

MPUMALANGA DEPARTMENT OF EDUCATION



**TRIAL EXAMINATION
2009**

**GRADE 12
ECONOMICS**

TOTAL MARKS: 300

TIME: 3 HOURS

This question paper consists of 17 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. Answer 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 PERSUITS	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-AS3)
QUESTION 6: 50 MARKS – 25 MINUTES	
Topic of this question: MACRO – AND-MICRO- ECONOMICS	Learning outcomes covered are: LO1 (AS1, AS3, AS4) & 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 PERSUITS	Learning outcome covered is: LO3 (AS3)
QUESTION10: 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 correct answer and write only the letter (A – C) next to the question number (1.1.1 - 1.1.2) in the ANSWER BOOK.

1.1.1 The monetary flow to and from households in the circular flow model 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. subsidized bread.

1.1.4 Costs of production include

- A. normal profit
- B. economic profit
- C. economic loss

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 only one business in an industry, economists speak of a(n)

- A. monopoly
- B. oligopoly
- C. monopsony

- 1.1.7 Societies in ... enjoy a higher standard of living.
- A. both the north and southern hemispheres.
 - B. the northern hemisphere.
 - C. the southern hemisphere.
- 1.1.8 The state can promote exports by
- A. exchange controls
 - B. export subsidies and incentives
 - C. tariffs
- 1.1.9 An economic indicator relating to production is the...
- A. gross domestic expenditure.
 - B. gini coefficient.
 - C. gross domestic production.
- 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. heritage site
 - C. indigenous knowledge systems.
- 1.1.12 To safeguard the wetlands from total eradication authorities should enforce
- 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**.

demand side; SDIs; microeconomic ; gross domestic product; supply side; downward sloping; current account; development policy; financial account; economic profit., SDZs; perfectly elastic; macroeconomic; unemployment;

- 1.2.1 International transactions in portfolio investments are recorded in the
- 1.2.2 A regional development strategy in South Africa that attracts infrastructure to less developed areas.
- 1.2.3 The demand curve for a perfectly competitive firm is
- 1.2.4 Inflation targeting of 3% - 6% is an example of policy.
- 1.2.5 The current economic meltdown has led to an increase in and poverty levels.

(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 Leading indicators	A. Charging low prices to harm competitors' profits.
1.3.2 Leakages	B. Combination of increasing unemployment and inflation.
1.3.3 Implicit costs	C. Indicators that change after the economy has changed.
1.3.4 Price wars	D. The costs that include opportunity costs.
1.3.5 Corridor	E. Our indigenous environmental uniqueness like the Cape Fynbos Region.
1.3.6 Demand-side policies	F. Taxation and savings are good examples.
1.3.7 Stagflation	G. A spatial area that forms a passageway that offers advantages to mining, manufacturing, tourism and other businesses.
1.3.8 World heritage sites.	H. Indicators that change before the economy changes.
	I. Aimed at attracting infrastructure and business and business investments to underdeveloped areas.
	J. They focus on stimulating aggregate spending for economic growth.

(8 X 2) = (16)

TOTAL SECTION A: 50

SECTION B

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

QUESTION 2: LO1

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 An increase in the supply of dollars would (increase / decrease) the value of the rand. **(4 X 2) 8**

2.2 List **THREE** exogenous reasons for business cycles. **(3 X 2) 6**

2.3 Study the table below and answer the questions that follow.

BALANCE OF PAYMENTS (ANNUAL FIGURES- R MILLION)

	2006	2007
Merchandise exports	400 786	493 893
Net gold exports	35 470	39 898
Service receipts	81 293	95 301
Income receipts	41 207	48 448
Less: Merchandise imports	477 128	574 322
Payments for services	96 950	116 499
Income payments	75 982	112 001
Current transfers	-18 894	-20 794
Balance on the current account	-110 198	-146 076

2.3.1 Define the balance of payments **(3)**

2.3.2 Why is the value of net gold exports positive in the current account? **(3)**

2.3.3 What happened to the value of merchandise imports from 2006 – 2007? **(2)**

- 2.3.4 What action can the reserve bank take to correct this phenomenon and how would this change the state of the current account? (6)
- 2.3.5 Calculate the balance of trade for 2007. Show all calculations. (4)
- 2.3.6 What will be the implication of the trend in the current account on the value of the rand? (2)

/20/

- 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 : LO 2

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 monopolistic competition the slope of the demand curve facing the business is (sloping downwards from left to right/horizontal).

3.1.2. A minimum price set above the equilibrium price, will lead to (excess supply /excess demand).

3.1.3. When only two producers manipulate market supply, it is referred to as (duopoly/oligopoly)

3.1.4. The rising part of the MC curve above the AC curve is the (demand/supply).

(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.

Qty of containers	Total Revenue	Marginal Revenue	Total Cost	Marginal Cost	Average Cost
0	0		10	-	0
1	20	20	18	8	C
2	A	20	30	12	15
3	60	20	B	16	15.3
4	80	20	66	20	16.5
5	100	20	90	24	18
6	120	20	118	D	19.6

3.3.1 Complete the table by filling in the missing letters A - D

(4)

3.3.2 What is the price of the product?

(3)

3.3.3 What is the profit maximizing output?

(2)

3.3.4 Choose the correct alternative:

3.3.4.1 The firm shown in the table operates in a(n) (perfect / imperfect) market.

(2)

3.3.4.2 The (shut down / break even) point is where AR = AC

(2)

- 3.3.5 Calculate the profit of the firm at the profit maximizing output. (4)
- 3.3.6 Explain the reason for the slope of the marginal revenue curve. (3)
- 3.4 Explain the uses of cost-benefit analysis. (16)

[50]

QUESTION 4 : LO3

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 have policies that will increase the economic (development/ growth) rate.

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 table below and answer the questions that follow.

INDICATORS	VALUE
GOLD	\$940,25
CRUDE OIL	\$40,60
INTEREST RATE	11%
CPI in 2005	145
UNEMPLOYMENT	45%
£	R13,10
GDP	R550bn

4.3.1 What are indicators used for? (3)

4.3.2 Define GDP. (3)

4.3.3 Which indicator would affect imports from Britain? (2)

4.3.4 What is measured by the Gini coefficient? (2)

4.3.5 Give ONE possible effect on the South African economy of an increase in the price of crude oil to R60,00. (3)

4.3.6 Name an indicator that would be affected by a decrease in GDP. (2)

4.3.7 What is the difference between CPIX and CPI? (3)

4.3.8 If the gold price increases to R1000, what would happen to the value of the current account of the balance of payments. (2)

4.4 "The North- South divide has been more recently named the "development gap". Explain the socio-economic differences that exist between the countries in the north and those in the south.

(16)
[50]

QUESTION 5 : LO4

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 Decrease in prices over a prolonged period of time is called (inflation/deflation).

5.1.2 Accommodation is seen as (direct/indirect) spending on tourist goods and services.

5.1.3 Residual waste is created in (production/consumption).

5.1.4 If higher wages are given to striking construction workers, (cost push / demand pull) inflation will result.

(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.

5.3.1 Define conservation.

(3)

5.3.2 Name ONE effect of climate change in China.

(3)

- 5.3.3 Give THREE market related measures that can be implemented by the state to ensure environmental sustainability. (6)
- 5.3.4 What is the current similarity between energy provision in China and Eskom's provision in south Africa? (3)
- 5.3.5 How does the environment affect tourism? (2)
- 5.3.6 What is meant by renewable energy? (3)
- 5.4 Evaluate the economic effects of tourism on South Africa. (16)

[50]

QUESTION 6: LO1 & LO2

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 for goods exported are seen as a (n) (leakage/injection).

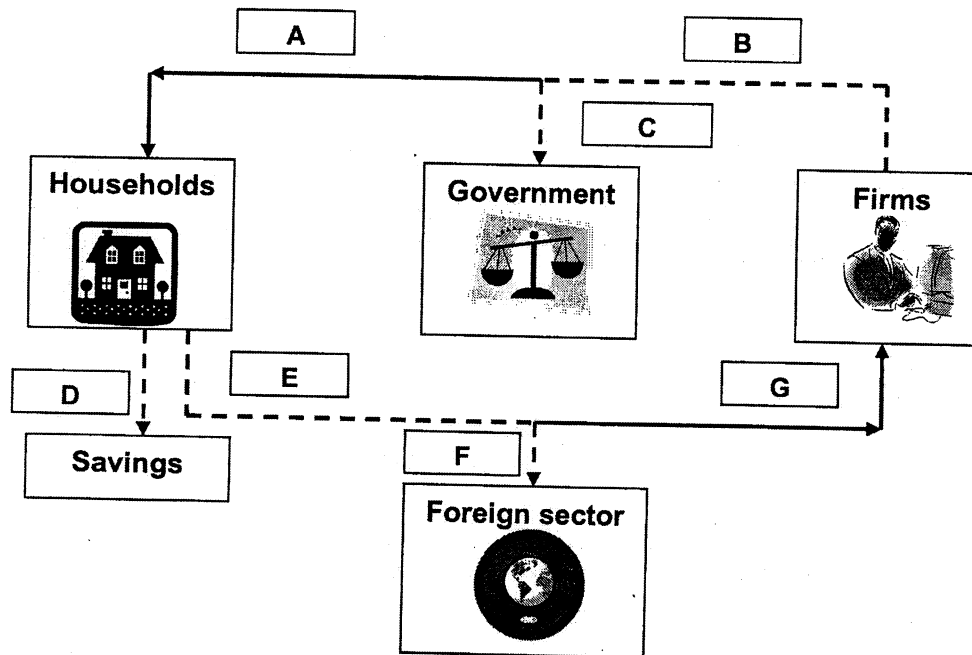
6.1.2 The monetarists maintain that (exogenous/endogenous) factors cause markets to depart from a state of equilibrium.

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 5000

(7)

6.3.2 Explain how a decrease in income taxes impacts on the level of production.

(4)

6.3.3 If the national income increases by R100m and the multiplier is 4, what is the change in investment.

(4)

6.3.4 Explain how GDP at factor cost is calculated.

(5)

6.4 With the use of a graph explain negative externalities as reasons for market failures.

(2 X 8) (16)

[50]

TOTAL SECTION B: 150

SECTION C

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: LO1 AS2

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

Draw a diagram of a business cycle and discuss how indicators are used in forecasting business cycles and also explain the other features underpinning forecasting. (40)

Conclude your discussion with a note to the local business chamber why we are at a certain point in the cycle. (10)
[50]

QUESTION 8: LO2 AS1

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

Write an essay and explain with the aid of graphs how long-term equilibrium for the industry is achieved under conditions of perfect competition. **[50]**

QUESTION 9: LO3 AS3

Since 1994 South Africa has 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: LO4 AS1

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