

# SMARTWIZ

## GRADE 12 ECONOMICS EXAM

MARKS: 100

MARKS	

TIME: 2 HOURS

SCHOOL \_\_\_\_\_

CLASS (eg. 4A) \_\_\_\_\_

SURNAME \_\_\_\_\_

NAME \_\_\_\_\_

### 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: MACROECONOMICS (25 MARKS)

### QUESTION 1: Economic Indicators & Policies (25 marks)

1.1 Define the term **inflation targeting**. (2)

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1.2 Name THREE roles of the South African Reserve Bank (SARB). (3)

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1.3 Differentiate between **monetary policy** and **fiscal policy**. (4)

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

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#### Visual: South African Economic Indicators (2023)

Indicator	Value
Unemployment Rate	31.9%
Repo Rate	8.25%
Consumer Price Index (CPI)	5.6%
GDP Growth Rate	1.3%

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1.5 Identify TWO indicators that show challenges in the economy. Motivate. (4)

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1.6 Explain how an increase in the repo rate might affect household spending. (4)

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1.7 Suggest TWO measures the government can take to stimulate GDP growth. (4)

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1.8 What is meant by a **business cycle**? Name one phase. (4)

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## ◆ SECTION B: MICROECONOMICS (25 MARKS)

## QUESTION 2: Markets and Efficiency (25 marks)

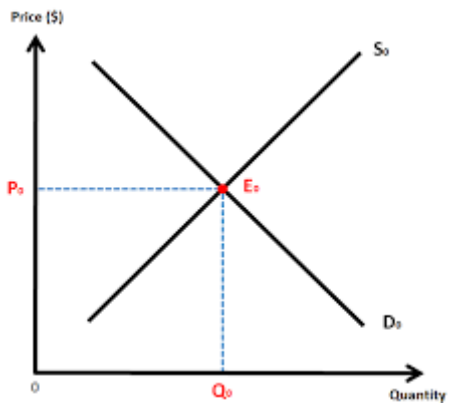
2.1 Define the term **perfect competition**. (2)

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2.2 State TWO characteristics of an oligopoly. (2)

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2.3 With the aid of a diagram, explain how equilibrium price is determined in a market. (6)



2.4 List THREE causes of market failure. (3)

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2.5 Evaluate how subsidies can improve market efficiency. (4)

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2.6 Explain the role of competition in protecting consumer welfare. (4)

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2.7 Discuss ONE advantage and ONE disadvantage of price ceilings. (4)

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## ◆ SECTION C: ECONOMIC ISSUES AND GLOBALISATION (25 MARKS)

### QUESTION 3: Global Trade & Development (25 marks)

3.1 What is meant by **balance of trade**? (2)

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3.2 Give TWO reasons why countries trade with one another. (2)

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3.3 Explain how **import substitution** helps local industries. (4)

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3.4 Discuss TWO negative effects of globalisation on developing countries. (4)

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3.5 Distinguish between **absolute advantage** and **comparative advantage**. (4)

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3.6 Read the scenario and answer the questions:

South Africa continues to import large quantities of oil and machinery but exports mainly raw materials such as coal, gold, and fruit.


- (a) Name TWO potential risks of relying on exports of raw materials. (4)  
(b) Suggest TWO ways South Africa could diversify its exports. (5)
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## ◆ SECTION D: ESSAY (25 MARKS)

### QUESTION 4: COMPULSORY ESSAY

#### Essay Topic:

“Discuss how inequality and poverty affect economic development in South Africa. In your essay, include causes, consequences, and policy solutions.”

 *Structure your essay as follows:*

- Introduction
  - Causes of poverty and inequality
  - Consequences for the economy and society
  - Policy solutions or strategies
  - Conclusion
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✓ TOTAL: 100 MARKS



## MEMO

## ◆ SECTION A: MACROECONOMICS (25 MARKS)

## QUESTION 1: Economic Indicators &amp; Policies (25 marks)

## 1.1 Define the term inflation targeting. (2)

Inflation targeting is a monetary policy strategy where the central bank sets a specific inflation rate as its goal and uses interest rate changes to maintain inflation within a target range.

## 1.2 Name THREE roles of the South African Reserve Bank (SARB). (3)

- Maintaining price stability.
- Issuing the national currency.
- Regulating and supervising financial institutions.

## 1.3 Differentiate between monetary policy and fiscal policy. (4)

- **Monetary policy** is implemented by the central bank and involves controlling the money supply and interest rates to influence economic activity.
- **Fiscal policy** is implemented by the government and involves adjusting tax rates and public spending to influence the economy.

## 1.4 Study the table below and answer the questions that follow.

Indicator	Value
Unemployment Rate	31.9%
Repo Rate	8.25%
Consumer Price Index	5.6%
GDP Growth Rate	1.3%

## 1.5 Identify TWO indicators that show challenges in the economy. Motivate. (4)

- **Unemployment Rate (31.9%)**: Indicates a high level of joblessness, reducing household incomes and demand.
- **GDP Growth Rate (1.3%)**: Shows sluggish economic growth, suggesting weak economic performance and low investment.

## 1.6 Explain how an increase in the repo rate might affect household spending. (4)

An increase in the repo rate makes borrowing more expensive. As a result, households may reduce spending on credit purchases, mortgages, and other loans, leading to lower overall consumption.

## 1.7 Suggest TWO measures the government can take to stimulate GDP growth. (4)

- Increase infrastructure spending to boost employment and business activity.
- Reduce taxes to increase disposable income and encourage consumption and investment.

### 1.8 What is meant by a business cycle? Name one phase. (4)

A business cycle refers to the fluctuations in economic activity over time, typically moving through periods of expansion and contraction.

**One phase:** Recession.

## ◆ SECTION B: MICROECONOMICS (25 MARKS)

### QUESTION 2: Markets and Efficiency (25 marks)

#### 2.1 Define the term perfect competition. (2)

Perfect competition is a market structure where many sellers offer identical products, and no single firm can influence the market price.

#### 2.2 State TWO characteristics of an oligopoly. (2)

- Few dominant firms in the market.
- Products may be identical or differentiated, and firms are interdependent.

#### 2.3 With the aid of a diagram, explain how equilibrium price is determined in a market. (6)

(Diagram should show supply and demand curves intersecting)

Equilibrium price is determined where the quantity demanded equals the quantity supplied. This intersection is the market-clearing price.

#### 2.4 List THREE causes of market failure. (3)

- Externalities (positive or negative).
- Public goods.
- Imperfect information.

#### 2.5 Evaluate how subsidies can improve market efficiency. (4)

Subsidies reduce production costs, allowing producers to offer goods at lower prices, which can correct underproduction in cases of positive externalities and ensure broader access to essential goods.

#### 2.6 Explain the role of competition in protecting consumer welfare. (4)

Competition leads to lower prices, improved quality, and innovation, which benefits consumers by offering better choices and fair market practices.

#### 2.7 Discuss ONE advantage and ONE disadvantage of price ceilings. (4)

**Advantage:** Keeps essential goods affordable for low-income consumers.

**Disadvantage:** Can lead to shortages as suppliers may not find it profitable to produce at lower prices.

## ◆ SECTION C: ECONOMIC ISSUES AND GLOBALISATION (25 MARKS)

### QUESTION 3: Global Trade & Development (25 marks)

**3.1 What is meant by balance of trade? (2)**

The balance of trade is the difference between a country's exports and imports of goods over a specific period.

**3.2 Give TWO reasons why countries trade with one another. (2)**

- To access goods and services not produced locally.
- To benefit from comparative advantage and specialization.

**3.3 Explain how import substitution helps local industries. (4)**

Import substitution promotes domestic production by reducing reliance on foreign goods, protecting local industries from international competition, and fostering job creation.

**3.4 Discuss TWO negative effects of globalisation on developing countries. (4)**

- Increased competition can harm local industries.
- Can lead to exploitation of labor and natural resources.

**3.5 Distinguish between absolute advantage and comparative advantage. (4)**

- **Absolute advantage:** The ability to produce more of a good with the same resources than another country.
- **Comparative advantage:** The ability to produce a good at a lower opportunity cost than another country.

**3.6 Read the scenario and answer the questions:****(a) Name TWO potential risks of relying on exports of raw materials. (4)**

- Price volatility in global markets can cause income instability.
- Limited value addition reduces potential revenue and job creation.

**(b) Suggest TWO ways South Africa could diversify its exports. (5)**

- Invest in manufacturing to export finished goods.
- Promote technology and services sectors for global trade.

**◆ SECTION D: ESSAY (25 MARKS)****QUESTION 4: COMPULSORY ESSAY**

**Essay Topic: "Discuss how inequality and poverty affect economic development in South Africa."**

**Introduction:**

Inequality and poverty are major socio-economic challenges in South Africa. They hinder inclusive growth and limit the country's economic potential.



**Causes of poverty and inequality:**

- Historical factors like apartheid and land dispossession.
- Unemployment and low education levels.
- Unequal access to resources and economic opportunities.

**Consequences for the economy and society:**

- Reduced consumer spending and domestic demand.
- Higher crime rates and social unrest.
- Hindered human capital development.

**Policy solutions or strategies:**

- Expand access to quality education and skills development.
- Implement progressive tax systems and social welfare programs.
- Support small businesses and entrepreneurship.
- Improve infrastructure in rural and underdeveloped areas.

**Conclusion:**

Addressing poverty and inequality is essential for sustainable economic development. Inclusive policies and structural reforms are necessary to unlock South Africa's full economic potential.

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✓ **TOTAL: 100 MARKS**