

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 Eight pages, including the cover page.

SECTION A: MACROECONOMICS (25 MARKS)

QUESTION 1 (25 marks)

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

1.2 State **THREE** limitations of using GDP to measure the standard of living. (3)

1.3 Differentiate between **nominal GDP** and **real GDP**. (4)

1.4 Name **TWO** fiscal policy instruments and explain how each is used to influence the economy. (6)

1.5 Read the table below and answer the questions that follow:



Visual: South Africa's GDP Growth Rate (2018–2023)

Year	GDP Growth Rate (%)
2018	0.8
2019	0.2
2020	-6.4
2021	4.9
2022	2.0
2023	0.9

1.6 Identify the year in which South Africa had the **highest economic growth**. (1)

1.7 Suggest **TWO** possible reasons for the negative growth rate in 2020. (4)

1.8 Comment on the overall trend in economic growth between 2018 and 2023. (5)

◆ SECTION B: MICROECONOMICS (25 MARKS)

QUESTION 2 (25 marks)

2.1 Define the concept of **market failure**. (2)

2.2 Give TWO examples of public goods. (2)

2.3 Explain why public goods are not provided efficiently by the free market. (4)

2.4 Distinguish between **positive** and **negative externalities** and provide one example of each. (6)

2.5 Explain how the government can reduce **negative externalities** in the economy. (4)

2.6 Evaluate TWO possible consequences of a **minimum wage** in the labour market. (7)

◆ SECTION C: CONTEMPORARY ECONOMIC ISSUES (25 MARKS)

QUESTION 3 (25 marks)

3.1 What is **inflation**? (2)

3.2 Identify TWO causes of **cost-push inflation**. (2)

3.3 Explain the impact of inflation on the following groups:

- (a) Consumers
- (b) Businesses

(c) Pensioners
(6)

3.4 Name TWO tools the South African Reserve Bank uses to combat inflation. (2)

3.5 Discuss TWO effects of **unemployment** on the economy. (6)

3.6 Suggest TWO strategies that can be used to reduce youth unemployment. (7)

◆ SECTION D: ESSAY (25 MARKS)

QUESTION 4: COMPULSORY ESSAY


Essay Topic:

“Discuss the role of international trade in promoting economic growth in South Africa. In your essay, include the benefits and challenges of trade, and how the country can improve its trade balance.”

Structure your essay as follows:

- Introduction
- Benefits of international trade
- Challenges of trade for developing economies
- Ways to improve South Africa’s trade performance
- Conclusion

 *Your essay should be at least 1 page.*

 **TOTAL: 100 MARKS**

MEMO

◆ SECTION A: MACROECONOMICS (25 MARKS)

QUESTION 1

1.1 GDP:

- The total monetary value of all final goods and services produced within a country over a specific period. (2)

1.2 Limitations of GDP:

- Does not account for income inequality.
- Ignores environmental degradation.
- Excludes informal economy or household work. (Any $3 \times 1 = 3$)

1.3 Nominal vs Real GDP:

- Nominal GDP: Measured at current prices, includes inflation.
- Real GDP: Adjusted for inflation, reflects true economic output. ($2 + 2 = 4$)

1.4 Fiscal policy instruments:

- **Government spending:** Increased spending boosts demand. (3)
- **Taxation:** Cutting taxes increases disposable income. (3)

1.6 Highest growth year:

- 2021 (4.9%) (1)

1.7 Two reasons for negative growth in 2020:

- COVID-19 pandemic lockdowns and restrictions.
- Decreased consumer and business activity globally. (Any $2 \times 2 = 4$)

1.8 Trend commentary:

- 2018–2019: Low growth
- 2020: Sharp contraction
- 2021: Strong rebound post-COVID
- 2022–2023: Slowed recovery
- Overall: Volatile growth due to global and local economic shocks. (5)

◆ SECTION B: MICROECONOMICS (25 MARKS)

QUESTION 2

2.1 Market failure:

- Occurs when the allocation of goods and services by a free market is inefficient. (2)

2.2 Public goods examples:

- Street lighting, national defense (Any $2 \times 1 = 2$)

2.3 Public goods not provided efficiently:

- Non-excludable and non-rival—people can benefit without paying (free rider problem).
- No profit incentive for private producers. (4)

2.4 Externalities:

- **Positive externality:** Benefits third parties (e.g., vaccination). (3)
- **Negative externality:** Harms third parties (e.g., pollution). (3)

2.5 Reducing negative externalities:

- Impose taxes or fines (e.g., carbon tax).
- Enforce regulations and pollution limits. ($2 \times 2 = 4$)

2.6 Consequences of a minimum wage:

- May reduce employment if businesses can't afford higher wages. (3)
- Improves income and standard of living for low-paid workers. (2)
- May lead to higher prices (cost-push inflation). (2)

◆ SECTION C: CONTEMPORARY ECONOMIC ISSUES (25 MARKS)

QUESTION 3

3.1 Inflation:

- A sustained increase in the general price level of goods and services. (2)

3.2 Causes of cost-push inflation:

- Rising wages
- Increases in raw material costs ($2 \times 1 = 2$)

3.3 Impacts:

- (a) **Consumers:** Reduced purchasing power. (2)
- (b) **Businesses:** Higher production costs; may lose competitiveness. (2)
- (c) **Pensioners:** Fixed incomes lose value. (2)

3.4 Inflation tools:

- Interest rate adjustments (repo rate)
- Open market operations (selling bonds) (2)

3.5 Effects of unemployment:

- Decrease in income and consumer spending. (3)
- Increased government spending on welfare and social grants. (3)

3.6 Youth unemployment strategies:

- Government internships or learnerships. (2)
- Encourage entrepreneurship/start-up funding. (2)
- Improve access to vocational education and skills training. (3)

◆ SECTION D: ESSAY (25 MARKS)

QUESTION 4: INTERNATIONAL TRADE ESSAY

Marking Guide:

Criteria	Marks
Introduction (definition/context)	2
Benefits of trade	5
Challenges of trade	5
Strategies to improve trade	6
Use of examples	3
Conclusion	2
Structure, insight, coherence	2
Total	25

Suggested Content:

- **Introduction:**
International trade involves the exchange of goods and services between countries.
- **Benefits:**
 - Access to wider markets
 - Foreign currency earnings
 - Stimulates local industries and employment
 - Technology and knowledge transfer

- **Challenges:**
 - Trade deficits
 - Dependence on global markets
 - Unfair trade practices (e.g., dumping)
 - **Strategies:**
 - Diversify exports
 - Improve infrastructure and logistics
 - Negotiate fair trade agreements
 - Support local manufacturers
 - **Conclusion:**

Trade is essential for growth but must be managed strategically to benefit the nation.
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✅ **TOTAL: 100 MARKS**

