



CHIEF DIRECTORATE – CURRICULUM MANAGEMENT

**GRADE 12 LEARNER SUPPORT
PROGRAMME**

**REVISION AND REMEDIAL TEACHING
INSTRUMENT:
QUESTIONS AND ANSWERS**

SUBJECT: ECONOMICS

June 2009

This document consists of 13 pages.

Strictly not for test/examination purposes

INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows in your answer book.
 - SECTION A: COMPULSORY
 - SECTION B: Answer any THREE questions
 - SECTION:C: Answer any TWO questions
2. Write the question number above each answer.
3. Number the answers correctly according to the numbering system used in this question paper.
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 and content of your answer comply with the cognitive requirements of the question.
7. Write neatly and legibly.
8. Answer only the required number of questions. Answers in excess of this number will NOT be marked.
9. Use only black or blue ink. Answers in pencil will NOT be marked.
10. Non-programmable calculators may be used.

SECTION A (COMPULSORY)**QUESTION 1 (LO1 – LO3, AS2)**

1.1 Various possible options are provided as answers to the following questions. Choose the correct answer and **WRITE ONLY THE LETTER (A – C)** next to the question number. (1.1.1 – 1.1.12) in the answer book.

- 1.1.1 The flow of factors of production in the circular flow model is known as ...
A money flow.
B real flow.
C factor flow. (2)
- 1.1.2 It represents a leakage from the money flow, but there is no choice.
A Savings
B Imports
C Taxes (2)
- 1.1.3 Changes in technology, weather and natural disasters, political changes, etc. are examples of ... factors influencing business cycles.
A exogenous
B endogenous
C economic (2)
- 1.1.4 The ... represents the expected growth rate of a country should the resources be fully utilised.
A length
B amplitude
C trend line (2)
- 1.1.5 This is the shortest business cycle with 3 – 5 years between upper turning points.
A Kitchin cycle
B Jugger cycle
C Business cycle (2)
- 1.1.6 When private sector demand is too low, the government has three options. One of them is ...
A decreasing taxes.
B increasing taxes.
C reducing government spending. (2)

- 1.1.7 Since the 3rd quarter of 2008, SA is experiencing a/an ...
A upswing.
B downswing.
C boom. (2)
- 1.1.8 That part of the public sector which is concerned with national issues such as safety and security, foreign affairs and international trade.
A Local government
B Provincial government
C Central government (2)
- 1.1.9 Taxes levied on the income or capital of an individual or business enterprise.
A Direct tax
B Indirect tax
C Value Added Tax (2)
- 1.1.10 The relationship between tax rates and tax revenue is explained using a ... curve.
A Louis
B Laffer
C Lorenz (2)
- 1.1.11 A country's exchange rate remains constant and does not fluctuate in accordance with changing market conditions. This system is called a ... exchange rate.
A managed floating
B free floating
C fixed (2)
- 1.1.12 Growing interdependence among countries, especially in trade, is referred to as ...
A globalisation.
B liberalisation.
C specialisation. (2)
- (12 x 2) (24)

- 1.2 Choose from the list the term that best matches each statement. Write only the word next to the question number (1.2.1 – 1.2.5) in the answer book.

Implicit cost; Fiscal policy; Marginal propensity to consume; Export income; Terms of trade; Monetary policy; Foreign trade

- 1.2.1 Refers to the government's use of taxation and spending
- 1.2.2 The relationship between the value of exports and imports
- 1.2.3 The value of inputs owned by the entrepreneur and used in the the production process
- 1.2.4 The percentage of any small increase in income that is spent rather than saved.
- 1.2.5 Money flows into the circular flow from foreign countries when they buy our goods. (5 x 2) (10)
- 1.3 Choose an appropriate description from COLUMN B to match the concept in COLUMN A. Write only the letter (A – I) of your choice next to the question number (1.3.1 – 1.3.8) in your answer book.

COLUMN A	COLUMN B
1.3.1 Deregulation	A Market for short-term savings and loans
1.3.2 Cartel	B Estimate something unknown from facts that are known
1.3.3 Land redistribution	C Shows the relationship between unemployment and inflation
1.3.4 Gross National Income	D Oligopolists collude formally or openly
1.3.5 Extrapolation	E The aggregate income earned by the citizens of a country
1.3.6 Money market	F Levied on gains earned on the sale of capital goods such as property and shares
1.3.7 Capital gains tax	G Distribution of the country's agricultural land to the previously disadvantaged people
1.3.8 Phillip's curve	H Removal of laws, regulations and other forms of government control that interfere in markets.
	I The total demand in the economy

(8 x 2) (16)

TOTAL SECTION A: 50

SECTION B

Answer any THREE questions from this section in the answer book.

QUESTION 2 (LO1: MACRO-ECONOMICS)

2.1 Answer the following questions appropriately.

Choose the correct word/term between brackets. Write only the correct word next to the question number (2.1a – 2.1d) in the answer book.

- (a) A tax on products will cause the market price to be (lower/higher) than the basic price.
- (b) The (length/amplitude) of a business cycle is measured from peak to peak or trough to trough.
- (c) The government's spending plan over three years is called the (budget/MTEF).
- (d) Tourists visiting South Africa (demand/supply) rand. (4 x 2) (8)

2.2 List THREE categories of economic indicators used in forecasting business cycles. (3 x 2) (6)

DATA RESPONSE

2.3 Refer to the following information and answer the questions that follow:

The economy is in equilibrium when $Y = R10\ 000m$, $S = R4\ 000m$ and $I = R4\ 000m$. RAINBOW MINING has decided to invest R1 000m on a new mining project in the Eastern Cape.

(3)

2.3.1 What is a multiplier?

2.3.2 What do the following letters represent?

- (a) S
- (b) I
- (c) Y (3 x 2) (6)

2.3.3 Calculate the multiplier effect of the R1 000m investment by RAINBOW MINING. Show all calculations. (6)

2.3.4 Draw a graph to illustrate the impact of the increase in investment. (5)

2.4 Explain any THREE components/groups of items in the current account of the balance of payments. (16)

[50]

QUESTION 3 (LO2: MICRO-ECONOMICS)

3.1 Answer the following questions appropriately.

Choose the correct word/term between brackets. Write only the correct word next to the question number (3.1a – 3.1d) in the answer book.

Criteria	Perfect competition	Oligopoly	Monopolistic competition
Number of business	Many	(a) (Few/Many)	Many
Nature of the product	(b) (Unique/Homogeneous)	Homogeneous & differentiated	Heterogeneous
Entry to the market	(c) (Blocked/Free)	Varies from free to restricted	Free
Demand curve	Horizontal	May be kinked	(d) (Horizontal/Downward sloping)

(4 x 2) (8)

3.2 List any THREE non-price competition tools used by oligopoly firms.

(3 x 2) (6)

DATA RESPONSE

3.3 The table shows revenues for a perfectly competitive firm. Study the table and answer the questions that follow.

Quantity (Q)	Average Revenue (AR)	Total Revenue (TR)	Price (P)	Marginal Revenue (MR)
10		200		
20		400		
40		800		
70		1400		

3.3.1 Complete the table by calculating AR, P and MR. (6)

3.3.2 What is evident about price, average revenue and marginal revenue under conditions of perfect competition (with reference to calculations in QUESTION 3.3.1)? (3)

3.3.3 What market forces determine the price charged by firms in perfectly competitive industries? (3)

- 3.3.4 What prevents a perfectly competitive business from raising its price in order to make a bigger profit? (6)
- 3.3.5 At what 'point' should a firm under perfect competition shut down? (2)
- 3.4 Explain 'lack of information' and 'immobility of factors of production' as reasons for market failures. (16)
- [50]**

QUESTION 4 (LO3: ECONOMIC PURSUITS, AS1 – AS2)

4.1 Answer the following questions appropriately.

- 4.1.1 Choose the correct word/term between brackets. Write only the correct word next to the question number (4.1a – 4.1d) in the answer book.
- (a) South Africa has a relatively (small/large) domestic market which is not as healthy as expected.
 - (b) Corridor developments will often occur due to (private/public) investments.
 - (c) The ultimate aim of any country is to (export/import) and raise the standard of living of its citizens.
 - (d) A shortage of finance for small business development frustrates industrial (growth/development). (4 x 2) (8)
- 4.1.2 List the THREE key input sectors provided by the government. (3 x 2) (6)

DATA RESPONSE

4.2 Study the extract and answer the questions that follow.

Economic growth is a widely held economic goal for almost all countries of the world. All countries strive for growth and development. Development includes more than the financial and material aspects of human existence, it is a multidimensional process. Besides improvements regarding income and productivity, development includes changes in social, institutional and administrative processes. An economy experiencing economic growth is better able to meet people's wants and resolve socio-economic problems.

Growth lessens the burden of scarcity. In 2006, the government released its growth initiative, with an objective to have one of its aims realised. Economic growth allows a nation to attain economic objective fully and to undertake endeavours, which require goods and services.

Economics OBE for FET Gr 12 (pg.155)

- 4.2.1 Differentiate between economic growth and economic development. (6)
- 4.2.2 Which worldwide economic problem is referred to in the extract? (3)
- 4.3.3 Name any other two economic objectives of the government (besides economic growth). (2 x 3) (6)
- 4.2.4 Which initiative in South Africa aims to advance average economic growth of at least 6% by 2014? (3)
- 4.2.5 Mention any ONE objective of the initiative mentioned in QUESTION 4.2.4. (2)
- 4.3 There is a great deal of controversy over why there are such differences between North and South. Explain the North/South divide giving the differences between the North and the South. (16)

[50]

QUESTION 5 (LO2: MICRO-ECONOMICS + LO3: ECONOMIC PURSUITS, AS2)

5.1 Answer the following questions appropriately:

Choose the correct word/term between brackets. Write only the correct word next to the question number (5.1a – 5.1d) in the answer book.

- (a) MC = MR can be regarded as a golden rule in (micro/macro) economics.
- (b) Under perfect competition products will be (homogeneous /heterogeneous).
- (c) Because of its lack of market power the perfectly competitive firm is called a price (maker/taker).
- (d) Oligopoly firms are tempted to collude to (reduce/increase) output and raise prices affecting their economic profits. (4 x 2) (8)

5.2 List THREE options the state has, (apart from taking full responsibility for providing it to provide merit goods. (3 x 2) (6)

5.3 **DATA RESPONSE**

NEW COAL-FIRED POWER STATION

An economist is invited to conduct a CBA of a proposed new coal-fired power station 10 km from the center of Cape Town. The power station will produce enough electricity to ensure that Cape Town will not suffer any power cuts for the next ten years.

Also its construction and operation will provide employment to several hundred people. However the power station will pollute the environment within a radius of 10 km and 1 500 people will be required to leave their homes, which have to be demolished to make way for the power station. Coal will have to be transported by rail and road.

Oxford Successful Economics Pg. 113 - adapted

- 5.3.1 Explain the term Cost-Benefit Analysis. (3)
- 5.3.2 Describe the rationale for CBA. (2 x 2) (4)
- 5.3.3 Give TWO variables that an economist need to take into consideration when measuring the cost of production. (2 x 3) (6)
- 5.3.4 Give an example of a major project where cost-benefit analysis can be applied. (2)
- 5.3.5 Name any TWO examples of the most relevant private costs. (2 x 3) (6)

- 5.4 Briefly explain any FOUR 'incentives' on offer from various South African government departments and institutions, in order to promote regional industrial development. (16)
[50]

QUESTION 6 (LO1: MACRO- & LO2: MICRO-ECONOMICS)

- 6.1 Answer the following questions appropriately:

Choose the correct word/term between brackets. Write only the correct word next to the question number (6.1a – 6.1d) in the answer book.

- (a) The flow of goods and services from the firms and the foreign sector to households is an example of (money/real) flow.
- (b) An exchange rate system without government intervention is known as a (floating/fixed) exchange rate system.
- (c) The costs that remain constant regardless of the level of output that is produced are (variable/fixed) costs.
- (d) A market that produces the optimal mix of goods and services desired by consumers is (allocative/technical) efficient. (4 x 2) (8)

- 6.2 List any THREE conditions under which collusion is successful. (3 x 2) (6)

6.3 DATA RESPONSE

Read the following extract and answer the questions that follow:

South Africa faces threat of recession

There is a "very real" risk that South Africa could face an economic recession as a result of the current electricity crisis. The country has already been going through an economic slowdown. The electricity crisis could push the country into recession. Basing prediction on the loss of production time, the SA chamber of Commerce and Industry is economist said that as the power cuts had become regular occurrences, production time loss and the work needed to be done by business at that time could never be recovered. Sacci Chief Executive said that if the electricity crisis is not managed properly and if the short term initiatives are not working, the country's economy will have major problems.

Source: Daily Dispatch 7 February 2008(adapted)

- 6.3.1 Define is a business cycle. (3)
- 6.3.2 Apart from the recession, identify the other phases of a business cycle. (6)

- 6.3.3 What, according to the extract, are the predictions of a recession based on? (3)
- 6.3.4 Describe how the state might intervene during a recession. (6)
- 6.3.5 'The electricity crisis could push the country into recession'. Is this an exogenous or endogenous variable? (2)
- 6.4 Briefly explain the aims of the competition policy and distinguish between the Competition Commission and the Competition Tribunal. (16)
- [50]**

TOTAL SECTION B: 150

SECTION C

Answer any TWO questions from this section.

QUESTION 7 (LO1: MACRO ECONOMICS, AS3)

Most of us have experienced 'public sector failure' of some kind. Examples are: Waiting in vain for a government official to answer the telephone, standing in long queues at the office, waiting endlessly for passports, the list goes on. But when economists talk about government failure, the meaning is different.

Source: Economics, OBE for FET Grade 12

Discuss in detail the features, reasons and effects of public sector failure. **[50]**

QUESTION 8 (LO1: MACROECONOMICS, AS4)

"In today's world, no nation exists in economic isolation. All aspects of a nation's economy are linked to the economies of its trading partners."

Considering the above statement, discuss the reasons for international trade. **[50]**

QUESTION 9 (LO2: MICROECONOMICS, AS3)

"The monopolist is a price maker since it can influence the price by limiting the quantity. This does not mean that it can control both price and quantity, because it has to consider the law of demand. What the monopolist can do is to choose the combination of price and quantity that suits it best."

With reference to the above, explain profit maximisation of a monopoly market with the help of diagrams. **[50]**

QUESTION 10 (LO3: ECONOMIC PURSUITS, AS2)

"Governments industrial policy strives to achieve a balance between greater openness and improvement in local competitiveness. South Africa has made great strides in opening domestic economy to international competition."

Considering the above statement, explain fully South Africa's industrial development policies with regard to 'SDIs' and 'Incentives'. **[50]**

TOTAL SECTION C: 100

GRAND TOTAL: 300