**ECON**



# ISEBE LEMFUNDO LEMPUMA KOLONI

EASTERN CAPE EDUCATION DEPARTMENT

OOS-KAAP ONDERWYSDEPARTEMENT

IIMVIWO ZEBANGA LOKUGQIBELA

NATIONAL SENIOR CERTIFICATE EXAMINATIONS

NASIONALE SENIOR SERTIFIKAAT-EKSAMEN

### SEPTEMBER 2009

|  |
| --- |
| **ECONOMICS** |

##### IXESHA: 3 iiyure TIME: 3 hours TYD: 3 uur

**AMANQAKU: 300 MARKS: 300 PUNTE: 300**

*Write on the cover of your answer book, after the word “Subject” –*

**ECONOMICS**

This question paper consists of 13 pages.

## INSTRUCTIONS AND INFORMATION

|  |  |
| --- | --- |
| 1. | Answer SIX questions as follows:  \* SECTION A: COMPULSORY  \* SECTION B: Answer any THREE questions in the ANSWER BOOK  \* SECTION C: Answer any TWO questions in the ANSWER BOOK |
|  |  |
| 2. | Write the question number above each question. |
|  |  |
| 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 questions in full sentences and ensure that the format and content of your  responses comply with the cognitive levels of the questions. |
|  |  |
| 7. | Write neatly and legibly. |
|  |  |
| 8. | Only the required number of questions will be marked in the order in which they appear  in the ANSWER BOOK. |

**SECTION A (COMPULSORY)**

**QUESTION 1**

|  |  |  |  |
| --- | --- | --- | --- |
| 1.1 | Various possible options are provided as answers to the following questions.  Choose the most correct answer and only write the letter (A, B or C) next to the corresponding question number (1.1.1 – 1.1.12) in the ANSWER BOOK. | |  |
|  |  |  |  |
|  | 1.1.1 | If spending on foreign goods and services …, less is spent on |  |
|  |  | domestic goods and services. |  |
|  |  |  |  |
|  |  | A decreases |  |
|  |  | B increases |  |
|  |  | C stays the same |  |
|  |  |  |  |
|  | 1.1.2 | Factors that originate from outside the domestic economic system |  |
|  |  | are referred to as … |  |
|  |  |  |  |
|  |  | A endogenous. |  |
|  |  | B indigenous. |  |
|  |  | C exogenous. |  |
|  |  |  |  |
|  | 1.1.3 | This is NOT one of the problems of public sector provisioning. |  |
|  |  |  |  |
|  |  | A Privatisation |  |
|  |  | B Nationalisation |  |
|  |  | C Pricing policy |  |
|  |  |  |  |
|  | 1.1.4 | As a rule the firm should shutdown its business, if … |  |
|  |  |  |  |
|  |  | A TR is greater than TVC. |  |
|  |  | B TR is less than TVC. |  |
|  |  | C TR is equal to TVC. |  |
|  |  |  |  |
|  | 1.1.5 | A project is worth investing in, if … |  |
|  |  |  |  |
|  |  | A the interest rate is very high. |  |
|  |  | B its present net value is positive. |  |
|  |  | C its present net value is negative. |  |
|  |  |  |  |
|  | 1.1.6 | The demand curve of a monopolist is also its … |  |
|  |  |  |  |
|  |  | A marginal revenue curve. |  |
|  |  | B average cost curve. |  |
|  |  | C average revenue. |  |
|  |  |  |  |
|  | 1.1.7 | South Africa’s current industrial strategy is based on … |  |
|  |  |  |  |
|  |  | A economic development. |  |
|  |  | B capital intensive industries. |  |
|  |  | C diversification of the economy. |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1.1.8 | Education is an example of a … |  |
|  |  |  |  |
|  |  | A social indicator. |  |
|  |  | B financial indicator. |  |
|  |  | C economic indicator. |  |
|  |  |  |  |
|  | 1.1.9 | One of the advantages of export promotion is … |  |
|  |  |  |  |
|  |  | A the increase in production. |  |
|  |  | B it can be seen as dumping. |  |
|  |  | C it leads to inefficiencies in the production process. |  |
|  |  |  |  |
|  | 1.1.10 | The dry-cleaner increasing his profit margin for the new year is an |  |
|  |  | example of … inflation. |  |
|  |  |  |  |
|  |  | A cost-push |  |
|  |  | B demand-pull |  |
|  |  | C imported |  |
|  |  |  |  |
|  | 1.1.11 | Sustainable use and management of natural resources is referred |  |
|  |  | to as … |  |
|  |  |  |  |
|  |  | A protection. |  |
|  |  | B preservation. |  |
|  |  | C conservation. |  |
|  |  |  |  |
|  | 1.1.12 | Tourism differs from other service industries, because it … |  |
|  |  |  |  |
|  |  | A is a combination of several industries. |  |
|  |  | B is a clearly defined industry. |  |
|  |  | C does not have an effect on natural environment. |  |
|  |  | (12 x 2) | (24) |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.2 | Complete the following statements by using the concepts provided in the  LIST below. Only write the correct concept next to the corresponding question number (1.2.1 – 1.2.5) in the ANSWER BOOK. | | |
|  | Kuznet; Subsidies; Kitchin; Core inflation; Explicit cost; GEAR; RDP;  Incentives; Implicit cost |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  | 1.2.1 | This cycle lasts between three and five years |  |
|  |  |  |  |
|  | 1.2.2 | The value of inputs that are owned by the entrepreneur and used |  |
|  |  | in the production process |  |
|  |  |  |  |
|  | 1.2.3 | Cash payments to exporters |  |
|  |  |  |  |
|  | 1.2.4 | Excludes items that have highly volatile prices |  |
|  |  |  |  |
|  | 1.2.5 | This was implemented in 1996 to reduce budget deficit to less than |  |
|  |  | 3% of the GDP |  |
|  |  | (5 x 2) | (10) |
|  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.3 | Choose a description from COLUMN B that matches a concept in COLUMN A.  Only write the correct letter (A to J) next to the corresponding question number  (1.3.1 – 1.3.8) in the ANSWER BOOK. | | |
|  | |  |  |  | | --- | --- | --- | |  | **COLUMN A** | **COLUMN B** | | 1.3.1 | Money market | AFirms in each industry use the available resources to produce the output most demanded by consumers | | 1.3.2 | Deregulation | BRelationship between the rich and the poor countries | | 1.3.3 | Allocative efficiency | CA measure of inequality or equality of income distribution | | 1.3.4 | Break-even output | DCommercial banks pay to borrow money from the SARB | | 1.3.5 | Gini coefficient | EConference focusing specifically on climate change | | 1.3.6 | North-South divide | FA market for long run assets and claims | | 1.3.7 | Green taxes | GA market for short run assets and claims | | 1.3.8 | Kyoto Protocol | HTotal revenue is equal to total cost | |  |  | IRemoval of laws that interfere in markets | |  |  | JCharged for the adverse effects on the environment | | |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  | (8 x 2) | (16) |
|  |  |  |  |
|  |  | **TOTAL FOR SECTION A: 50** | |

|  |  |  |  |
| --- | --- | --- | --- |
| **SECTION B** | | |  |
|  | | |  |
| Answer anyTHREE questions from this section. | | |  |
|  |  | |  |
| **QUESTION 2** | | |  |
|  |  |  |  |
| 2.1 | Answer the following questions appropriately: | |  |
|  |  |  |  |
|  | Choose the most correct word from those given in brackets. Only write theword next to the corresponding question number (2.1.1 – 2.1.4) in the ANSWER BOOK. | |  |
|  |  |  |  |
|  | 2.1.1 | The size of the multiplier is (*directly/inversely*) related to the marginal propensity to consume. | (2) |
|  |  |  |  |
|  | 2.1.2 | Longer business cycles are (*weaker/stronger*) cycles. | (2) |
|  |  |  |  |
|  | 2.1.3 | In the finalisation of the budget (*management/financial*) considerations play a major role. | (2) |
|  |  |  |  |
|  | 2.1.4 | The law of (*comparative/absolute*) advantage states that two countries can gain from trade even if one is more efficient than the other in producing everything. | (2) |
|  |  |  |  |
|  | 2.1.5 | List any THREEfactors that determine the demand for foreign exchange. (3 x 2) | (6) |
|  |  |  |  |
|  |  |  |  |
| 2.2 | **DATA RESPONSE** | |  |
|  |  | |  |
|  | Study the following diagram and answer the questions that follow. | |  |
|  | C:\Documents and Settings\exams\My Documents\My Pictures\ECON SEPT.bmp | |  |
|  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2.2.1 | This circular flow model shows only … flows. | | (3) |
|  |  |  | |  |
|  | 2.2.2 | Given the following information calculate the value of leakages. | |  |
|  |  | (Show calculations) | |  |
|  |  |  | |  |
|  |  | Total production : R1 000 000 | |  |
|  |  | Savings : R100 000 | |  |
|  |  | Investment : R400 000 | |  |
|  |  | Income taxes : R200 000 | |  |
|  |  | Exports : R300 000 | |  |
|  |  | Imports : R250 000 | |  |
|  |  | Government spending : R150 000 | | (5) |
|  |  |  | |  |
|  | 2.2.3 | Name TWO components of consumption spending by households, | |  |
|  |  | classified according to the nature of it. (2 x 2) | | (4) |
|  |  |  | |  |
|  | 2.2.4 | Indicate whether the following factors will increase or decrease the | |  |
|  |  | flow of spending, income and production in the economy? | |  |
|  |  | (Only write ‘Increase’ or ‘Decrease’ next to the correct number in | |  |
|  |  | your answer book). | |  |
|  |  |  | |  |
|  |  | (a) | A rise in consumption spending by households. |  |
|  |  | (b) | A reduction in the provision of goods and services by government. |  |
|  |  | (c) | A decline in exports. (3 x 2) | (6) |
|  |  |  | |  |
|  | 2.2.5 | What is the formula (equation) used to calculate the GDP(E)? | | (2) |
|  |  |  | |  |
|  |  |  | |  |
| 2.3 | Briefly explain any FOUR effects of fiscal policy? | | | (16) |
|  |  |  | | **[50]** |

|  |  |  |  |
| --- | --- | --- | --- |
| **QUESTION 3** | | |  |
|  |  |  |  |
| 3.1 | Answer the following questions appropriately. | |  |
|  |  |  |  |
|  | Choose the most correct word from those given in brackets. Only write theword next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK. | |  |
|  |  |  |  |
|  | 3.1.1 | The profit maximising output is where the firm makes (*maximum/* |  |
|  |  | *minimum*) profit. | (2) |
|  |  |  |  |
|  | 3.1.2 | A condition for a perfectly competitive market is that the products |  |
|  |  | should be (*homogenous/heterogeneous*). | (2) |
|  |  |  |  |
|  | 3.1.3 | When there are only two firms in an industry, it is called (*duopoly/* |  |
|  |  | *oligopoly*). | (2) |
|  |  |  |  |
|  | 3.1.4 | An externality is (*positive/negative*) when it is enjoyed by a third |  |
|  |  | party. | (2) |
|  |  |  |  |
|  | 3.1.5 | List any THREE aims of a competition policy. (3 x 2) | (6) |
|  |  |  |  |
|  |  |  |  |
| 3.2 | **DATA RESPONSE** | |  |
|  |  | |  |
|  | Study the graphs below and answer the questions that follow. | |  |
|  |  | |  |
| **GRAPH A** **GRAPH B**  3.2.1(a) 3.2.1(b)  3.2.4  P1 P1  Q1 Q2 |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  | Price | Price |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  | Quantity  Quantity |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  | 3.2.1 | Label the 2 curves in Graph A – 3.2.1(a) and 3.2.1(b). (2 x 3) | (6) |
|  |  |  |  |
|  | 3.2.2 | How is the price of a product determined in a perfectly competitive |  |
|  |  | market? | (2) |
|  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 3.2.3 | The demand curve in Graph B is perfectly elastic. Explain what is | |  |
|  |  | meant by this. | | (3) |
|  |  |  | |  |
|  | 3.2.4 | Label the curve in Graph B – 3.2.4. | | (3) |
|  |  |  | |  |
|  | 3.2.5 | Briefly explain why the individual producer is not able to charge … | |  |
|  |  |  |  |  |
|  |  | (a) | a higher price. | (3) |
|  |  | (b) | a lower price. | (3) |
|  |  |  | |  |
| 3.3 | Oligopolies make use of non-price measures to attract customers and increase | | |  |
|  | their market share. Briefly explain FOUR methods that can be used to implement non-price competition. | | | (16) |
|  |  | | | **[50]** |

|  |  |  |  |
| --- | --- | --- | --- |
| **QUESTION 4** | | |  |
|  |  |  |  |
| 4.1 | Answer the following questions appropriately. | |  |
|  |  |  |  |
|  | Choose the most correct word from those given in brackets. Only write theword next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK. | |  |
|  |  |  |  |
|  | 4.1.1 | Efficiency of resources, land-use practices and utilisation of |  |
|  |  | the environment are all included in the (*macro economic/* |  |
|  |  | *micro economic*) policies. | (2) |
|  |  |  |  |
|  | 4.1.2 | (*Transfer duties/Estate duties*) are paid when properties are |  |
|  |  | bought. | (2) |
|  |  |  |  |
|  | 4.1.3 | (*IDZs/SDIs*) are industrial sites providing services for export |  |
|  |  | oriented industries. | (2) |
|  |  |  |  |
|  | 4.1.4 | The (*PPI/CPI*) measures changes in the cost of the production |  |
|  |  | of goods. | (2) |
|  |  |  |  |
|  | 4.1.5 | List any THREE arguments in favour of free trade. (3 x 2) | (6) |
|  |  |  |  |
|  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 4.2 | **DATA RESPONSE** | | |  |
|  |  |  | |  |
|  | Read the following newspaper article and answer the questions that follow. | | |  |
|  |  |  | |  |
|  | **REPO RATE IS WRONG TOOL TO FIGHT INFLATION**  The South African public continues to be ripped off by the Reserve Bank and monetary policies because they use a fundamental flawed system (‘repo rate’) to control inflation.  We have witnessed Reserve Bank increases in the rate at which financial institutions may borrow money. This serves as a means to make borrowing more expensive.  We need to implement effective controls on government borrowing and the lending practices of banks if we are serious about inflation control.  **[Adapted from Letters to the Editor: *Sunday Times,* April 5, 2009]** | | |  |
|  |  |  | |  |
|  | 4.2.1 | According to this letter, which system is used as a means to control | |  |
|  |  | inflation? | | (2) |
|  |  |  | |  |
|  | 4.2.2 | What other policy, apart from the use of monetary policy, can be | |  |
|  |  | used to control inflation? | | (2) |
|  |  |  | |  |
|  | 4.2.3 | What is the main aim of increasing the interest rate? | | (2) |
|  |  |  | |  |
|  | 4.2.4 | Describe the term ‘repo rate’. | | (3) |
|  |  |  | |  |
|  | 4.2.5 | What according to the letter is the most effective way to control | |  |
|  |  | inflation? | | (3) |
|  |  |  | |  |
|  | 4.2.6 | List any FOUR monetary policy instruments. (4 x 2) | | (8) |
|  |  |  | |  |
| 4.3 | Briefly explain any FOUR incentives offered by the DTI for regional industrial | | |  |
|  | development. (4 x 4) | | | (16) |
|  |  | |  | **[50]** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **QUESTION 5** | | | |  |
|  |  | | |  |
| 5.1 | Answer the following questions appropriately. | | |  |
|  |  |  | |  |
|  | Choose the most correct word from those given in brackets. Only write theword next to the corresponding letter (5.1.1 – 5.1.4) in the ANSWER BOOK. | | |  |
|  |  |  | |  |
|  | 5.1.1 | The decline in purchasing power of money during times of inflation | |  |
|  |  | is (*inversely/directly*) proportional to the change in inflation rate. | | (2) |
|  |  |  | |  |
|  | 5.1.2 | (*Domestic/International*) tourism means residents of a | |  |
|  |  | country visiting different parts of the country they reside in. | | (2) |
|  |  |  | |  |
|  | 5.1.3 | (*Durban/Johannesburg*) hosted the World Summit on Sustainable | |  |
|  |  | Development. | | (2) |
|  |  |  | |  |
|  | 5.1.4 | Tourists visiting scenic attractions, including flora and fauna are | |  |
|  |  | called (*eco-tourists/adventure tourists*). | | (2) |
|  |  | | |  |
|  | 5.1.5 | List any THREE reasons for growth in tourism. (3 x 2) | | (6) |
|  |  |  | |  |
| 5.2 | **DATA RESPONSE** | | |  |
|  |  | |  |  |
|  | Read the following newspaper report and answer the following questions. | | |  |
|  |  | | |  |
|  | **TWO-THIRDS OF SA’S COAST THREATENED BY POLLUTION**  South Africa’s once pristine coastline is disappearing under an incoming tide of plastic, toxic chemicals, medical and human waste.  The report by the Department of Marine and Coastal Management signals a major clampdown against marine-polluters with the introduction of new legislation that entails a comprehensive monitoring programme and the possibility of new marine-protected areas.  **[Adapted from *Sunday Times*, November 2, 2008]** | | |  |
|  |  | | |  |
|  | 5.2.1 | Mention any THREE causes of marine pollution as highlighted in | |  |
|  |  | the report. (3 x 2) | | (6) |
|  |  |  | |  |
|  | 5.2.2 | Define the term ‘pollution’. | | (2) |
|  |  |  | |  |
|  | 5.2.3 | List any THREE types of pollution. (3 x 2) | | (6) |
|  |  |  | |  |
|  | 5.2.4 | Name any THREE policies with regard to environmental | |  |
|  |  | sustainability. (3 x 2) | | (6) |
|  |  | | |  |
| 5.3 | Briefly explain the effect of inflation on individuals. | | | (16) |
|  |  |  | | **[50]** |

|  |  |  |  |
| --- | --- | --- | --- |
| **QUESTION 6** | | |  |
|  |  |  |  |
| 6.1 | Answer the following questions appropriately. | |  |
|  |  |  |  |
|  | Choose the most correct word from those given in brackets. Only write theword next to the corresponding letter (6.1.1 – 6.1.4) in the ANSWER BOOK. | |  |
|  |  |  |  |
|  | 6.1.1 | (*Economic growth/Economic development* ) relates to the |  |
|  |  | improvement in the standard of living of the people. | (2) |
|  |  |  |  |
|  | 6.1.2 | Regional Industrial policies attempt to limit the negative effects of |  |
|  |  | (*centralisation/decentralisation*). | (2) |
|  |  |  |  |
|  | 6.1.3 | (*Globalisation/Industrialisation*) incorporates the renewal or |  |
|  |  | lowering of tariffs and other barriers to increase international flows |  |
|  |  | in finance and technology across boundaries. | (2) |
|  |  |  |  |
|  | 6.1.4 | Number of new motor cars sold is a (*leading/lagging*) indicator. | (2) |
|  |  |  |  |
|  | 6.1.5 | List any THREE reasons for the necessity of the public |  |
|  |  | sector. (3 x 2) | (6) |
|  |  |  |  |
| 6.2 | **DATA RESPONSE** | |  |
|  |  |  |  |
|  | Study the following graph and answer the questions that follow. | |  |
|  | 10 PC2 PC1  8  6 C  4  2 B  A  0 2 4 6 8 10 12 14  -2 |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  | Inflation percentage |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  | Unemployment percentage |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  | 6.2.1 | What is the name of the curves? | (2) |
|  |  |  |  |
|  | 6.2.2 | What does this graph represent? | (2) |
|  |  |  |  |
|  | 6.2.3 | What is the natural rate of unemployment with reference to PC1? | (2) |
|  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 6.2.4 | Mention any THREE supply side policies. (3 x 2) | | | (6) |
|  |  |  | | |  |
|  | 6.2.5 | What will the inflation rate, according to PC2, be if unemployment is | | |  |
|  |  | 6%? | | | (2) |
|  |  |  | | |  |
|  | 6.2.6 | List THREE methods of improving the efficiency of inputs. (3 x 2) | | | (6) |
|  |  |  | | |  |
| 6.3 | Briefly explain any FOUR indicators used in monitoring the health of a | | | |  |
|  | population. (4 x 4) | | | | (16) |
|  |  | |  | | **[50]** |
|  |  | |  | |  |
|  |  | | **TOTAL FOR SECTION B: 150** | | |
|  |  | |  | |  |
| **SECTION C:** (Answer any TWO questions from this section) | | | | |  |
|  |  | | |  |  |
| QUESTION 7 | | | | |  |
|  |  | | |  |  |
| Discuss the Balance of Payments and the corrections of disequilibria. | | | | | **[50]** |
|  |  | | |  |  |
| QUESTION 8 | | | | |  |
|  |  | | |  |  |
| ‘Car hire companies are charging different rates for the same service. This causes market failure’.  With reference to the above statement write a detailed essay on the reasons for market failures. | | | | | **[50]** |
|  |  | | |  |  |
| QUESTION 9 | | | | |  |
|  |  | | |  |  |
| Consider you being Dr R Davies, the Minister of Trade and Industry.  Write a *memorandum* to all the directors in your department stating the reasons, advantages, disadvantages and forms of import substitution. | | | | | **[50]** |
|  |  | | |  |  |
| **QUESTION 10** | | | | |  |
|  |  | | | |  |
| ‘Tourism is one of the fastest growing industries in the South African economy’.  Evaluate the benefits of tourism. | | | | | **[50]** |
|  |  | | | |  |
|  |  | | | **TOTAL SECTION C: 100** | |
|  |  | | |  |  |
|  | **GRAND TOTAL: 300** | | | | |
|  |  | | |  |  |