

GAUTENG DEPARTMENT OF EDUCATION
SENIOR CERTIFICATE EXAMINATION

FEB / MAR 2006

ECONOMICS HG

TIME: 3 hours

MARKS: 400

INSTRUCTIONS:

- Start each question on a new page.
 - Answer SEVEN questions:
 - Section A: Question 1 is compulsory.
 - Section B: Answer any TWO questions.
 - Section C: Answer any FOUR questions.
 - Answer Question 1 on the **answer sheet** on the **inside cover** of your **answer book**.
 - Answers in excess of the required number will not be marked.
 - Read the questions carefully.
 - Number your questions clearly and correctly.
 - Structure your answers neatly and systematically.
 - Plan the length of your answers according to the marks allocated to each question.
 - Where possible, answer questions in point form.
 - Answers in lead pencil will not be marked.
 - A non-programmable calculator may be used.
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SECTION A
COMPULSORYQUESTION 1
GENERAL

Indicate the correct answer by making a cross (X) over the appropriate letter on the **answer sheet** on the **inside cover** of your **answer book**. Each question counts 3 marks.

A	B	C	D
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- 1.1 The value of the total annual output of finished goods and services by the permanent residents of a country for any year defines the _____.
- A. Gross Domestic Product
 - B. Net National Product
 - C. Gross National Product
 - D. Net Domestic Product
- 1.2 Economic growth is measured by _____.
- A. the increase in the GDP per capita
 - B. the increase in the quantity of goods and services produced in the country over a period of time
 - C. the increase in the real GNP
 - D. the increase in the real GDP per capita
- 1.3 National income figures are difficult to compose because of _____.
- A. population factors; lack of historical data; monetary units
 - B. population factors; technology; marketing methods
 - C. monetary units; welfare standards; marketing methods
 - D. population factors; technology; marketing sources
- 1.4 Which of the following will lead to double counting if it is included in the national income figures?
- A. Salaries of government employees
 - B. Pensions
 - C. Company payments
 - D. Rent income

- 1.5 Which one of the following statements describes the informal sector the best?
- A. People who are unemployed and cannot be absorbed in the formal sector.
 - B. Sector that does not pay tax.
 - C. All unrecorded activities outside the mainstream of the economy.
 - D. All activities are production-orientated.
- 1.6 Some payments made by the state form part of national income but do not increase the national income. An example of this is _____.
- A. services rendered by the housewife
 - B. backyard activities
 - C. increased defence expenditure
 - D. services rendered by voluntary organisations
- 1.7 The payments by the government to registered unemployed persons indicated in the national accounts is known as _____.
- A. interest
 - B. transfer payments
 - C. wages
 - D. added value
- 1.8 Economic means refers to _____.
- A. production processes
 - B. objects of decisions made by the participants
 - C. prices
 - D. income expenditure
- 1.9 If the quantity demand increases by 20 % after a 10 % decrease in price the elasticity of demand will be _____.
- A. smaller than one
 - B. greater than one
 - C. equal to one
 - D. infinitely great
- 1.10 The law of diminishing marginal utility means that _____.
- A. total utility diminishes with each additional unit of a product obtained
 - B. utility gained from a particular unit of a product diminishes with each additional unit obtained
 - C. the utility gained from each unit of a product varies with the price
 - D. total utility increases at a diminishing rate within each additional unit

- 1.11 The consumer surplus is the difference between what the consumer is willing to pay and _____.
- A. that which he finally pays
 - B. the quantity equal to his needs
 - C. the quantity equal to the demand for a product
 - D. the decrease in relation to the price
- 1.12 Human wants are insatiable because _____.
- A. modern market economies encourage striving for status
 - B. sufficient goods and services are available
 - C. advertisements are ineffective
 - D. there is an unlimited availability of resources to satisfy such wants
- 1.13 Price determination and the co-ordination of production and consumption will only be important in _____ economic systems.
- A. communistic
 - B. socialistic
 - C. free market
 - D. all markets
- 1.14 Which of the following is **not** a prerequisite for the existence of a perfect market?
- A. One seller and many buyers
 - B. Homogeneous products
 - C. Complete knowledge of the market
 - D. Free entrance to and exit from the market
- 1.15 Corridors in South Africa are part of government's _____ policy.
- A. labour
 - B. rural development
 - C. spatial development
 - D. urban development
- 1.16 One of the main functions of the DBSA is to _____.
- A. assist companies to list their shares on the stock market.
 - B. assist all industries to increase their productivity
 - C. assist companies which need large amounts of capital that cannot be obtained through the issue of shares
 - D. ensure that inflation is curbed

- 1.17 In order to qualify for a tax-free skills development incentive, a business must _____.
- A. be small or medium in size
 - B. be located in an IDZ
 - C. employ additional new staff
 - D. train new staff
- 1.18 A development problem faced in regional development is that _____.
- A. economic activities are unevenly distributed between the various regions
 - B. the economies of South Africa, the old self-governing areas and independent states are too closely integrated
 - C. South Africa is big and heterogeneous, and it can be regarded as a single region for effective planning
 - D. the development has to be stronger on a cultural basis.
- 1.19 South Africa's policy with regard to urbanization includes _____.
- A. separate cities for the different race groups
 - B. controlled squatting
 - C. capital-intensive techniques
 - D. urban areas to be separated from rural areas
- 1.20 To function efficiently, IDZs depend on _____.
- A. the government
 - B. the private sector
 - C. the trade unions
 - D. the adjacent areas
- 1.21 Devaluation is a decrease in the value of a currency because of _____.
- A. supply and demand forces
 - B. a decrease in the value of the currency by the government
 - C. a fiscal measure to decrease the currency
 - D. a decrease in the value of a currency by market forces
- 1.22 Group floating refers to _____.
- A. a mint parity of exchange rates
 - B. a number of currencies floating jointly
 - C. a statutory exchange rate
 - D. independent floating of currencies

- 1.23 The demand for foreign exchange can be determined by _____.
- A. the export of goods
 - B. payment in instalments on overseas loans
 - C. expenditure of tourists in South Africa
 - D. receipts of payments made by foreign countries
- 1.24 Which of the following scenarios will result in countries not trading with each other?
- A. Absolute cost differences
 - B. Equal cost differences
 - C. Relative cost differences
 - D. Comparative cost differences
- 1.25 Which of the following is **not** a valid argument in favour of tariff protection?
- A. Protecting an infant industry while it is growing
 - B. Protecting industries essential to national defence
 - C. Preventing unemployment in declining industries
 - D. Protecting against cheap foreign labour
- 1.26 Which one of the following is the simplest form of economic integration?
- A. Customs union
 - B. Common market
 - C. Free trade area
 - D. Monetary union
- 1.27 Which component of the balance of payments contains the balancing item?
- A. Current Account
 - B. Capital Transfer Account
 - C. Financial Account
 - D. The Official Reserve Account
- 1.28 The economic policy of the State refers to _____.
- A. the provision of collective functions in the public sector
 - B. intervention by the State so that a system of 'controlled' capitalism exists
 - C. the deliberate course of action taken by the State to partially or wholly improve the economy
 - D. intervention by the State to ensure efficient use of the factors of production

- 1.29 According to the United Nations' classification of government functions, the maintenance of law and order in a country is considered a _____ service.
- A. general
 - B. social
 - C. community
 - D. economic
- 1.30 Fiscal policy refers to the steps that the government takes to _____.
- A. change taxes
 - B. change interest rates
 - C. exercise control over money
 - D. control activities and functions of banks
- 1.31 Increasing productivity by increasing the number of private industries can be a reason for _____.
- A. nationalization
 - B. rationalization
 - C. privatization
 - D. decentralization
- 1.32 The role of the State in South Africa includes _____.
- A. determination of economic policy
 - B. balancing state income between taxes and loans
 - C. determining the amount of cash and credit expenditure
 - D. balancing foreign policy regarding imports
- 1.33 The Government's GEAR policy can be seen as a _____.
- A. macro economic policy
 - B. micro economic policy
 - C. instrument to measure political support
 - D. guide line document for foreign investments
- 1.34 Public debt is incurred when _____.
- A. the State's expenditure is more than its income
 - B. consumer spending is high
 - C. the State borrows money to finance its expenditure
 - D. bank loans to clients are high

34x3=(102)

TOTAL FOR SECTION A: [100]

SECTION B

- Answer any TWO questions in this section.
- Answers should have an introduction, body (content) and a conclusion.

QUESTION 2
PRICE FORMATION AND MARKETS

Discuss the perfect market. [50]

QUESTION 3
ECONOMIC DEVELOPMENT

Discuss economic development. [50]

QUESTION 4
INTERNATIONAL TRADE POLICY

Discuss South Africa's international trade policy in detail. [50]

QUESTION 5
THE STATE

Discuss the economic policy of the State in detail. [50]

TOTAL FOR SECTION B: [100]

SECTION C

- Answer any FOUR questions in this section.

QUESTION 6
NATIONAL INCOME

6.1 Indicate whether the following statements are TRUE or FALSE:

- 6.1.1 In a closed economy the following sectors are joined together and form a continuous economic flow: the household, the business sector, the public sector and the foreign sector.
- 6.1.2 In order to convert the GDP to the GNP the primary income from the rest of the world must be deducted from it.
- 6.1.3 Real capital ranges from cash deposits to shares, debentures and loans.
- 6.1.4 Economic growth is defined as the increase in the real GDP.

- 6.1.5 Real national income is the monetary value of national income adjusted for price increases. 5x2=(10)
- 6.2 Some of the methods to improve economic growth are productivity and investment. Discuss the other THREE. (12)
- 6.3 Discuss domestic expenditure in an open economy. (18)
- 6.4 Make use of the table below to answer the questions that follow.

	1995	1997	1999
Population	37 million	39 million	41 million
Price index deflator	100	124,6	145
Nominal national income	R345 000 million	R430 000 million	R500 000 million

- 6.4.1 Calculate the Real Per Capita Income for 1997. (4)
- 6.4.2 Calculate the Real National Income for 1999. (3)
- 6.4.3 Indicate whether there was an increase or a decrease in economic growth between 1997 and 1999. (3)
- [50]**

QUESTION 7 PRICE FORMATION AND MARKETS

- 7.1 Indicate whether the following statements are TRUE or FALSE:
- 7.1.1 The want for a product is not the same as the demand for a product.
- 7.1.2 Economic goods are produced from scarce, limited resources at a cost.
- 7.1.3 Goods that do not have a market price are known as economic goods.
- 7.1.4 Mass production will increase the cost of production.
- 7.1.5 If the price of a product increases, the supply curve will move to the right. 5x2=(10)

- 7.2 Discuss FIVE factors that have an influence on the elasticity of demand. (15)
- 7.3 Explain the role of competition in a free-market economy. (15)
- 7.4 Complete the table below by calculating the marginal utility, then draw the graph for marginal utility. Indicate on the graph the point of saturation.

NUMBER OF SODAS	TOTAL UTILITY	MARGINAL UTILITY
1	12	
2	22	
3	28	
4	30	
5	28	

Table: (5)
 Graph: (5)
 (10)
[50]

QUESTION 8 ECONOMIC DEVELOPMENT

- 8.1 State whether the following statements are TRUE or FALSE:
- 8.1.1 The earning of foreign exchange by poor countries is increasing, which is why foreign aid is no longer required.
- 8.1.2 There is a high level of inequality in the distribution of income in developing countries.
- 8.1.3 Urbanisation in South Africa is on the decrease.
- 8.1.4 The aim of the Reconstruction and Development Programme was to develop human resources.
- 8.1.5 HIV/AIDS will have a detrimental effect on the economically active population of a country. 5x2=(10)
- 8.2 The Industrial Development Programme (IDP) in South Africa has two focuses. One is the Spatial Development Initiative (SDI) and the other, financial incentives. Discuss the SDI. (15)

- 8.3 Urbanization is at times a necessary condition for economic development. Discuss THREE advantages of urbanization relating to economic growth. (15)
- 8.4 Carefully read the following passage taken from the application of the new system of National Accounts (SNA 1993) – 15th International Conference of Labour Statisticians, then answer the questions that follow.

The Informal Sector

“The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned. These units typically operate at low levels of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations – where they exist – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees. Production units of the informal sector have the characteristic features of household enterprises ... Activities performed by production units of the informal sector are not necessarily performed with the deliberate intention of evading the payment of taxes or social security contributions, or infringing labour or other legislations or administrative provisions. Accordingly, the concept of informal sector activities should be distinguished from the concept of activities of the hidden or underground economy.”

- 8.4.1 What is the primary objective of the informal sector? (3)
- 8.4.2 Which factor of production is based on the informal sector? (2)
- 8.4.3 State the misconception regarding the informal sector. (2)
- 8.4.4 How does the contractual labour aspect of the informal sector differ from the formal sector? (3)
- [50]**

**QUESTION 9
INTERNATIONAL TRADE**

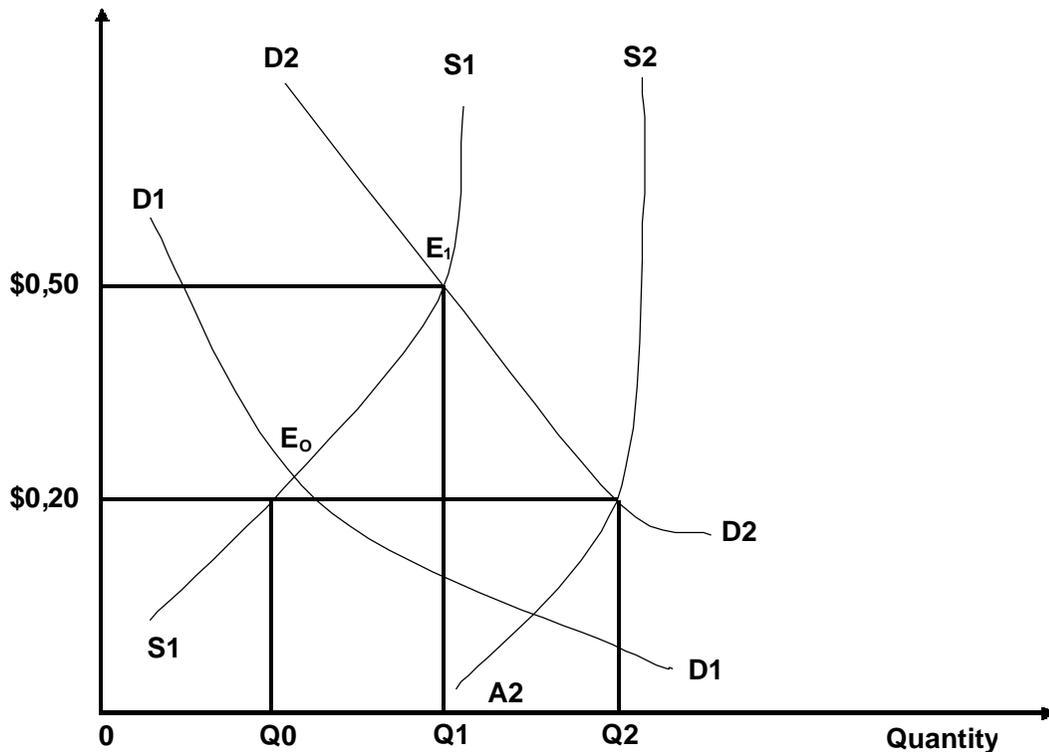
- 9.1 Indicate whether the following statements are TRUE or FALSE:
- 9.1.1 A measure enforced by the government to increase the exchange rate of the monetary unit is known as appreciation.
- 9.1.2 Mutual trade occurs because countries are differently endowed with raw materials.
- 9.1.3 Portfolio investments in the Financial Account of the balance of payments look only at the expected financial return on the investment.
- 9.1.4 Merchandise exports and merchandise imports are part of the Current account of the balance of payments account.
- 9.1.5 Protection is the application of a trade policy whereby the State discourages the import of certain goods and services in order to protect local industries.

5x2=(10)

P.T.O.

- 9.2 Discuss FIVE reasons for international trade. 3x5=(15)
- 9.3 Discuss the FIVE stages of the economic integration process. 5x3=(15)
- 9.4 Carefully study the graph below and answer the questions that follow.

Exchange Rate R1,00 = \$0,2 045



- 9.4.1 What effect will the shift from \$0.20, to \$0.50 have on South African exports? (4)
- 9.4.2 At an exchange rate of R1 = \$0.20 R12 worth of South African grapes costs \$2.40. What would the cost be at an exchange rate of R1 = \$0.50? (3)
- 9.4.3 What could the Reserve Bank do to normalize prices to a level of R1 = \$0.20 again? (3)

[50]

QUESTION 10
THE STATE

10.1 Indicate whether the following statements are TRUE or FALSE:

10.1.1 Changes in taxes can affect production and economic growth.

10.1.2 A taxation system is productive (efficient) if the cost of collection of taxes is low and inexpensive.

10.1.3 The construction of roads and bridges is an economic function of the State.

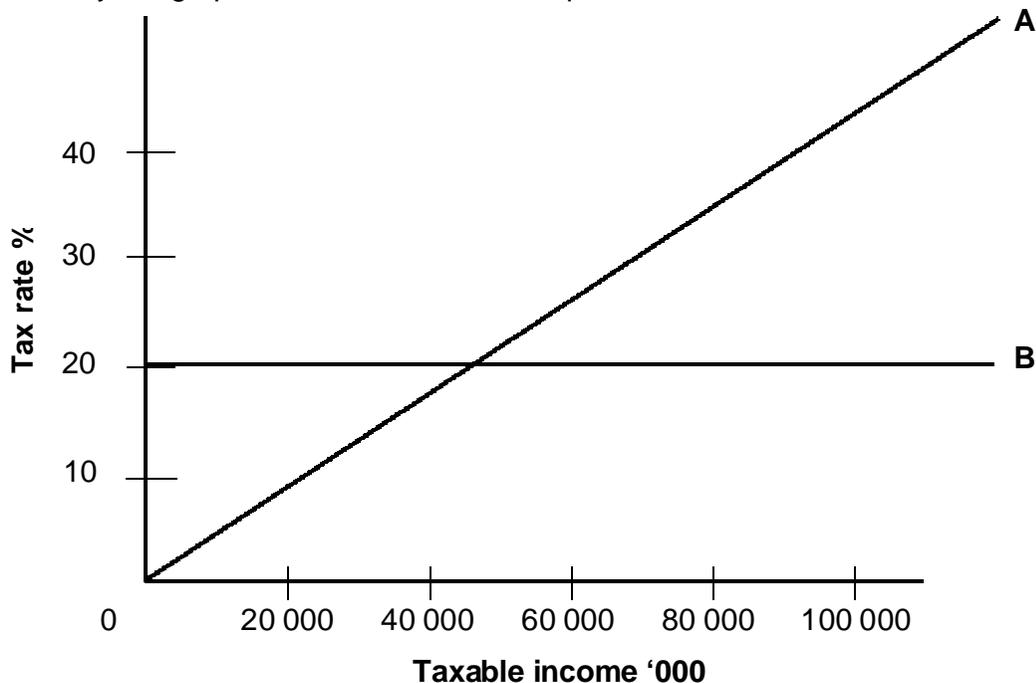
10.1.4 Capital Gains Tax is a tax which is levied on the profit that is made when an asset is disposed of.

10.1.5 Treasury bills, as a way of financing budget deficits, can be sold to businesses. 5x2=(10)

10.2 What role does the government play as entrepreneur in South Africa? 3x5=(15)

10.3 Discuss tax on wealth as applicable in South Africa. (15)

10.4 Study the graph below and answer the questions that follow:



10.4.1 Which TWO types of tax are indicated in the graph above? (6)

10.4.2 Calculate the percentage tax that people with an income of R80 000 would be liable to pay in the graph above. (4)

(10)
[50]

P.T.O.

QUESTION 11
IMPORTANT ECONOMIC TOPICS

- This question consists of FOUR subsections of 25 marks each.
- You may answer any TWO subsections of this question.
- Number your choices clearly.

11.1 Labour Relations

11.1.1 Indicate whether the following statements are TRUE or FALSE:

- (a) The decisions taken by the CCMA are binding on all parties.
- (b) A bargaining council is established for a particular industry.
- (c) The personality of the worker is part of the package which the employer takes into service.

3x2=(6)

11.1.2 Discuss the FIVE institutions and mechanisms used to resolve labour disputes.

(15)

11.1.3 Define the term **trade union**.

(4)

[25]

11.2 Productivity and Unemployment

11.2.1 Indicate whether the following statements are TRUE or FALSE:

- (a) Productivity only applies to labour.
- (b) There is a positive relationship between productivity, economic growth and employment.
- (c) The best way to increase productivity is to increase the level of literacy.

3x2=(6)

11.2.2 Discuss the THREE most important types of unemployment.

3x5=(15)

11.2.3 Define **productivity**.

(4)

[25]

11.3 Inflation

11.3.1 Indicate whether the following statements are TRUE or FALSE:

- (a) An increase in the inflation rate is equal to an increase in the consumer price index.
- (b) Claims for higher wages and salaries by labour unions result inevitably in demand inflation.
- (c) The policy that is implemented by the South African Reserve Bank to control inflation is known as fiscal policy. 3x2=(6)

11.3.2 Discuss FIVE consequences of inflation for the consumer. (15)

11.3.3 Discuss **stagflation**. (4)
[25]

11.4 Strategic Resources in South Africa

11.4.1 Indicate whether the following statements are TRUE or FALSE:

- (a) South Africa's first nuclear reactor used coal to generate electricity.
- (b) Firewood is the most important source of household energy in rural areas.
- (c) Denel produces armaments for the local market only. 3x2=(6)

11.4.2 Discuss South Africa's energy resources. (15)

11.4.3 What is the importance of water to industrial development? (4)
[25]

2x25=[50]

TOTAL FOR SECTION C: [200]

TOTAL: 400

END