



education

MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

FURTHER EDUCATION AND TRAINING

GRADE 12

ECONOMICS

PUBLIC SECTOR TEST 3

FEBRUARY 2023

MASHISHILA CIRCUIT

Stanmorephysics.com

MARKS: 100

TIME: 1,5 HOURS

This question paper consists of 8 pages

INSTRUCTIONS AND INFORMATION

1. Answer all questions in **SECTION A & C**.
2. **Choose one question in SECTION B**
3. Write the question number above each answer
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 sub sections of questions.
9. Use only black or blue ink.
10. You may use a non- programmable pocket calculator.
11. Write legible and present your work neatly.

QUESTION 1

20 MARKS – 15 MINUTES

1.1.1 Public goods that are non-excludable and non-rival in consumption are called....

- A. Community goods
- B. Collective goods
- C. Demerit goods
- D. Merit goods

1.1.2 The buying and selling of government securities to control money supply is known as...

- A. Moral suasion
- B. Cash reserve requirements
- C. Open market transactions
- D. Interest rates changes

1.1.3 The total value of goods and services produced by permanent citizens of SA

- A. GDP
- B. GNP
- C. GNI
- D. NDP

1.1.4 The following feature of public sector determine economic goals and social goals

- A. Goal bound
- B. Cyclical goal
- C. Demand based
- D. Ineffectiveness

1.1.5 Removal of unnecessary strict laws that make it difficult for business to operate

- A. Bureaucracy
- B. Deregulation
- C. Hyperinflation
- D. Regional budgeting

(5x2)(10)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-I) next to the question numbers (1.2.1. to 1.2.5) in the ANSWER BOOK.

COLUMN A	COLOUM B
1.2.1 Indirect tax	A This includes the use income method, expenditure method and production method to value GDP.
1.2.2 Accountability	B The use of interest rate and money supply to influence the spending
1.2.3 National account aggregates	C Vertical distance between the trend line
1.2.4 Privatisation	D A situation in which a person is required to give an explanation of his/her decision or action.
1.2.5 Monetary policy	E This refers to the flow of goods and factors of production in the circular flow. F A process of transferring the ownership of public enterprises or assets to the private sector G Is levied on the sale of goods and services

(5x1)(5)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.2.1 to 1.2.5) in the ANSWER BOOK.

1.3.1 Amount to be paid for the various factors of production used to produce goods and services.

1.3.2 This refers to all businesses owned by the state with the aim to make profit.

1.3.3 Taxes on goods that are regarded as harmful to human beings

1.3.4 Transfer of functions and ownership of entities from the private sector to the public sector.

1.3.5 Is when goods are provided to the desired quantity by the public sector.

(5x1)(5)

**QUESTION 2:
MACROECONOMICS**

**40 MARKS – 40
MINUTES**

2.1. Answer the following questions.

2.1.1 Name any TWO levels of government (2 x 1) (2)

2.1.2 How can public sector failure affect the environment? (2 x 1) (2)

2.2 Study the cartoon below and answer the questions that follow



[Adapted from @ ZapiroEcocartoons, March 2023]

2.2.1 Name one problem currently faced by SA Economy from the cartoon (1)

2.2.2 What does SONA stand for? (1)

2.2.3 Briefly describe the term *Full employment* (2)

2.2.4 Explain the benefit of land reform policy to the poor (2)

2.2.5 How can public sector solve these current issues above (4)

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

SOUTH AFRICA'S ECONOMY HITS LOW

South Africa's gross domestic product(GDP) fell by just over, 16,4 % between the first quarter and second quarter of 2020, resulting in an annualised growth rate of -51%. The demand side of the economy slumped by 52,3% as a result of lower exports and household spending. The president highlighted in the SONA meeting that using SMMEs and privatising some of state owned enterprises can enhance economic growth in South Africa.

[Adapted from @ StatsSA, February 20223]

- 2.3.1 Identify one component of aggregate demand in the information above? (1)
- 2.3.2 Name the term that represents the selling of goods to other countries in the extract. (1)
- 2.3.3 Briefly describe the term *economic growth* (2)
- 2.3.4 Explain the benefit of the government from privatising state-owned enterprises? (2)
- 2.3.5 How can SMME's contribute to economic growth and development? (4)
- 2.4. Briefly discuss *Pricing policy* and *Lack of accountability* as problems faced by public sector provisioning. (8)
- 2.4. How can government achieve better economic equity during depression? (8)

**QUESTION 2:
MACROECONOMICS**

**40 MARKS – 40
MINUTES**

3.1. Answer the following questions.

3.1.1 Name any TWO necessities of the public sector (2 x 1) (2)

3.1.2 How can government apply expansionary fiscal policy? (2 x 1) (2)

3.2 Study the graph below and answer the questions that follow

**BUDGET
SPEECH
2023**

Minister of Finance,
Mr Enoch Godongwana,
will table the 2023 Budget
in Cape Town City Hall.

DATE: 22 February 2023
TIME: 14:00
PLATFORM: CPT City Hall

MR ENOCH GODONGWANA
Minister of Finance

#BUDGET2023

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

**2030
NDP**

**STAY
SAFE**
VACCINATE TO SAVE SOUTH AFRICA

[Adapted from @ StatsSA, February 2023]

3.2.1 Name the type of department associated with National budget (1)

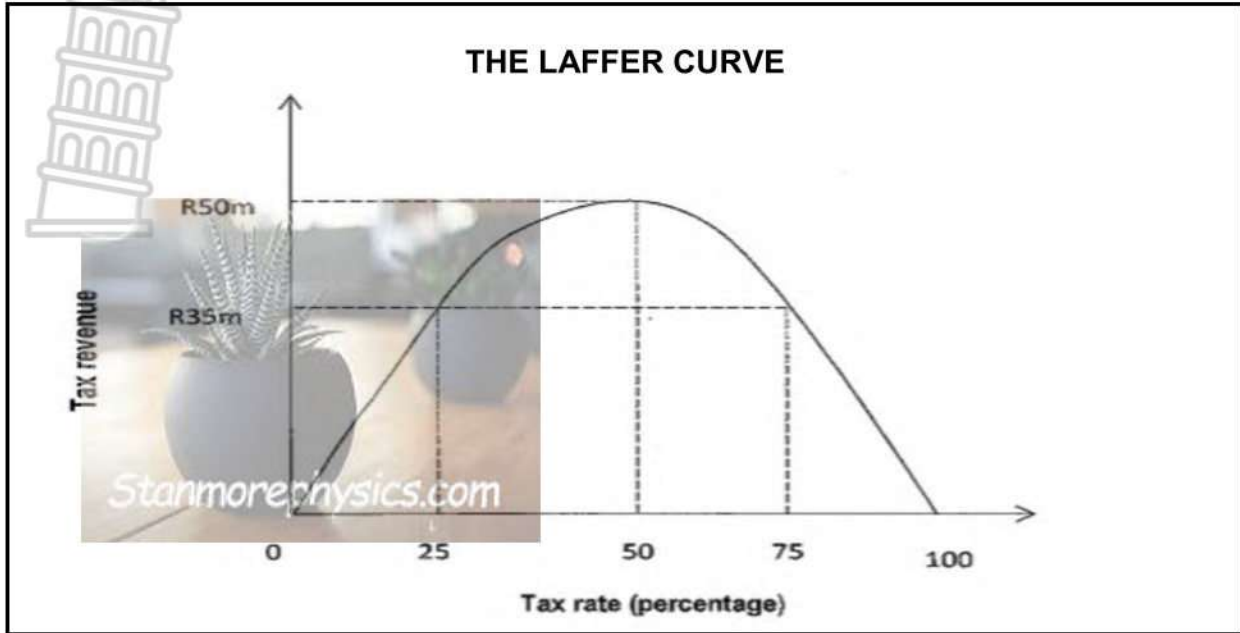
3.2.2 Who is the current Minister of finance? (1)

3.2.3 Briefly describe the term *Budget* (2)

3.2.4 How can the state achieve the objectives of the new budget speech (2)

3.2.5 Distinguish between MTEF and MTBPS (4)

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



3.3.1 Identify the possible highest amount for the state to collect tax? (1)

3.3.2 How much revenue does the estate get when tax rate is at 25%. (1)

3.3.3 Briefly describe the term *Laffer curve* (2)

3.3.4 How does the Laffer curve differ from Philips curve? (2)

3.3.5 What can happen if the state charges 75%-100% of tax rate? (4)

3.4. Discuss *Price stability* and *Exchange rate stability* as objectives of the state. (8)

3.4. Analyse the challenges faced by government in reducing unemployment (8)

SECTION C

QUESTION 4: ESSAY [40]

- Discuss the reasons of public sector failure. (26)
- How can South Africa improve efficiency in service delivery? (10)

GRAND TOTAL: 100



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MARKING GUIDELINE

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SECTION A

QUESTION 1

1.1 MULTIPLE CHOICE

1.1.1 A ✓✓

1.1.2 C ✓✓

1.1.3 B ✓✓

1.1.4 A ✓✓

1.1.5 B ✓✓

(5x2)(10)

1.2 COLUMN A AND B

1.2.1 G ✓

1.2.2 D ✓

1.2.3 A ✓

1.2.4 F ✓

1.2.5 B ✓

(5x1)(5)

1.3 ECONOMIC TERMS'

1.3.1 Remuneration ✓✓

1.3.2 Parastatals ✓

1.3.3 Sin Tax ✓

1.3.4 Nationalization ✓

1.3.5 Efficiency ✓

(5X1)(5)

[20]

SECTION B

QUESTION 2

2.1.1 Name any TWO levels of government (2)

- National ✓
- Provincial ✓
- Local ✓

2.1.2 How can public sector failure affect the environment? (2)

- It will lead to the natural resources wasted as they will be no effective rules to protect animals and trees. ✓✓

2.2 DATE RESPOPONSE

2.2.1 Name one problem currently faced by SA Economy from the cartoon (1)

2.2.2 What does SONA stand for? (1)

- State of National Address ✓

2.2.3 Briefly describe the term Full employment (2)

- Full employment refers to a situation where everyone with skills and qualification looking for a job is able to find it. ✓✓

2.2.4 Explain the benefit of land reform policy (2)

- It can lead to the creation of more job opportunities so that they can get income and afford their basic needs. ✓✓

2.2.5 How can public sector solve these current issues above (4)

- Provide workers with training so that they can improve their skills. ✓✓
- Eliminate corruption by appointing internal and external auditors. ✓✓
- Introduce creative strategies to ensure efficient allocation of resources ✓✓

2.2.1 Identify one component of aggregate demand in the information above? (1)

- Consumption spending by household ✓

2.2.2 Name the term that represents the selling of goods to countries in extract (1)

- Exports ✓

2.2.3 Briefly describe the term economic growth (2)

- Refers to the increase in production capacity of goods and services over a period

2.2.4 Explain the benefit of the government from privatising SOE? (2)

- It can lead to more job opportunities created for the poor ✓✓
- It can lead to more quality goods and services produced due to high competition ✓✓
- Economic growth will increase ✓✓
- Consumers will have more choices on goods and services ✓✓

2.2.5 How can SMME's contribute to economic growth and development? (4)

- They combine factors of production to produce more goods and services √√
- This lead to more demand of labour thus the creation of job opportunities for the poor to receive stable income to cover their basic needs. √√

2.4 Discuss Lack of Accountability and Pricing policy (8)

Lack of accountability

- Lack of accountability refers to the problem where an individual or organization fails to explain their decisions and actions and accept responsibility for their behavior. √√
- In South Africa, parliamentary questioning, treasury control and the rule of the Auditor-General reflect the government's accountability. √√
- The Auditor-General produces audit reports annually on all government departments, public entities and municipalities. √√
- It is important that government employees are also held individually accountable for what they decide and what they do. √√ (4)

Pricing policy

- The government has to make a decision about what to charge for the public goods it provides. √√
- The government has three pricing options.
- Free of charge: the state may choose to offer a public good free of charge to the consumer. These are community goods such as police services. √√
- Charging a small fee: the state may decide to levy a fee for the use of collective goods such as public swimming pools etc. √√
- However, if the cost of collecting such a charge is higher than the revenue raised, it is of no worth to levy such a charge. √√
- Subsidies: Government can pay subsidies to promote the production of certain products for the prices to be affordable. √√ (4)

2.5 How the state achieve better economic equity? (8)

- Taxes: progressive tax rate makes income distribution more balanced. This is because the higher income earners pay more and the lower income earners pay less. √√
- Subsidies: a form of financial assistance by government with the aim of making prices affordable to consumers or to promote growth in a particular industry. √√
- Subsidies redistribute income because it enables poor people to afford basic food goods. √√
- Subsidies can be direct e.g. money or indirect rebates to cover some of the producer's expenses. √√
- Social grants: A sum of money given to a person who is unable to care for themselves financially. Example old age, disability and child support grant. √√
- Provision of food parcels and opening of more job opportunities. √√

[40]

QUESTION 3

3.1.1 Name any TWO necessities of the public sector (2)

- To provide community goods such as police service ✓
- To provide collective goods such as parks ✓
- To provide merit goods such as education ✓
- To create more job opportunities ✓
- To provide social grant ✓

3.1.2 How can government apply expansionary fiscal policy? (2)

- The state can reduce tax to help the poor to have to more disposable income to afford their basic needs at lower prices ✓✓
- The state can provide food parcels and increase social grants ✓✓

3.2 DATA RESPONSE

3.2.1 Name the type of department associated with National budget (1)

- National treasury department ✓✓

3.2.2 Who is the current minister of finance? (1)

- Mr Enoch Godongwana

3.2.3 Define Budget (2)

- Budget refers to a document with details of expected income and planned or projected spending to be financed with the expected income. ✓✓

3.2.4 How can the state achieve objectives of the new budget speech? (2)

- By creating more job opportunities ✓✓
- By imposing harsh penalties to businesses that evade tax or do money laundering ✓✓
- By equipping public sector workers with more skills and knowledge ✓✓
- By eliminating corruption to end the issue of load shading ✓✓

3.2.5 Distinguish between MTEF and MTBPS (4)

MTEF	MTBPS
Is a framework that estimate income for a 3 years period. ✓✓	Refers to government statement setting out its 3 years budget. ✓✓

3.3.1 Identify the possible highest amount for the state to collect tax? (1)

- R50 million ✓

3.3.2 How much revenue does the estate get when tax rate is at 2? (1)

- R35 Million ✓

3.3.3 Briefly describe *laffer curve* (2)

- Is a graph that shows the relationship between tax rate and tax revenues collected by the state in the economy. ✓✓

3.3.4 How does the Laffer curve differ from Philips curve? (2)

- A Philips curve shows relationship between inflation and unemployment rate while a laffer curve shows relationship between tax rate and tax revenues ✓✓

3.3.5 What can happen if the state charges 75%-100% of tax rate? (4)

- The state will collect zero tax revenues ✓✓
- People will no longer pay tax as they won't afford it ✓✓

3.4 Discuss Exchange rate stability and price stability as macro objectives(8)

Exchange rate stability

- Depreciation and appreciation of the currency could create uncertainties for the currency and should be limited.
- The South African government was using the free-floating exchange rate system and moved to managed exchange rate system.
- The use of effective fiscal policy and monetary policy also help to stabilize the currency so that we can easily perform international trade.

Price stability

- The SARB has implemented a policy of keeping inflation within the targeting rate of 3-6%.
- Stable prices create more job opportunities, investment and help the poor to afford their basic needs.
- Interest rates, repo rates, moral persuasion, cash reserve requirements and open market transactions are some of the discretionary monetary policy instruments applicable during prosperity phase and inflation as they help to stabilize prices.
- The stable budget deficit also has a stabilizing effect on the rate of inflation.

3.5 Challenges faced by the state in reducing unemployment (8)

- Many people lack skills, knowledge, qualifications and management skills thus the state find it difficult to absorb or employ them.
- The state lack adequate financial and physical resources such as more raw materials to make infrastructure that can contribute to large variety of jobs

- Nepotism is a characteristic of public sector where officials in high positions only offer jobs to their qualifying family members leaving the poor educated graduates unemployed.
- Corruption which is the stealing of money by government officials and this money was meant to finance tenders and create more jobs for the poor.
- High population growth rate and less economic growth rate create a burden to the government.

[40]

SECTION C

QUESTION 4

Discuss in detail the reason(s) for public sector failure (26marks)

- **How can the state improve efficiency in service delivery? (10marks)**

Introduction

- Public sector failure occurs when a government intervention fails to meet the desired outcome making the existing economic situation worse √√

MAIN BODY

1. Management failure.

- Since the assessing of needs is difficult therefore the state might oversupply some goods and undersupply some goods. √√
- In this way the management was not able to satisfy the needs of the consumers and there will be wastages leading to the public sector failure. √√
- People working in parastatals might lack management skills and might end up implementing wrong policies that may cause the public sector to fail. √√
- If the management can not explain the decisions that they took and explain how they spend the money they have been allocated then they are not accountable and this may be a result of corruption, corruption results in inefficiencies that lead to fail in public sector. √√

2. Apathy.

- The government servants do not provide an efficient service to the public as a result of corruption. √√
- Corruption and poor service delivery are signs of apathy and may results as a cause of poor accountability. √√
- Parastatal employees lack the interest or concern because they know they will get paid even when they are underperforming. √√

3. Bureaucracy.

- Complex rules and procedures might lead to inefficiencies in the public sector and the public sector might fail to provide the goods and services in time for the consumers. √√
- This simply means that the parastatals cannot satisfy the needs of consumers in time because of the rules and procedures √√

4. Lack of motivation √

- Nationalizing companies may demotivate workers to work hard as their hard work would not be recognized leading to the workers being efficient. ✓✓

5. Politicians. ✓

- Lack of accountability by politicians may be a result of corruption and this may lead to them not fulfilling the promises they made to individuals when they were running their campaigns. ✓✓
- As the politicians are not accountable for their actions then resources may not be allocated fairly because of corruption. ✓✓

6. Structural weaknesses. ✓

- Incompetency of workers may lead to the workers not being able to provide efficient services to the public. ✓✓
- Nationalization of companies that provide a different good that the state provides may make it difficult for the state to be able to provide that good. ✓✓

7. Special interest groups.

- Special interest groups can be viewed as using their political power to raise demand for public services, as well as using their bargaining power to fight for higher wages ✓✓

ADDITIONAL PART

Government can improve efficiency in service delivery by

- Appointing qualified staff with enough experience as top managers ✓✓
- Training employees continually to equip them with relevant skills to handle the demand of their job ✓✓
- Eliminate corruption by criminally charging and prosecuting those who are found to be involved in it.
- Holding employees accountable for their poor job performance, as a way to ensure that every official take their jobs seriously ✓✓
- Rewarding employees who perform above expectations rewarded accordingly to encourage them even more ✓✓
- Improving revenue collection by ensuring the clients pay for the services they consume ✓✓

(Accept any other correct relevant response)

(Max 10)

CONCLUSION

If the above problems are not dealt with timeously by government, government will continue to fail its people in terms of service delivery, seeing many protests occurring regularly. ✓✓

[40]

GRAND TOTAL:100