



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS
PREPARATORY EXAMINATION 2008**

MARKS: 300

TIME: 3 hours

This question paper consists of 18 pages.

INSTRUCTIONS AND INFORMATION

1. Answer SIX questions as follows:

SECTION A: COMPULSORY	(50)
SECTION B: Answer any THREE questions.	(150)
SECTION C: Answer any TWO questions.	(100)
2. Write the number of the question 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 sub-sections of questions.
6. Answer in full sentences.
7. Only the required number of questions will be marked, in the order in which they appear in the ANSWER BOOK.
8. Use only black or blue ink. Answers in pencil will NOT be marked.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.

MARKS: 300**MINUTES: 180**

SECTION A: COMPULSORY	
QUESTION 1: 50 MARKS – 25 MINUTES	
Topic of this question: SHORT ITEMS	Learning outcomes covered are: LO1 – LO4 (AS1 – AS4)
SECTION B: ANSWER ANY 3 QUESTIONS FROM THIS SECTION.	
QUESTION 2: 50 MARKS – 25 MINUTES	
Topic of this question: MACRO-ECONOMICS	Learning outcome covered is: LO1 (AS1 – AS4)
QUESTION 3: 50 MARKS – 25 MINUTES	
Topic of this question: MICRO-ECONOMICS	Learning outcome covered is: LO2 (AS1 – AS3)
QUESTION 4: 50 MARKS – 25 MINUTES	
Topic of this question: ECONOMIC PURSUITS	Learning outcome covered is: LO3 (AS1 – AS4)
QUESTION 5: 50 MARKS – 25 MINUTES	
Topic of this question: CONTEMPORARY ECONOMIC ISSUES	Learning outcome covered is: LO4 (AS1 – AS4)
QUESTION 6: 50 MARKS – 25 MINUTES	
Topic of this question: MACRO- AND MICRO-ECONOMICS	Learning outcomes covered are: LO1 (AS1) & LO2 (AS2)
SECTION C: ANSWER ANY 2 QUESTIONS FROM THIS SECTION.	
QUESTION 7 : 50 MARKS – 40 MINUTES	
Topic of this question: MACRO-ECONOMICS	Learning outcome covered is: LO1 (AS2)
QUESTION 8: 50 MARKS – 40 MINUTES	
Topic of this question: MICRO-ECONOMICS	Learning outcome covered is: LO2 (AS1)
QUESTION 9: 50 MARKS – 40 MINUTES	
Topic of this question: ECONOMIC PURSUITS	Learning outcome covered is: LO3 (AS3)
QUESTION 10: 50 MARKS – 40 MINUTES	
Topic of this question: CONTEMPORARY ECONOMIC ISSUES	Learning outcome covered is: LO4 (AS1)

SECTION A (COMPULSORY)**QUESTION 1**

1.1 Various options are provided as possible answers to the following questions. Choose the 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 In a circular flow, money flow consists of ...
- A factors of production and final goods.
 - B income and expenditure.
 - C factors of production only.
- 1.1.2 Business cycles are in the shape of ...
- A circles.
 - B waves.
 - C a line graph.
- 1.1.3 One of the micro goals of fiscal policy is ...
- A balance of payments stability.
 - B the development of tourism as economic sector.
 - C subsidised bread.
- 1.1.4 Another concept for price is value in ...
- A exchange.
 - B use.
 - C scarcity.
- 1.1.5 Inefficiencies are a consequence of market failure and in general consumers pay prices that ...
- A are too high.
 - B are too low.
 - C remain constant.
- 1.1.6 If there is room for only one business in an industry, economists speak of a(n) ... monopoly.
- A perfect
 - B imperfect
 - C market

- 1.1.7 Societies in ... enjoy a higher standard of living.
- A both the Northern and Southern hemispheres
 - B the Northern hemisphere
 - C the Southern hemisphere
- 1.1.8 The Industrial Revolution that began in England during the nineteenth century focused on ... activities.
- A agricultural
 - B manufacturing
 - C distributive
- 1.1.9 An economic indicator relating to production is the ...
- A economic active population.
 - B Gini coefficient.
 - C gross domestic production at current prices.
- 1.1.10 An example of consumer inflation is ...
- A headline inflation.
 - B producer inflation.
 - C hyperinflation.
- 1.1.11 Rock art is a typical example of ...
- A government involvement.
 - B creative art.
 - C indigenous knowledge systems.
- 1.1.12 To safeguard the wastelands from total eradication ... occurs.
- A control
 - B conservation
 - C preservation
- (12 x 2) (24)

- 1.2 Complete the following sentences by using the words provided in the list below. Write only the word(s) next to the question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

normal profit; survival ability; demand side; industrial policy; carrying capacity; multiplier effect; Gross Domestic Product; supply side; current account; development policy; financial account; economic profit

- 1.2.1 International transactions in portfolio investments are recorded in the
- 1.2.2 A situation where a change in spending causes a disproportionate change in aggregate demand, describes
- 1.2.3 The minimum earnings required to prevent the entrepreneur from leaving the market, are called
- 1.2.4 Government policy concerning the extension of the manufacturing sector, is often referred to as
- 1.2.5 The maximum number of tourists that a tourist attraction can accommodate, is referred to as ... of a region. (5 x 2) (10)

- 1.3 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A – J) next to the question number (1.3.1 – 1.3.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.3.1	Double counting	A	charging low prices to harm competitors' profits
1.3.2	Leakages	B	combination of increasing unemployment and inflation
1.3.3	Opportunity cost	C	pensions added to the national income figures
1.3.4	Price wars	D	the value of the best alternative not chosen
1.3.5	Industrial development zones	E	our indigenous environmental uniqueness like the Cape Fynbos Region
1.3.6	Urbanisation	F	migration from rural areas to towns and cities
1.3.7	Stagflation	G	taxation and investment are good examples
1.3.8	World Heritage Sites	H	industrial estates physically enclosed and linked to an international port or airport
		I	a general price increase
		J	aimed at attracting infrastructure and business investments to under-developed areas

(8 x 2) (16)

TOTAL SECTION A: 50

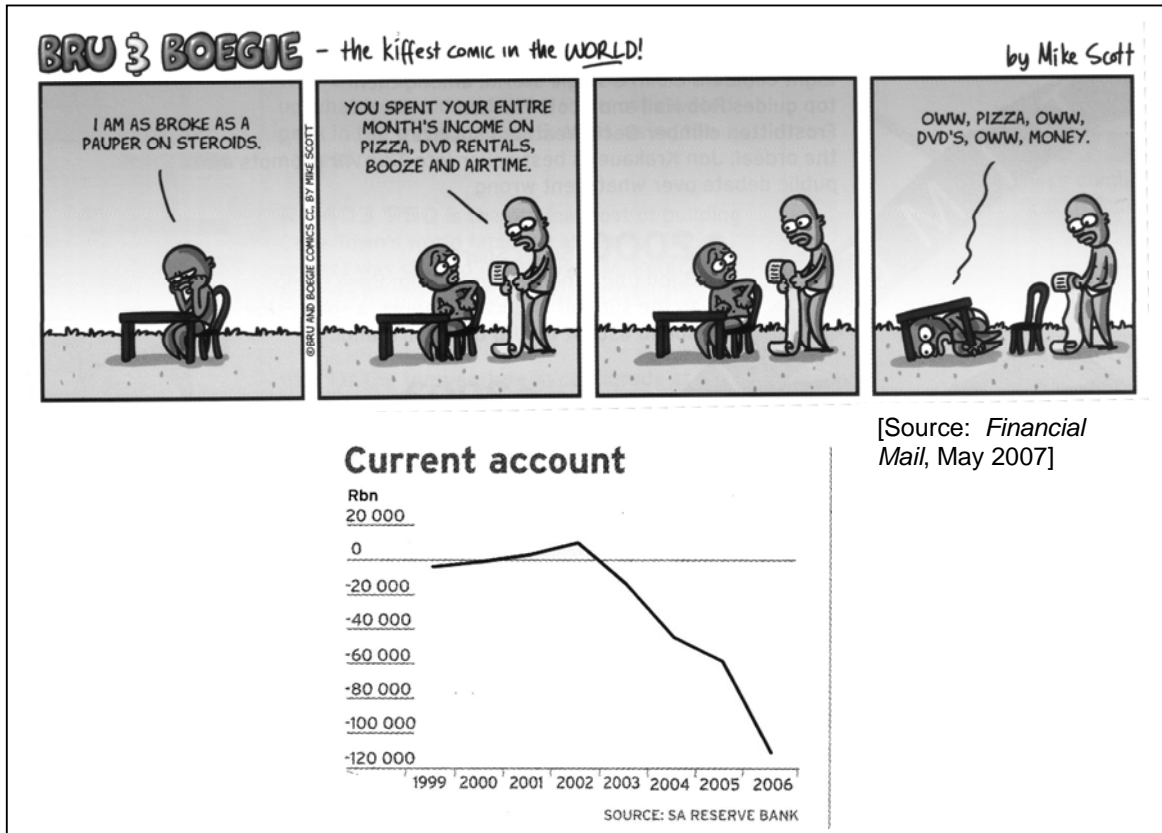
SECTION B

Answer any THREE questions from this section in the ANSWER BOOK.

QUESTION 2

- 2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (2.1.1 – 2.1.4) in the ANSWER BOOK.
- 2.1.1 A country that trades internationally, has a(n) (closed/open) economy.
- 2.1.2 Business cycles occur (regularly/periodically).
- 2.1.3 The curve showing the relationship between tax rates and tax revenue collected by governments is called the (Laffer/production-possibility) curve.
- 2.1.4 The process whereby the state takes control of privately owned assets is called (privatisation/nationalisation). (4 x 2) (8)
- 2.2 List THREE types of exchange rate systems. (3 x 2) (6)

2.3 Study the comic strip and graph below to answer the questions that follow.



- 2.3.1 Define the *balance of payments*. (3)
- 2.3.2 Which trend is indicated in the current account from 2002 to 2006? (3)
- 2.3.3 Explain the correlation between the comic strip and the trend shown by the current account. (4)
- 2.3.4 What is the major reason for the trend of the current account in the last 4 years? (3)
- 2.3.5 What action can the reserve bank take to correct this phenomenon? (3)
- 2.3.6 What will be the implication of the trend in the current account on foreign direct investment and the exchange rates? (4)
- 2.4 Evaluate the necessity of the public sector, concerning the provisioning of public goods and services in a South African context. (16)

[50]

QUESTION 3

- 3.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.
- 3.1.1 Under conditions of perfect competition the slope of the demand curve facing an individual business is (sloping from left to right/horizontal).
- 3.1.2 A minimum price set above the equilibrium price, will lead to (oversupply/over demand).
- 3.1.3 When only two producers manipulate market supply, it is referred to as (duopoly/oligopoly).
- 3.1.4 The greater the differentiation that a monopolistic producer can create, the (more/less) price elastic the demand for his/her product will become. (4 x 2) (8)
- 3.2 List any THREE characteristics of oligopolies. (3 x 2) (6)
- 3.3 Study the table below and answer the questions that follow.

Q	FC	VC	TC	AVC	ATC	MC
0	10	0	10	–	–	A
1	10	4	14	4	B	4
2	10	6	16	C	8	2
3	10	10	D	3,3	6,7	4
4	E	16	26	4	6.5	6
5	10	26	36	5,2	7,2	10
6	10	F	50	6,7	8,3	14
7	10	58	68	8,3	9,7	18
8	10	80	90	10	11,3	22

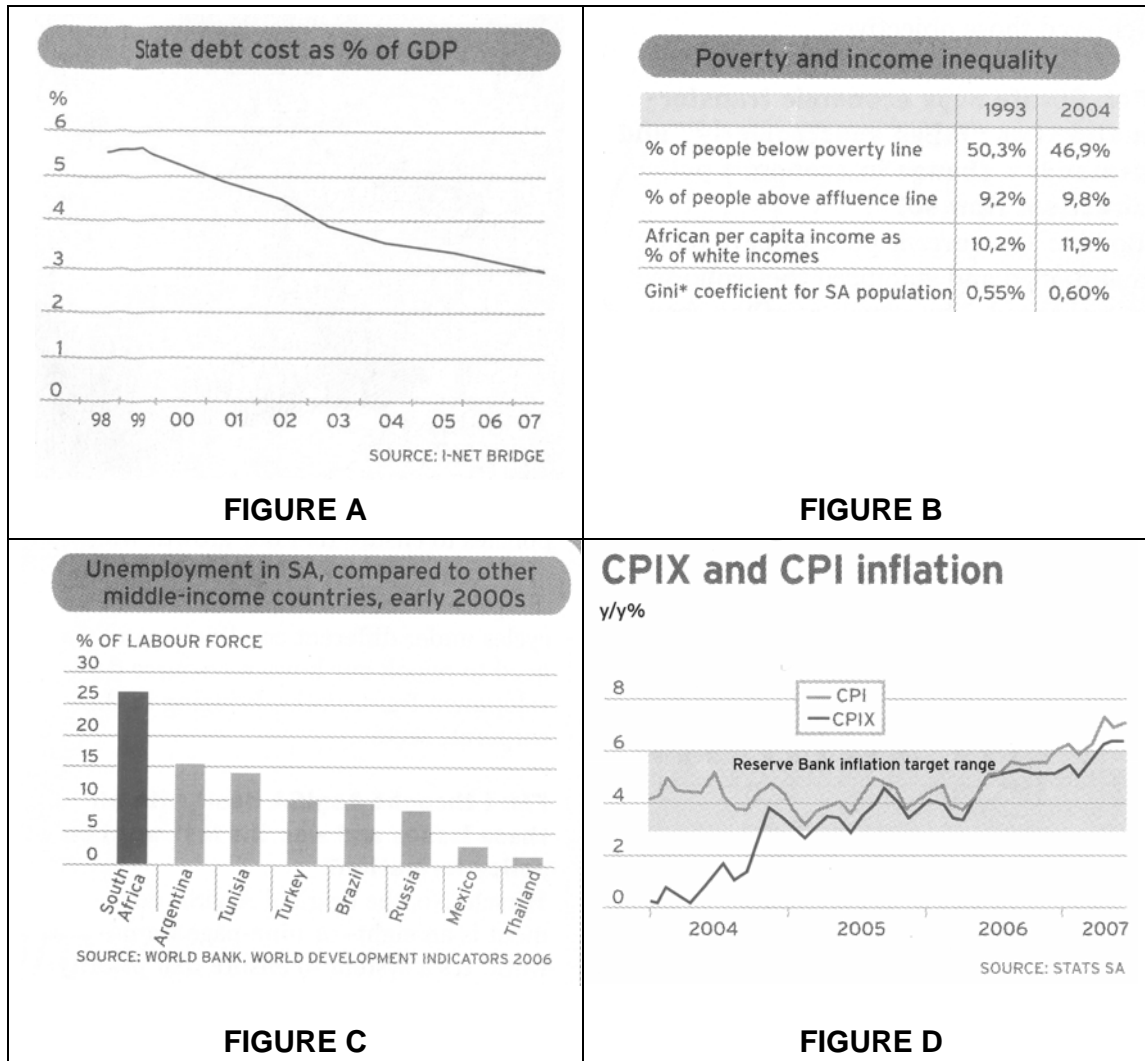
[Source: Short-run cost data, *Oxford Successful Economics*, p. 81]

- 3.3.1 Complete the table by filling in the missing letters A – F. (6)
- 3.3.2 Draw a well-labelled graph to show the average total and marginal cost curves on the same set of axis. (8)
- 3.3.3 At what level of output is the firm production efficient, given a market price of R15,00? Also indicate the market price on the graph. (3)
- 3.3.4 Describe the trend of the marginal cost curve. (3)
- 3.4 Explain the uses of cost-benefit analysis. (16)
- [50]**

QUESTION 4

- 4.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.
- 4.1.1 The high unemployment rate in South Africa has prompted the government to implement strategies to accelerate the country's economic (growth rate/development).
- 4.1.2 Maputo Development Corridor is an example of a (spatial development initiative/industrial development zone).
- 4.1.3 The improvement of international competitiveness of local businesses is an advantage of (export promotion/import substitution).
- 4.1.4 South Africa's population growth rate, compared with those of developed countries, is seen as a (demographic/urbanisation) social indicator. (4 x 2) (8)
- 4.2 List any THREE arguments for free trade. (3 x 2) (6)

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



4.3.1 Why do we use economic indicators? (3)

4.3.2 Explain the economic indicator displayed by FIGURE A. (4)

4.3.3 What is measured by the Gini coefficient in FIGURE B? (3)

4.3.4 Interpret the Gini coefficient figures between 1993 and 2004. (4)

4.3.5 Why is South Africa's unemployment rate so high compared to other middle-income countries? Refer to FIGURE C. (3)

4.3.6 Why is the CPIX-figure lower than the CPI-figure? Refer to FIGURE D. (3)

4.4 Compare and evaluate small business development and black economic empowerment (BEE) as part of the South African development policy. (16)
[50]

QUESTION 5

- 5.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (5.1.1 – 5.1.4) in the ANSWER BOOK.
- 5.1.1 Price decreases over a prolonged period of time are called (inflation/deflation).
- 5.1.2 Accommodation is seen as (direct/indirect) spending on tourist goods.
- 5.1.3 Residual waste is created in (production/consumption).
- 5.1.4 Economic efficiency emphasises marginal (benefits/decisions). (4 x 2) (8)
- 5.2 List any THREE economic effects of tourism. (3 x 2) (6)

5.3 Study the extract below and answer the questions that follow:

CHINA VS EARTH: HOW CHINA IS THREATENING THE WORLD'S ENVIRONMENT

Beijing knows the costs of inaction: A recent major official study on climate change predicts up to a 37% decline in China's wheat, rice and corn yields in the second half of the century. Precipitation may decline by as much as 30% in three of China's seven major river regions: the Huai, Liao and Hai. These rivers support the richest agricultural regions of the country, but will initially experience floods and then drought as the glaciers melt.

A one-metre rise in sea level will submerge an area the size of Portugal along China's eastern seaboard – home to more than half the country's population and 60% of its economic output.

The Chinese government has called for renewable energy to provide 10% of the nation's power by 2010 and 15% by 2020. Key state-owned enterprises and provincial governors must make 20% reductions in their energy intensity over the next three years.

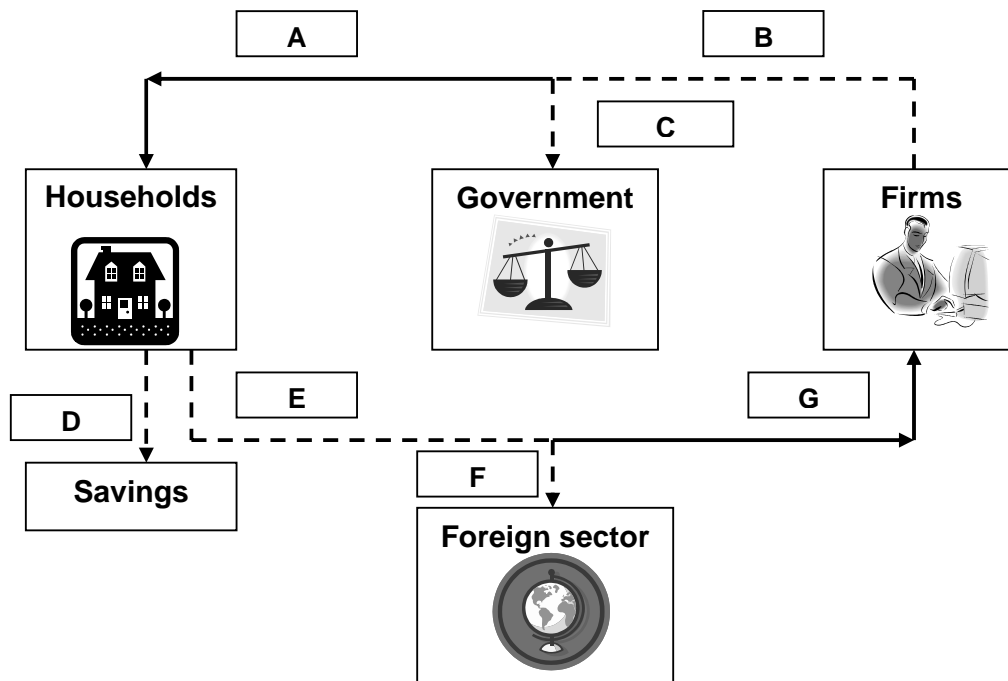
[Extract from: *Skyways*, July 2007]

- 5.3.1 Define *tourism*. (3)
- 5.3.2 Write down the sentence that indicates the active involvement of the state in China's production. (3)
- 5.3.3 Which part of the extract indicates how China threatens the world? (3)
- 5.3.4 What is the current connection between energy provision in China and Eskom's provision in South Africa? (6)
- 5.3.5 Name ONE strategy by the rest of the world to solve the crisis in China. (3)
- 5.3.6 How does the environment affect tourism? (2)
- 5.4 Analyse environmental sustainability in respect of pollution, conservation, preservation and externalities. (4 x 4) (16)
- [50]**

QUESTION 6

- 6.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (6.1.1 – 6.1.4) in the ANSWER BOOK.
- 6.1.1 Payments received on goods exported are seen as a(n) (leakage/injection).
- 6.1.2 The monetarists maintain that (exogenous/endogenous) factors cause departures from a state equilibrium.
- 6.1.3 A document showing anticipated revenue and estimated expenditure, is called (a budget/long-term planning).
- 6.1.4 An increase in the price of a currency in terms of another currency is called (appreciation/depreciation). (4 x 2) (8)
- 6.2 List any THREE characteristics of monopolistic competition. (3 x 2) (6)

6.3 Study the diagram below and answer the questions that follow.



6.3.1 Use the information below and determine the values of A – G:

- Total production = R10 000
- Income taxation = R2 000
- Savings = R1 000
- Imports = R2 500

(7)

6.3.2 Use the circular flow model to explain what the impact of a decrease in income taxes will be on the level of production.

(4)

6.3.3 Identify the different flows in the circular-flow diagram for an open economy, and give ONE example of each.

(4)

6.3.4 Write down a formula that you will use to compile the GDP according to the expenditure method, GDP (E).

(5)

6.4 Explain externalities and public goods as reasons for market failures. (2 x 8)

(16)
[50]

TOTAL SECTION B: 150

SECTION C0000

Answer any TWO questions from this section in the ANSWER BOOK.

- I. Essay responses should include an introduction, body and conclusion. For the introduction and conclusion 5 marks will be allocated. In addition, 5 marks will be allocated for the interpretation of the topic and language usage. A maximum of 40 marks will be allocated for the body.
- II. Other long-answer questions: For the structure 5 marks will be allocated. In addition, 5 marks will be allocated for the interpretation of the topic and language usage. A maximum of 40 marks will be allocated for the body.
- III. Long-answer questions where a letter is required:
 - 5 marks will be allocated for the format of the letter as follows:
3 marks for the salutation and 2 marks for the closing;
 - 5 marks will be allocated for the interpretation of the topic and language usage;
 - A maximum of 40 marks will be allocated for the body.

QUESTION 7

"It is the work of economists to analyse events as they happen, to explain them and to predict or forecast their future behaviour." – Mike Levin

Discuss how business cycle indicators are used in forecasting. Make use of a diagram to explain a typical business cycle. Conclude your discussion with a note to the local business chamber indicating why you think we are at a certain point in the cycle.

[50]

QUESTION 8

It is the aim of firms operating in a free-market system to maximise their profits. The industry is characterised by freedom of entry and exit.

Write an essay and explain with the aid of a diagram how long-term equilibrium for the industry is achieved under conditions of perfect competition.

[50]

QUESTION 9

Since 1994 South Africa made significant progress towards strengthening bilateral ties with its main trading partners. This has mainly taken the form of free-trade area (FTA) protocols.

Write a letter to the Minister of Trade and Industry, in which you discuss the arguments in favour of protectionism. Evaluate SACU, SADC and AU as major protocols in terms of these.

Address of recipient:
Private Bag X101
Cape Town
8000

[50]

QUESTION 10

The American humorist, Art Buchwald, once explained inflation as follows:

"In 1887 there was a bar and grill owner in San Francisco named George Inflation. One day he failed to receive a shipment of stock from the East. Since the demand was great, George Inflation decided to charge 15 cents per glass, instead of the standard 10 cents. He also made the glass smaller. This did not stop his customers from buying these products, so he raised the price to 20 cents, then 25 cents. The other bars in San Francisco raised their prices accordingly and when their customers complained, they would say, 'Blame it on Inflation'." – Mc Ewan, A & Weisskopf

Write an essay on inflation, explaining the policies that are used to combat inflation. Conclude your essay with the most important measure used by the Reserve Bank to combat it and give a short evaluation of the efficiency of this instrument.

[50]**TOTAL SECTION C: 100****GRAND TOTAL: 300**