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GRADE 12

ECONOMICS P1

JUNE 2024

MARKS: 150

TIME: 2 hours

This question paper consists of 13 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:
 - SECTION A: COMPULSORY
 - SECTION B: Answer TWO of the three questions.
 - SECTION C: Answer ONE of the two questions.
2. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
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, content and context of your responses comply with the cognitive requirements of the questions.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. Non-programmable pocket calculators may be used.
10. Write neatly and legibly.

SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number (1.1.1 – 1.1.8) in the ANSWER BOOK.

1.1.1 The business cycle indicators that change before the economy gets changed are called ... indicators.

- A composite
- B economic
- C lagging
- D leading

1.1.2 Businesses borrow money from the financial institution and use it mainly to purchase ... goods.

- A capital
- B final
- C non-durable
- D consumer

1.1.3 The pricing policy that the government applies when providing community goods is ...

- A subsidies.
- B charging a small fee.
- C free of charge.
- D tax.

1.1.4 When the capital outflow is higher than the capital inflow, the Balance of Payment is in a ...

- A surplus.
- B equilibrium.
- C deficit.
- D profit.

1.1.5 The depreciation in the value of assets such as machinery used in producing goods is known as the....

- A net operating surplus.
- B compensation of employees.
- C residual item.
- D consumption of fixed capital.

- 1.1.6 When the effects of irregular events are removed from the time series, the ... business cycle is obtained.
- A actual
 - B typical
 - C Kitchin
 - D Juglar
- 1.1.7 The tax system that takes more money from the poor in relation to their income is the ... tax.
- A progressive
 - B regressive
 - C proportional
 - D personal income
- 1.1.8 An investment made in a specific asset with a fixed future value that is paid out on a specific date is known as the ...
- A reserve assets.
 - B financial derivatives.
 - C portfolio investment.
 - D direct investment.

(8 x 2) (16)

- 1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A –I) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Capital market	A	shows the relationship between tax rate and tax revenue
1.2.2	Standard of National Accounts	B	the phase of the business cycle during which the level of economic activity starts to increase
1.2.3	The Laffer Curve	C	economic activities that withdraw money from the economy
1.2.4	Exchange rate	D	the ratio of export prices to import prices
1.2.5	Recovery phase	E	the phase of the business cycle during which the level of economic activity is very high
1.2.6	Human resource development	F	a price of a currency in terms of another country's currency
1.2.7	Leakages	G	recommended by the United Nations for countries' economic information to be comparable
1.2.8	Terms of trade	H	JSE is a major institution as it trades in shares
		I	Involves training of workers to improve their efficiency in production

(8 x 1) (8)

1.3 Write the concept/term described in each of the following statements. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK. Examples, acronyms and abbreviations **WILL NOT** be accepted.

- 1.3.1 The time that the economy takes to move from one peak to another peak or one trough to another trough.
- 1.3.2 Harmful goods that the government uses excise tax to discourage their consumption and production.
- 1.3.3 The government policy that uses taxation and government spending to influence the economy.
- 1.3.4 A summary of a record of a country's economic activities related to production, income, and expenditure.
- 1.3.5 Excessively complex administrative procedures that are often followed in the government sector.
- 1.3.6 Financial capital held by the monetary authorities such as the central bank to finance the trading disequilibrium.

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions from this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 List any TWO kinds of prices used in national accounts. (2 x 1) (2)

2.1.2 Why is the relationship between inflation and unemployment regarded as inverse? (1 x 2) (2)

2.2 Read the extract below and answer the questions that follow.

CIRCULAR FLOW

Circular flow is an economic model that presents how money, goods (both consumer and capital goods), and services move between sectors in an economic system. The flows of money between the sectors are also traced to measure a country's national income or GDP in the various markets.

[Extracted from: www.google.com]

2.2.1 Identify ONE example of a real flow in the extract above. (1)

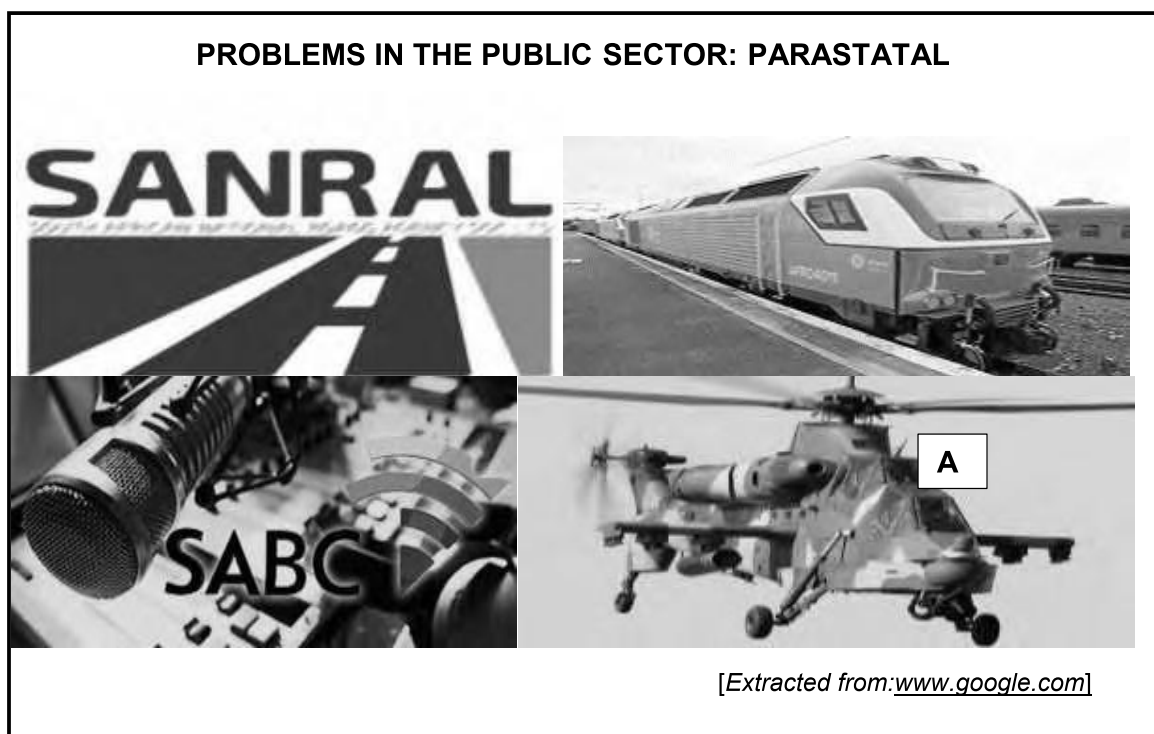
2.2.2 Which sector in the circular flow model indicates international trade? (1)

2.2.3 Briefly describe the term *foreign exchange market*. (2)

2.2.4 Explain the relationship between the factor market and the product market. (2)

2.2.5 Why is the financial sector important in the circular flow? (2 x 2) (4)

2.3 Study the data item below and answer the questions that follow.



- 2.3.1 Provide the name of the parastatal labeled [A] that manufactures defense equipment in South Africa. (1)
- 2.3.2 Name the level of government responsible for providing services to the whole country. (1)
- 2.3.3 Briefly describe the term *nationalisation*. (2)
- 2.3.4 Why does privatisation often lead to increases in the prices of goods and services produced? (2)
- 2.3.5 How can the government improve the efficiency of providing public services in South Africa? (2 x 2) (4)
- 2.4 Briefly discuss *amplitude* and *trend line* as features underpinning business cycle forecasting. (2 x 4) (8)
- 2.5 How can an increase in injections positively affect the growth of an economy? (8)

QUESTION 3: MACROECONOMICS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 List any TWO reasons for the necessity of the public sector. (2 x 1) (2)

3.1.2 How is double counting avoided when calculating gross domestic product using the production method? (1 x 2) (2)

3.2 Study the table below and answer the questions that follow.

GROSS DOMESTIC PRODUCT CALCULATION: GDP (E)	
GDP at current prices	R millions (2022)
Gross domestic expenditure	10 625 692
Export of goods and services	2 220 120
Import of goods and services	2 088 754
Expenditure on gross domestic product	[A]

[Source: www.resbank.co.za]

3.2.1 Which method of calculating GDP is expressed as GDP (E)? (1)

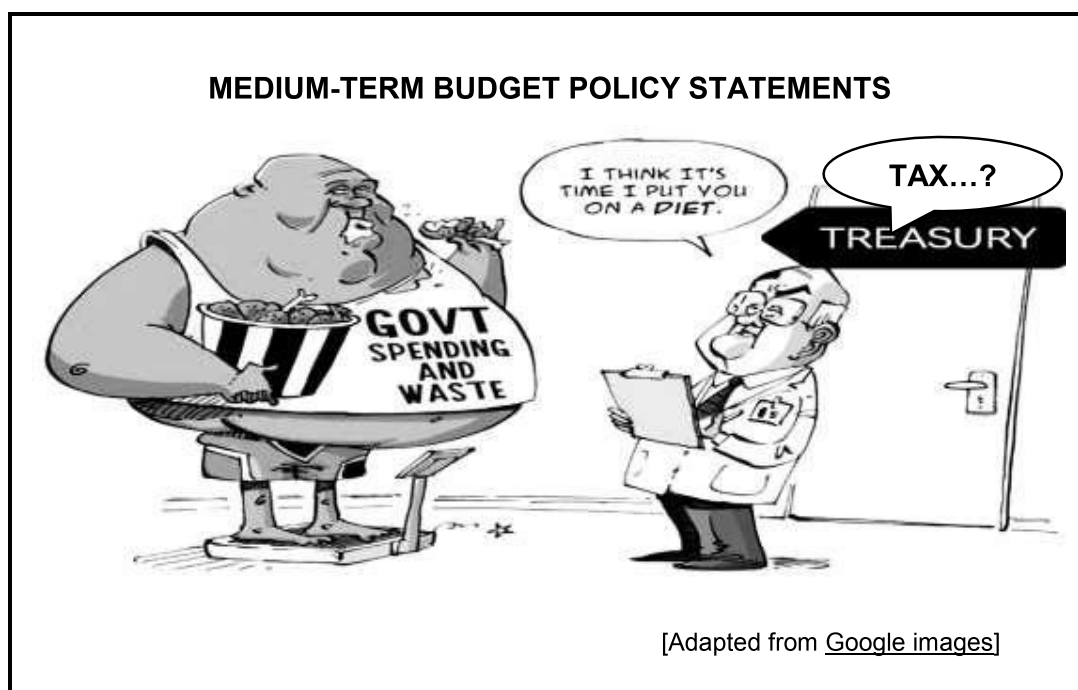
3.2.2 Give the alternative term for GDP at current prices. (1)

3.2.3 Briefly describe the term *gross domestic product*. (2)

3.2.4 What is the purpose of the residual item in the calculation of the GDP? (2)

3.2.5 Calculate the value of the expenditure on gross domestic product (letter **A**). (4)

3.3 Study the data item below and answer the questions that follow.



- 3.3.1 Identify the type of budget that is usually presented in Parliament during October. (1)
- 3.3.2 What is the financial year of the government in South Africa? (1)
- 3.3.3 Briefly describe the term *main budget*. (2)
- 3.3.4 Why is it important for a country to have a balanced budget? (2)
- 3.3.5 Explain the importance of the Medium Term Expenditure Framework. (2 x 2) (4)
- 3.4 Explain *direct* and *indirect taxation* as sources of government revenue. (2 x 4) (8)
- 3.5 What impact can the public sector failure have on the country? (8)
- [40]

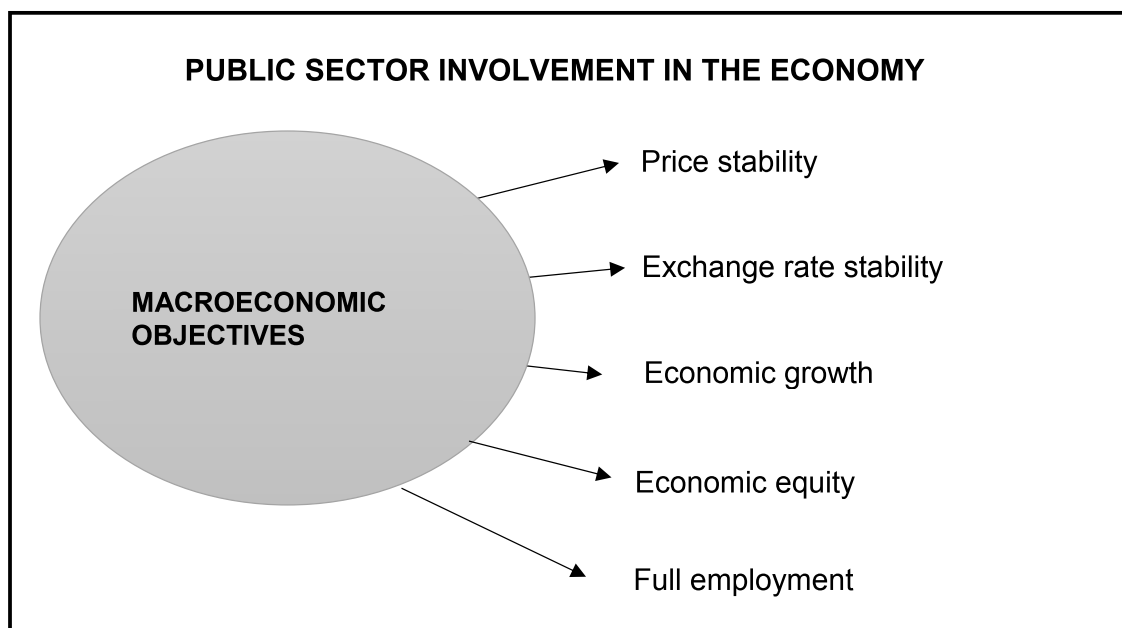
QUESTION 4: MACROECONOMICS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 List the TWO classifications of government spending. (2 × 1) (2)

4.1.2 How can interest rates be used to correct disequilibrium in the balance of payments? (1 × 2) (2)

4.2 Study the information below and answer the questions that follow.



4.2.1 Identify the main objective of the South African Reserve Bank above. (1)

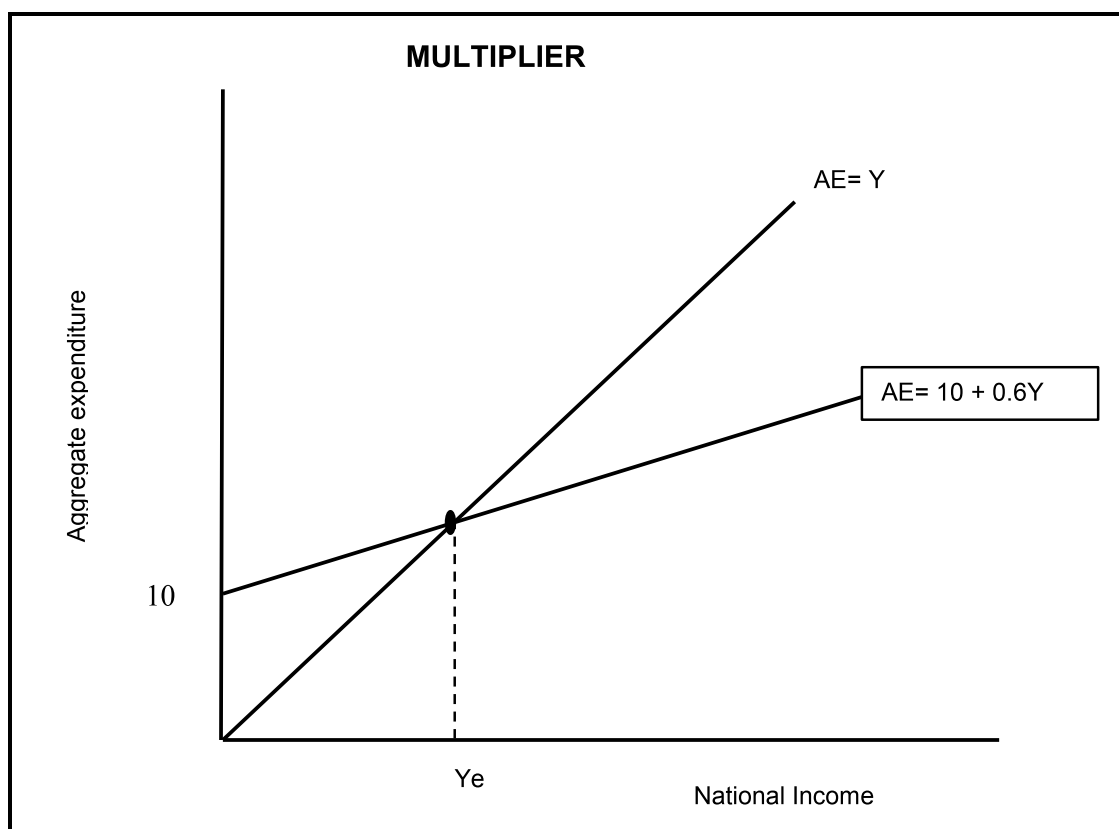
4.2.2 Name the indicator that is used to measure economic growth. (1)

4.2.3 Briefly describe the term *full employment*. (2)

4.2.4 Why is it important for the country to maintain exchange rate stability? (2)

4.2.5 What measures are implemented to achieve economic equity in South Africa? (2 × 2) (4)

4.3 Study the graph below and answer the questions that follow.



- 4.3.1 From the consumption function above, identify the value of autonomous consumption. (1)
- 4.3.2 Name any ONE participant in a two-sector economy. (1)
- 4.3.3 Briefly describe the term *induced consumption*. (2)
- 4.3.4 How does a larger marginal propensity to save (mps) lead to a smaller increase in national income? (2)
- 4.3.5 With reference to the above graph, calculate the equilibrium income level (Y_e) using the following formula: (4)
- $$Y_e = \frac{1}{(1 - mpc) \times \bar{A}}$$
- 4.4 Distinguish between *direct investments* and *portfolio investments* as components of the Financial Account. (2 x 4) (8)
- 4.5 Evaluate how successfully households play their role as participants in the economy. (8)
- [40]**

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two questions from this section in the ANSWER BOOK

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction <ul style="list-style-type: none"> A good starting point would be to define a concept or key word that appears in the question Include other sentences to support the topic. Do not include in your introduction any part of the question. Do not repeat any part of the introduction in the body. Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
Body: Main part: Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Differentiate / Explain / Assess / Debate Additional part: Give own opinion / Critically discuss / Evaluate / Critically evaluate / Draw a graph and explain / Use the graph given and explain / Complete the given graph / Calculate / Deduce / Compare / Explain / Distinguish / Interpret / Briefly debate	Max. 26 Max. 10
Conclusion <ul style="list-style-type: none"> The conclusion is a wrap up of the discussion of the topic in the body and should be treated as a higher order response. The conclusion can take the form of an own opinion, examples to support your discussion or contradictory viewpoint from what has been discussed. No aspect from either the introduction or body should be included in the conclusion. 	Max. 2
TOTAL	40

QUESTION 5: MACROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss in detail the new economic paradigm (smoothing of cycles). (26 marks)
- Analyse the view of the Keynesian Economists on business cycles. (10 marks) **[40]**

QUESTION 6: MACROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss in detail the reasons for international trade. (26 marks)
- How can a managed floating exchange rate system impact on an economy? (10 marks) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150