4)

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

BALANCE OF PAYMENTS (BOP)	March 2019 (R million)
1. CURRENT ACCOUNT	
Merchandise exports	1 175 547
Net gold exports	71 678
Service receipts	210 415
Income receipts	96 507
Less: Merchandise imports	1 222 944
Less: Payments for services	217 939
Less: Income payments	250 552
Current transfers	-35 674
Balance on current account	**-172 962**
Memo item: Trade balance	**A**

[Source: SARB Quarterly Bulletin, March 2019]

2.3.1 Name any ONE example of service receipts. (1)

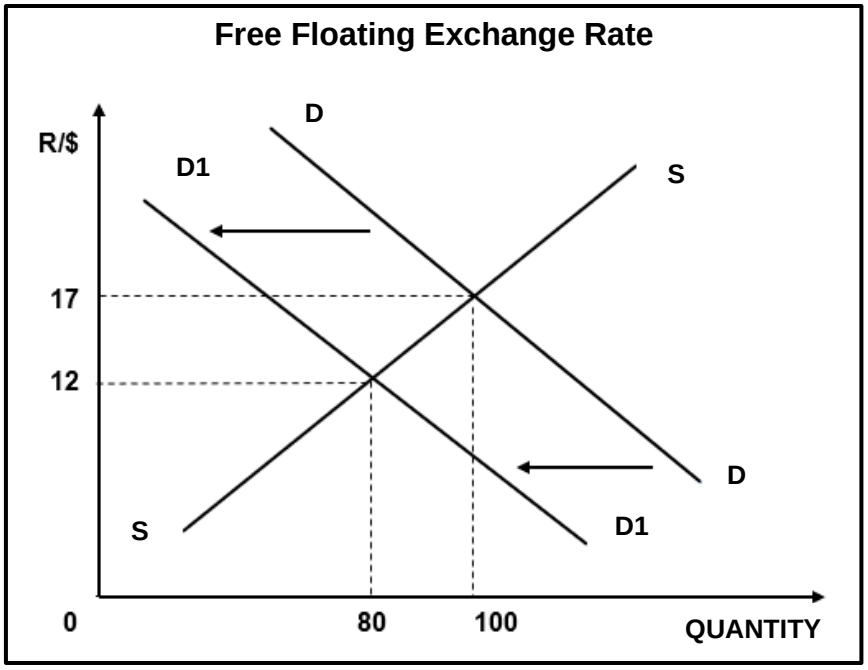
2.3.2 Give a reason for the deficit on the current account of the BOP. (1)

2.3.3 Briefly describe the term *portfolio investments.* (2)

2.3.4 Calculate the trade balance **(A)** for March 2019 in the above table. (2)

2.3.5 One way for a country to correct its deficit on the BOP is through borrowing from other countries. How can a country correct its deficit on the balance of payments, other than the measure mentioned above? (4)

2.4 With reference to the graph below, explain the effects of the coronavirus (Covid-19) on the value of the Rand. (8)



2.5 Evaluate the effect of the coronavirus (Covid-19) on infant industries in South Africa. (8)

[40]

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

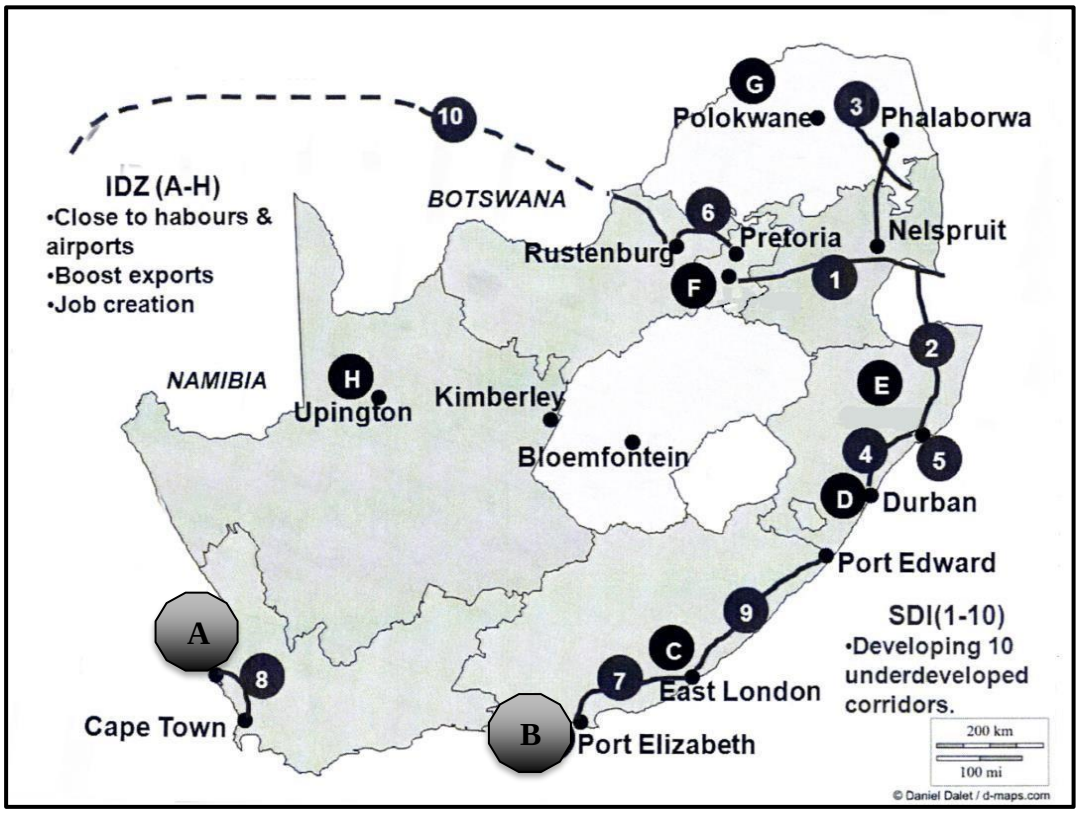
3.1 Answer the following questions.

3.1.1 Name TWO benchmark criteria used by South Africa to evaluate the economy in terms of best practices. (2)

3.1.2 How does the South African Reserve Bank use monetary policies to influence the economy? (2)

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

INDUSTRIAL DEVELOPMENT ZONES (IDZ) & SPATIAL DEVELOPMENT INITIATIVES (SDI)



Source: Adapted from google images

3.2.1 Name the Industrial Development Zone A. (1)

3.2.2 What is the main aim of the Industrial Development Zone B? (1)

3.2.3 Briefly describe the term *Industrial Development Zone*. (2)

3.2.4 Explain how an Industrial Development Zone could improve local socio-economic conditions. (2)

3.2.5 How can effective public-private partnerships be created? (2 x 2) (4)

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

SA WILL HAVE TO PRODUCE 50% MORE FOOD BY 2050 OR FACE A CRISIS

South Africa faces an impending food security crisis if there is not urgent action to correct unsustainable practices, according to the **World Wide Fund for Nature** (WWF).

South Africa will have to produce 50% more food by 2050 to feed an estimated population of 73 million people. Agriculture is the largest land user and has the largest impact on land transformation and biodiversity loss, in South Africa. Farming in South Africa needs comprehensive reform in order to meet the needs of a growing population.

[Adapted from news 24 by Duncan Alfreds 24 (2019-02-19 20:52)]

3.3.1 Identify the type of social indicator according to the extract above. (1)

3.3.2 Give a reason why food security is important for the growing population? (1)

3.3.3 Briefly describe the term *social indicator.* (2)

3.3.4 Discuss the importance of good governance when dealing with financial aid as an indicator. (2)

3.3.5 How can technology, as a supply-side approach, be used to alleviate poverty in South Africa? (2 x 2) (4)

3.4 Distinguish between *nominal GDP* and *real GDP* as economic indicators. (2 x 4) (8)

3.5 How does South Africa comply with the various international bodies that require the standardization of their indicators? (8)

[40]

QUESTION 4: MACROECONOMICS & ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO types of business cycle indicators used in forecasting economic activities**.** (2)

4.1.2 How is the performance of the economy measured by production indicators? (1 x 2) (2)

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

Department of Trade, Industry and Competition

The Department of Trade, Industry and Competition (**the dtic**) was established after the merger of the Department of Trade and Industry and the Economic Development Department.

The vision of the dtic is to ensure that South Africa has a dynamic industrial, globally competitive economy, characterized by meaningful economic transformation, inclusive growth and development, decent employment and equity, built on the full potential of all citizens.

The dtic has a range of missions, which are listed on their website. The following are some of these:

- Promote structural transformation, towards a dynamic industrial and globally competitive economy
- Provide a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development
- Broaden participation in the economy to strengthen economic development
- Improve alignment between economic policies, plans of the state, its agencies, government's political and economic objectives and it's mandate.

Source: adapted from the dtci website:
http://www.thedtic.gov.za/know-the-dtic/department-of-trade-industry-and-competition/

4.2.1 Name the industrial policy currently being promoted by the dtic. (1)

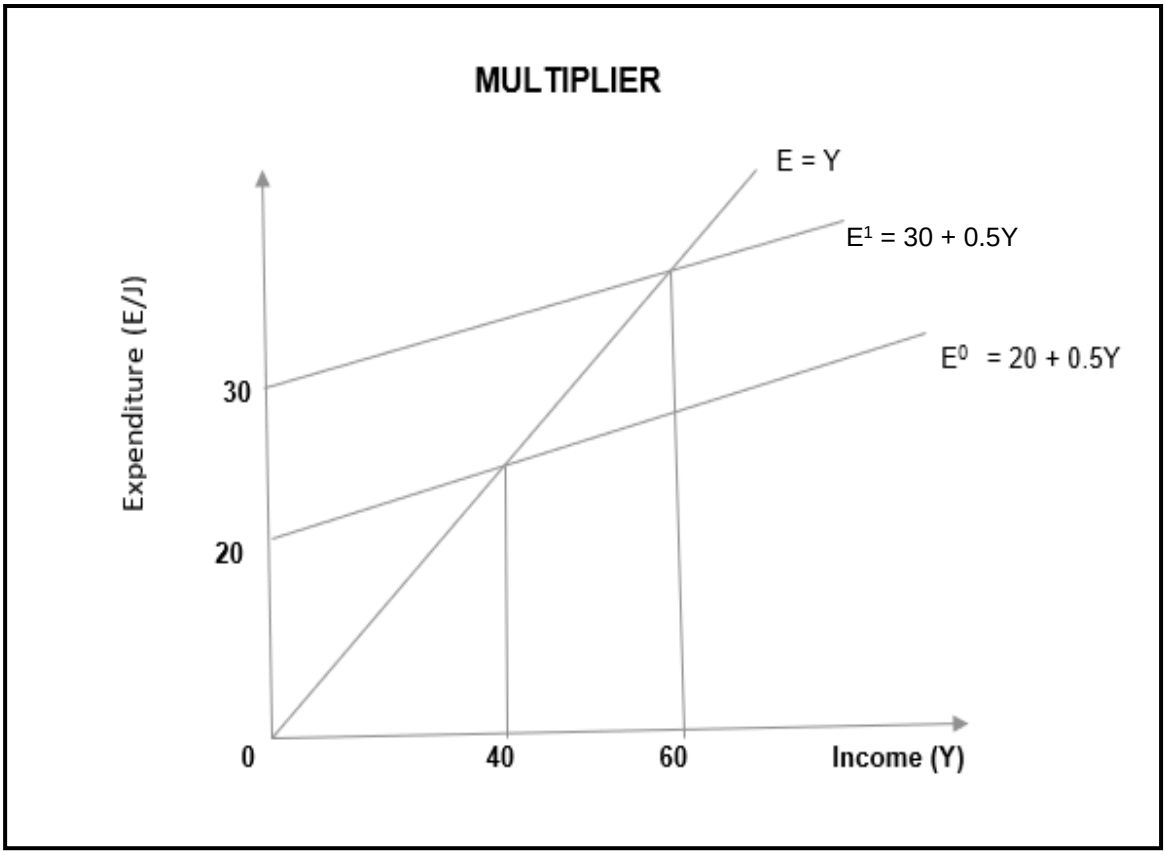
4.2.2 Name ONE industrial development strategy. (1)

4.2.3 Briefly describe the term *value-added goods*. (2)

4.2.4 Explain the impact of industrial development incentives in the private sector of South Africa. (2)

4.2.5 How can the South African economy benefit from providing value-added goods? (2 x 2) (4)

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



4.3.1 Identify the original consumption function on the graph. (1)

4.3.2 Identify the marginal propensity to consume *(mpc)* from the above graph. (1)

4.3.3 Briefly describe the term *induced consumption.* (2)

4.3.4 How do investors impact on the multiplier? (2)

4.3.5 Calculate the multiplier for the above scenario. (Show all calculations) (4)

4.4 Differentiate between the *money market* and *capital market* in the circular flow. (2 x 4) (8)

4.5 Analyze how low remuneration contributes to a low percentage of enrolment in secondary schools. (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 any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid mentioning 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 **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. 26 Max. 10
Conclusion **Any higher Order conclusion should include:** • A brief summary of what was discussed without repeating facts already mentioned • Any opinion or value judgement on the facts already 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 in detail the macro-economic objectives of the government. (26)

- Evaluate the success of the government in achieving economic equity during the Covid-19 pandemic. (10)

[40]

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

- Discuss in detail the following supply-side approach in promoting growth and development in South Africa.

  - Business efficiency (13)
  - Factors of production (13) (26)

- How can the development of small businesses benefit the South African economy? (10)
  [40]

TOTAL SECTION C: 40

TOTAL: 150

END