 Province of the

EASTERN CAPE

EDUCATION

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**HOME SCHOOLING SELF- STUDY ANSWER SHEET**

|  |  |  |  |  |  |
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| **SUBJECT** | **ECONOMICS** | **GRADE** | **12** | **DATE** | **15/05/2020** |
| **TOPIC** | **MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES MARKS: 40** | **TERM 1****REVISION** |  | **TERM 2 CONTENT** | **X** |

|  |  |
| --- | --- |
| **QUESTION 1: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES** |  |
|  |  |
| 1.1 | 1.1.1 | **Name TWO World Heritage Sites in South Africa.** * Mapungubwe √
* Sterkfontein Caves √
* Robben Island √
* Vredefort Dome √
* Richtersveld and Botanical Landscape √ (Any 2 x 1)

  | (2) |
|  |  |  |  |
|  | 1.1.2 |  **What is the effect on a business if the average cost is more than the average revenue?*** The business will suffer losses (economic losses) √√ (1 x 2).
 | (2) |
|  |  |  |
| 1.2 | **Study the data below and answer the questions that follow.** |  |
|  |  |  |
|  | 1.2.1 | **Identify ONE private cost and ONE external benefit from the data above.** * Private cost: road construction equipment  External benefit: establishment of new businesses √ (2 x 1)
 | (2) |
|  |  |  |  |
|  | 1.2.2 | **Explain the term cost-benefit analysis.*** Project evaluation that need to be done in order to find conclusive answers/procedure used to measure total cost of a project against its total benefits √√

(Accept any other relevant response) | (2) |
|  |  |  |  |
|  | 1.2.3 | **What alternative measure could the government consider instead of building a new road?*** Maintenance of existing roads √√
* Measures to prevent flooding in future e.g. dams √√

(Accept any other relevant response) | (2) |
|  |  |  |  |
|  | 1.2.4 | **Should the government** **proceed with the building of this road? Motivate your answer.****Yes √*** Flooding will not be a problem for road users, tourists and the local community (farmers) √√
* Income derived from toll gates will ensure future maintenance, and will cover the investment made in the construction of toll roads √√
* The final decision will be determined by the positive difference between total benefits from this project over total costs √√

**No √*** Floods only exist during the rainy season and other measures could be taken to prevent flooding e.g. dams √√
* Pollution will harm the local community (especially farmers and the environment) on a permanent basis √√
* Social cost will exceed social benefits due to temporary job creation √√

(Accept any other relevant response) | (4) |

|  |  |  |
| --- | --- | --- |
| 1.3 | **Study the extrct below and answer the questions that follow.** |  |
|  |  |  |
|  | 1.3.1 | **What is the current inflation target range?*** 3%–6 % √√
 | (2) |
|  |  |  |  |
|  | 1.3.2 | **What is the main purpose of the South African inflation targeting policy?*** To ensure a stable and sustainable economy √√
 | (2) |
|  |  |  |  |
|  | 1.3.3 | **How can lower interest rates benefit the South African economy in the short term?*** Increase consumer expenditure √√
* Increase production √√
* Lead to new job opportunities √√
* Lead to a higher standard of living for more people √√

(Accept any other relevant response) (Any 1 x 2) | (2) |
|  |  |  |  |
|  | 1.3.4 | **How successful, in your opinion, was the Reserve Bank in meeting its inflation target?** * The Reserve Bank was successful – The bank manages to pin down inflation between the target range of 3%–6% √√
* They have successfully increase the repo rate at the right time to prevent inflation to increase above the 6% target range √√
* (Accept any other relevant response) (2 x 2)
 | (4) |
|  |  |  |  |
| 1.4 | **Distinguish between economic profit and normal profit in the perfect market.**  **Normal Profit:** * A firm makes normal profits when total revenue (TR) equals total costs/when average revenue (AR) equals average cost (AC) √√
* Normal profit is the maximum return the owner of a firm expects to receive to keep on operating in the industry √√
* The minimum earnings required to prevent an entrepreneur from leaving the industry √√
* When average revenue equals average cost the firm makes a normal profit √√

 (2 x 2)**Economic profit:*** Profit that is made in addition to normal profit √√
* When average revenue is greater than average cost the firm makes an economic profit √√
* When the average cost per unit is lower than the price √√

(Accept tabular format) (Accept any other relevant response) (2 x 2) (2 x 4) | (8) |
|  |  |  |
| 1.5 | **What is the impact of inflation on investors and savers?** * Assets with fixed nominal values remain constant, the purchasing power of the nominal values increase, the real value decrease √√
* Assets with flexible market value: The holders of shares and fixed property usually gain by price increases because the nominal value of these assets tend to increase at least proportionately to the rate of inflation √√
* Often the prices of these assets increase more rapidly than the increase in the general price level √√
* In this case, inflation creates wealth, to the advantage of the shareholders √√
* People who save are disadvantaged by inflation due to the fact that interest earned will be less than the current inflation rate √√

(Accept any other relevant fact) (Any 4 x 2) | (8) |
|  | DBE/Feb-Mar. 2016 | **[40]** |