



education

Department:
Education
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

PROVINCIAL ASSESSMENT

GRADE 12

**ECONOMICS P1
JUNE 2024
MARKING GUIDELINES**

MARKS: 150

These marking guidelines consist of 17 pages.

SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE CHOICE**

- 1.1.1 B – get exchanged for tangible goods ✓✓
- 1.1.2 D – production subsidies ✓✓
- 1.1.3 A – Open Market Transaction ✓✓
- 1.1.4 C – Income ✓✓
- 1.1.5 C – depreciates ✓✓
- 1.1.6 B – Community goods ✓✓
- 1.1.7 A – Prosperity ✓✓
- 1.1.8 D – GDP. ✓✓

(8 x 2) (16)

1.2 MATCHING

- 1.2.1 I – When the value of a country's imports exceeds the value of its exports ✓
- 1.2.2 E – implementing rules and procedures that decreases the quality of services delivery ✓
- 1.2.3 C – Government intervention is necessary ✓
- 1.2.4 A – fairness and distribution of income through progressive tax ✓
- 1.2.5 G – employee compensation paid to non-resident workers and investment income ✓
- 1.2.6 B – the transfer of functions and ownership from the public to the private sector ✓
- 1.2.7 H – the rate at which the central bank of a country lends money to commercial banks ✓
- 1.2.8 D – the market where both short and long term financial assets are sold ✓

(8 x 1) (8)

1.3 GIVE ONE TERM

- 1.3.1 Efficiency ✓
- 1.3.2 Monetary Policy Committee ✓
- 1.3.3 Aggregate demand ✓
- 1.3.4 Savings ✓
- 1.3.5 Direct Investment ✓
- 1.3.6 Accountability ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MACROECONOMICS**40 MARKS****2.1.1 List any TWO features of the fiscal policy**

- Goal bound✓
- Demand biased✓
- Cyclical✓

(2 x 1) (2)

2.1.2 How do subsidies on production benefit businesses?

Businesses will be able to decrease production costs which will may result in businesses increasing their profits.✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

2.2 DATA RESPONSE**2.2.1 Identify the reason for public sector failure that Eskom is currently faced with.**

Management failure✓

(1)

2.2.2 Name any other reason for public sector failure.

- Apathy✓
- Lack of motivation✓
- Bureaucracy✓
- Politicians✓
- Structural weaknesses✓
- Special interest groups✓

(Any 1 x1) (1)

2.2.3 Briefly describe the term *deregulation*

It refers to the deliberate action by government to remove all unnecessary restrictions placed on economic activities by law, regulations and prescriptions. ✓✓

(Accept any other correct relevant response)

(2)

2.2.4 How does government protect resources?

Government has laws and puts up legal structures to protect resources. ✓✓ E.g laws against poaching of Lobster and Abalone, extensive fishing

(Accept any other correct relevant response)

(2)

2.2.5 How could privatisation of Eskom benefit the economy?

Privatisation of Eskom will:

- lessen the pressure on the government budget and government as government will no longer need to budget for it. ✓✓
- enable government to use the money to provide its citizens with better quality public goods and services. ✓✓
- might attract foreign investment as investors will have confidence in the economy's ability to produce goods efficiently which will lead additional funds to the government. ✓✓
- It will reduce the burden of increased personal income tax on tax-payers ✓✓

(Accept any other correct relevant response) (4)

2.3 DATA RESPONSE

2.3.1 Identify the economic indicator that indicates that the economy is recovering on the extract above.

- New passenger vehicles ✓
- Job advertisement space ✓ (any 1 x 1) (1)

2.3.2 Name any other economic indicator.

- Coincidence ✓
- Lagging ✓
- Composite ✓ (any ONE) (1)

2.3.3 Briefly describe the term *extrapolation*.

- A technique used to predict/estimate the unknown from the known facts or experiences. ✓✓
- Extrapolation is to estimate something unknown from facts that are known, where known facts are used to predict the future. ✓✓

(Accept any other correct relevant response) (2)

2.3.4 What is the importance of measuring the length of a business cycle?

- The length of a business cycle is measured from peak to peak or from trough to trough, when a business cycle has a longer cycle it show strength and shorter cycles show weakening regarding the economic activities. ✓✓

(Accept any other correct relevant response) (2)

2.3.5 Explain the trendline as a feature underpinning forecasting.

- The trendline is an economic indicator that the general direction in which the economy is moving. ✓✓
 - The trendline that rises gradually will be positively sloped in the long run, the rising line indicates that the economy is growing.
 - The trendline will change when the time series data change their behaviour patterns of the past ✓✓
- (Accept any other correct relevant response)** (4)

2.4 Briefly discuss Gross Domestic Product and Gross National Product.**Gross Domestic Product**

- The value of all goods and services produced within the borders of a country for a specific period, usually a year. ✓✓
 - It measures the general state of the economy. ✓✓
- (Accept any other correct relevant response)** (max 4)

Gross National Product

- The value of all final goods and services produced by the permanent citizens of the country for a specific period ✓✓
 - GNP represents how its nationals are contributing to the country's economy. It factors in citizens regardless of where you are in the world. It's important to note that GNP does not include the output of foreign residents. ✓✓
- (max 4)

(Accept any other correct relevant response)

(Maximum of 4 for mere listing of facts and examples)

(8)

2.5 Analyse the effects of high inflation rate on employment.

- High inflation rate will increase businesses' cost of production which will lead to a low employment rate as businesses might not be in a position to employ more people. ✓✓
- Businesses might need to retrench a certain percentage of their workforce in order to make keep making a profit. ✓✓
- As unemployment increases households will not be able to satisfy their basic needs as goods and services will be expensive. ✓✓
- The employment rate will increase as some people might not be willing to work for low salaries due to high cost of production. ✓✓

(Accept any other correct relevant responses)

(Maximum of 2 for mere listing of facts and examples)

(8)

[40]

QUESTION 3: MACROECONOMICS**40 MARKS**

3.1 Answer the following questions.

3.1.1 **Name TWO types of prices used to calculate national accounts.**

- Basic prices ✓
- Factor prices ✓
- Market prices ✓ (any 2 x1) (2)

3.1.2 **How will a regressive tax system affect marginalised people?**

Low income earners will not be able to buy goods and services while higher income will continue satisfying their needs and wants. ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

3.2 **DATA RESPONSE**3.2.1 **Identify the business cycle phase mentioned on the above extract.**

Recession ✓ (1)

3.2.2 **Name any period of the business cycle.**

- Upswing/Expansion
- Downswing/Contraction ✓ (any 1 x 1) (1)

3.2.3 **Briefly describe the term *real business cycle*.**

An actual business cycle is obtained when the effects of irregular events (such as the COVID -19 pandemic), seasons and long term growth trends are removed from the time series data) ✓✓
(Accept any other correct relevant response) (2)

3.2.4 **How government improve the economic activity indicated above?**

Government can improve economic activity by:

- reducing taxes which will give consumers and companies more money to spend on goods and services and for companies to expand their production capacity. ✓✓
- increasing government spending which will increase aggregate expenditure and demand thus stimulating employment and economic activity. ✓✓
(Accept any other correct relevant response) (2)

3.2.5 Why does the Monetarists believe that government should not intervene in markets??

- They believe that markets are inherently stable and that government intervention causes expansions and contractions. ✓✓
- They believe that government intervention can destabilise the economy more than they help it. ✓✓

(Accept any other correct relevant response) (2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 Identify the Balance of payment account in the above exact

Current Account ✓ (1)

3.3.2 Name any other Balance of payment account mentioned in extract.

- Capital Transfer Account ✓
- Financial Account ✓ (Any ONE) (1)

3.3.3 Briefly describe the term *reserve account*.

The reserve account records changes to the amount of gold and foreign exchange reserves (Dollars, Pounds, Euros) held by the country. ✓✓

(Accept any other correct relevant response) (2)

3.3.4 Why is the Terms of Trade an important macroeconomic aggregate?

It measures the country's purchasing power of exports relative to imports from the relationship between the relative prices of exports and imports. ✓✓

(Accept any other correct relevant response) (2)

3.3.5 How import controls can be used to restore a disequilibrium Balance of Payments.

Import quotas and tariffs to restore disequilibrium by:

- Restrict imports by applying import quotas where the government may permit the maximum amount or value of a commodity to be imported during a given period. ✓✓
- Restricting imports through the quota system, will lead to a deficit being reduced or eliminated and thereby the balance of payments position will be improved ✓✓
- Tariffs are duties (taxes) imposed on imports, when tariffs are imposed, the price of imports will increase which will reduce the demand for imported goods and services and encourage domestic producers to produce more import substitutes. ✓✓

(Accept any other correct relevant response) (2 x 2) (4)

3.4 Discuss effect of efficiency on International Trade.

- Improvements in production efficiency mean that countries can produce more goods and services with the same amount of resources. ✓✓
- This could be the result of the country's producers becoming larger and exploiting the economies of scale causing increased production. ✓✓
- This increased output will be channelled to the global market, imports expose domestic firms to greater competitive pressure, while giving them access to more and better inputs. ✓✓
- Exporters increase productivity by learning from overseas customers and through exposure to competition from foreign producers. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for mere listing of facts and examples)

(8)

3.5 How can government use fiscal policy to increase aggregate demand during a downswing?

Decrease Taxation (T)

- Households and producers will have more disposable income in their pockets which they can spend on goods and services. ✓✓
- Increase disposable income will increase consumption spending which lead to an increase in demand, this will stimulate the economy and employment will increase. ✓✓

Increase Government Spending (G)

- Government spending leads to an increase in consumption of goods and services as more people will be employed will be in a position to demand more goods and services. ✓✓
- Businesses will have to increase production in order to meet the increased demand. ✓✓

**(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts and
examples)**

**(8)
[40]**

QUESTION 4: MACROECONOMICS**40 MARKS**

4.1 Answer the following questions.

4.1.1 List any **TWO** monetary policy tools.

- Interest rates✓
- Open market transaction✓
- Cash reserve requirement✓
- Moral persuasion/suasion✓ (any 2) (2 x 1) (2)

4.1.2 How can government use fiscal policy to speed up the economy during a recovery?

Government will use expansionary fiscal policy by increasing government spending or decreasing taxation, this increase disposal income which will in turn increase demand for goods and services.✓✓

(Accept any other correct relevant response) (1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 Identify the original equilibrium exchange rate in the above graph.

Pound = R18✓ (1)

4.2.2 Which exchange rate system does South Africa use?

Free Floating✓ (1)

4.2.3 Briefly describe the term *foreign exchange market*.

- A foreign exchange rate is the price of one country's currency in terms of another. It is expressed (quoted) as the domestic price of one unit of a foreign currency. ✓✓
 - A foreign exchange market is a market engaged in the buying and selling of foreign exchange. ✓✓
- (Accept any other correct relevant response)** (2)

4.2.4 Why will the demand curve on the above graph move to the right?.

- South African's have increased their demand for the Pound.✓✓
 - South African's are importing more goods and services from Britain. ✓✓
 - More South Africans are visiting Britain. ✓✓
- (Accept any other correct relevant response)** (2)

4.2.5 How will currency depreciation negatively affect the South African economy?

Currency depreciation will cause:

- An increase in the cost of imports which will affect the economy in the long run as South Africans will be not able to afford goods from other countries. ✓✓
- Foreign investors will lose confidence in the economy and this will make it harder for government to finance a budget deficit. ✓✓
- It will become difficult (more expensive) for the economy to pay its overseas creditors. ✓✓

(Accept any other correct relevant response) (4)

4.3 DATA RESPONSE**4.3.1 Which GDP method is being used in the table above?**

Expenditure method ✓ (1)

4.3.2 Name the item represented by A in the table.

Capital Formation ✓ (1)

4.3.3 Briefly describe the term capital formation.

Private businesses, government, and State-owned enterprises make investments, they invest in capital goods such as machinery, tools and buildings. ✓✓

(Accept any other correct relevant response) (2)

4.3.4 What is the importance of the residual item?

The residual item is used to ensure that the income and expenditure method are same due to errors and omissions that may occur. ✓✓

(Accept any other correct relevant response) (2)

4.3.5 Calculate the value represented by B on the table above.

$1\ 751\ 706\ \checkmark + 592\ 515\ \checkmark - 8\ 868\ \checkmark = R\ 1\ 767\ 280\ m\checkmark$ (4)

4.4. **Briefly discuss the effects of fiscal policy on *income distribution* and *price levels*.**

Income distribution

- Government uses progressive tax system to distribute income evenly where those who earn more pay more tax. ✓✓
- The taxes received are used to pay for services such as health services and education to ensure that everyone can participate in the economy. ✓✓ (max 4)
(Accept any other correct relevant response)

Price levels

- Direct taxation reduced inflationary pressures because aggregate demand decreases, this will result in cost push inflation as workers will demand more wages. ✓✓
- An increase in indirect taxation will cause an increase in general price levels resulting in demand decreasing as buying goods and services would be more expensive. ✓✓ (max 4)

(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for mere listing of facts and examples)

(8)

4.5 **Analyse lagging indicators as a feature underpinning forecasting?**

- Lagging follow immediately after the coincident indicators they confirm the behaviour of the coincident indicators ✓✓
- If it does not confirm the upswing or downswing, for instance, it signals that the upswing or downswing is weak. ✓✓
- They confirm changes that were first indicated by the leading indicators and then the coincident indicators. ✓✓
- They provide an advance signal of a turning point in the business cycle by firstly reflecting imbalances that intensify (increase) or subsidise (decrease) in the economy. ✓✓
- They indicate movements on subsequent movements in the leading indicators and help explain the view that one business cycle generates the next one. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts and examples)

(8)

[40]

TOTAL SECTION B: 40

SECTION C**QUESTION 5: MACROECONOMICS****40 MARKS**

- **Discuss in detail the reasons for international trade.** (26 marks)
-
- **How can the SARB reduce the deficit on the balance of account?** (10 marks)

INTRODUCTION

International trade is exchange of goods or services across international borders, trading globally allows consumers to have access to a variety of goods and services ✓✓
(Accept any other relevant introduction) (Max 2)

MAIN PART**Demand Reasons****The size of the population** ✓

- If there is an increase in population growth, it causes an increase in demand, as more people's needs must be satisfied. ✓✓
- Local suppliers may not be able to satisfy this demand. ✓✓

Income levels ✓

- Changes in income cause a change in the demand for goods and services. ✓✓
- The more people earn the more people will be in a position to demand more goods and services. ✓✓
- An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported. ✓✓

Changes in the wealth of the population ✓

- An increase in the wealth of the population leads to greater demand for goods. ✓✓
- People have access to loans and can spend more on luxury goods, many of which are produced in other countries. ✓✓

Preferences and tastes ✓

- Preferences and tastes can play a part in the determining of prices, as more people are migrating to other regions in the world, they might find that that they preferred goods and services are not available. ✓✓ e.g. customers in America may prefer Biltong that is produced in South Africa and may need to import and it will have a higher value than in other countries ✓
- This might be also increase as people continue to move to other countries for better employment opportunities. ✓✓

The difference in consumption patterns ✓

- The difference in consumption patterns is determined by the level of economic development in the country ✓✓ e.g. poorly developed countries demand basic goods and services more than luxury goods and services ✓

Supply Reasons**Natural resources ✓**

- These resources are not evenly distributed across all countries of the world ✓✓
- They vary from country to country and can only be exploited in places where these resources exist ✓✓
- South Africa is well endowed with different natural resources but less well endowed with skilled labour and capital whilst Japan and Ireland have relative abundance of skilled labour but they lack natural resources ✓✓

Climatic conditions ✓

- These conditions make it possible for some countries to produce certain goods at a lower price than other countries ✓✓ E.g. Brazil is the biggest producer of coffee ✓
- Countries have different climatic conditions and are therefore able to produce different products ✓✓

Labour resources ✓

- Labour differs from country to country in terms of skills, knowledge, training, quality, quantity and cost between them ✓✓
- Some countries have highly skilled, well-paid workers and high productivity levels ✓✓ E.g. Switzerland ✓

Technological resources ✓

- The development levels and innovation processes of countries will always differ and as a result other countries may have them in abundance while others may not ✓✓
- Countries like Germany, the United States, are able to use capital that embodies high levels of technology while other countries do not have access to the latest technology ✓✓
- These countries that have high technological labour force are able to produce certain goods and services at a low unit cost ✓✓ E.g. US and Germany ✓

Specialisation ✓

- The production of certain goods and services allows some countries to produce them at a lower cost than others ✓✓ E.g. Japan produces electronic goods and sells these at a lower price ✓
- International trade enables countries to specialize in the production of goods and services in which they have a comparative advantage ✓✓
- Most of such surplus production gets exported to other countries and the revenue earned from these exports can be used to finance imports ✓✓

Capital✓

- Some countries need to modernize their industries and economies with advanced machinery, equipment and plant but cannot manufacture this equipment because they lack capital to do so✓✓

(Allocate a maximum of 8 marks for headings/sub-headings and examples)

(Max 26)

ADDITIONAL PART**How can the SARB reduce the deficit on the balance of payment account?**

- Countries experiencing deficits will borrow money from other countries. That is why developing countries have so much foreign debt.✓✓
- Where the disequilibrium is very severe, members of the countries may borrow from the International Monetary Fund, however borrowing is not a long term solution for fundamental balance of payment disequilibrium.✓✓
- South Africa will decrease imports by depreciating the currency. ✓✓
- Exports will become cheaper for foreign buyers which will increase interest rates and ultimately decreasing spending. ✓✓
- Where there is a higher interest rates, FDI will increase as foreign investors will be attracted by high interest rates. ✓✓

(Accept any other relevant correct response)

(Allocate a maximum of 2 marks for mere listing of facts)

(Max 10)

CONCLUSION

When the country's currency appreciates, it will increase investors' confidence in the economy, more people will be employed and there will be an increased level of competition in the market. ✓✓

(Accept any other correct higher order, relevant conclusion)

(Max 2)

[40]

QUESTION 6: MACROECONOMICS**40 MARKS – 30 MINUTES**

- Discuss in detail the markets within the FOUR-SECTOR model (26 marks)
- Analyse the multiplier effect should investments increase. (10 marks)

INTRODUCTION

- Circular flow is a model that show the relationships between income, production and expenditure. It is a representation of how the economy works.
- The circular-flow model of the economy is a simplification showing how the economy works and the relationship between income, production and spending in the economy as a whole.

(Accept any other relevant introduction)**(Max 2)****MAIN PART****Product/Goods market✓**

- Goods market is where goods and services are bought and sold✓✓ e.g Food, Cars✓
- Firms, government and foreign sector supply goods and services and their movement is called real flow✓✓
- Consumers, firms, government and foreign sector buy goods and services and their payments represent money flow✓✓
- Goods are defined as any tangible items such as food, clothing and cars that satisfy some human needs✓✓
- Consumer goods market involves the trading of durable consumer goods, semi-durable consumer goods and non-durable consumer goods✓✓
- Services are defined as non-tangible actions and includes wholesale and retail, transport and financial markets✓✓

Factor/Resources/Input market✓

- Factor market is where factors of production are exchanged, e.g. the labour market, property market and the financial markets✓
- Households are the owners of factors of production and they sell them to firms to produce goods and services. ✓✓
- The factors of production are labour, entrepreneurship, capital and land and they are exchanged for wages, profit, interest, and rent respectively.✓✓
- Factor services are real flows and they are accompanied by counter flows of income on the factor market.✓✓

Financial markets ✓

- Financial markets render financial services to the other participants in the economy by gathering surplus funds and lending them to those who needs funding ✓✓
- Banks, insurance companies and pension funds form part of the financial market ✓✓
- Financial markets are not directly involved in production of goods and services, but act as a link between households and businesses with surplus income and other participants who require it ✓✓

Money Market ✓

- The money market is the market for short-term and very short-term savings and loans ✓✓
- The South African Reserve Bank (SARB) is a key institution in the money market ✓✓
- The SARB administers the function of legislating and managing the money ✓✓
- Money market includes inter-bank lending for a period as short as overnight ✓✓
- The securities traded include short term deposits, short term debentures and treasury bills ✓✓

Capital market ✓

- The capital market is the market for long-term savings and loans ✓✓
- The Johannesburg Securities Exchange (JSE) is a key institution in the capital market ✓✓
- The securities traded in this market are long term deposits, mortgage bonds and shares ✓✓

Foreign exchange market ✓

- The foreign exchange market is a multi-national market where currencies of all the countries are traded, ✓✓ e.g. The South African rand can be exchanged for the US dollar ✓
- The foreign exchange market originates when one country imports goods from another country and domestic currency have to be exchanged in order to pay for such imports ✓✓
- Foreign exchange can be bought and sold at the banks and foreign exchange agencies ✓✓
- The South African rand is freely traded in the forex markets and its value is determined by the market forces of demand and supply ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 8 marks for headings/sub-headings and examples)

(Max 26)

ADDITIONAL PART**Analyse the multiplier effect should investments increase.**

- Multiplier process happens in the circular flow (economy) when a change in the level of injections leads to change in level of output/ national income.
- It relates to how much national income changes as a result of an injection or withdrawal such as an investment. ✓✓
- If there is an increase in investments which is an injection into the economy, it will lead to a proportionate increase in national income. ✓✓
- The extra spending would have knock-on effect and create even more spending. ✓✓
- More spending increases production which may lead to an increase in employment, which will in turn increase aggregate demand. ✓✓
- An increase may also lead to an increase capital formation which will promote efficiency and quality of goods and services produced

(Accept any other correct relevant response)**(Allocate a maximum of 2 marks for mere listing of facts)**

(Max 10)

CONCLUSION

Markets are an essential part of economic growth as they any place or any circumstance where buyers and sellers make contact or communicate with each other about the buying and selling of goods and services

(Accept any other correct higher order, relevant conclusion)

(Max 2)

[40]**TOTAL SECTION C: 40****GRAND TOTAL: 150**