SENIOR SECONDARY IMPROVEMENT PROGRAMME 2013

GRADE 12

ECONOMICS

LEARNER HOMEWORK SOLUTIONS

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LEARNER HOMEWORK SOLUTIONS

SOLUTIONS TO HOMEWORK: SESSION 8
TOPIC: CONSOLIDATION EXERCISES

QUESTION 1

1.1 $Y = C + I + G + (X – Z)$
      Y = Aggregate income ✓✓
      C = Consumption by households ✓✓
      I = Investment spending by businesses ✓✓
      G = Government spending ✓✓
      X = Spending by foreigners on SA goods (exports) ✓✓
      Z = Spending by South Africans on foreign goods (imports) ✓✓   (12)

1.2 $Y = C + I + G + (X – Z)$
      Y = 120+140+80+ (20-30)✓✓
      Y = R330m✓✓   (4)

1.3   k = 1/(1-mpc)✓
      k = 1/(1-0.5)✓
      k = 1/0.5✓
      k = 2✓   (4)
          [20]

QUESTION 2

- To stimulate the economy, the government can decrease taxes,✓✓
- increase social grants and✓✓
- increase its spending on public works.✓✓
- All these measures ensure that households have extra money.✓✓
- This will prevent demand from dropping too dramatically.✓✓
- This will give businesses a reason to maintain or increase production levels and✓✓
- maintain or increase employment levels which have a multiplier effect.✓✓
- This will then lead to an increase in aggregate demand which will stimulate growth.✓✓
          [16]

QUESTION 3

3.1   False✓✓   3.6   False✓✓
3.2   True✓✓   3.7   False✓✓
3.3   False✓✓   3.8   False✓✓
3.4   True✓✓   3.9   True✓✓
3.5   True✓✓   3.10   False✓✓

          (2 x 10) **[20]**

QUESTION 4

4.1   Free-floating exchange rate system ✓✓
      Managed floating exchange rate system ✓✓
      Fixed exchange rate system ✓✓   (6)

4.2   Direct investments ✓✓
      Portfolio investments ✓✓
      Other investments ✓✓   (6)
          [12]

SOLUTIONS TO HOMEWORK: SESSION 9
TOPIC: CONSOLIDATION

QUESTION 1:   **24 minutes**   *(Taken from The Answer Series)*

1.1	False✓✓		1.12	False✓✓
1.2	True✓✓		1.13	False✓✓
1.3	False✓✓		1.14	True✓✓
1.4	False✓✓		1.15	False✓✓
1.5	True✓✓		1.16	True✓✓
1.6	False✓✓		1.17	True✓✓
1.7	True✓✓		1.18	False✓✓
1.8	True✓✓		1.19	False✓✓
1.9	True✓✓		1.20	True✓✓
1.10	True✓✓			
1.11	True✓✓		(20 x 2)**[40]**	

QUESTION 2:   **20 minutes**   *(Taken from The Answer Series)*

2.1

Characteristics	Perfect market	Monopoly
Number of businesses	Many✓✓	One business✓✓
Nature of the product	Homogeneous✓✓	Unique product with no close substitutes✓✓
Entry	Completely free✓✓	Blocked✓✓
Price maker/taker	Taker✓✓	Maker✓✓
Information	Complete✓✓	Complete✓✓

(4 x 2 = 8 x 2)**[16]**

2.2   Price quantity combination in an imperfect market
-      To determine the price-quantity combination, one first has to determine the quantity. ✓✓
-      To determine the production level at which profit is maximised, the business expands production up to the point where short-term marginal cost (SMC) is equal to marginal revenue (MR). ✓✓
-      The point where the SMC intersects the MR is the quantity that should be produced in order to generate the maximum profit (this is represented by point E on the graph). ✓✓
-      Then to determine the price one moves vertically upwards from that point to point B on the demand curve. ✓✓
-      The price that corresponds with this point (A) is the price (P1) at which the product would be sold. ✓✓   (2 x 8)
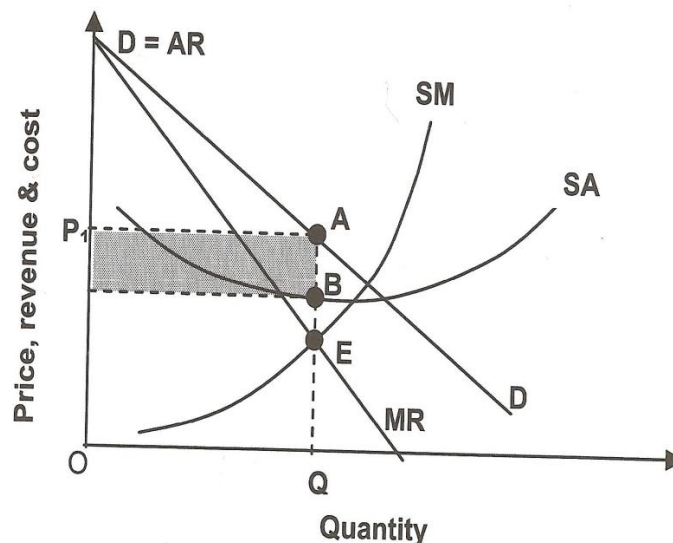
[16]

QUESTION 3:   **10 minutes**   *(Taken from The Answer Series)*

3.1   They will first measure the cost of production including cost of negative externalities. ✓✓ Then they will measure the benefit to society from consuming the specific goods including any positive externalities. ✓✓   (4)

3.2   Cost of designing and building the school✓✓
        Opportunity cost (of using resources elsewhere) ✓✓
        The cost of running a school✓✓
        Noise that the school learners would create✓✓
        Traffic congestion created by the development process✓✓
        Traffic congestion when parents drop off their children✓✓
        Environmental damage created by building process✓✓   (Any 3 x 2)(6)

3.3   The number of children in the area that would be able to attend the school✓✓
        Improved facilities for learning and sports✓✓
        Jobs created by building the school✓✓
        Jobs created by running the school✓✓
        Children will receive an education✓✓
        The school can be used by the community✓✓   (Any 3 x 2)(6)
                                                                                    [16]

SOLUTIONS TO HOMEWORK: SESSION 10

TOPIC: CONSOLIDATION

QUESTION 1:   **12 minutes**   *(Taken from The Answer Series)*

1	A ✓✓		7	A✓✓
2	B✓✓		8	A✓✓
3	C✓✓		9	A✓✓
4	A✓✓		10	C✓✓
5	B✓✓			
6	B✓✓			**[20]**

QUESTION 2:   **12 minutes**   *(Taken from The Answer Series)*

2.1   Create a dynamic economy that can create new jobs✓✓
         Alleviate poverty✓✓
         Address low wages✓✓
         Address extreme inequality✓✓
         Meet basic needs✓✓   (Any 3 x 2) (6)

2.2   Maputo Development Corridor✓✓
         Lumbombo✓✓
         Richards Bay✓✓
         Wild Coast✓✓
         Fish River✓✓
         West Coast Investment Initiative✓✓   (Any 3 x 2) (6)

2.3   Administration and implementation of multilateral trade agreements.✓✓
         Acting as a forum for multilateral trade negotiations.✓✓
         Seeking to resolve trade disputes.✓✓
         Supervising the review of national trade policies.✓✓   (Any 3 x 2) (6)
                                                                                                          [18]

SOLUTIONS TO HOMEWORK

TOPIC 1: ECONOMIC INDICATORS

QUESTION 1:   **17 minutes**   (*Source: Economics For All*)

1.1   GDP✓✓
         Monetary conditions✓✓
         Inflation✓✓
         Productivity✓✓

                                                                                        (Any 3 x 2)   (6)

1.2   Nominal GDP includes inflation✓✓✓ and Real GDP excludes inflation.✓✓✓   (6)

1.3

         a. Slow economic growth✓✓
         b. A drop in the rate of capital formation✓✓
         c. Oversupply of unskilled labour✓✓
         d. Net emigration of skilled labour✓✓
         e. Restructuring of the economy✓✓
         f.   Relatively high wages (as compared to inflation) ✓✓
         g. Labour legislation✓✓
         h. Influence of the unions✓✓
         i.   Labour unrest and strikes✓✓

                                                                                        (Any 5 x 2)   (10)

1.4   CPI includes interest rates on mortgage bonds✓✓✓ and CPIX excludes the
         interest rates on mortgage bonds. ✓✓✓   (6)
                                                                                                        [28]

QUESTION2:   **15 minutes**   (*Taken from The Answer Series*)

2.1   GDP✓✓
       Full employment✓✓
       Inflation rate✓✓
       Foreign trade✓✓
       Productivity✓✓
       Monetary conditions✓✓
       (Any 3 x 2)   (6)

2.2   *GDP (Gross Domestic Product)*
       •   GDP: Total value of all final goods and services produced within the borders of a
             country in one year.✓✓
       •   An increase in GDP will cause economic growth.✓✓
       •   GDP gives us an indication of:
             o   Economic growth
                   ▪   High economic growth is one of the main economic objectives of a
                         country.✓✓

       An increase in GDP is not *always* an indication of economic growth. It could be because of a rise in prices (inflation).✓✓
- Therefore, instead of working with GDP at current prices we need to adjust GDP to constant prices (Real GDP).✓✓
- Calculate GDP per capita to calculate whether an increase in economic welfare has occurred, i.e. if an increase in real GDP has kept up with population growth.✓✓   (4 x 2)

Full Employment
- The aim of providing everyone who is willing to work at the current wage rate with a job.✓✓
- Unemployment rate = ~~Number of unemployed~~ X 100 ✓✓

                             EAP
- Factors that have impacted negatively on the South African labour market:
  - Slow economic growth✓✓
  - A drop in the rate of capital formation✓✓
  - Oversupply of unskilled labour✓✓
  - Net emigration of skilled labour✓✓
  - Restructuring of the economy✓✓
  - Relatively high wages (as compared to inflation)✓✓
  - Labour legislation✓✓
  - Influence of the unions✓✓
  - Labour unrest and strikes✓✓   (4 x2)(16)
          [22]