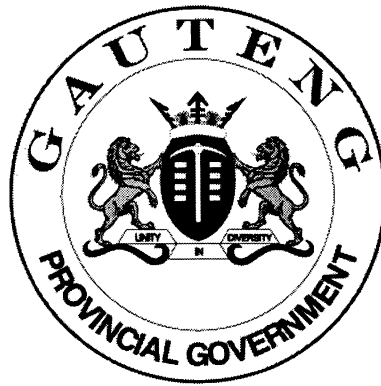




GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION 2009

10730

ECONOMICS

15 pages

**ECONOMICS
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**GAUTENG DEPARTMENT OF EDUCATION
PREPARATORY EXAMINATION
ECONOMICS**

TIME: 3 hours

MARKS: 300

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 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 subsections of questions.
6. Answer the questions in full sentences.
7. Answer only the required number of questions. Additional answers will NOT be marked.
8. Use ONLY black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.

MARKS: 300		TIME: 180 MINUTES	
SECTION A: COMPULSORY			
QUESTION 1: 50 MARKS – 25 MINUTES			
Topic of this question: SHORT QUESTIONS		Learning outcomes covered: LO1 – LO4 (AS1 – AS4)	
SECTION B: ANSWER ANY THREE QUESTIONS FROM THIS SECTION.			
QUESTION 2: 50 MARKS – 25 MINUTES			
Topic of this question: MACROECONOMICS		Learning outcome covered: LO1 (AS1 – AS4)	
QUESTION 3: 50 MARKS – 25 MINUTES			
Topic of this question: MICROECONOMICS		Learning outcome covered: LO2 (AS1 – AS3)	
QUESTION 4: 50 MARKS – 25 MINUTES			
Topic of this question: ECONOMIC PURSUITS		Learning outcome covered: LO3 (AS1 – AS4)	
QUESTION 5: 50 MARKS – 25 MINUTES			
Topic of this question: CONTEMPORARY ECONOMIC ISSUES		Learning outcome covered: LO4 (AS1 – AS4)	
QUESTION 6: 50 MARKS – 25 MINUTES			
Topic of this question: MACROECONOMICS AND ECONOMIC PURSUITS		Learning outcomes covered: LO1 (AS 1 – AS4) LO3 (AS 1 – AS4)	
SECTION C: ANSWER ANY TWO QUESTIONS FROM THIS SECTION.			
QUESTION 7: 50 MARKS – 40 MINUTES			
Topic of this question: MACROECONOMICS		Learning outcome covered: LO1 (AS4)	
QUESTION 8: 50 MARKS – 40 MINUTES			
Topic of this question: MICROECONOMICS		Learning outcome covered: LO2 (AS2)	
QUESTION 9: 50 MARKS – 40 MINUTES			
Topic of this question: ECONOMIC PURSUITS		Learning outcome covered: LO3 (AS2)	
QUESTION 10: 50 MARKS – 40 MINUTES			
Topic of this question: CONTEMPORARY ECONOMIC ISSUES		Learning outcome covered: LO4 (AS2)	

SECTION A
(COMPULSORY)**QUESTION 1****1.1 Multiple-choice questions**

Various options are provided as answers to the following questions. Choose the **correct answer** and write only the **letter** (A – C) next to the **question number** (1.1.1 – 1.1.12) in the ANSWER BOOK.

1.1.1 An example of a leakage is ...

- A. savings.
- B. exports.
- C. investments.

1.1.2 Goods and services are sold in the ... market.

- A. factor
- B. money
- C. product

1.1.3 In macroeconomics a small change in spending leads to a disproportionate change in national income, called ...

- A. injections.
- B. leakages.
- C. the multiplier effect.

1.1.4 At the profit maximisation point where the total revenue is equal to the total cost, the producer earns ...

- A. no profit.
- B. economic profit.
- C. normal profit.

1.1.5 Health care, education, radio and television broadcasting are examples of ...

- A. merit goods.
- B. demerit goods.
- C. community goods.

1.1.6 In comparison with perfect competition, a monopoly will ...

- A. produce less and ask a lower price.
- B. produce more and ask a higher price.
- C. produce less and ask a higher price.

- 1.1.7 Restrictive measures used to reserve the domestic market for local manufacturers is known as ...
- A. export promotion.
 - B. import substitution.
 - C. tax concessions.
- 1.1.8 The new strategy adopted by the AU to provide for regional cooperation and integration, is known as...
- A. the RDP.
 - B. Asgi-SA.
 - C. NEPAD.
- 1.1.9 The empowerment and transformation of indigenous people in South Africa, is known as ...
- A. affirmative action.
 - B. BEE.
 - C. skills development.
- 1.1.10 Mr. Tito Mboweni, the Governor of the South African Reserve Bank, uses ... policies to combat inflation.
- A. monetary
 - B. fiscal
 - C. supply-side
- 1.1.11 Travelling from one place to another within the borders of a country is known as ...
- A. domestic tourism.
 - B. business tourism.
 - C. international tourism.
- 1.1.12 An activity that results in involuntary costs or benefits being imposed on others refers to ...
- A. opportunity costs.
 - B. externalities.
 - C. cost-benefit analysis.

12x2=(24)

1.2 One-Word Items

Give ONE **term** for each of the following **descriptions** by choosing a term from the list below. Write only the **term** next to the **question number** (1.2.1 – 1.2.5) in the ANSWER BOOK.

hyperinflation, gold, capital market, non-excludability, stagflation, platinum, non-rivalry, repo rate, exchange rate

- 1.2.1 Exists when consumers and producers make long-term deposits and borrow on the long term e.g. mortgage bond.
- 1.2.2 This feature means that consumption by one does not in any way reduce the consumption by another individual.
- 1.2.3 The interest rate that the South African Reserve Bank charges other banks.
- 1.2.4 A rapid and substantial change in the overall level of prices often referred to as run away inflation, e.g. Zimbabwe.
- 1.2.5 South Africa is dependent on this mineral to balance the balance of payments.

5x2=(10)

1.3 Matching Items

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

COLUMN A	COLUMN B
1.3.1 Economically active population	A. Prices rise as a direct result of a rise in production costs or inputs such as wage increases or oil price increases.
1.3.2 Sanctions	B. Microsoft
1.3.3 Individual business under perfect competition	C. ESKOM
1.3.4 Artificial monopoly	D. An increase in the productive capacity of a country.
1.3.5 Economic growth	E. A ban on trade with a particular country.
1.3.6 Critical Infrastructure Programme	F. The earth's temperature is systematically rising as a result of unacceptable levels of pollution trapping heat within the earth's atmosphere.
1.3.7 Cost-push inflation	G. Consists of people in the 15 to 65 year age group who are willing to work for income in cash or in kind.
1.3.8 Global warming	H. $P = AR = MR$
	I. The aim is to stimulate the geographical spread of economic activity and it prioritizes rural and neglected areas.

8x2=(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** 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 If the value of injections is greater than the value of leakages, incomes will start to (decrease/increase).

2.1.2 The amount of money that households spend is dependent on their level of (education/income).

2.1.3 An index that measures the well-being of the citizens of a country is known as (Human Development Index (HDI)/ Human Improvement Index (HII)).

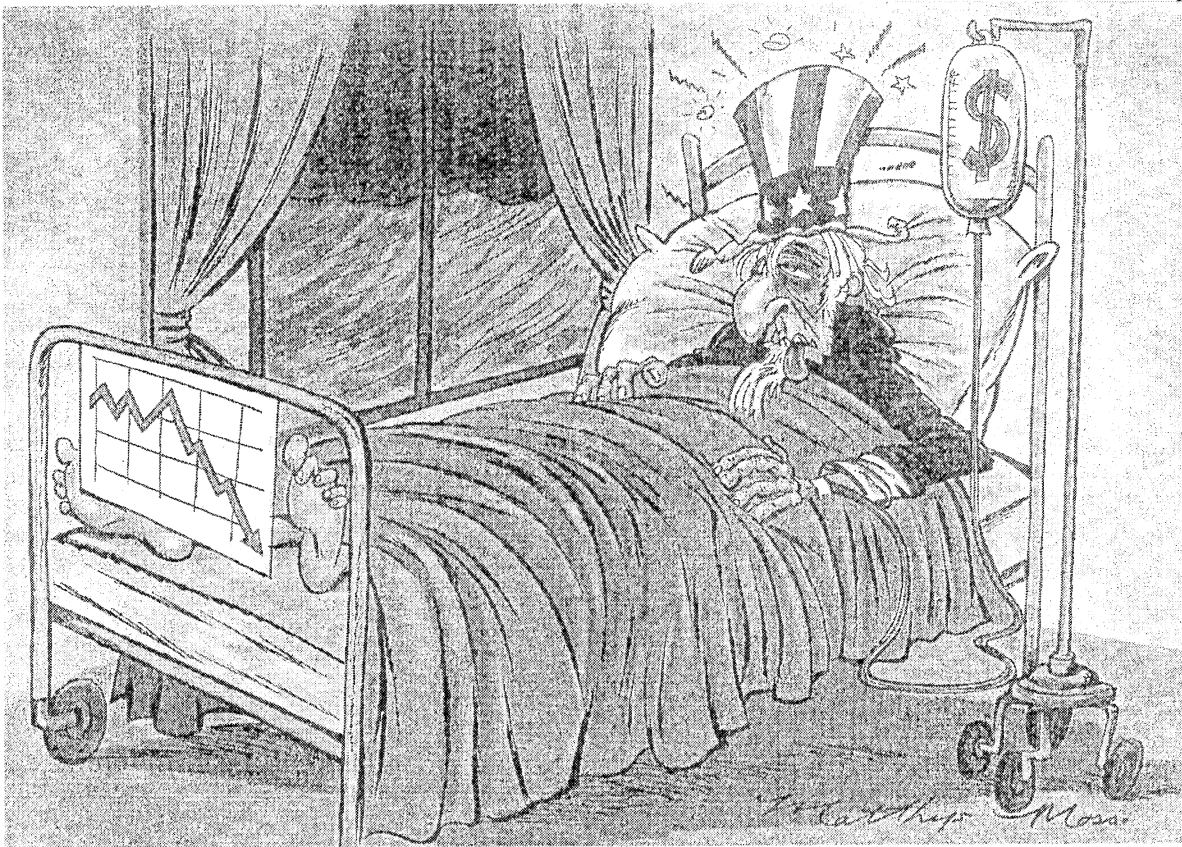
2.1.4 Externalities are benefits or costs resulting from the production of a good that are not reflected in the (production/price).

4x2=(8)

2.2 Name THREE instruments used in protection policies to limit the extent of free trade.

3x2=(6)

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



Source: Sunday Times

2.3.1 Who is the patient in the hospital bed?

(2)

2.3.2 How does the medical chart describe the patient's well-being?

(2)

2.3.3 In your opinion why is the patient sick? List FOUR reasons.

4x2=(8)

2.3.4 Give a brief description of the *new economic paradigm*.

(4)

2.3.5 There are FOUR phases in a business cycle. Which phase is reflected in the cartoon? Explain.

(4)

2.4 Discuss the reasons for public sector failure.

4x4=(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 Conditions of (perfect/imperfect) competition exist when no single producer can effect the market price in the market.

3.1.2 In the case of negative externalities, the market price is (higher/lower) than what it should be.

3.1.3 (Price differentiation/Price discrimination) refers to a situation in which the identical product is sold at different prices to different consumers.

3.1.4 A/An (monopoly/oligopoly) takes the possible reaction of other participants in the market into consideration before deciding on a price reduction.

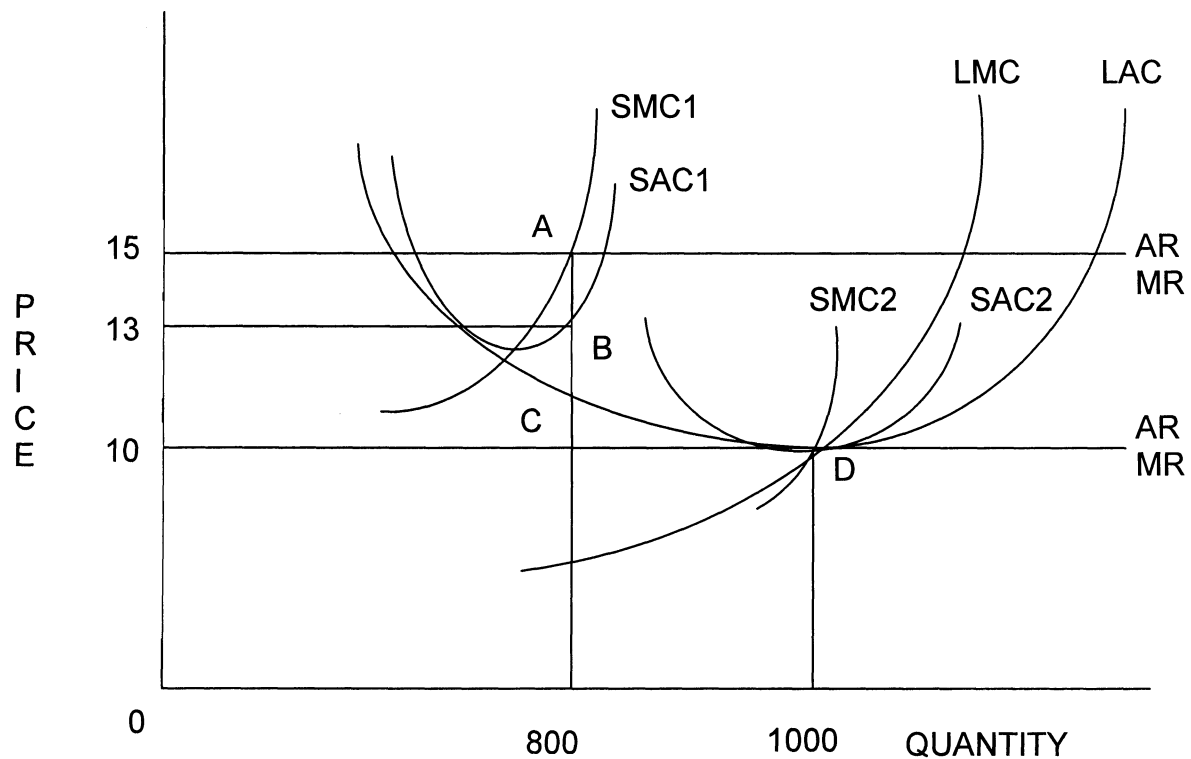
4x2=(8)

3.2 List any THREE ways in which the government can intervene to correct and prevent market failures.

3x2=(6)

3.3 Study the graph below and answer the questions that follow.

THE LONG-TERM EQUILIBRIUM OF THE INDUSTRY



- 3.3.1 At a quantity of 800, at which point (letter) does the business maximize profit in the short term? (3)
- 3.3.2 Calculate the economic profit in the short term. Indicate all calculations. (4)
- 3.3.3 What is the price the business will charge for its products in the long term? (2)
- 3.3.4 At which point (letter) does profit maximization occur in the long term? (3)
- 3.3.5 Explain why there will be no incentive for a business to leave or enter the industry when the long-term equilibrium situation has been achieved. (8)

- 3.4 A monopoly is a persistent market where there is only one supplier of a product or service. Discuss **any other FOUR characteristics** of a monopoly. 4x4=(16)
[50]

QUESTION 4

- 4.1 Choose the **correct word** from those given in brackets. Write only the **word** next to the **question number** (4.1.1 – 4.1.4) in the ANSWER BOOK.
- 4.1.1 The growth performance of an economy is measured in terms of (nominal/real) GDP figures.
- 4.1.2 The South African government identified (tourism/gold) as one of the key growth sectors of the economy.
- 4.1.3 The (CPI/PPI) is the most comprehensive indicator measuring consumer inflation in the country.
- 4.1.4 The Gini Coefficient is calculated from the information provided by a (Lorenz / Laffer) curve. 4x2=(8)
- 4.2 List THREE uses of GDP per capita figures. 3x2=(6)
- 4.3 Study the following table carefully and answer the following questions.

FORECASTING

Quarter	1 of 2009	2 of 2009	3 of 2009	4 of 2009	2008 Expected	2009 Fore-casting	2010 Fore-casting	2011 Fore-casting
Growth data GDP (%y/y)	1.6	0.3	0.7	1.4	3.4	1.0	3.6	4.2
Final consumption expenditure by households	-0.7	-1.1	-0.5	0.6	2.5	-0.4	2.8	3.4
Current account deficit	-7.3	-7.0	-7.0	-6.7	-7.9	-7.0	-6.5	-7.0
Inflation Headline CPI (%y/y)	7.7	6.2	4.9	4.9	11.5	5.9	5.7	5.5
PPI (%y/y)	9.0	4.6	3.5	6.1	14.3	5.8	7.1	8.2

Source: Standard Bank

- 4.3.1 What is meant by *percentage change on a year-on-year (%y/y) basis*? (2)
- 4.3.2 What is the expected %y/y for the GDP for the second quarter of 2009? (3)

- 4.3.3 The forecasting for GDP for 2009 is only 1,0 % in contrast to the expected 3,4% growth in GDP in 2008. Discuss TWO possible reasons for the expected decline in economic growth. 2x2=(4)
- 4.3.4 Compare the forecasting of the GDP and final consumption expenditure for 2009. What conclusion(s) can you draw from your observation? (4)
- 4.3.5 Study the current account and comment on your observations. (3)
- 4.3.6 Name TWO ways to improve the current account balance. 2x2=(4)
- 4.4 Discuss FOUR arguments in favour of protectionism. 4x4=(16)
[50]

QUESTION 5

- 5.1 Choose the **correct word** from those given in brackets. Write only the word next to the **question number** (5.1.1 – 5.1.4) in the ANSWER BOOK.
- 5.1.1 Direct taxes should be (increased/decreased) to reduce the excess demand in an economy.
- 5.1.2 In order to increase demand and stimulate the economy, interest rates should be (increased/decreased).
- 5.1.3 To stimulate demand, the money supply should be (increased/decreased).
- 5.1.4 To curb inflation, government spending should be (increased/decreased). 4x2=(8)
- 5.2 List three of South Africa's National World Heritage sites. 3x2=(6)
- 5.3 Read the CASE STUDY below and answer the questions that follow.

WHAT IS THE SOLUTION TO AFRICA'S ENERGY CRISIS?

More than 80 percent of Africa's population are without electricity. This means that human development suffers, as schools, hospitals, businesses and computer networks all rely on electricity.

More than 97 percent of the population growth will take place in developing countries. The mathematics is simple: more people will demand more fuel resources. Moreover, the energy needs of the urban resident are greater than that of the rural resident.

According to Anna Tibaijuka, 75 percent of energy is consumed in cities and towns, which demands investment in urban energy generation and delivery. "No country has ever reduced poverty without investing substantially in energy. Energy is central to all human development

goals. You cannot have water provision or education or health without energy.” In Africa, due to the lack of electricity, millions of people are dependent on natural vegetation in their continuous search for firewood to cook. Forests are destroyed in the process, which has a negative effect on the environment as eco-systems are wiped out.

African countries have been challenged to be brave and set their own agenda in establishing a framework for individual countries to invest in their future, instead of relying on developed nations to point the way to development.

Adapted: *African Connexion*, April 2007 – Stephanie Niewoudt.

5.3.1 Explain the term *energy*. (3)

5.3.2 According to the extract, how does the population in Africa suffer due to the energy crisis? 2x2=(4)

5.3.3 Why are the energy needs of urban residents greater than those of rural residents? (3)

5.3.4 Due to a lack of electricity in Africa, people have to make use of alternative energy resources. Name ONE alternative resource. (2)

5.3.5 Provide suitable examples of how resources can be preserved for future generations. 3x2=(6)

5.3.6 Deduce the purpose of ESKOM. (2)

5.4 The Rio De Janeiro Earth Summit was an international agreement to promote environmental sustainability development. Discuss any TWO other international agreements. 8x2=(16)
[50]

QUESTION 6

6.1 Choose the **correct word** from those given in brackets. Write only the **word** next to the **question number** (6.1.1 – 6.1.4) in the ANSWER BOOK.

6.1.1 Local capacity building among (indigenous/endogenous) people is a crucial aspect of sustaining the environment.

6.1.2 (GDP/GNP) is the total value of all final goods and services produced within the borders of a country over a particular period.

6.1.3 An increase in the price of a currency in terms of another currency is called (appreciation/depreciation).

6.1.4 Payments received on goods exported are seen as a(n) (leakage/injection).

4x2=(8)

6.2 List any THREE leading indicators.

3x2=(6)

6.3 Use the information in the table below to answer the questions that follow.

Consumption spending	R140 million
Marginal propensity to consume	0,7
Investment spending	R160 million
Government spending	R100 million
Imports	R30 million
Exports	R20 million

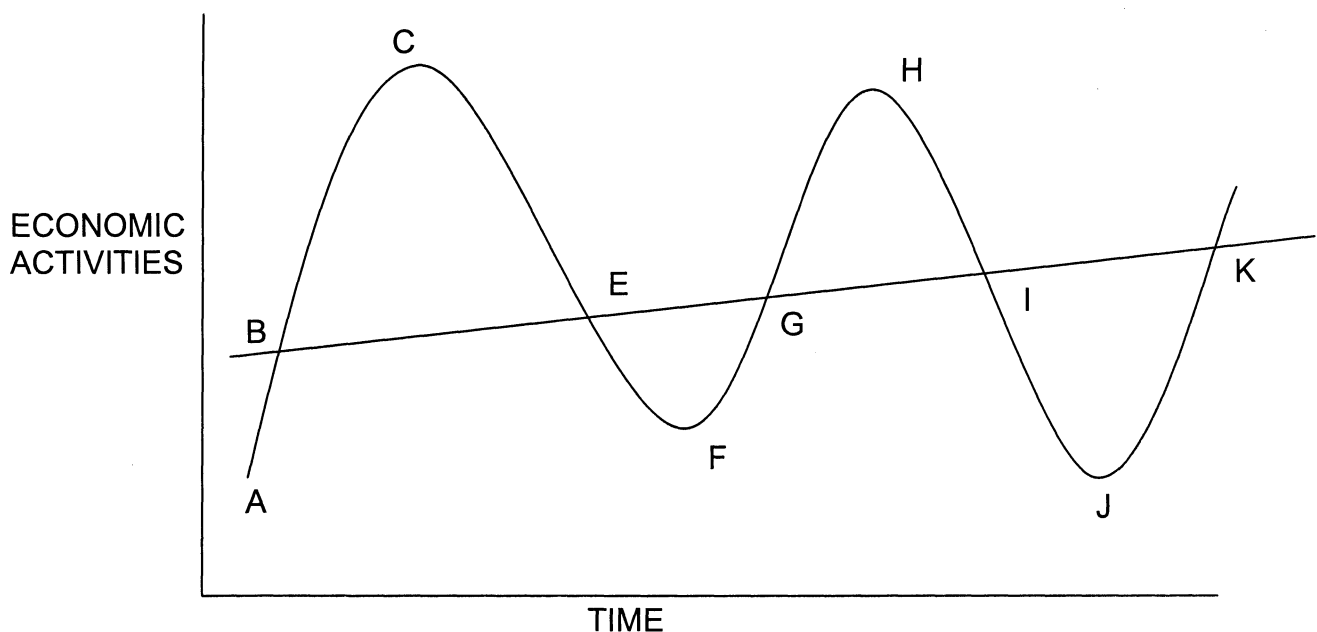
6.3.1 Calculate the level of aggregate income (Y) in an open economy using the **expenditure method**. Show ALL your calculations.

(7)

6.3.2 Use the figures in the table to calculate the marginal propensity to save (mps). Show ALL your calculations.

(3)

6.3.3 Study the following graph and answer the questions that follow.



What do the following represent?

- a) AB
- b) BC
- c) CE
- d) EF
- e) J

5x2=(10)

6.4 Illustrate and explain the Laffer curve.

4x4=(16)
[50]

TOTAL SECTION B: [150]

P.T.O.

SECTION C

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

In this section a maximum of 5 marks will be allocated for the interpretation of the topic and language usage.

QUESTION 7

Discuss the **components** of the **Balance of Payments Account**.

[50]

QUESTION 8

The Gautrain project of the Gauteng Provincial Government went through a cost-benefit analysis (CBA) process. We can assume that the company which tendered to build and operate the project went through the usual phases.

Discuss **cost-benefit analysis** by applying it to the Gautrain project.

[50]

QUESTION 9

Write a memorandum to the chairperson of SADC on South Africa's new regional development policy focusing on **Spatial Development Initiatives (SDI's)**, **Industrial Development Zones (IDZ's)** and **financial incentives**.

[50]

QUESTION 10

Write a report to the Department of Environmental Affairs and Tourism (DEAT) on the **effects of tourism** on the South African economy.

[50]

TOTAL SECTION C: [100]

GRAND TOTAL: 300