

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 Concepts and Policies (25 marks)

1.1 Explain the concept of **stagflation**. (2)

1.2 List **THREE** functions of money in an economy. (3)

1.3 Differentiate between **demand-pull inflation** and **cost-push inflation**. (4)

1.4 Study the following economic data for Country X:

Indicator	Value
Inflation Rate	7.2%
Unemployment Rate	4.5%
Budget Deficit	5% of GDP
Interest Rate	6%

1.4.1 Identify **TWO** possible concerns from the data and explain why. (4)

1.5 Describe how **quantitative easing** works as a monetary policy tool. (4)

1.6 Explain **TWO** effects of a government running a large budget deficit on the economy. (4)

1.7 Outline **TWO** reasons why economic growth is important for a country. (4)

◆ **SECTION B: MICROECONOMICS (25 MARKS)**

QUESTION 2: Market Structures and Consumer Behavior (25 marks)

2.1 Define the term **monopoly**. (2)

2.2 State TWO characteristics of **monopolistic competition**. (2)

2.3 Using a demand and supply diagram, illustrate and explain the effects of a **price floor** on the market. (6)

2.4 List THREE examples of public goods and explain why they are considered public goods. (3)

2.5 Discuss how **price elasticity of demand** affects total revenue for a business. (4)

2.6 Explain TWO ways in which firms can increase consumer loyalty. (4)

2.7 Evaluate ONE advantage and ONE disadvantage of a monopoly market structure. (4)

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

QUESTION 3: Development and International Economics (25 marks)

3.1 What is meant by **foreign direct investment (FDI)**? (2)

3.2 Explain TWO benefits of international trade for developing countries. (4)

3.3 Describe how **microfinance** can assist in reducing poverty in rural areas. (4)

3.4 Discuss TWO environmental challenges caused by rapid industrialisation in developing countries. (4)

3.5 Differentiate between a **trade surplus** and a **trade deficit**. (4)

3.6 Read the scenario and answer the questions:

Country Y exports mainly electronics and imports food products and clothing.

- (a) Identify TWO risks associated with heavy dependence on electronics exports. (4)
(b) Suggest TWO strategies Country Y could use to reduce import dependency on food and clothing. (5)
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◆ **SECTION D: ESSAY (25 MARKS)**

QUESTION 4: COMPULSORY ESSAY

Essay Topic:

"Examine the role of education and skills development in promoting sustainable economic growth and reducing unemployment in South Africa."

Structure your essay as follows:

- Introduction
 - Importance of education and skills development
 - Impact on employment and economic growth
 - Challenges and possible solutions
 - Conclusion
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End of Exam

TOTAL : 100

MEMO

◆ SECTION A: MACROECONOMICS (25 MARKS)

QUESTION 1: Economic Concepts and Policies (25 marks)

1.1 Explain the concept of stagflation. (2)

Stagflation is an economic condition where inflation and unemployment are both high, while economic growth is stagnant or slow.

1.2 List THREE functions of money in an economy. (3)

- Medium of exchange
- Store of value
- Unit of account

1.3 Differentiate between demand-pull inflation and cost-push inflation. (4)

- Demand-pull inflation occurs when aggregate demand exceeds aggregate supply, causing prices to rise.
- Cost-push inflation occurs when rising production costs (e.g., wages, raw materials) push prices up.

1.4 Identify TWO possible concerns from the data and explain why. (4)

- **Inflation Rate (7.2%):** High inflation may reduce purchasing power and increase cost of living.
- **Budget Deficit (5% of GDP):** Large deficit could lead to increased borrowing and higher debt burden.

1.5 Describe how quantitative easing works as a monetary policy tool. (4)

Quantitative easing involves the central bank buying government bonds or other financial assets to increase money supply and encourage lending and investment.

1.6 Explain TWO effects of a government running a large budget deficit on the economy. (4)

- Increased government borrowing may lead to higher interest rates (crowding out private investment).
- Risk of inflation if deficit is financed by printing money.

1.7 Outline TWO reasons why economic growth is important for a country. (4)

- Creates jobs and reduces unemployment.
- Increases government revenue for public services and infrastructure.

◆ SECTION B: MICROECONOMICS (25 MARKS)

QUESTION 2: Market Structures and Consumer Behavior (25 marks)

2.1 Define the term monopoly. (2)

A monopoly is a market structure where a single seller controls the entire supply of a product or service with no close substitutes.

2.2 State TWO characteristics of monopolistic competition. (2)

- Many sellers with differentiated products.
- Easy entry and exit from the market.

2.3 Using a demand and supply diagram, illustrate and explain the effects of a price floor on the market. (6)

- A price floor is a minimum price set above equilibrium price.
- It leads to a surplus because quantity supplied exceeds quantity demanded.
- Diagram should show supply curve, demand curve, equilibrium, price floor above equilibrium, and surplus area.

2.4 List THREE examples of public goods and explain why they are considered public goods. (3)

Examples: street lighting, national defense, clean air.

Public goods are non-excludable and non-rivalrous, meaning no one can be excluded from using them, and one person's use does not reduce availability to others.

2.5 Discuss how price elasticity of demand affects total revenue for a business. (4)

- If demand is elastic, a decrease in price increases total revenue, and vice versa.
- If demand is inelastic, a price increase raises total revenue, and a price decrease reduces it.

2.6 Explain TWO ways in which firms can increase consumer loyalty. (4)

- Provide high-quality products and services.
- Implement loyalty programs or rewards.

2.7 Evaluate ONE advantage and ONE disadvantage of a monopoly market structure. (4)

Advantage: Economies of scale can lead to lower costs and potentially lower prices.

Disadvantage: Lack of competition can lead to higher prices and less choice for consumers.

◆ SECTION C: ECONOMIC ISSUES AND GLOBALISATION (25 MARKS)**QUESTION 3: Development and International Economics (25 marks)****3.1 What is meant by foreign direct investment (FDI)? (2)**

FDI is when a company or individual from one country invests in or acquires business assets in another country.

3.2 Explain TWO benefits of international trade for developing countries. (4)

- Access to larger markets and increased export opportunities.
- Access to technology and advanced products.

3.3 Describe how microfinance can assist in reducing poverty in rural areas. (4)

Microfinance provides small loans and financial services to low-income individuals who lack access to traditional banking, enabling them to start or grow small businesses.

3.4 Discuss TWO environmental challenges caused by rapid industrialisation in developing countries. (4)

- Increased pollution of air, water, and soil.
- Depletion of natural resources and loss of biodiversity.

3.5 Differentiate between a trade surplus and a trade deficit. (4)

- Trade surplus: when a country's exports exceed its imports.
- Trade deficit: when a country's imports exceed its exports.

3.6 (a) Identify TWO risks associated with heavy dependence on electronics exports. (4)

- Vulnerability to global market fluctuations and technological changes.
- Risk of economic downturn if demand for electronics falls.

(b) Suggest TWO strategies Country Y could use to reduce import dependency on food and clothing. (5)**

- Invest in agricultural development to increase local food production.
- Support local textile and garment industries through subsidies and skills training.

◆ SECTION D: ESSAY (25 MARKS)

QUESTION 4: COMPULSORY ESSAY

Essay Topic:

"Examine the role of education and skills development in promoting sustainable economic growth and reducing unemployment in South Africa."

Suggested Points for Marking:

- **Introduction:**
Importance of education as a foundation for skills development and economic progress.
- **Importance of education and skills development:**
Improves labour productivity; prepares workforce for modern economy; enhances innovation.
- **Impact on employment and economic growth:**
Skilled workers attract investment; reduces unemployment rates; fosters entrepreneurship.

- **Challenges and possible solutions:**

Issues such as inequality in access to education, quality of education, funding constraints. Solutions include improving infrastructure, teacher training, partnerships with private sector.

- **Conclusion:**

Strong education and skills development systems are crucial for sustainable growth and employment; government policies must prioritize these sectors.

TOTAL: 100 MARKS

