

NORMAN HENSILWOOD HIGH SCHOOL
EXAMINATIONS



DATE	14 JUNE 2011
GRADE	10
SUBJECT AND PAPER	ECONOMICS
TIME	11:00 – 13:00
MARKS	200
EXAMINER	Mr Z Hendricks
MODERATORS	Mrs Y Miller/Mrs K Poole

INSTRUCTIONS

1. Answer ALL of the questions
2. Complete Section A on the attached Answer sheet.
3. Read the questions carefully. Neatness and systematic presentation of FACTS are required
4. Answer in full sentences where required
5. Non-programmable calculators may be used.
6. Good Luck (“,)

SECTION A

[50 Marks]

Use the **ANSWER SHEET** provided to answer Questions 1 - 3.

QUESTION 1

Multiple Choice – Indicate which answer is correct by writing the letter next to the appropriate number.

- 1.1 The central economy deals with:
- A. The problem of scarcity
 - B. The problem of supplying resources
 - C. The problem of choice
 - D. All of the above
- 1.2 If the price of a light bulb decreases then...
- A. The demand for light bulbs will also decrease
 - B. The supply of light bulbs will decrease
 - C. The supply of light bulbs will increase
 - D. No change will occur in the demand or the supply of light bulbs
- 1.3 Which of the following is not a production factor...
- A. The demand for goods and services
 - B. Money earning interest in a bank
 - C. Someone employed as an actor
 - D. The owner of a private business
- 1.4 The function of the market is to bring...
- A. About the exchange of goods and services
 - B. Goods and services into contact with buyers
 - C. Goods and services into contact with sellers
 - D. Goods and services into contact with buyers and sellers
- 1.5 A pure monopoly is a market where there are many...
- A. buyers and few sellers
 - B. buyers, but only one seller
 - C. sellers and few buyers
 - D. sellers and only one buyer
- 1.6 If the supply of Bar-One increases, then...
- A. The demand and price will both increase
 - B. The demand and price will remain constant
 - C. No change in price will occur
 - D. Profits will increase

- 1.7 There are ways to measure GDP
- A. 2
 - B. 3
 - C. 4
 - D. 5
- 1.8 The complete circular flow diagram has main participants in the economy
- A. 5
 - B. 4
 - C. 3
 - D. 2
- 1.9 is an example of an injection in the economy
- A. Savings
 - B. Taxes
 - C. Exports
 - D. Imports
- 1.10 The national budget is part of the government's policy
- A. Exchange policy
 - B. Monetary policy
 - C. Expansionary policy
 - D. Fiscal policy

[2×10=20]

QUESTION 2

True or False - *State whether the following statements are True/False. If the statement is False correct the underlined phrase.*

- 2.1 If the price of a product increases, the demand for it will decrease.
- 2.2 The lower the price of a product, the more of the product will be offered.
- 2.3 A consumer's income will influence their demand.
- 2.4 GDP is the total market value of all intermediate goods and services produced within a country in a particular period.
- 2.5 The expenditure method of calculating GDP adds up all the actual expenditures made on final goods and services.

[2×5=10]

QUESTION 3

Study the scenarios about the fictitious country 'Kento' in column A (3.1 – 3.10) and match them with their (similar) meanings (a-j) in Column B. Write down only the corresponding letter.

COLUMN A		COLUMN B	
3.1	Last year the size of the economy was R100 billion. This year it is R105 billion.	a)	The Exchange Rate is stable.
3.2	There are 20 million people who want to work in Kento. One million do not have jobs	b)	The standard rate of Income Tax is 33%
3.3	Some industries are privately owned and some are state owned.	c)	The economy has a Growth Rate of 5%.
3.4	Banking, insurance and tourism, etc. are important to the country's economy.	d)	The Manufacturing Sector is larger than the Service sector.
3.5	The production of cars and machinery etc. is still the most important part of the economy.	e)	The Unemployment Rate is 5%
3.6	At the moment the economic situation is bad. There is a danger that the economy will get smaller, not bigger this year.	f)	People fear a Recession.
3.7	Prices are much higher this year than last year.	g)	The economy has a large Service Sector.
3.8	Most working people have to pay about a third of their income to the government.	h)	Trade Union Membership is about 10% of the whole workforce.
3.9	Today you can buy 10 Kentos for one SA Rand. Last year it was the same.	i)	Kento has a Mixed Economy
3.10	Two million workers are members of labour organizations.	j)	The Rate of Inflation is high.

[2×10=20]

SECTION B

[100 Marks]

Study the **ADDENDUM** carefully before answering Section B and C

QUESTION 4

Study the quote taken from the ***Addendum*** and answer the questions that follow

"The South African Chamber of Business warned that the power cuts were having serious effects on business activity, estimating that the Cape power cuts cost business at least R500-million in losses."

- 4.1 Using the focus of the article discuss the central economic problem facing the Western Cape. (6)
- 4.2 Would you classify power/energy as a factor of production? Provide a reason for your answer. (3)
- 4.3 Explain how Energy/power can be involved in both the process of production and consumption. Use the definitions of these terms in your explanation. (6)
- 4.4 What is meant by the term 'remuneration' for the factors of production? Provide examples. (5)

[20]

QUESTION 5

- 5.1 Make use of a diagram and detailed labels and explanations to explain the participants in the circular flow of the economy. (16)
- 5.2 How do households earn an income? (2)
- 5.3 How do firms earn an income? (2)
- 5.4 Explain the difference between a leakage and injection. Use examples in your answer. (4)
- 5.5 Discuss how the government can influence the amount of economic activity in the country. (6)

[30]

QUESTION 6

Study the quotes taken from the ***Addendum*** and answer the questions which follow.

"The country's persistent power blackouts have produced an unexpected boom in sales of power generators and candles."

"There has been a massive increase," says Leon Maas, sales manager for Johannesburg-based company Generator Logic. "We used to quote a four-week delivery period, but now we're saying eight to 12 weeks because of the demand."

The figure below represents the normal demand and supply for generators (before the blackouts)

PRICE OF GENERATORS	QUANTITY DEMANDED (D1)	QUANTITY SUPPLIED (S1)
R 14 000	1000	4000
R12 000	1500	3000
R10 000	2000	2000
R8 000	2500	1500
R6 000	3500	1000

- 6.1 Use the information in the table above, to draw the demand and supply curves on the same set of axis. **(8)**
- 6.2 At what price are both the buyers and the sellers happy? **(2)**
- 6.3 What is the price in 6.2 known as? **(2)**
- 6.4 Why does the demand curve have a negative gradient? **(2)**
- 6.5 Due to the power cuts in the Western Cape, the demand for Generators has changed. Using the new figures for the demand for generators, plot the new demand curve (D2) on the same graph in 6.1 (DO NOT DRAW A NEW GRAPH) **(4)**

PRICE OF GENERATORS	QUANTITY DEMANDED (D2)
R 14 000	2000
R12 000	3000
R10 000	4000
R8 000	5000
R6 000	7000

- 6.6 What has happened to the demand curve? **(2)**
- 6.7 Explain the reason for this shift. **(2)**
- 6.8 Explain the change in the price where the buyers and sellers are both happy. **(4)**
- 6.9 Explain the law of supply. **(4)**

[30]

QUESTION 7

Cape Energy is a company which produces both candles and torches, however with the limited resources they are forced to make choices. Due to the power cuts, they cannot run all of their machines at once and many of their staff are not able to be at work everyday due to the effect the Blackouts have had on the public transport.

Study the production possibilities for Cape Energy and answer the questions which follow:

POSSIBILITY	TORCHES	CANDLES
<i>A</i>	15	0
<i>B</i>	12	200
<i>C</i>	9	400
<i>D</i>	6	600
<i>E</i>	3	800
<i>F</i>	0	1000

- 7.1 Plot the above combinations on a graph. (8)
- 7.2 Why could Cape Energy not produce any torches at F? (2)
- 7.3 What is the opportunity cost of producing 6 torches? (2)
- 7.4 What was sacrificed to produce 400 candles? (2)
- 7.5 Plot a point on your graph to illustrate inefficient production. Label this point G. (2)
- 7.6 Cape Energy has decided to invest in another generator. Explain the effect this will have on the curve. (4)

[20]

SECTION C:

[50 Marks]

QUESTION 8: ESSAY QUESTION

Study the quote taken from Addendum A and answer the questions that follow:

"The South African Chamber of Business warned that the power cuts were having serious effects on business activity, estimating that the Cape power cuts cost business at least R500-million in losses."

The estimated Millions of Rand loss by South African businesses from the Power Blackouts could have a significant effect on the Business Cycle if the problem carries on.

Discuss the above statement and include in your answer the following:

- A fully labeled diagram of the business cycle **(10)**
 - A discussion of each phase **(20)**
 - A discussion on the impact of the Blackouts related to the cycle (which phase and why?) **(10)**
 - The impact this shift in the cycle will have on the economically vulnerable **(10)**
- [50]**

TOTAL: 200

ADDENDUM A

When the power goes down, generator sales go up

Jenni Evans | Johannesburg, South Africa

26 March 2006 11:59

The country's persistent power blackouts have produced an unexpected boom in sales of power generators and candles.

"There has been a massive increase," says Leon Maas, sales manager for Johannesburg-based company Generator Logic. "We used to quote a four-week delivery period, but now we're saying eight to 12 weeks because of the demand."

The company recently received an order for a large generator from the company that manufactures the world-famous Mrs Balls chutney. "They can't have 50, 60 people standing around next to the production line when there's a power failure, they had to do something."

According to Maas, the recent power blackouts in Cape Town set off a run on generators.

"It [the blackouts] was a nightmare; the guys were suffering," Maas said. At times the entire Western Cape was without power after a bolt in the Koeberg nuclear power facility severely curtailed the available power supply, which had a knock-on effect on national supplies.

The South African Chamber of Business warned that the power cuts were having serious effects on business activity, estimating that the Cape power cuts cost business at least R500-million in losses.

Living without power

Having no power is not a new experience for South Africa's poor, who are already well versed in finding electricity-free ways of cooking their food and bathing and warming themselves.

For these people, braziers, paraffin stoves, candles and wood fires are an integral part of daily life.

But for their better-off fellow South Africans, the charm of a row of pretty candles and a quick flick through the Mr Delivery menu can wear thin.

And as the laptop battery life runs low ahead of an important work presentation, the purchase of a personal generator may be justified.

It can cost about R10 000 for a smaller generator set that can power household needs. A larger generator for company use can cost as much as R500 000.

The smaller sets use about 2,5 litres of diesel an hour and must be serviced every 250 hours at a cost of about R1 500.

Maas said finance houses such as Absa and Wesbank have also started offering lending facilities for their purchase.

Nico van Rensburg, sales manager of Price's Candles, said its factory has started running extra machines to cope with demand. In the Western Cape, the company is raking in six months' sales of the simple household candles in just one month, he said.

Sales in other areas are also about 10% up on normal sales.