

SMARTWIZ

GRADE 12 ECONOMICS EXAM

MARKS: 100

TIME: 2 HOURS

SCHOOL _____

CLASS (eg. 4A) _____

SURNAME _____

NAME _____

MARKS	
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Instructions for Learners:

- Read all instructions carefully before you begin the exam.
- Write your full name and student number clearly on the answer sheet/book.
- Answer all questions unless otherwise instructed.
- Show all your work/calculations where necessary.
- Write neatly and clearly.
- Use only a blue or black pen. Do not use correction fluid or tape.
- Electronic devices (calculators, cell phones, etc.) are not allowed unless explicitly permitted.
- Raise your hand if you have any questions.
- Do not talk to other learners during the exam.
- Any form of dishonesty will result in immediate disqualification from the exam.

This exam consists of Five pages, including the cover page.

◆ **SECTION A: MACROECONOMIC PERFORMANCE (25 MARKS)**

QUESTION 1: National Income & Economic Performance (25 marks)

1.1 Define the term **Gross Domestic Product (GDP)**. (2)

1.2 Explain the difference between **nominal GDP** and **real GDP**. (3)

1.3 What is meant by **per capita income**, and why is it important? (3)

1.4 Identify and explain **THREE** limitations of using GDP as a measure of economic well-being. (6)

1.5 Given a country's GDP increased from R1.2 trillion to R1.5 trillion in one year, calculate the GDP growth rate. Show your working. (4)

1.6 Discuss **TWO** ways in which economic growth can negatively impact the environment. (4)

1.7 Suggest **TWO** government policies to improve income distribution in a country. (3)

◆ **SECTION B: SUPPLY AND DEMAND ANALYSIS (25 MARKS)**

QUESTION 2: Price Mechanism & Market Equilibrium (25 marks)

2.1 Explain the law of demand. (2)

2.2 What causes a shift in the supply curve? Give **TWO** examples. (4)

2.3 A price ceiling is set below the equilibrium price. Explain **TWO** possible effects this will have on the market. (4)

2.4 Use a diagram to show what happens when demand increases while supply remains constant. Label all curves and equilibrium points. (6)

2.5 Define **consumer surplus** and explain how it benefits consumers. (3)

2.6 What is the difference between a **normal good** and an **inferior good**? Give an example of each. (4)

2.7 Discuss ONE limitation of the price mechanism in allocating resources efficiently. (2)

◆ **SECTION C: LABOUR MARKET AND INCOME DISTRIBUTION (25 MARKS)**

QUESTION 3: Employment & Wages (25 marks)

3.1 Define the term **unemployment**. (2)

3.2 Explain TWO causes of structural unemployment. (4)

3.3 What is the difference between **wage rate** and **salary**? (2)

3.4 Discuss TWO advantages of trade unions for workers. (4)

3.5 Explain how minimum wage laws can affect the labour market. (4)

3.6 Describe TWO government strategies to reduce unemployment. (4)

3.7 What is **income inequality**? Name ONE indicator used to measure it. (3)

◆ **SECTION D: DEVELOPMENT ECONOMICS (25 MARKS)**

QUESTION 4: Poverty, Development & Sustainability (25 marks)

4.1 Define **human development** and explain how it differs from economic growth. (3)

4.2 Explain TWO causes of persistent poverty in developing countries. (4)

4.3 Discuss TWO social consequences of poverty. (4)

4.4 Explain the concept of **sustainable development** and why it is important for developing countries. (4)

4.5 Identify and explain TWO international organisations that support development in poor countries. (4)

4.6 Suggest TWO ways in which technology can help reduce poverty in rural areas. (4)

End of Exam

TOTAL : 100

MEMO

◆ SECTION A: MACROECONOMIC PERFORMANCE (25 MARKS)

QUESTION 1: National Income & Economic Performance (25 marks)

1.1 Define the term Gross Domestic Product (GDP). (2)

GDP is the total market value of all final goods and services produced within a country's borders in a given period, usually one year.

1.2 Explain the difference between nominal GDP and real GDP. (3)

- **Nominal GDP** is measured using current prices and does not account for inflation.
- **Real GDP** is adjusted for inflation and reflects the true value of goods and services produced.

1.3 What is meant by per capita income, and why is it important? (3)

Per capita income is the average income earned per person in a country. It is important because it indicates the standard of living and economic well-being of the population.

1.4 Identify and explain THREE limitations of using GDP as a measure of economic well-being. (6)

- Does not account for income distribution (inequality).
- Does not measure non-market transactions like household work.
- Ignores environmental degradation and depletion of resources.

1.5 Given a country's GDP increased from R1.2 trillion to R1.5 trillion in one year, calculate the GDP growth rate. Show your working. (4)

Growth rate = $((1.5 \text{ trillion} - 1.2 \text{ trillion}) / 1.2 \text{ trillion}) \times 100 = (0.3 \text{ trillion} / 1.2 \text{ trillion}) \times 100 = 25\%$

1.6 Discuss TWO ways in which economic growth can negatively impact the environment. (4)

- Increased industrial activity can lead to air and water pollution.
- Higher resource consumption can cause deforestation and loss of biodiversity.

1.7 Suggest TWO government policies to improve income distribution in a country. (3)

- Implement progressive taxation where higher earners pay more tax.
- Increase social grants and welfare programs to support the poor.

◆ SECTION B: SUPPLY AND DEMAND ANALYSIS (25 MARKS)

QUESTION 2: Price Mechanism & Market Equilibrium (25 marks)

2.1 Explain the law of demand. (2)

The law of demand states that, ceteris paribus, as the price of a good decreases, the quantity demanded increases, and vice versa.

2.2 What causes a shift in the supply curve? Give TWO examples. (4)

A supply curve shifts due to changes in factors other than price, such as:

- Changes in production costs (e.g., raw material prices).
- Technological improvements that increase productivity.

2.3 A price ceiling is set below the equilibrium price. Explain TWO possible effects this will have on the market. (4)

- Creates a shortage because quantity demanded exceeds quantity supplied.
- May lead to black markets as consumers compete for limited goods.

2.4 Use a diagram to show what happens when demand increases while supply remains constant. Label all curves and equilibrium points. (6)

(Diagram should show initial demand curve (D1), new demand curve (D2) shifted right, supply curve (S), initial equilibrium (E1), new equilibrium (E2) with higher price and quantity.)

2.5 Define consumer surplus and explain how it benefits consumers. (3)

Consumer surplus is the difference between the maximum price consumers are willing to pay and the market price. It benefits consumers by giving them extra satisfaction or savings.

2.6 What is the difference between a normal good and an inferior good? Give an example of each. (4)

- **Normal good:** Demand increases as income rises (e.g., branded clothing).
- **Inferior good:** Demand decreases as income rises (e.g., cheap instant noodles).

2.7 Discuss ONE limitation of the price mechanism in allocating resources efficiently. (2)

Price mechanism fails in the case of public goods because they are non-excludable and non-rivalrous, leading to underproduction.

◆ SECTION C: LABOUR MARKET AND INCOME DISTRIBUTION (25 MARKS)

QUESTION 3: Employment & Wages (25 marks)

3.1 Define the term unemployment. (2)

Unemployment is the situation where people who are willing and able to work cannot find employment.

3.2 Explain TWO causes of structural unemployment. (4)

- Technological change making certain jobs obsolete.
- Mismatch between workers' skills and job requirements.

3.3 What is the difference between wage rate and salary? (2)

- **Wage rate:** Payment based on hours worked.
- **Salary:** Fixed regular payment, usually monthly.

3.4 Discuss TWO advantages of trade unions for workers. (4)

- Help negotiate better wages and working conditions.
- Provide legal representation and support.

3.5 Explain how minimum wage laws can affect the labour market. (4)

Minimum wages can increase workers' income but may lead to unemployment if employers reduce hiring due to higher costs.

3.6 Describe TWO government strategies to reduce unemployment. (4)

- Promote skills development and training programs.
- Support small business development and entrepreneurship.

3.7 What is income inequality? Name ONE indicator used to measure it. (3)

Income inequality is the unequal distribution of income within a population.

Indicator: Gini coefficient.

◆ SECTION D: DEVELOPMENT ECONOMICS (25 MARKS)

QUESTION 4: Poverty, Development & Sustainability (25 marks)

4.1 Define human development and explain how it differs from economic growth. (3)

Human development focuses on improving people's well-being, education, and health, while economic growth only measures an increase in economic output.

4.2 Explain TWO causes of persistent poverty in developing countries. (4)

- Lack of education and skills.
- Poor infrastructure and limited access to markets.

4.3 Discuss TWO social consequences of poverty. (4)

- Increased crime and social unrest.
- Poor health outcomes and lower life expectancy.

4.4 Explain the concept of sustainable development and why it is important for developing countries. (4)

Sustainable development means meeting current needs without compromising the ability of future generations to meet theirs. It is important to avoid environmental degradation and ensure long-term prosperity.

4.5 Identify and explain TWO international organisations that support development in poor countries. (4)

- World Bank: Provides loans and grants for development projects.

- United Nations Development Programme (UNDP): Promotes sustainable development and poverty reduction.

4.6 Suggest TWO ways in which technology can help reduce poverty in rural areas. (4)

- Access to mobile banking and financial services.
- Use of improved farming techniques and equipment.

TOTAL: 100 MARKS

