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GAUTENG PROVINCE

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**JUNE EXAMINATION
GRADE 12**

2024

ECONOMICS

(PAPER 1)

TIME: 2 hours

MARKS: 150

13 pages

ECONOMICS P1



C2731E

X05



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INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

SECTION A: COMPULSORY

SECTION B: Answer any TWO of the three questions.

SECTION C: Answer any ONE of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2 – 3 lines between subsections of questions.
8. 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.
9. Use only black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.



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

- 1.1 Four options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.
- 1.1.1 In the capital market, the key institution is (the) ...
- A South African Reserve Bank.
 - B business.
 - C government.
 - D Johannesburg Securities exchange (JSE).
- 1.1.2 National income increases when ...
- A $Y > \text{GDP}$.
 - B $S + M + T = I + G + X$.
 - C $S + M + T > I + G + X$.
 - D $S + M + G < I + T + X$.
- 1.1.3 The Kondratieff business cycle lasts ... years and is usually caused by technological innovations and wars.
- A less than 50
 - B less than 5
 - C longer than 50
 - D less than 20
- 1.1.4 In the quantity theory of money equation, $MV = PT$, M represents the ...
- A velocity of money.
 - B total stock of money.
 - C minimum cash reserve.
 - D quantity of notes and coins.
- 1.1.5 Fiscal policy is a government policy that seeks to achieve macroeconomic objectives using ...
- A taxation and money supply.
 - B taxation and government spending.
 - C interest rates and government spending.
 - D interest rates and money supply.

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1.1.6 On the back of lower South African export commodity prices, the Rand/US\$ exchange rate ... from R18,64/US\$ to R19,24/US\$.

- A depreciated
- B devalued
- C appreciated
- D revalued

1.1.7 The American founded NGO, Global Affordable Housing, has extended their grant for housing projects in South Africa. This transaction will be recorded in the ... of the Balance of Payments accounts.

- A current account
- B trade account
- C capital transfer account
- D foreign reserves

1.1.8 The South African government has taken steps to safeguard rooibos tea as a natural resource and indigenous knowledge that allows the plant to be used for medicinal purposes. This is an example of ...

- A global efficiency.
- B free trade.
- C economies of scale.
- D protectionism.

(8 x 2) (16)



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- 1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question numbers (1.2.1 to 1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Subsidy	A financial aid where the recipient must meet specific requirements outlined in the agreement to receive the funds
1.2.2 Market prices	B comparison between a country's export and import prices by means of indices
1.2.3 Boom	C a penalty imposed on a country by one or more other countries
1.2.4 Regional government	D the monetary value at which products are bought and sold
1.2.5 Conditional grants	E the period immediately before the upper turning point of the business cycle
1.2.6 Terms of trade	F redistribution of income and wealth
1.2.7 Economic Equity	G money paid to a supplier by the state so that goods and services can be sold at a lower price to consumers
1.2.8 Sanctions	H deals with economic and other issues specific to a region
	I removal of unnecessary restrictions by law

(8 x 1) (8)

- 1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.
- 1.3.1 The factor of production that combines the other factors of production in the production process
- 1.3.2 An internationally agreed-upon set of recommendations on how to compile measures of economic activity
- 1.3.3 Indicates the general direction in which the economy is moving in a business cycle
- 1.3.4 The concept that shows the relationship between tax rates and government revenue
- 1.3.5 A balance that shows the value of exported goods minus imported goods
- 1.3.6 A set of rules that guide interactions like trade and finance transactions amongst a group of countries.

(6 x 1) (6)

TOTAL SECTION A: 30

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SECTION B

Answer any 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 Name any TWO examples of indirect taxes in South Africa. (2 x 1) (2)

2.1.2 How could a decrease in investment spending lead to a recession? (1 x 2) (2)

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

ECONOMY NEEDS A CASH INJECTION TO RECOVER
--

<p>The economy needs a cash injection: More disposable income for households, or an increased social wage through grants and service provision.</p>

[Source: *News24.com/fin2*]

2.2.1 Identify ONE cash injection in the extract above. (1)

2.2.2 Identify the participants in the circular flow who are responsible for supplying factors of production. (1)

2.2.3 Briefly describe the term *autonomous consumption*. (2)

2.2.4 Why are cash injections important to the South African economy? (2)

2.2.5 How does an increase in the marginal rate of taxation influence the value of the multiplier? (4)

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

R billion/percentage of GDP	2023/2024	2024/2025
	(MTEF)	
Revenue (R)	1 853,2	1 977,6
Percentage of GDP	---	27.3%
Expenditure	2 176,8	2 281,8
Percentage of GDP	A	31.5%
Budget balance	-323,6	-304,2
Percentage of GDP	-4.8%	-4.2%
Gross domestic product	6 805,3	7 233,7

[Adapted from: The National Treasury: Budget Review, 2022]

- 2.3.1 What does the abbreviation MTEF stand for? (1)
- 2.3.2 Which government department is responsible for preparing the MTEF? (1)
- 2.3.3 Briefly describe the term *medium-term budget policy statement*. (2)
- 2.3.4 Use the information in the table above to explain whether South Africa has maintained its budget deficit as a percentage to GDP according to international benchmarking in 2023/2024. (2)
- 2.3.5 Calculate the value of **A** (expenditure as a percentage of GDP). Show all calculations. (4)
- 2.4 Briefly explain *non-rivalry* and *non-excludability* as characteristics of public goods. (2 x 4) (8)
- 2.5 Analyse the effect of a change in the *marginal propensity to import* on the value of the multiplier and the South African economy. (8)

[40]

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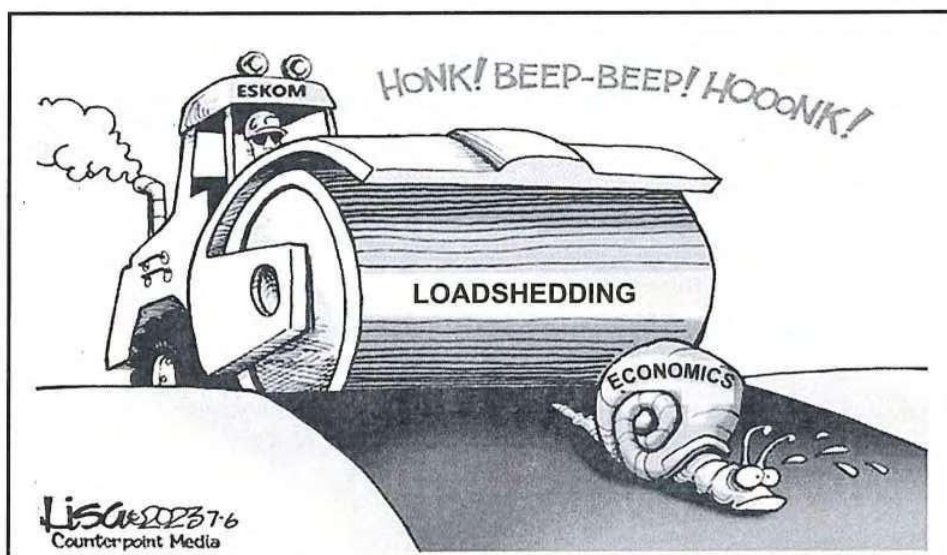
8

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

3.1 Answer the following questions.

- 3.1.1 Name any TWO monetary policy instruments. (2 x 1) (2)
- 3.1.2 Why does the value of the Rand fluctuate continuously against foreign currencies? (1 x 2) (2)

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



[Source: Counterpoint Media]

- 3.2.1 Identify the business cycle period that is illustrated in the cartoon above. (1)
- 3.2.2 Which school of thought proposes internal forces as reasons for business cycles? (1)
- 3.2.3 Briefly describe the term *business cycle*. (2)
- 3.2.4 Why can a lagging economic indicator not be used as a forecasting tool? (2)
- 3.2.5 How can technological advancements affect a business cycle? (2 x 2) (4)

Provide, fact, reason and example *

- 3.3 Study the information table below and answer the questions that follow.

TRADE ACCOUNT OF THE BALANCE OF PAYMENTS BY PRODUCT		
Rand million. Current prices		
Largest contributing products	2021	2022
Merchandise exports		
Chromium ores and concentrates	26 930	39 822
Coal	89 283	219 028
Ferro-alloys	61 101	69 056
Iron ores and concentrates	145 696	105 218
Manganese ores and concentrates	40 829	46 825
Net gold exports	108 004	86 149
Platinum group metals	341 740	272 986
Refined petroleum products	27 176	45 846

[Source: Reserve Bank Quarterly bulletin, March 2023]

- 3.3.1 Identify South Africa's main export commodity from the information in the table above. (1)
- 3.3.2 What are current prices also known as in Economics? (1)
- 3.3.3 Briefly describe the term *balance of payments*. (2)
- 3.3.4 How will a depreciation of the Rand impact the volume of imports from other countries? (2)
- 3.3.5 Why are interest rates an important tool to correct a disequilibrium in the balance of payments? (2 x 2) (4)
- 3.4 Briefly discuss the effect that higher export prices will have on the current account of the balance of payments. (4 x 2) (8)
- 3.5 How will poor electricity provision affect education in South Africa? (8)
- [40]

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QUESTION 4: MACROECONOMICS

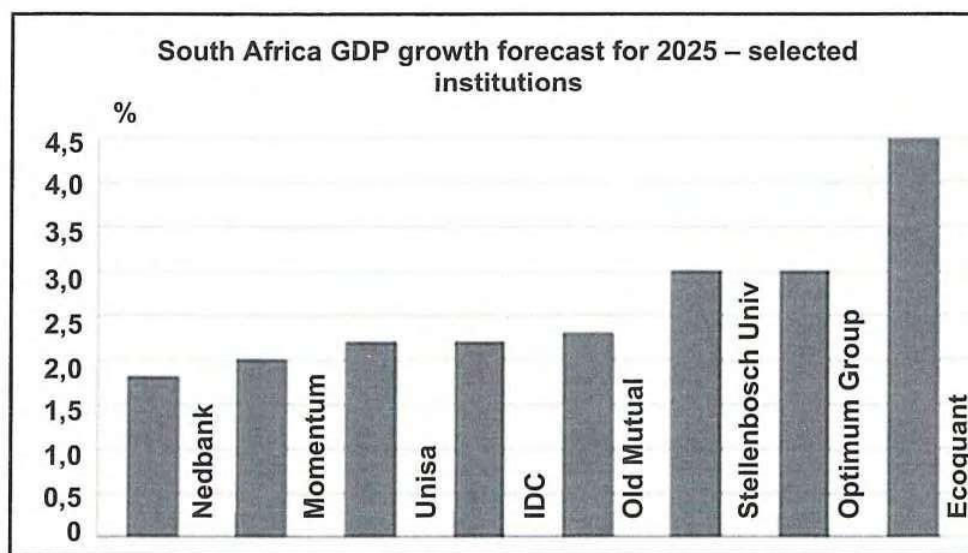
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO types of consumer goods. (2 x 1) (2)

4.1.2 How does free trade promote global efficiency? (1 x 2) (2)

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



[Source: Business Tech, February 2023]

- 4.2.1 Which institution, according to the graph, is the most optimistic about the estimated economic growth rate for South Africa in 2025? (1)
- 4.2.2 Which economic indicator is used to calculate the economic growth rate? (1)
- 4.2.3 Briefly describe the term *basic prices*. (2)
- 4.2.4 What is the relationship between *economic growth* and *employment*? (2)
- 4.2.5 Why is it necessary for the government to have a forecast of economic trends? (2 x 2) (4)

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



[Source: Mail & Guardian, August 2023]

- 4.3.1 Name any founder member of BRICS besides South Africa. (1)
- 4.3.2 Name any other country that was invited to join BRICS in 2023. (1)
- 4.3.3 Briefly describe the term *disinvestment*. (2)
- 4.3.4 How do trade agreements affect an economy? (2)
- 4.3.5 Why does it make sense to trade based on comparative advantage? (2 x 2) (4)
- 4.4 Briefly explain the different types of exchange rate systems. (8)
- 4.5 Why do we use three different methods to calculate the GDP? (8)

[40]

TOTAL SECTION B: 80

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SECTION C

Answer any ONE of the two question from this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction The introduction is a lower-order response.</p> <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/ Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate A maximum of 8 marks may be allocated for headings/examples.</p> <p>Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce/Compare/Distinguish/Interpret/How?/Suggest A maximum of 2 marks may be allocated for the mere listing of facts.</p>	Max. 26 Max. 10
<p>Conclusion Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating the facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations 	Max. 2
TOTAL	40



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

- Discuss, in detail, the following policies used by government to smooth out business cycles.
 - Demand-side policies (13)
 - Supply-side policies (13) (26 marks)
- Analyse the inverse relationship between unemployment and inflation by means of a graph. (10 marks) **(40)**

QUESTION 6: ECONOMIC PURSUITS**40 MARKS – 40 MINUTES**

- Discuss, in detail, the measures in support of protectionism under the following subheadings:
 - Industrial development (8)
 - Stable wage rate and high standard of living (8)
 - Employment (6)
 - Developing strategic industries (4) (26 marks)
- Evaluate the usefulness of subsidies as a way of protecting local industries from international competition. (10 marks) **(40)**

TOTAL SECTION C: 40**TOTAL: 150**