



EXAMINATIONS COUNCIL OF SWAZILAND  
Swaziland General Certificate of Secondary Education

CANDIDATE  
NAME

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CENTRE  
NUMBER

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CANDIDATE  
NUMBER

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**ECONOMICS**

**6899/01**

Paper 1

**October/November 2018**

**2 hours 30 minutes**

Candidates answer on the Question Paper.

No Additional Materials Required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do **not** use staples, paper clips, highlighters, glue or correction fluid.

You may use a calculator.

Answer **all** questions in Sections A, B, and C.

**Section A** has **ten** multiple-choice questions. For each question there are four possible answers **A, B, C** and **D**. Choose the one you consider correct and write the letter in the box to indicate the correct answer.

The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
Section A	
Section B	
Section C	
Total	

This document consists of **14** printed pages and **2** blank pages.

## Section A

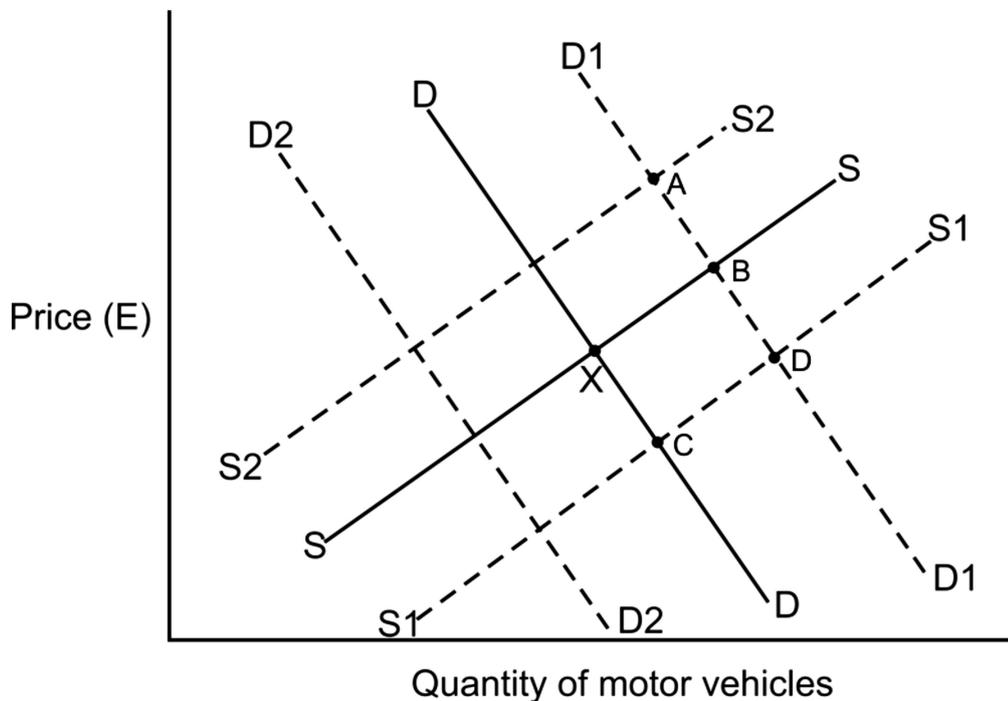
Answer **all** questions.

1 Why are people employed in the mines said to be in a capital intensive industry?

- A It employs a lot of skilled labour.
- B It employs a lot of unskilled labour.
- C It extracts expensive minerals.
- D It uses equipment and a small labour force.

[1]

2 The diagram shows the demand and supply curve for motor vehicles. The initial demand curve is DD and the original supply curve is SS. The original equilibrium is shown by point X.



Which is likely to be the new equilibrium position after there has been an increase in consumers' income and introduction of Value Added Tax (VAT).

[1]

- 3 The Central Bank of Swaziland has reduced the interest rates.  
What is the likely effect on saving and borrowing on the economy of Swaziland?

	<b>Saving</b>	<b>Borrowing</b>
<b>A</b>	fall	fall
<b>B</b>	fall	rise
<b>C</b>	rise	fall
<b>D</b>	rise	rise

 [1]

- 4 Which of the following is the function of the stock exchange?

- A** It permits shareholders to sell their shares.  
**B** It promises to buy unsold shares.  
**C** It sets high prices for shares.  
**D** It sets the maximum number of shares that can be sold.

 [1]

- 5 A firm produces 10 000 bottles of soft drink a week. Its fixed costs are E1 000 a week and its variable costs are E0.50 a bottle. Each bottle is sold for E1.  
What is the profit per bottle?

- A** E0.20  
**B** E0.30  
**C** E0.40  
**D** E0.50

 [1]

- 6 Many countries are now using the market economic system.  
What would be the likely result of using this system?

- A** greater economic efficiency  
**B** greater equality of income  
**C** greater government ownership  
**D** greater regulation of industry

 [1]

- 7 Masotja earns a monthly salary less than that earned by Futhi. However, Masotja pays a higher percentage (%) of income in tax than Futhi. Which tax system is used?
- A flat rate  
B progressive  
C proportional  
D regressive
- [1]
- 8 A government decides to reduce the quota on importation of cars. What is most likely to happen?
- A The balance of trade in goods is likely to worsen.  
B The cars will become cheaper.  
C The government revenue will increase.  
D The number of cars imported will fall.
- [1]
- 9 What is most likely to cause an increase in a country's economic growth?
- A an increase in capital investment  
B an increase in imports  
C an increase in interest rates  
D an increase in taxation
- [1]
- 10 A motorbike manufacturer buys a chain of showrooms where its products are sold to the public. What type of external growth is this?
- A conglomeration  
B horizontal integration  
C vertical integration backward  
D vertical integration forward
- [1]

**[Total marks: 10]**

**Section B**

Answer **all** questions.

**1** Which sector of an economy is likely to be the major employer in a developing country?  
..... [1]

**2** Explain what is meant by external benefits.  
.....  
.....  
..... [2]

**3** Explain any **two** factors that may cause a change in the size of a country's population.  
**(i)** .....  
.....  
**(ii)** .....  
..... [4]

**4** Distinguish between internal economies and external diseconomies of scale.  
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.....  
.....  
..... [4]

5 Analyse what might happen to investment and consumption if interest rates are increased.

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.....  
..... [4]

6 With an aid of a diagram, explain how a decrease in price of a normal product will affect demand.

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..... [4]

7 Explain any **two** characteristics of a good tax system.

- (i) .....  
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.....  
.....
- (ii) .....  
.....  
.....  
..... [4]

8 State any **two** factors of production.

- (i) .....
- (ii) ..... [2]

9 What is meant by an invisible trade deficit?

.....  
.....  
..... [2]

10 Identify any **three** merits of a market system.

- (i) .....  
.....
- (ii) .....  
.....
- (iii) .....  
..... [3]

**Section C**

Answer **all** questions.

**1 BUDGET SPEECH 2015/16 – REVENUE**

The Minister of Finance, when delivering his budget speech for the financial year 2015/16 noted that total revenue for the country was falling and would continue falling. This, he said was because Southern African Customs Union (SACU) receipts and external grants for agricultural developments had fallen.

As a result Government proposed various revenue measures. These measures included an amendment of the Income Tax regulations which include the introduction of taxation of residents on their worldwide income not just on income generated in Swaziland. Government also planned to review the Customs and Excise Act to reduce the cost of doing business in Swaziland and reduce barriers to trade.

The Government also planned to introduce a levy on alcohol and tobacco. The Minister stated that ‘consumption of alcohol and cigarettes has significant public health effects.

It is right to try to influence customers’ behaviour through taxation’.

(Budget speech 2015 presented by Martin G. Dlamini, the Minister of Finance of the Kingdom of Swaziland- 27 February 2015, p.18-20)

**(a)** What is meant by Southern African Customs Union?

.....  
.....  
..... [1]

**(b)** Other than sources of income stated in the extract, give any other **three** sources of income for the government.

**(i)** .....  
.....  
**(ii)** .....  
.....  
**(iii)** .....  
..... [3]

(c) Explain how the reviewing of the Customs and Excise Act could affect the following government aims:

(i) Economic growth

.....  
.....  
.....  
..... [2]

(ii) Balance of payment stability

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.....  
.....  
..... [2]

(d) Besides imposing taxes on producers, describe **two** other measures a government might use to influence the operations of businesses.

(i) .....  
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(ii) .....  
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.....  
..... [4]



**2 SWAZILAND’S CHALLENGES IN ACHIEVING MACRO ECONOMIC AIMS**

Swaziland, like many other African countries, has been experiencing a rapid increase in inflation. Several measures have been put in place to try and correct the situation. The Minister of Enterprise and Employment has urged Swazis to open up businesses and allow multi-national companies in order to increase the country’s output, employment and even improve the trade position of the country. Another major setback for the Swazi economy is the high level of imports. About 80% of products consumed in the country are imported from South Africa.

**(a)** Explain what is meant by:

**(i)** Inflation

.....  
.....  
..... [2]

**(ii)** Imports

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..... [2]

**(b)** Describe how Swaziland’s high level of imports could impact on South Africa’s income and employment.

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..... [4]

(c) Explain any **two** actions that the Swaziland Government can use to reduce the high level of imports.

(i) .....

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(ii) .....

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..... [4]







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