



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2010

ECONOMICS

MARKS: 300

TIME: 3 hours



This question paper consists of 16 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 (LO1-LO4)**

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.

LO1 1.1.1 The expansion phase in a business cycle is also known as the ...

- A upswing.
- B downswing.
- C recession. (2)

1.1.2 If the value of the SA Rand decreases in relation to the US dollar, South African exports will ...

- A decrease.
- B remain the same.
- C increase. (2)

1.1.3 The outline of income and expenditure of the government for the next three years is called the ...

- A budget.
- B medium-term expenditure framework.
- C short-term expenditure framework. (2)

LO2 1.1.4 A typical example of a firm in a monopoly market is ...

- A Vodacom.
- B Pick n Pay.
- C Eskom. (2)

1.1.5 Incorrect or inefficient allocation of resources leading to waste or loss of value refer to ...

- A market failure.
- B market equilibrium.
- C market forces. (2)

1.1.6 Products sold in a perfect competitive market are ...

- A heterogeneous.
- B homogeneous.
- C indigenous. (2)

- LO3** 1.1.7 Removal of unnecessary regulations, laws and power imbalances that restricted free market competition is known as ...
- A deregulation.
 - B privatisation.
 - C nationalisation.
- (2)
- 1.1.8 GDP at current prices is an example of a/an ...indicator.
- A social
 - B financial
 - C economic
- (2)
- 1.1.9 When customs or import duties are imposed as an amount per unit it is known as ...tariffs.
- A ad valorem
 - B composite
 - C specific
- (2)
- LO4** 1.1.10 When the general price level increases due to an increase in the price of petrol, it causes ... inflation.
- A cost-push
 - B demand-pull
 - C imported
- (2)
- 1.1.11 Protecting and maintaining everything in the environment and keep it in tact.
- A Protection
 - B Preservation
 - C Conservation
- (2)
- 1.1.12 Visiting attractions of scenery, vegetation, forests and wild life are regarded as ...
- A cultural tourism.
 - B ecotourism.
 - C adventure tourism.
- (2)
- (12x2) (24)

- 1.2 Choose a word from the following LIST that best describe the given statements. **Only write the correct word** next to the corresponding question number (1.2.1 – 1.2.5) in the ANSWER BOOK.

GEAR; Export income; Consumer Price Index; Oligopoly;
Artificial monopoly; Customs Union; BEE; Import payments.

- 1.2.1 Money that flows into the circular flow from other countries.
- 1.2.2 Is created by restricting entry by using patent rights or licensing.
- 1.2.3 Introduced as a strategy to promote economic growth, increase employment and redistribute income.
- 1.2.4 Represents the cost of the 'shopping basket' of goods and services of a typical South African household.
- 1.2.5 Formed by the removal of all trade restrictions between member countries and apply the same import restrictions on non-members.

(5x2) (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.

	A	B
1.3.1	Amplitude	A. Remains constant regardless of the level of output produced
1.3.2	Foreign Exchange market	B. Indicates the way in which an economy is moving
1.3.3	Fixed costs	C. The absence of trade restriction on trade between countries
1.3.4	Non-price competition	D. The distance between the peaks and troughs from the trend line
1.3.5	Free Trade	E. Can be generated, replaced or replenished
1.3.6	Economic indicator	F. A market for long term assets and claims
1.3.7	Stagflation	G. Engaged in the buying and selling of foreign exchange
1.3.8	Renewable resources	H. Used by oligopoly firms to attract customers
		I. Condition of high inflation and high unemployment
		J. Charged for the adverse effects on the environment

(8x2) (16)

TOTAL FOR SECTION A: 50

SECTION B (ANSWER ANY THREE QUESTIONS FROM THIS SECTION)

QUESTION 2 (LO1 AS1–AS4) (50 MARKS – 25 MINUTES)

2.1 Answer the following questions appropriately:

Choose the most correct word from those given in brackets. **Only write the word** next to the corresponding question number (2.1.1 – 2.1.4) in the ANSWER BOOK.

- 2.1.1 The flow of factors of production from households to the firms represents a (*money/real*) flow.
- 2.1.2 An initial increase in spending produces a proportionally larger increase in national income is referred to as the (*income/multiplier*) effect.
- 2.1.3 (*Kuznets/Jugler*) cycles are caused by activities in the construction industry.
- 2.1.4 The (*money/capital*) market is a market for short-term and very short-term savings and loans. (4x2) (8)

2.2 List the THREE economic indicators used for forecasting. (3x2) (6)

2.3 DATA RESPONSE

Study the following table and answer the questions that follow.

Current Account	(R millions)
Merchandise exports	278 932
Net gold exports	32 830
Receipts for services	53 426
Income receipts	20 641
Merchandise imports	311 930
Payments for Services	60 099
Income payments	48 611
Current transfers	-9 562
Balance on the Current Account	Qn. 2.3.2

Adapted from SARB Quarterly Bulletin June 2009

- 2.3.1 Define a “Balance of Payment”. (2)
- 2.3.2 Calculate the Balance on the Current Account in the above table? (Write only the amount) (2)
- 2.3.3 Briefly explain ‘Merchandise exports’ and ‘Current transfers’. (2x3) (6)

2.4 DATA RESPONSE

Study the following extract and answer the questions that follow.

Telkom ready to ring the changes

Telkom is on a mission to turn this parastatal into Africa's leading information, communication and technological service provider.

According to them revitalisation plans would see Telkom's revenue coming under pressure in the short term...but they refused to comment on plans of restructuring the parastatal.

[Adapted from Sunday Times September 2009]

- 2.4.1 Give another term/name for '*Parastatal*'. (3)
- 2.4.2 Briefly explain the term '*restructuring*'. (3)
- 2.4.3 Give TWO examples of a parastatal (excluding Telkom). (4)
- 2.5 Briefly explain *accountability* as one of the problems of public sector provisioning. (4x2) (8)
- 2.6 Briefly explain any TWO types of investments under the 'Financial Account' of a Balance of Payments. (2x4) (8)

50

QUESTION 3 (LO2 AS1–AS3) (50 MARKS – 25 MINUTES)

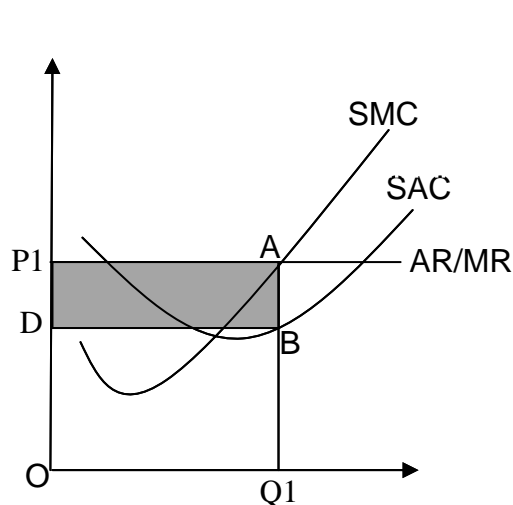
3.1 Answer the following questions appropriately:

Choose the most correct word from those given in brackets. **Only write the word** next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.

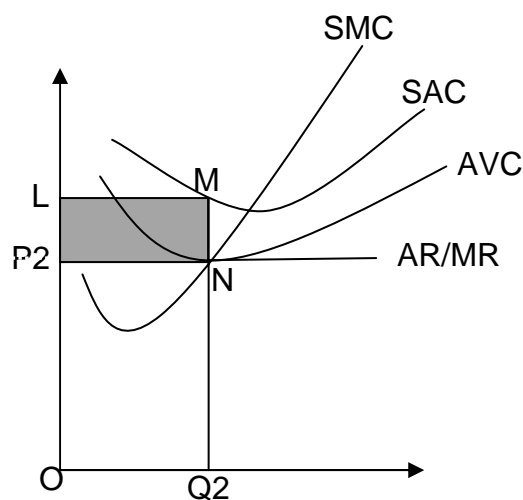
- 3.1.1 Under perfect competition, only (*normal/economic*) profit will be made in the long term.
- 3.1.2 When collusion between oligopolists occurs formally, it is known as a (*cartel/oligopolistic competition*).
- 3.1.3 (*Private/Social*) costs are costs that consumers pay when they buy goods.
- 3.1.4 Profit maximisation in a perfect competitive market occurs where (*MC/AC*) is equal to MR. (4x2) (8)
- 3.2 List the THREE features/characteristics of public goods. (3x2) (6)

3.3 DATA RESPONSE

Study the graphs below and answer the questions that follow.



GRAPH A



GRAPH B

- 3.3.1 What does the shaded areas in each of Graph A and Graph B represent? (4)
- 3.3.2 Mention ONE reason for the horizontal demand curve of an individual producer under perfect competition. (2)
- 3.3.3 Briefly explain normal profit. (4)

3.4 DATA RESPONSE

Study the extract below and answer the questions that follow.

Anele Modise is the owner of a coffee shop. He owns the building in which the coffee shop is situated. His business has no explicit costs for rental or interest. The only payment he is making is the payment for electricity, water and labour charges.
(Adapted from *Enjoy Economics*)

- 3.4.1 Differentiate between 'explicit' and 'implicit' costs. (6)
- 3.4.2 Give TWO examples (from the extract) of explicit costs. (4)
- 3.5 Briefly explain any TWO characteristics of an oligopoly. (2x4) (8)
- 3.6 Briefly explain the TWO kinds of inefficiencies that may occur as a result (effect) of market failures. (2x4) (8)

QUESTION 4 (LO3 AS1–AS4) (50 MARKS – 25 MINUTES)

4.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. **Only write the word** next to the question number (4.1.1 – 4.1.4) in the ANSWER BOOK.

- 4.1.1 Economic (*growth/development*) is the process whereby the standard of living of the people in a country improves over time.
- 4.1.2 Property (*subsidies/taxes*) helps people to buy fixed residential property.
- 4.1.3 (*IDZs/SDIs*) are purpose-built industrial estates, which are physically enclosed and linked to an international port or airport.
- 4.1.4 When governments pay incentives to encourage the production of goods and services that can be exported, it is referred to as (*export promotion/import substitution*) (4x2) (8)

4.2 List any THREE elements of Black Economic Empowerment. (3x2) (6)

4.3 **DATA RESPONSE**

Read the following newspaper article and answer the following questions.

Health issues hit campaign mark

South Africans are talking about Health issues especially Aids and no longer see it as having a stigma.

Government campaigns relating to health issues took many of the top places in the Top Five Government Campaigns category. Well out in front was Health Awareness.

A spokesperson said general health awareness – dealing with a range of issues such as nutrition, TB and other non-HIV/Aids health areas – was addressed by 60% of those who responded to the campaign.

She said government and public sector organizations often brought out campaigns to create awareness about a particular issue, or to inform or educate people about an issue.

[Adapted from: Sunday Times November, 2009]

- 4.3.1 What, according to the extract, is the government's main category of its campaign? (2)
- 4.3.2 Mention any TWO issues highlighted in health awareness. (4)
- 4.3.3 Mention TWO benefits of campaigns according to the extract. (4)

DATA RESPONSE

Study the following table and answer the questions that follow.

Province	Life Expectancy at birth (years)	Adult Literacy rate (%)
Eastern Cape	60,41	76,47
Free State	52,78	88,77
Gauteng	59,62	98,13
KwaZulu-Natal	52,98	89,17
Mpumalanga	53,49	79,42
Northern Cape	55,62	83,79
Limpopo	60,10	73,16
North-west	53,29	95,76
Western Cape	60,83	95,76

(Adapted from OBE for FET)

- 4.4.1 Define the term “*life expectancy*”. (2)
- 4.4.2 Which province has the highest life expectancy? (2)
- 4.4.3 Which province has the lowest literacy rate? (2)
- 4.4.4 State any TWO reasons for urbanisation. (4)
- 4.5 Briefly explain ‘*capital*’ and ‘*technology*’ as factors that is necessary for economic growth. (2x4) (8)
- 4.6 Briefly explain any TWO economic advantages of import substitution. (2x4) (8)

QUESTION 5 (LO4 AS1–AS4) (50 MARKS – 25 MINUTES)

5.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. **Only write the word** next to the corresponding letter (5.1.1 – 5.1.4) in the ANSWER BOOK.

- 5.1.1 The rate of inflation that excludes the effect of the interest rate on mortgage bonds is referred to as (*CPI/CPIX*).
- 5.1.2 Most of the employment in the tourism industry is in the (*transport/hospitality*) industry.
- 5.1.3 The fastest-growing sector of tourism in South Africa is (*ecotourism/business tourism*).
- 5.1.4 The (*Kyoto Protocol/Earth Summit*) was the first international agreement to deal with the problem of global warming. (4x2) (8)

5.2 List any THREE negative consequences of air pollution. (3x2) (6)

5.3 **DATA RESPONSE**

Read the following extract and answer the following questions.

WELCOME TO SOUTH AFRICA

South Africans are some of the proudest people on Earth. We take our spirit, attitude, connectedness and vibe very seriously. Visitors to South Africa may leave with their suitcases full of keepsakes, but most precious will be the personal stories shared with those at home.

Each and every South African must show our national culture of service and hospitality to all tourists. This applies to all South Africans, formally working within the hospitality industry or as resident interacting with an *out-of-towner* during the month of football.

Thousands of unemployed people can take advantage of the opportunities: as taxi drivers, waitresses, tour operators, stadium officials or fast food vendors. Literally thousands of service needs and opportunities will occur for each of the more than 3 million visitors expected during the time period.

(Adapted from the Department of Tourism website; December 2009)

- 5.3.1 What is the responsibility/duty (according to the extract) of South Africans towards these tourists? (2)
- 5.3.2 What is another word (synonym) for 'out-of-towner'? (2)
- 5.3.3 List any THREE possible types of jobs (listed in the extract) that are available in the tourism industry. (6)

5.4 DATA RESPONSE

Read the following extract and answer the questions that follow.

Zimbabwe inflation tops 1000%

Inflation soared to 1050%. This is the highest rate outside a war zone. The price of bread climbed more than 50%, while public transport fares doubled. On a year-on-year basis items that recorded price hikes were domestic power, electricity, gas and other fuels.

Zimbabwe is at the doorstep of an economic crisis, characterised by spiralling inflation, soaring poverty levels, an unemployment rate hovering at 70% and chronic shortages of fuel and basic goods.

[Adapted from Business Report ; June 2009]

- 5.4.1 What type of inflation is experienced by Zimbabweans in the above extract? (2)
- 5.4.2 Mention TWO items that recorded price increases. (4)
- 5.4.3 Differentiate between 'core inflation' and 'headline inflation'. (4)
- 5.5 Briefly explain TWO possible ways of public sector intervention (Government intervention) in order to achieve environmental sustainability. (2x4) (8)
- 5.6 Briefly explain any TWO reasons for considering tourism as the world's largest generator of jobs. (2x4) (8)

QUESTION 6 (LO1 & LO2 AS1–AS4)**(50 MARKS – 25 MINUTES)**

6.1 Answer the following questions appropriately.

Choose the most correct word from those given in brackets. **Only write the word** next to the corresponding letter (6.1.1 – 6.1.4) in the ANSWER BOOK.

6.1.1 (*Fiscal/Monetary*) policy refers to the use of changes in government expenditure, taxation and spending.

6.1.2 The supply of foreign exchange is caused by (*exporting/importing*) goods.

6.1.3 Sellers in a perfectly competitive market are price (*takers/makers*).

6.1.4 (*Demerit/Merit*) goods are regarded as socially harmful for consumption. (4x2) (8)

6.2 List the THREE methods that may be used to calculate GDP. (3x2) (6)

6.3 DATA RESPONSE

Study the following table and answer the questions that follow.

Price (R)	Quantity sold	Total Revenue (R)	Average Revenue (R)	Marginal Revenue (R)	Marginal cost (R)
100	1	100	100	100	10
90	2	A	90	80	20
80	3	240	B	60	30
70	4	280	70	C	40

6.3.1 Calculate the following:
Total Revenue (**A**);
Average Revenue (**B**); and
Marginal Revenue (**C**). (6)

6.3.2 Define the term '*Marginal Revenue*'. (2)

6.3.3 What is the profit maximisation point (give the equation). (2)

6.4 DATA RESPONSE

Read the following extract and answer the following questions.

Monopoly market is what most of the top businesses eye at. It can lead to earning lots of money. Bill Gates, the richest man in world is an example of a person who understood and exploited it. There are many reasons why it occurs. In terms of Economics a firm is said to have monopoly power if it faces a downward sloping demand curve.

[Adapted from Business Report ; October 2009]

- 6.4.1 *'The demand curve of a monopoly has a downward slope.'*
What does this mean? (2)
- 6.4.2 List any TWO characteristics of a monopoly. (4)
- 6.4.3 Mention the TWO factors that determine the profitability of a monopoly. (4)
- 6.5 Briefly explain how fiscal policies can be used to smooth out Business Cycles when the private sector's demand is too low. (4x2) (8)
- 6.6 Briefly explain any TWO advantages of privatisation. (2x4) (8)

SECTION C (ANSWER ANY TWO QUESTIONS FROM THIS SECTION)**Essay responses:**

- Should include an introduction, body and conclusion.
- 5 marks will be awarded for the introduction and conclusion.
- In addition, 5 marks will be awarded for the interpretation of the topic.
- **A maximum of 40 marks will be allocated for the body.**

Non-essay responses:

- For a letter, 5 marks will be allocated for the format.
- In addition 5 marks will be awarded for the interpretation of the topic.
- **A maximum of 40 marks will be allocated for the content.**

QUESTION 7 (LO1 AS1) (50 MARKS – 40 MINUTES)**ESSAY RESPONSE**

“The circular flow model is a model that explains in general terms how the economy is organized and how participants in the economy interact with one another”.

Discuss the various participants’ involvement in an open economy with the aid of an appropriately labelled diagram.

[50]**QUESTION 8 (LO2 AS2) (50 MARKS – 40 MINUTES)****ESSAY RESPONSE**

“Market failure occurs in all the economies”.

Explain fully the consequences of market failures.

[50]**QUESTION 9 (LO3 AS3) (50 MARKS – 40 MINUTES)****NON-ESSAY RESPONSE**

Write a formal letter to the Minister of Trade and Industry discussing the arguments in favour of protection.

Use the following addresses:

To
The Minister
Department of Trade & Industry
Private Bag 1
PRETORIA
0001

From
G.A. Peter
PO Box 100
PORT ELIZABETH
6000

[50]**QUESTION 10 (LO4 AS1) (50 MARKS – 40 MINUTES)****ESSAY RESPONSE**

Do a critical analysis of the consequences of inflation.

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