

GAUTENG DEPARTMENT OF EDUCATION

SENIOR CERTIFICATE EXAMINATION

OCTOBER / NOVEMBER 2005
OKTOBER / NOVEMBER 2005

ECONOMICS SG

TIME: 3 hours

MARKS: 300

INSTRUCTIONS:

- Answer SIX questions.
 - Section A: Question 1 is **COMPULSORY**.
 - Section B: Answer any FIVE questions.
 - Answer Question 1 (multiple-choice questions) on the **answer sheet** on the **inside cover** of your **answer book**.
 - Read the questions carefully.
 - Number your answers clearly and correctly.
 - Plan the length of your answers according to the marks allocated to each question.
 - Answer questions, where possible, in point form.
 - A non-programmable calculator may be used.
 - Lead-pencil work will not be marked.
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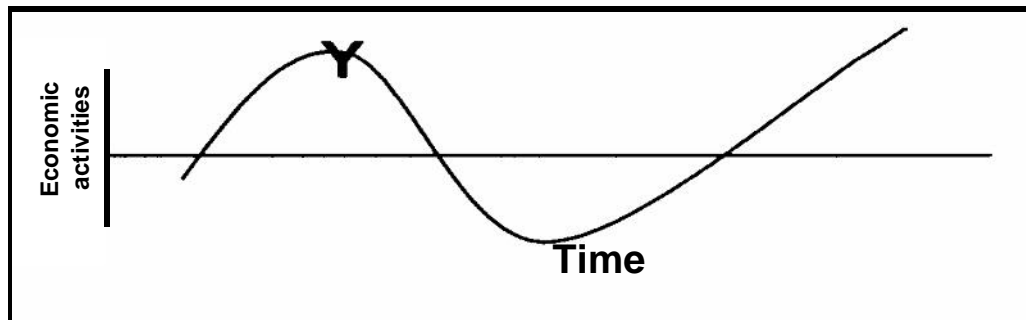
SECTION A
COMPULSORY

QUESTION 1
MULTIPLE-CHOICE QUESTIONS

Choose the correct answer from the four possibilities provided (A – D) for Questions 1.1 – 1.34. Indicate the correct answer by making a cross (X) over the corresponding letter on the **answer sheet** on the **inside cover** of your **answer book**.

- 1.1 Imports and exports enter the circular flow of the economy through the _____ sector.
- A. business
 - B. foreign
 - C. government
 - D. household

- 1.2 National production figures indicate the value of all _____ products.
- A. final
 - B. foreign
 - C. intermediary
 - D. domestic
- 1.3 One of the main reasons why national income calculations are incorrect is that _____.
- A. the income of less important industries is not calculated
 - B. income that is generated in free time is calculated
 - C. national income is easy to maintain
 - D. certain services on behalf of the community are excluded
- 1.4 Real national income is also known as figures at _____ prices.
- A. constant
 - B. basic
 - C. current
 - D. market
- 1.5 The most significant measure to determine the output of the economy is its ____.
- A. GNP
 - B. CPIX
 - C. GDP
 - D. PPI
- 1.6 Study the diagram below and indicate what point (Y) on the cycle means.



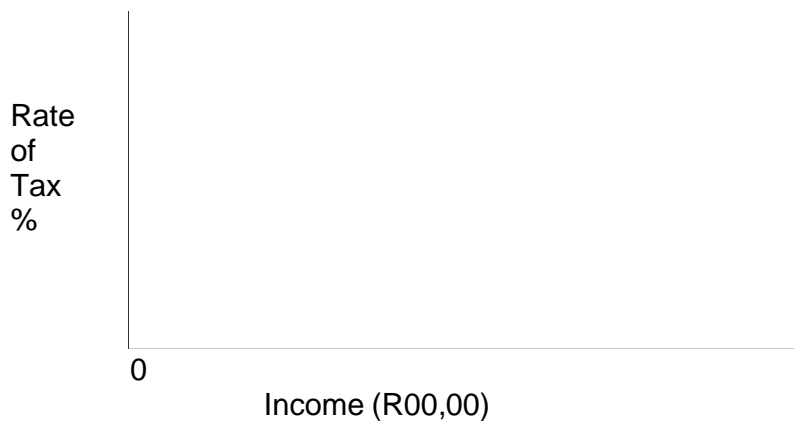
- A. Depression
- B. Recession
- C. Trough
- D. Peak

- 1.7 To avoid double counting when the national income is calculated, only _____ goods must be taken into account.
- A. intermediate
 - B. final and intermediate
 - C. half-finished
 - D. final
- 1.8 The term **value** in economic terms refers to _____ .
- A. exchange value
 - B. user value
 - C. demand
 - D. supply
- 1.9 If goods are exchanged for goods, this is known as _____ trade.
- A. price
 - B. barter
 - C. market
 - D. value
- 1.10 A perfect market has many _____ .
- A. buyers and many sellers
 - B. buyers and one seller
 - C. sellers and one buyer
 - D. sellers and few buyers
- 1.11 The movement along the demand curve is always the result of a change in _____ .
- A. quantity demanded
 - B. price
 - C. quantity supplied
 - D. scarcity
- 1.12 Utility refers to the _____ .
- A. ability to satisfy wants
 - B. value of goods
 - C. availability of goods
 - D. price of goods
- 1.13 The cost of one commodity or service in terms of an alternative that has be sacrificed is known as _____ .
- A. scarcity cost
 - B. opportunity cost
 - C. choice problem
 - D. sacrificing cost

- 1.14 The success of a business depends on _____ .
- A. producers
 - B. suppliers
 - C. tax liability
 - D. demand
- 1.15 Less developed countries are also known as _____ economies.
- A. developed
 - B. underdeveloped
 - C. undeveloped
 - D. developing
- 1.16 Corridors in the South African context are part of the government's _____ policy.
- A. labour
 - B. spatial development
 - C. special development
 - D. urban development
- 1.17 In order to qualify for skills development incentives, a business must _____ .
- A. be small or medium in size
 - B. be located in an IDZ
 - C. employ new staff
 - D. train new staff
- 1.18 Which one of the following does NOT conform to sound urbanization policy?
- A. Improving the standard of living of inhabitants
 - B. Creating job opportunities for unskilled labourers
 - C. Improving municipal services to ensure maximum satisfaction of needs
 - D. Creating a supplementary source of income
- 1.19 Which one of the following is a characteristic of the informal sector?
- A. Lack of security
 - B. Experience of a previous trade
 - C. Job security and certainty of an income
 - D. Capital intensive
- 1.20 A street vendor is an example of a/an _____ activity.
- A. regulated
 - B. formal
 - C. informal
 - D. recorded

- 1.21 One of the causes of international trade is that _____ .
- A. natural resources are spread evenly over the surface of the earth
 - B. capital can be easily obtained by all countries
 - C. climatic conditions determine the agricultural production
 - D. goods are produced in adequate quantities in all countries
- 1.22 The method used by the government to decrease the value of its currency under a free-floating system is known as _____ .
- A. depreciation
 - B. appreciation
 - C. deflation
 - D. devaluation
- 1.23 The rate of exchange between USA and SA is \$1 = R7,50. If the value of the Rand decreases by 10%, the new rate of exchange will be _____ .
- A. \$0,90 = R8,25
 - B. \$1.10 = R7,50
 - C. \$1,00 = R8,25
 - D. \$1,00 = R6,75
- 1.24 The demand for foreign exchange is determined by _____ .
- A. exporting of goods
 - B. expenditure of foreign tourists
 - C. importing goods
 - D. the purchase and sale of goods and services
- 1.25 South Africa's balance of payments is published every _____ .
- A. year
 - B. month
 - C. week
 - D. quarter
- 1.26 Financial support given by governments to exporters is known as _____ .
- A. export duties
 - B. custom duties
 - C. export subsidies
 - D. export quotas
- 1.27 Special Drawing Rights are issued to its members by the _____ .
- A. U.N.
 - B. I.M.F.
 - C. A.U.
 - D. S.A.R.B.

- 1.28 The government plays an active role in the production of the natural resources of S.A. through _____ .
- A. forestry
 - B. financial control
 - C. intellectual development
 - D. cultural development
- 1.29 In South Africa, prison services are known as _____ services.
- A. infrastructure
 - B. economic
 - C. social
 - D. protection
- 1.30 Value-added tax is a form of _____ tax.
- A. progressive
 - B. indirect
 - C. income
 - D. direct
- 1.31 The policy of the government that is aimed at controlling the money supply and is implemented by the SARB is called the _____ policy.
- A. fiscal
 - B. monetary
 - C. economic
 - D. marketing
- 1.32 The financial year of the government is from _____ .
- A. 1 July - 30 June
 - B. 1 March - 28 February
 - C. 1 January - 31 December
 - D. 1 April - 31 March
- 1.33 What form of tax is illustrated in the graph below?



- A. Progressive
- B. Decreasing
- C. Proportional
- D. Regressive

1.34 The budget speech is delivered in parliament by the _____ .

- A. Minister of Trade and Industry
- B. State President
- C. Minister of Finance
- D. Governor of the Reserve Bank

34x3= (100)

TOTAL FOR SECTION A: [100]

SECTION B

- Answer any FIVE questions in this section.
- All questions must be answered in your **answer book**.
- Responses should adequately reflect the contexts required by the question.

QUESTION 2 NATIONAL INCOME

- 2.1 Discuss how households spend their income. (12)
- 2.2 In a closed economy, the basic macro-economic flows are per definition equal to one another. Describe TWO basic macro-economic flows. (8)
- 2.3 Study the table below and answer the questions that follow.

YEAR	POPULATION	PRICE INDEX	PER CAPITA INCOME
2001	44 Million	100	R430
2002	42 Million	130	R480

- 2.3.1 Calculate the following:
- a) Nominal national income of 2001 (3)
 - b) Nominal national income of 2002 (3)
 - c) Real national income of 2002 (3)
- 2.3.2 What year was the base year? (1)
- 2.4 Choose the correct answer from the words between brackets. Write down only the question number and the correct answer.
- 2.4.1 Participants in the economy who represent import and export of goods and services are (consumers / foreigners).
 - 2.4.2 Gross domestic product is converted to net domestic product by (subtracting/adding) consumption of fixed capital.
 - 2.4.3 (Food items/ Cars) can be classified as durable goods.

2.4.4 The total compensation of employees plus operating surplus in determining national income is regarded as the (expenditure / income) method.

2.4.5 A process whereby GDP per capita, under inflationary conditions, increases over time is known as economic (growth / development).

5x2= (10)
[40]

QUESTION 3 PRICE FORMATION

3.1 Choose the correct word(s) between brackets.

3.1.1 The intensity of the need determines the (demand for/supply of) a product.

3.1.2 Marketing by (samples/grade) cannot be done on the world market.

3.1.3 The problem of scarcity has been resolved in (some/no) economies in the world.

3.1.4 If the price of a product (increases/decreases), the supply curve will move to the right.

3.1.5 The price paid for an article will automatically (increase/decrease) if the demand increases and the supply remains unchanged. 5x2= (10)

3.2 Discuss FOUR types of wants. (12)

3.3 Describe TWO advantages of competition in a capitalist market economy. (8)

3.4 Study the diagram below. Use the information to draw a graph indicating the equilibrium point.

PRICE	BAGS OF ORANGES DEMANDED	BAGS OF ORANGES SUPPLIED
10	1 000	100
15	800	200
25	500	500
30	300	800
35	150	900

(10)
[40]

QUESTION 4 ECONOMIC DEVELOPMENT

- 4.1 Choose the correct word(s) between brackets.
- 4.1.1 The movement of people from rural areas to town is known as (urbanisation/regional development).
- 4.1.2 The increase in the real GDP per capita is known as (economic growth/economic development).
- 4.1.3 (Regional development/Nationalisation) has an aim to promote the potential of a specific area.
- 4.1.4 Local businesses are encouraged to produce goods for export (custom duties/duty-free incentives).
- 4.1.5 The informal sector can evade (personal income tax/VAT). (10)
- 4.2 Disease control and improvement in health are examples of strategies for the development of human resources for the sake of economic development. Discuss TWO other strategies. (8)
- 4.3 Discuss THREE financial incentives that are available to entrepreneurs for the establishment of new businesses. (12)
- 4.4 Study the following extract and then answer the questions that follow.

South African Business and HIV/Aids

Survey on the impact of HIV/Aids on business in South Africa was released in December 2003 by the South African Business Coalition on HIV/Aids (SABCOHA). The results of the survey was published in January 2004.

The survey was conducted by the Bureau for Economic Research (BER) during October and November 2003. To date, it is the largest survey of its kind – with over 1 006 participating companies from various sectors, including the manufacturing, retail, wholesale, motor trade and building and construction sectors.

According to the survey, South African businesses are already being confronted by dire consequences of HIV/Aids and the response of the business sector to the pandemic urgently needs to be accelerated.

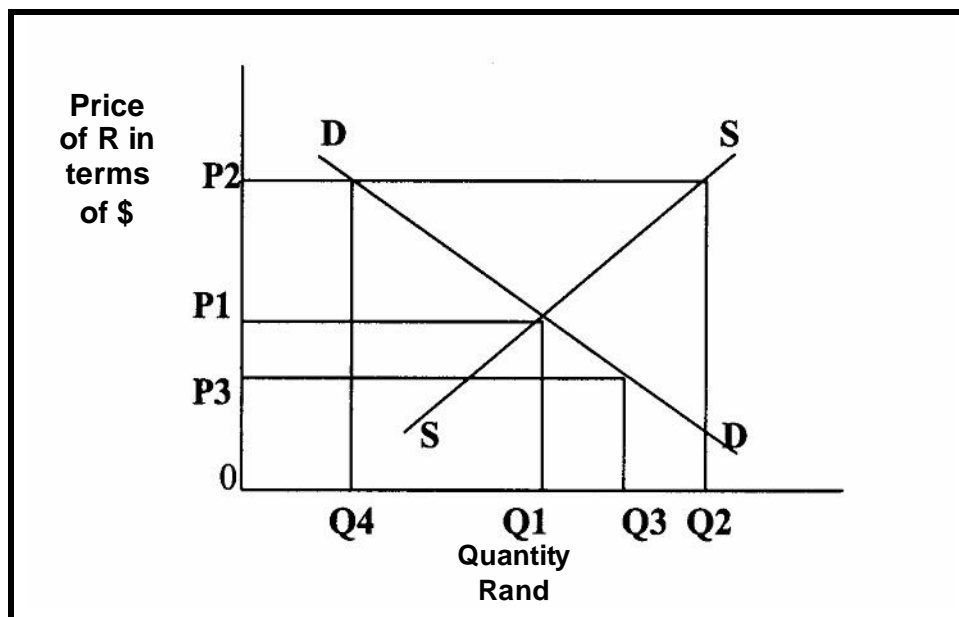
Source: *Sunday Times*

- 4.4.1 Identify TWO industries that are involved in research on the impact of HIV/Aids on business. (4)
- 4.4.2 When was the survey conducted? (3)
- 4.4.3 What does the acronym **Aids** stand for? (3)

[40]

QUESTION 5 INTERNATIONAL TRADE

- 5.1 Choose the correct word(s) between brackets.
- 5.1.1 Customs duties are levied on all (imported/exported) goods.
- 5.1.2 (Gold/Coal) is the biggest earner of foreign exchange in South Africa.
- 5.1.3 Special Drawing Rights that are issued as a method of payment are issued by the (IMF/GATT).
- 5.1.4 The government of the country can stimulate local production through the policy of (import substitution/export promotion).
- 5.1.5 Money spent by a country's tourists abroad creates a (demand for / supply of) foreign exchange. 5x2= (10)
- 5.2 Two of the main arguments for protection is that it protects the Balance of Payments and prevents a country from over-specialisation. Discuss THREE other arguments. 3 x (2 + 2) = (12)
- 5.3 Explain TWO forms of import duties. (8)
- 5.4 Study the diagram below and then answer the questions that follow.



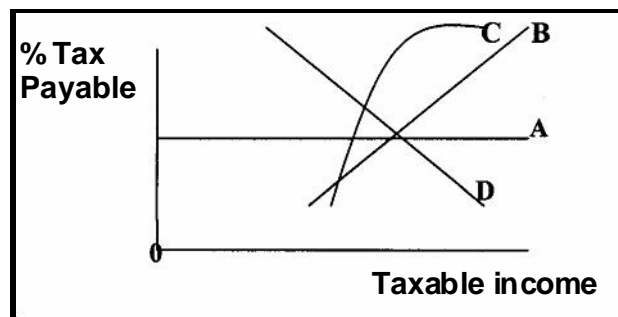
- 5.4.1 How many Rand will be available at a price of OP1? (3)
- 5.4.2 The movement of the Rand from OP2 to OP3 is known as _____. (3)
- 5.4.3 At which price will the Rand be in equilibrium? (3)
- 5.4.4 Indicate whether the following statement is TRUE or FALSE.
- The above graph represents the foreign exchange market. (1)

[40]

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QUESTION 6 THE STATE

- 6.1 Choose the correct word(s) between brackets.
- 6.1.1 The primary source of government revenue is income obtained from (income taxes / government properties).
- 6.1.2 The (additional / supplementary) budget makes provision for a sudden change in the main budget.
- 6.1.3 In order to combat inflation, the government's policy is to (increase / decrease) its expenditure.
- 6.1.4 The tax that is deducted monthly from the salary of a worker is (VAT / PAYE).
- 6.1.5 One of the main aims of the Reserve Bank is to (increase / decrease) the rate of inflation. 5x2= (10)
- 6.2 GEAR is one of the government's macro-economic policies. Discuss the concept **GEAR**. (12)
- 6.3 Distinguish between **progressive** and **proportional** systems of taxation. (8)
- 6.4 Study the graph below and answer the questions that follow.



- 6.4.1 Which form of taxation is represented by the following curves?
- a) Curve A (3)
- b) Curve B (3)
- c) Curve D (3)
- d) What is the term used when the tax burden is carried by another person? (1)

[40]

QUESTION 7
IMPORTANT ECONOMIC TOPICS

Answer any TWO of the following sub-sections (7.1, 7.2, 7.3, or 7.4).

7.1 LABOUR RELATIONS

7.1.1 Choose the correct word(s) between brackets.

- (a) The (CCMA/Trade Union) is a permanent statutory institution for maintaining sound labour relations.
- (b) A payment for services provided in terms of a contract is known as a (wage/bonus).
- (c) The (CCMA/Bargaining Council) is an institution that handles labour disputes. (6)

7.1.2 Labour Force Participation Rate (LFRR) is the percentage of the population that offers their services on the labour market. Discuss FOUR factors that influence the supply of labour. (12)

7.1.3 Wages that may not be below this level are known as _____ wages. (2)
[20]

7.2 PRODUCTIVITY AND UNEMPLOYMENT

7.2.1 Choose the correct word(s) between brackets.

- (a) (Cyclical/Structural) unemployment arises because of the state of the economy.
- (b) The ratio between production and resources is known as (productivity/inputs).
- (c) When the worker is in the process of moving to a new job, it is known as (structural/frictional) unemployment. (6)

7.2.2 Discuss FOUR misconceptions concerning productivity. (12)

7.2.3 Complete by writing down only the missing word(s):
Unemployed people can register with the office of the Department of _____ . (2)
[20]

7.3 INFLATION

7.3.1 Choose the correct word(s) between brackets.

- (a) Too much credit that is available is a cause of (demand pull/cost push) inflation.
- (b) An introduction of a loan levy can be seen as a (fiscal/monetary) measure to combat inflation.
- (c) The (CPI/PPI) is used to measure inflation. (6)

7.3.2 Over-extension of credit is one of the causes of inflation. Discuss FOUR other causes of inflation. (12)

7.3.3 Complete by writing down only the missing word(s):

A high rate of unemployment and inflation at the same time is known as _____ . (2)
[20]

7.4 STRATEGIC RESOURCES

7.4.1 Choose the correct word(s) between brackets.

- (a) (Denel/Escom) exports a variety of armaments.
- (b) (Escom/Koeberg) supplies power to various parts of the country.
- (c) Sasol produces oil in South Africa from (uranium/coal). (6)

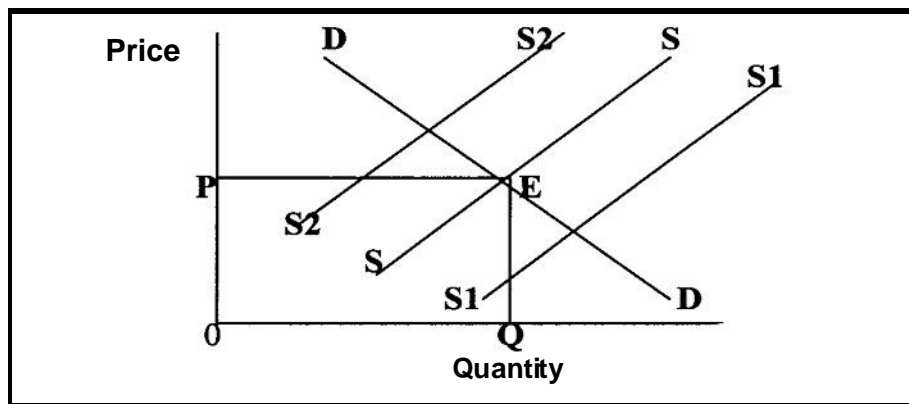
7.4.2 The development of rural areas is only possible if there is sufficient water available. Discuss FOUR other reasons for the supply and conservation of water. (12)

7.4.3 Complete by writing down only the missing word(s):

The nuclear power station of South Africa is known as _____ . (2)
[20]
2x20= **[40]**

QUESTION 8 GENERAL

- 8.1 Choose the correct word(s) between brackets.
- 8.1.1 The real national income is the (monetary/nominal) value of the national income adjusted for price changes.
- 8.1.2 When goods are ready for the market, they are known as (intermediary/final) goods.
- 8.1.3 Capital gains tax is tax levied on the gain that is made when a capital asset is (disposed of/purchased).
- 8.1.4 Privatisation refers to the disposal of (private enterprises/parastatals).
- 8.1.5 The concept (depreciation/devaluation) is commonly used in the fixed rate of exchange. 5x2= (10)
- 8.2 Non-intervention by the government is a condition for a perfect market. Discuss FOUR other conditions. (12)
- 8.3 Distinguish between **tax avoidance** and **tax evasion**. (8)
- 8.4 Study the graph below and then answer the questions that follow.



- 8.4.1 Using the graph above, explain the influence of changes in supply on price and quantity. (6)
- 8.4.2 Distinguish between **supply** and **quantity supplied**. (4)
- [40]**

TOTAL FOR SECTION B: [200]

TOTAL: 300

END