



education

DEPARTMENT: EDUCATION
MPUMALANGA PROVINCE

FURTHER EDUCATION AND TRAINING

GRADE 12

ECONOMICS
CLASS TEST 1
CIRCULAR FLOW
FEBRUARY 2024

Stanmorephysics.com

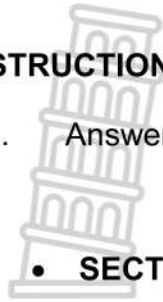
MARKS: 100

TIME: 1.5 HOURS

This question paper consists of 9 pages

INSTRUCTIONS AND INFORMATION

1. Answer **THREE** questions as follows in the **ANSWER BOOK**.



- **SECTION A:** COMPULSORY.

- **SECTION B:** Answer any **ONE** of the TWO questions.

- **SECTION C:** COMPULSORY.

2. Write the question number above each answer.

3. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.

4. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.

5. Number the answers correctly according to the numbering system used in this question paper.

6. Read the questions carefully.

7. Start EACH question on a NEW page.

8. Leave 2 – 3 lines between subsections of questions.

9. Use only black or blue ink.

10. You may use a non-programmable pocket calculator.

11. Write legibly and present your work neatly.

SECTION A (COMPULSORY)

QUESTION 1

20 MARKS – 20 MINUTES

1.1 FOUR possible options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A–D) next to the question number (1.1.1 – 1.1.5) in the ANSWER BOOK. For example (1.1.1 - C).

1.1.1 ... refers to a model that shows the movement of production, income and Expenditure between the participants.

- A Multiplier
- B Circular flow
- C Business cycle
- D Philips curve

1.1.2 Autonomous consumption is ...

- A Spending in the economy that is influenced by the level of income .
- B Spending in the economy that is influenced by an increase in salaries.
- C Spending in the economy that is influenced by a decrease in salaries.
- D Spending in the economy that is not influenced by the level of income.

1.1.3 The total value of remuneration that the owners of factors of production receive for their share in the production process is known as ...

- A National Income
- B National expenditure
- C National production
- D National money

1.1.4 Which of the following represent the inflow of cash in the circular flow diagram?

- A Injections
- B Savings
- C Leakages
- D Induced consumption

1.1.5 The following is an example of money flow ...

- A aggregate consumption
- B quantities of goods and services
- C Income for factors of production
- D Public goods and services

(5 X 2) (10)

1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A–F) next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

	COLUMN A		COLUMN B
1.2.1	Import tariffs	A	This is charged by SARB to commercial banks when they lend them money.
1.2.2	Income method	B	A group of people elected by the citizens to manage the economy through effective policies.
1.2.3	Government	C	Is also known as a 45° line which represent equality in a multiplier graph.
1.2.4	Repo rate	D	GDP is calculated by considering the remuneration for factors of production such as interests and rent
1.2.5	Equilibrium	E	GDP at nominal value/prices.
		F	This refers to the tax charged on the inflow of goods and services.

(5 X 1) (5)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1– 1.3.5) in the ANSWER BOOK.

- 1.3.1 An increase/decrease in spending causes a larger than proportional increase/decrease in spending.
- 1.3.2 This refers to the process of buying goods and services from other countries
- 1.3.3 The value of goods and services that are produced within the borders of the country.
- 1.3.4 The part of macroeconomics that consists of the accounting records of a country's total production, income and expenditure.
- 1.3.5 Policy used to influence the economy through government expenditure and taxes.

(5 X 1) (5)

TOTAL SECTION A: 20

SECTION B

Answer any **One** of the two questions from this section in the ANSWER BOOK.

QUESTION 2:

40 MARKS – 30 MINUTES

2.1 Answer the following questions.

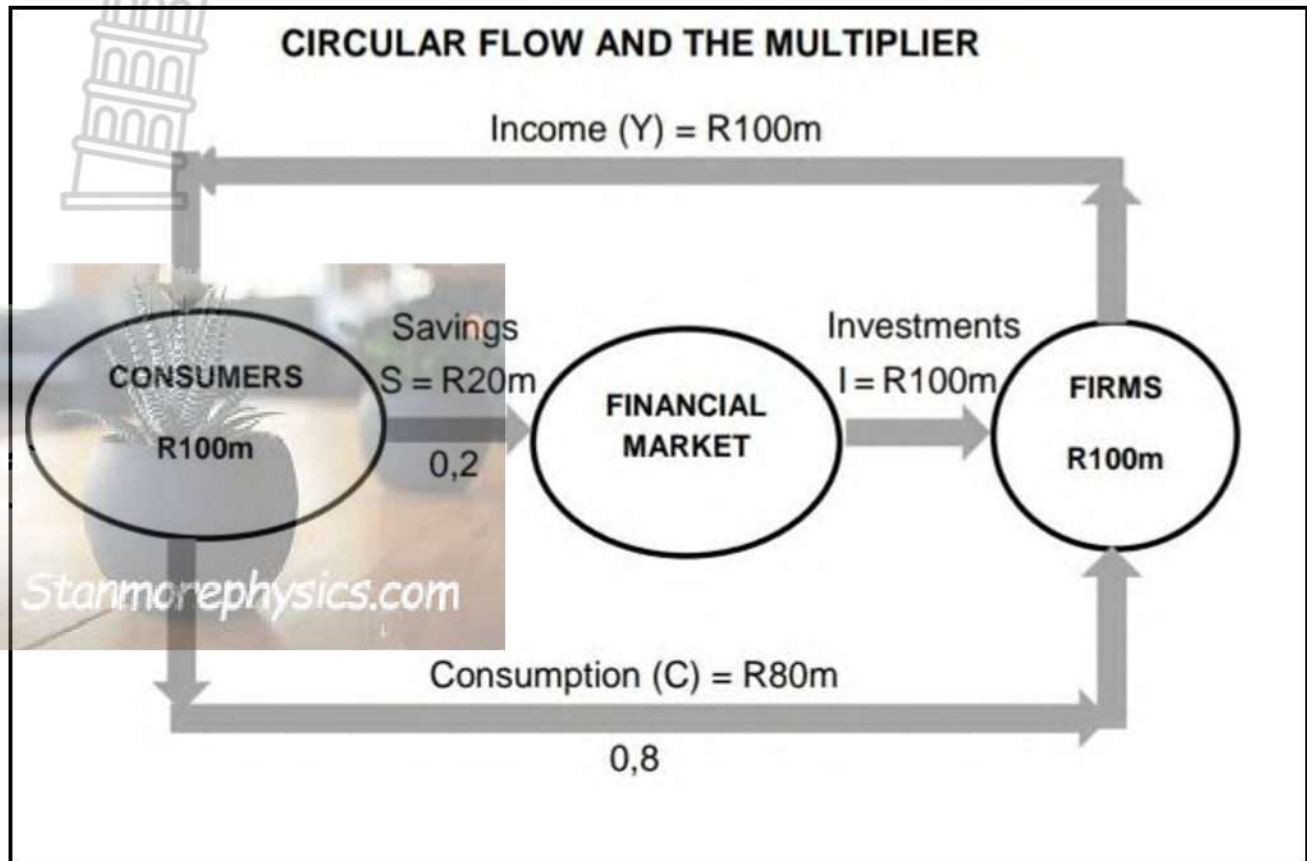
- 2.1.1 Name any TWO factors of production. (2 x 1) (2)
- 2.1.2 Why are subsidies on products subtracted when converting GDP at basic price to GDP at market prices? (1 x 2) (2)

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

GROSS NATIONAL INCOME	
Income (R millions)	2023
Compensation of employees	946
Net operating surplus	649
Consumption of fixed capital	358
A	1953
Other taxes on production	32
Less other taxes on production	9
Gross domestic product at market prices	B

- 2.2.1 Provide the label A. (1)
 - 2.2.2 Which method of calculating income has been used in the above table? (1)
 - 2.2.3 Briefly describe the term *Gross National Product*. (2)
 - 2.2.4 Differentiate between taxes on production and products. (4)
 - 2.2.5 Calculate the value of B. Show all calculations. (2)
- (10)**

2.3 Study the diagram below and answer the questions that follow.



- 2.3.1 Identify the value of MPS in the diagram above. (1)
- 2.3.2 Name the injection that relate to foreign sector. (1)
- 2.3.3 Briefly describe the term *Closed economy* (2)
- 2.3.4 How can an increase in savings affect the size of the multiplier? (2)
- 2.3.5 Use the value of MPC to determine the value of the value of multiplier. Show all Calculations. (4)

(10)

2.4 Explain the role of households in the circular flow. (8)

2.5 With the aid of a correctly labelled graph, explain the multiplier effect. (8)

(40)

QUESTION 3:

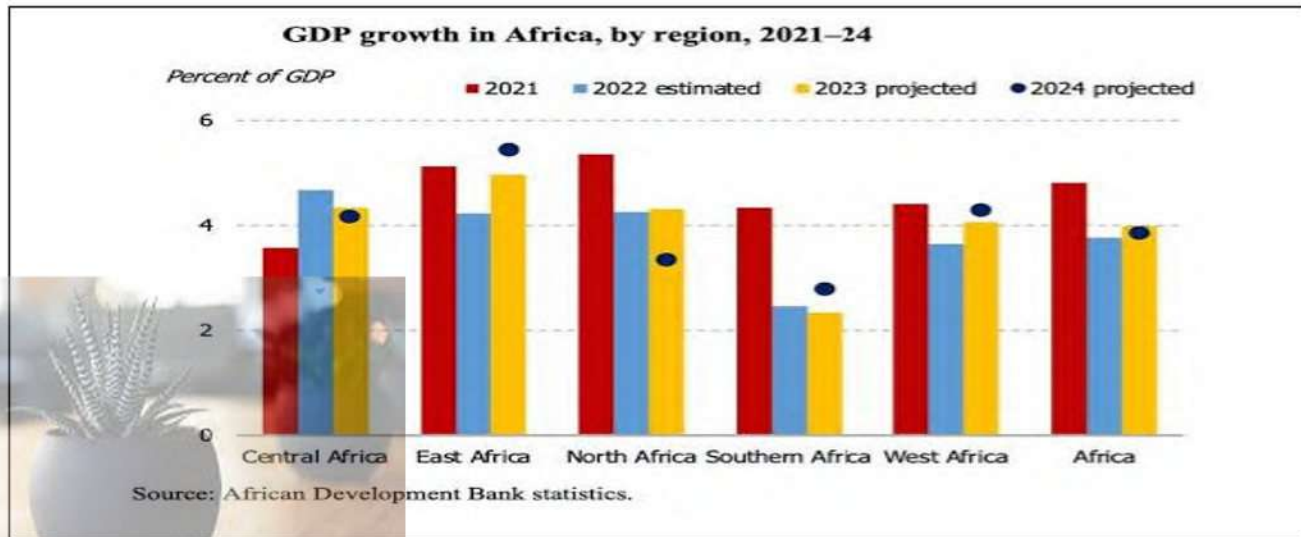
40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO examples of indirect taxes. (2 x 1) (2)

3.1.2 Why is taxation regarded as a leakage? (1 x 2) (2)
(4)

3.2 Study the information below and answer the questions that follow.



3.2.1 Identify the percentage of the projected GDP at Africa in 2024 (1)

3.2.2 Name the continent with the lowest projected GDP in the world? (1)

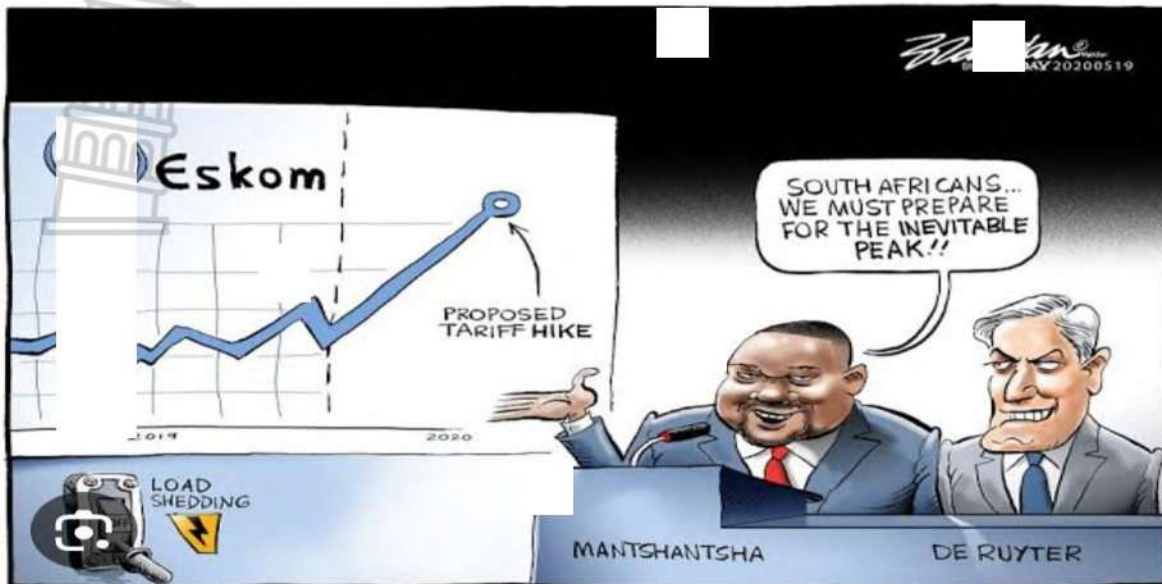
3.2.3 Briefly describe the term *Real Gross Domestic Product*

3.2.3 How can government of South Africa improve the economic growth above? (2)

3.2.4 Explain the purpose of the systems of National Accounts as outlined by UN (4)

(10)

3.3 Study the cartoon below and answer the questions that follow.



- 3.3.1 Identify one external factor from the cartoon that is currently affecting household and businesses. (2)
- 3.3.2 Which participant is in charge of ensuring smooth functioning of Eskom Industry? (2)
- 3.3.3 Briefly describe the term *induced consumption* (2)
- 3.3.4 Explain any reason that is blocking this participant to end load-shading in south Africa (2)
- 3.3.5 How can electricity tariff hikes affect the economy at large? (4)

3.4 Briefly discuss *production* and *expenditure* as methods to calculate GDP (8)

3.5 Analyse the relationship between government and other sectors in the circular flow. (8)

[40]

SECTION C

Answer the following compulsory essay on the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
INTRODUCTION	Maximum 2
BODY: Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss /Analyse/Compare Evaluate/Distinguish /Differentiate/Explain//Assess/Debate Additional part: Give your opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/ Calculate/ Deduce/Compare/ Explain/Distinguish/Interpret/Briefly debate/ How?/ Suggest/ diagram/ Outline/ Expand on /Support	Maximum 26
CONCLUSION: Any higher-order conclusion should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned in the body. • Any opinion or value judgment on the facts discussed. • Additional support information to strengthen the discussion/analysis. • A contradictory viewpoint with motivation, if required. • Recommendations. 	Maximum 10
TOTAL	[40]

QUESTION 4

40 MARKS – 40 MINUTES

• Discuss in detail the markets in a four sector economy.	(26)
• How can foreign sector contribute positively to the economy?	(10)
	[40]

TOTAL SECTION C: (40)

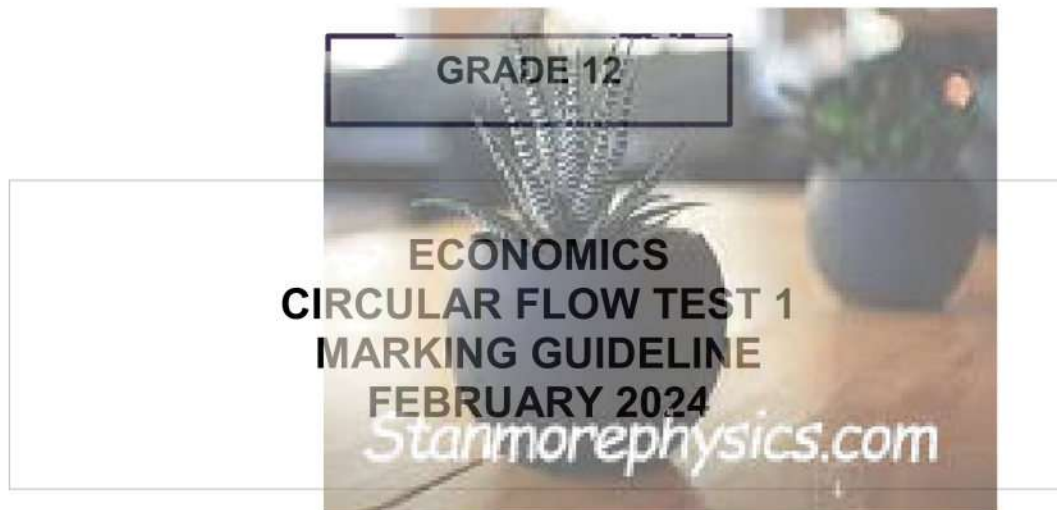
GRAND TOTAL FOR PAPER: 100



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MARKS: 100

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This MARKING GUIDE consists of 9 pages

SECTION A (COMPULSORY)

20 MARKS

QUESTION 1

1.1 MULTIPLE CHOICE QUESTIONS

1.1.1 B. Circular flow ✓✓

1.1.2 D. Spending in the economy that is not influenced by the level of income ✓✓

1.1.3 A. National Income ✓✓

1.1.4 A. Injections ✓✓

1.1.5 C. Income for factors of production ✓✓

(5 X 2) (10)

1.2 MATCHING ITEMS

1.2.1 F ✓

1.2.2 D ✓

1.2.3 B ✓

1.2.4 A ✓

1.2.5 C ✓

(5 X 1) (5)

1.3 GIVE THE TERM

1.3.1 Multiplier effect ✓

1.3.2 Imports ✓

1.3.3 Gross Domestic Product ✓

1.3.4 National Account Aggregates ✓

1.3.5 Fiscal policy ✓

(5 X 1) (5)

TOTAL SECTION A: 20

SECTION B

Answer any **One** of the two questions from this section in the ANSWER BOOK.

QUESTION 2:

40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 **Name any TWO factors of production.**

Labour ✓

Capital ✓

Land ✓

Entrepreneurship ✓

(2 x 1) (2)

2.1.2 **Why are subsidies on products subtracted when converting GDP at basic price to GDP at market prices?**

(1 x 2) (2)

Subsidies on products reduce the market price ✓✓

2.2 **DATA RESPONSE**

2.2.1 **Provide the label A.**

Gross value added at factor costs ✓

(1)

2.2.2 **Which method of calculating income has been used in the above table?**

(1)

Income method ✓

2.2.3 **Briefly describe the term *Gross National Product*.**

GNP is the total value of goods that are produced within the borders of the country by permanent citizens over a period of time ✓✓

(2)

2.2.4 **Differentiate between taxes on production and products.**

Taxes on production refer to tax that is not linked to a specific good or service such as tax on land ✓✓ while taxes on products are levied per unit of production. ✓✓ (accept any other relevant answer.) (2x2)

(4)

2.2.5 **Calculate the value of B. Show all calculations.**

$1953 + 32 - 9$ ✓

$= 1976$ ✓

(2)

(10)

2.3 **DATA RESPONSE**



2.3.1 **Identify the value of MPS in the diagram above.**
0,2√ (1)

2.3.2 **Name the injection that relate to foreign sector.**
Exports√ (1)

2.3.3 **Briefly describe the term *Closed economy***
A closed economy is the type of an economy that does trade with other countries meaning it has no foreign sector for exports and import √√ (2)

2.3.4 **Explain the importance of savings in the economy.**
Savings ensure the availability of loanable funds in financial institutions for investment √√
Consumers will have access to loans which will increase spending on durable goods √√
(Accept any other relevant response) (2)

2.3.5 **Use the value of MPC to determine the value of the value of multiplier. Show all Calculations.**
 $K = 1/(1-mpc)$ √
 $= 1/(1-0,8)$ √
 $= 1/0,2$ √
 $= \underline{5}$ √ (4)

(10)

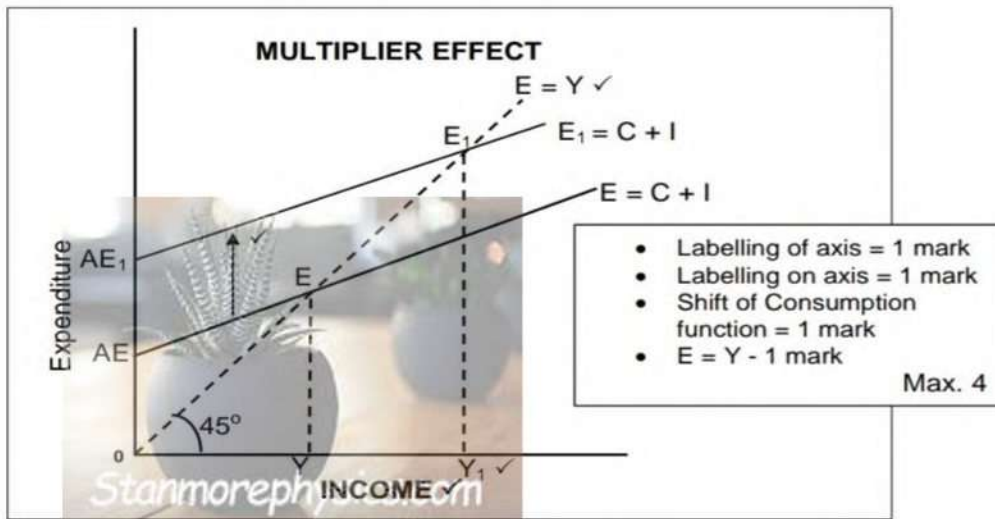
2.4 Explain the role of households in the circular flow.



- Household are the owners of factors of production they sell them to factor market to earn income such as interest and salaries. ✓✓
- Household invest, save, borrow and withdraw money in the financial sector assisting such sectors to generate revenues. ✓✓
- Household pay tax to the government which can be used to finance social grant and other public goods and services. ✓✓
- Household provide labour to businesses that is used to produce more goods and services for economic growth to increase. ✓✓
- Household spend their money on goods and services which become income to businesses. ✓✓

(4x2) (8)
(Accept any other relevant response)

2.5 With the aid of a correctly labelled graph, explain the multiplier effect.



- The multiplier effect occurs when a small increase in in spending leads to larger proportional increase in national income. ✓✓
- An increase from AE to AE1 means more money is injected in the economy causing an increase in national income from Y to Y1. ✓✓

(4) (8)
(40)

QUESTION 3:

40 MARKS

3.1 Answer the following questions.

3.1.1 Name any **TWO** examples of indirect taxes.

(2 x 1) (2)

- VAT ✓
- Sin Tax ✓

3.1.2 Why is taxation regarded as a leakage?

(1 x 2) (2)

Tax represent an outflow of cash in the circular flow ✓✓

3.2 **DATA RESPONSE**

3.2.1 Identify the percentage of the projected GDP at Africa in 2024

4% ✓

(1)

3.2.2 How many percent was the estimated decrease in GDP of Southern Africa from 2021 to 2022

4,5% ✓

(1)

3.2.3 Briefly describe the term *Real Gross Domestic Product*

Total value of goods and services that have been adjusted to price changes and is also known as GDP at constant prices. ✓✓

(2)

3.2.3 How can government of South Africa improve the economic growth above?

- Improve labour force through training and workshops to help workers gain skills so that they can be more effective to achieve mass production ✓✓
- Improve technology since more advanced machines will help us produce more goods and services at a short period of time. ✓✓

(2)

(Accept any other relevant response)

3.2.4 Explain the purpose of the systems of National Accounts as outlined by UN

- Inform the country about the current total value of goods and services produced within the borders to help indicate the country's development in terms of growth. ✓✓
- Act as international agreed standard of measuring economic activities. ✓✓

(2x2) (4)

(Accept any other relevant responses)

(10)

3.3 DATA RESPONSE

3.3.1 Identify one external factor from the carton that is currently affecting household and businesses. (2)

Load shading ✓

3.3.2 Which participant is in charge of ensuring smooth functioning of Eskom Industry? (1)

Government ✓

3.3.3 Briefly describe the term *induced consumption* Spending that is influenced by the level of your income. ✓✓ (2)

3.3.4 Explain any reason that is blocking this participant to end load-shading in south Africa (2)

- Corruption which is the stealing of funds to uplift the industry has led to less capital to manage Eskom. ✓✓
- Lack of skill to ensure efficient allocation of scarce resources lead to management failure of Eskom. ✓✓

(Accept any other relevant response)

3.3.5 How can electricity tariff hikes affect the economy at large? (4)

- The increase in price of electricity will make it expensive for producers to produce more goods since their machines operate with electricity. ✓✓
- This will lead to less economic and growth and businesses will make loss and start to retrench other workers causing more unemployment. ✓✓

3.4 Briefly discuss *production* and *expenditure* as methods to calculate GDP

Production method

- It is also known as the value added method since the value of GDP for primary sector, secondary and tertiary sector is added together√√
- This method represents GDP at basic prices since taxes and subsidies on production are considered. √√
- The value of intermediate goods is not counted since it leads to double counting of GDP√√ (Any 2x2)

Expenditure Method

- GDP is calculated at market price since tax and subsidy on product is considered. √√
- The component of expenditure equation is used when counting this GDP where spending by household, spending by government and consumption on fixed capital are added together with exports while imports are subtracted √√
- This measures the final money spent on final goods and services produced within the country. √√ (Accept any other relevant responses) (Any 2x2) (8)

3.5 Analyse the relationship between government and other sectors in the circular flow.

- Government can invest money, save and borrow money in a financial sector which they give interest in return √√
- Government can buy factors of production such as capital and land from business sector and factor market. √√
- Government collect tax revenues from businesses and household which they give public goods and service in return√√
- Government buy and supply goods and services to firms and product markets √√

(8)
(Accept other relevant responses) (4x2)

[40]

TOTAL SECTION B: 40

SECTION C

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<p>CONCLUSION: Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned in the body. • Any opinion or value judgment on the facts discussed. • Additional support information to strengthen the discussion/analysis. • A contradictory viewpoint with motivation, if required. • Recommendations. 	Maximum 2
TOTAL	[40]

QUESTION 4

40 MARKS – 40 MINUTES

• Discuss in detail the markets in a four sector economy.	(26)
• How can foreign sector contribute positively to the economy?	(10)
	[40]

QUESTION 4

INTRODUCTION

- Market is a mechanism that brings buyers and sellers together to do business.
/ The flow of goods and services take place through four kinds of markets. ✓✓
(Accept other relevant introduction) (2)

Product (consumer) market ✓

- It is a market where goods and services are bought and sold. ✓✓
- Firms, government and foreign sector supply goods and services. ✓✓
- These goods and services are called real flow. ✓
- Consumers, firms, government and foreign sector buy these goods and services. ✓
- The payments represent the money flow. ✓

Factor market ✓

- It is a market where factors of production are traded (bought and sold). ✓✓
- Households are the owners of factors of production and they sell them to firms, government and foreign sector. ✓✓
- The factors of production are labour, entrepreneurship, capital and land and they are exchanged for wages, profit, interest and rent. ✓✓

Money and capital market ✓

- These markets render financial services to the other participants in the economy by gathering surplus funds and lending it to those who need funding. ✓✓
- Money market is a market for short term loans and savings (three years and shorter) ✓✓.
- It includes inter-banking lending for a period as short as overnight. ✓✓
- The securities traded include short term deposits, short term debentures and treasury bills. ✓✓
- Capital market is a market for long term savings and loans. ✓✓
- JSE is a key institution in this market as it trades in shares. ✓✓
- Examples of securities traded in this market are long term deposits, mortgage bonds, shares and unit trusts. ✓✓

Foreign exchange market ✓

- It is a market where currencies are exchanged for one another e.g. Rands for dollars. ✓✓
- It originates when one country imports goods from another country and domestic currency has to be exchanged in order to pay for such imports. ✓✓
- It is a multi-national market as the currencies of all the countries are traded in this market. ✓✓
- Foreign exchange can be bought and sold at the banks and foreign exchange agent. ✓✓

(Max 26)

ADDITIONAL PART

How can foreign sector contribute positively in the economy? (10)

- Giving the country access to goods and services that they may not be able to produce such as scarce imports. √√
- Making local producers available in foreign countries as exports, therefore earning foreign exchange √√
- Enabling countries to exchange skills, knowledge and effective methods of production that can enhance economic growth √√
- Increasing consumer choices increasing the availability of various products in the country √√
- Contributing to job creation when multinational firms operate in different countries. √√

(Accept any other relevant response)

TOTAL SECTION C: (40)

GRAND TOTAL FOR PAPER: 100