

NORMAN HENSILWOOD HIGH SCHOOL
EXAMINATIONS



DATE	10 JUNE 2011
GRADE	11
SUBJECT AND PAPER	ECONOMICS
TIME	9:00 – 12:00
MARKS	300
EXAMINER	Mr Z Hendricks
MODERATORS	Mrs Y Miller/Mrs K Poole

INSTRUCTIONS

1. Answer **ALL** questions in your 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 and ensure that the format and content of your answer comply with the cognitive requirements of the question.
7. Write neatly and legibly.
8. Use only black or blue ink. Answers in pencil will **NOT** be marked.
9. Non-programmable calculators may be used.

SECTION A (COMPULSORY)

[Total: 50 Marks]

QUESTION 1

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

- 1.1 A person who is innovative and who takes initiative in setting up a business is known as a/an...
- A. producer
 - B. business man
 - C. entrepreneur
- 1.2 Which ONE of the following models indicates the flow of goods and services as well as the factors of production?
- A. Economic cycle
 - B. Circular flow model
 - C. Economic flow
- 1.3 The value of goods and services produced within the borders of a country is known as the ...
- A. gross national product
 - B. gross national income
 - C. gross domestic product
- 1.4 Profit maximising occurs when marginal revenue is equal to ...cost.
- A. marginal
 - B. average
 - C. total
- 1.5 The satisfaction gained from the last economic good consumed is called ... utility.
- A total
 - B marginal
 - C average
- 1.6 The inverse relationship between product price and quantity demanded, is known as the law of ...
- A demand.
 - B diminishing returns.
 - C diminishing marginal utility.
- 1.7 Even if a company delivers no output, it must still bear ... cost.
- A. marginal
 - B. fixed
 - C. variable

- 1.8 A market composed of a small number of dominant producers only, whose pricing decisions are interdependent, is called a ...
- A. monopoly
 - B. oligopoly
 - C. joint venture
- 1.9 The subjective feeling that refers to the amount of satisfaction that someone obtains from consuming an additional unit, is called ...
- A. utility
 - B. total utility
 - C. marginal utility
- 1.10 The national budget is part of the government's policy
- A. Fiscal policy
 - B. Monetary policy
 - C. Expansionary policy
- 1.11 Which of the following will probably have the highest price elasticity of demand?
- A. a new car
 - B. a new brand of car
 - C. a new model of a specific brand of car
- 1.12 In South Africa, mining is the responsibility of the Department of ...
- A. Mining
 - B. Minerals and Energy
 - C. Environmental Affairs

[2×12=24]

QUESTION 2

True or False - State whether the following statements are True/False.

- 2.1 Financial and physical assets owned by individuals are known as money.
- 2.2 Workers' real wages refer to cash receipts and other benefits.
- 2.3 Consumption by the general government consists mainly of final consumer goods.
- 2.4 The largest sector in terms of employment in South Africa is the tertiary sector.
- 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

Choose the term/concept in Column B that corresponds with the description in Column A.

Write only the correct **letter** (A-I) from **Column B** which corresponds with the description in **Column A** (next to the corresponding number)

COLUMN A		COLUMN B	
3.1	At the moment the economic situation is bad. There is a danger that the economy will get smaller, not bigger this year.	a)	Production
3.2	Mining industries	b)	Repo rate
3.3	Conversion of input to output	c)	Oligopoly
3.4	Production of capital goods	d)	People fear a recession
3.5	Responsible for the establishment of 25 SETA's	e)	Primary sector
3.6	Market which only has one seller	f)	Investment
3.7	Market which consist of a small number of producers	g)	Monopoly
3.8	Overnight lending rate to banks	h)	Exchange rate
		i)	National Skills Authority

[2×8=16]

SECTION B**[Total: 150 Marks]****QUESTION 4 – MACRO ECONOMICS**

4.1 Choose the correct word within brackets. Write only the correct word next to the question number in the exam script.

- 4.1.1 Production is the creation of (utilities/jobs)
- 4.1.2 Goods used as inputs by enterprises are known as (final/intermediate) goods.
- 4.1.3 A mixture of a market and a centrally planned economy implies a (mixed/free) economy.
- 4.1.4 Some people refer to the manufacturing sector as the (secondary/tertiary) sector.
- 4.1.5 (Entrepreneurship/Labour) includes both physical and mental effort

[2×5=10]

4.2 Carefully read through the table below and answer the questions that follow. The table provides details for the calculation of the GDP according to the value added method:

	ADDED VALUE (IN R BILLION)	1994	2003
1	Primary sector	52	126
1.1	Agriculture, forestry and fishing	20	42
1.2	Mining and quarrying	32	84
2	Secondary sector	122	275
2.1	Manufacturing	92	222
2.2	Electricity, gas and water	16	27
2.3	Construction (contractors)	14	26
3	Tertiary sector	266	733
3.1	Wholesale and retail trade, catering and accommodation	62	158
3.2	Transport, storage and communication	38	110
3.3	Financial intermediation, insurance, real estate agencies and business services	71	228
3.4	Community, social and personal services	95	237
	(a) General government services	71	167
	(b) Other services	24	70
4	Gross added value at basic prices	440	1135
5	Plus tax on products	48	120
6	Min subsidies on products	6	4**
7	Gross domestic products at market prices*	482	1251

*Gross value at market prices

**Rounded up to balance it

- 4.2.1 List the three main sectors that have added value to the South African GDP in 2003. **(3)**
- 4.2.2 Briefly explain the difference between basic and market prices as used in the national accounts tables. **(6)**
- 4.2.3 Calculate the percentage contribution to the value added by each of the main sectors in 1994 and 2003. **(6)**
- 4.2.4 Name any TWO examples of “community” and “social” services. **(4)**
- 4.2.5 Which sector employs the highest percentage of the economically active population in South Africa? **(1)**
- 4.3 State TWO reasons of the economic importance of the secondary sector. **(4)**

4.4 Explain the following equation:

$$GDP = C + I + G + (X - Z)$$

[2x8=16]

[50]

QUESTION 5 – MICRO ECONOMICS

5.1 Choose the correct word within brackets. Write only the correct word next to the question number in the exam script.

5.1.1 A perfect competitor is a price-(taker/searcher).

5.1.2 If two products are jointly supplied and the price of one product increases, the supply of the other will (decrease/increase).

5.1.3 Total cost equals fixed cost plus (average/variable) cost.

5.1.4 Factors of production are bought and sold on the (goods/factor) market.

5.1.5 In the (short/long) run, at least one input is considered fixed. [2x5=10]

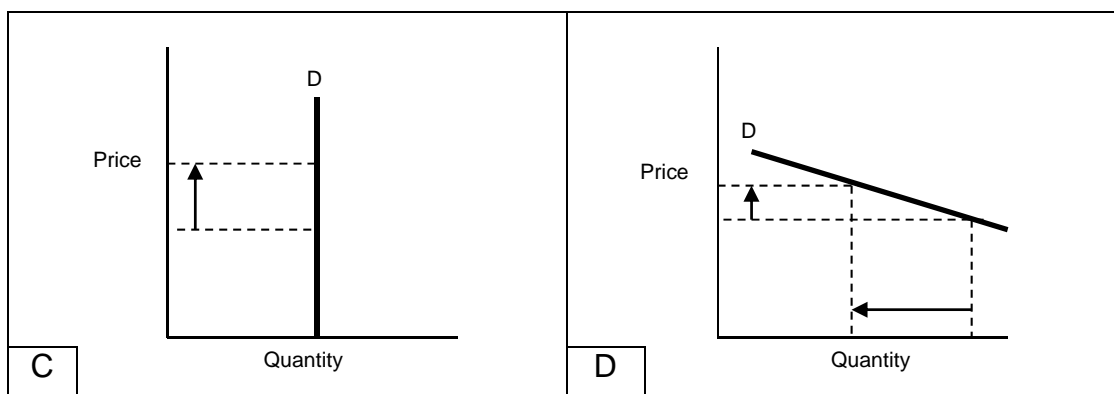
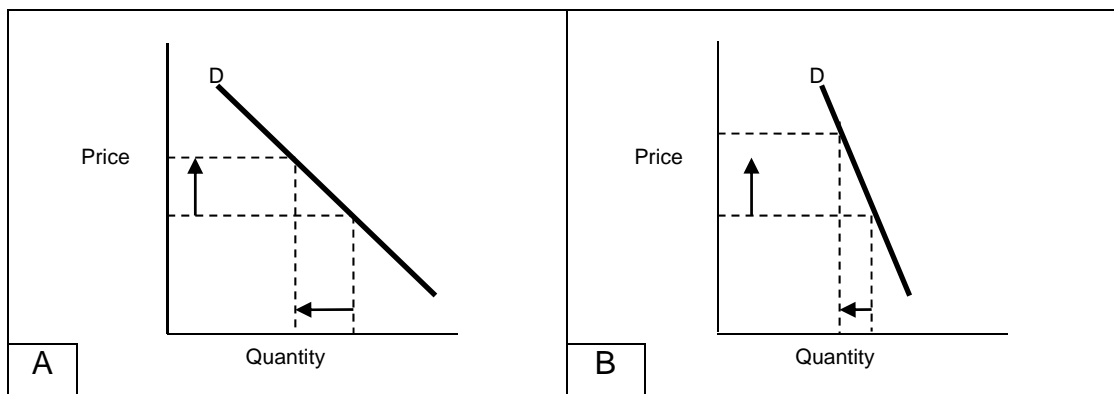
5.2 Study the following table and answer the questions that follow:

Units	FC	VC	TC	AC	MC
1	30	30	60	60	60
2	30	50	80	40	20
3	30	60	A	30	10
4	30	90	120	B	30
5	30	140	170	34	C
6	30	201	231	38.5	61

5.2.1 Define total cost (TC) (2)

5.2.2 Determine A, B and C. (show calculations) (12)

5.3 Study the following graphs and answer the questions that follow:



- 5.3.1 Name the different forms of price elasticity depicted in A, B, C and D. (8)
- 5.3.2 Distinguish, in tabular form and using examples, between B and D as forms of price elasticity. (12)
- 5.4 List any THREE characteristics/conditions of an imperfect market. (6)
- [50]**

QUESTION 6 – MACRO AND MICRO ECONOMICS

- 6.1 State whether the following statements are True/False.
- 6.1.1 In the free market system the government controls all the economic activities.
- 6.1.2 John Keynes advocated a dual economic system for South Africa.
- 6.1.3 The government can save money by spending more than it receives.
- 6.1.4 The Governor of the reserve bank is Tito Mboweni.
- 6.1.5 South Africa has a mixed economy.

[2×5=10]

- 6.2 Carefully read through the section below and answer the questions that follow:

Excessive profits!

IT is a huge challenge and a wonderful achievement for any company to make a good profit. However, in Telkom's case this is a disgrace.

Firstly, Telkom as a company is a monopoly. Consequently, there are no competitors. If nobody is allowed to compete with you, winning is no big deal.

Secondly, most of Telkom's shares belong to the State and we all know how many doors this will open up for you! Thirdly, Telkom's rates are among the highest in the world.

The huge profit therefore comes as no surprise – the consumers have paid for it.

Lastly, to everyone that purchased Telkom shares when these were cheap, I just want to point out that you have made huge profits, at the expense of all the poor fools who have to pay these exorbitant telephone rates.

- 6.2.1 What causes business to make a profit? (4)
- 6.2.2 Why does the author think Telkom's rates are a “disgrace”? (8)
- 6.2.3 What is a monopoly? (4)
- 6.2.4 What is the implication of “most of Telkom's shares belong to the State”? (2)
- 6.2.5 What is the tone of this letter (2)
- 6.3 Refer to the following economic activities and indicate whether it takes place in the primary, secondary or tertiary sector.
- 6.3.1 Dis-chem pharmacy
- 6.3.2 Lumber mill
- 6.3.3 Anglo Platinum
- 6.3.4 ABSA Bank
- 6.3.5 Camden Power Station (2×5=10)
- 6.4 Use demand and supply curves to explain what happens in the market for tea if the cost of producing coffee increases. (10)

[50]

SECTION C – ESSAY QUESTIONS

[100 Marks]

QUESTION 7

‘Markets are at the centre of economic activities and provide the dynamics for the performance of the economies.’

With the use of graphs, discuss perfect competition as a market structure with reference to the definition and characteristics.

[50]

QUESTION 8

Discuss the price-elasticity of supply: (**Use graphs to illustrate your answer.**)

- The various forms
- The measurement of price-elasticity

[50]

TOTAL: 300