PLACE SCHOOL LOGO HERE
OR use own front page

NAME OF SCHOOL

ECONOMICS
GRADE 12

PAPER 1

MACROECONOMICS

JUNE 2024

MARKS: 150

TIME: 2 HOURS

This question paper consists of 13 pages.

INSTRUCTIONS AND INFORMATION

1.   Answer FOUR questions as follows in the ANSWER BOOK:

   SECTION A: COMPULSORY
   SECTION B: Answer TWO of the three questions.
   SECTION C: Answer ONE of the two questions.

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

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

4.   Write the question number above each answer.

5.   Read the questions carefully.

6.   Start EACH question on a NEW page.

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

8.   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.

9.   Use only black or blue ink.

10.   You may use a non-programmable calculator.

11.   Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1: MACROECONOMICS   **30 MARKS – 20 MINUTES**

1.1   Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

   1.1.1   The total value of all final goods and services produced within the borders of a country is called the …

            A   gross national product.
            B   gross national income.
            C   gross domestic product.
            D   gross domestic income.

   1.1.2   A period when there is a general increase in economic activities is known as a(n) …

            A   downswing.
            B   upswing.
            C   depression.
            D   recovery.

   1.1.3   When the government sells more than 50% of the state-owned shares of a public enterprise, it is called …

            A   industrialisation.
            B   nationalisation.
            C   decentralisation.
            D   privatisation.

   1.1.4   A deliberate action by the SARB to lower the value of the rand is known as …

            A   appreciation.
            B   depreciation.
            C   revaluation.
            D   devaluation.

   1.1.5   Where consumer and capital goods are traded, is called a … market

            A   product
            B   financial
            C   foreign exchange
            D   factor

1.1.6   The ratio of export prices to import prices is known as the …

A   financial derivatives.
B   exchange rates.
C   terms of trade.
D   balance of payment.

1.1.7   Goods characterised by non-excludability and non-rivalry are called … goods.

A   merit
B   community
C   demerit
D   collective

1.1.8   The instruments of the monetary policy are …

A   interest rates and open market transactions.
B   cash reserve requirements and government spending.
C   taxes and government spending.
D   interest rates and taxes.   (8 x 2)   (16)

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 (1.2.1–1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 System of National Accounts	A when forecasters use historical data to make predictions about the economy
1.2.2 Cash reserve requirement	B a portion of spending that varies with disposable income
1.2.3 Treasury	C are mainly affected by stock exchanges
1.2.4 Absolute advantage	D the removal of unnecessary laws that delay the free operation of markets
1.2.5 Induced consumption	E a set of international guidelines for reporting statistics comparable across countries
1.2.6 Extrapolation	
1.2.7 Deregulation	F the government department that oversees the collection, management and expenditure of public revenue
1.2.8 Portfolio investments	G the minimum amount of money that the SARB requires banks to maintain to manipulate money creation activities
	H when one country can produce goods or services cheaper than another
	I produces given goods at a lower input cost than other countries

(8 × 1)   (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1–1.3.6) in the ANSWER BOOK. Abbreviations, acronyms, and examples will NOT be accepted.

1.3.1 Non-tangible actions which include wholesale and retail, transport and financial markets

1.3.2 A summary of the value of different leading indicators in a single value

1.3.3 The curve that shows the relationship between tax revenue and tax rate

1.3.4 The account that records the net change in ownership of foreign assets

1.3.5 A statistical analytical tool that is used to analyse the changes that occur in a series of data over a certain period

1.3.6 The market in which one currency can be traded for another

(6 × 1) (6)
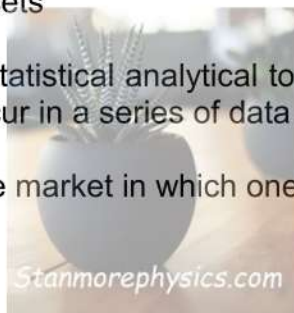
TOTAL SECTION A: 30

SECTION B

QUESTION 2: MACROECONOMICS   **40 MARKS – 30 MINUTES**

2.1   Answer the following questions.

      2.1.1   Name any TWO real flows within the four-sector model.   (2 x 1)   (2)

      2.1.2   Why would a recession phase negatively impact the living standard of households?   (1 x 2)   (2)

2.2   Study the table below and answer the following questions.

FINAL CONSUMPTION EXPENDITURE BY HOUSEHOLDS		
	2023	
	(at constant 2015 prices)	(at current prices)
Durable goods	306 389	402 563
Semi-durable goods	266 885	341 217
Non-durable goods	1 122 633	1 517 586
Services	1 785 174	2 250 389
TOTAL	**3 481 081**	**4 511 755**

[Source: Quarterly Bulletin: SA Reserve Bank, March 2024]

      2.2.1   Identify the base year the South African Reserve Bank uses to calculate the real gross domestic product.   (1)

   2.2.2   Give one example of durable goods.   (1)

      2.2.3   Briefly describe the term *current prices*.   (2)

      2.2.4   Explain the purpose of the residual item when the expenditure method is used to calculate national income.   (2)

      2.2.5   Calculate the percentage increase (GDE deflator) in the household consumption expenditure for 2023. Show ALL calculations.   (4)

2.3   Study the graph below and answer the following questions.

[Source: https://www.businessinsider.com/]
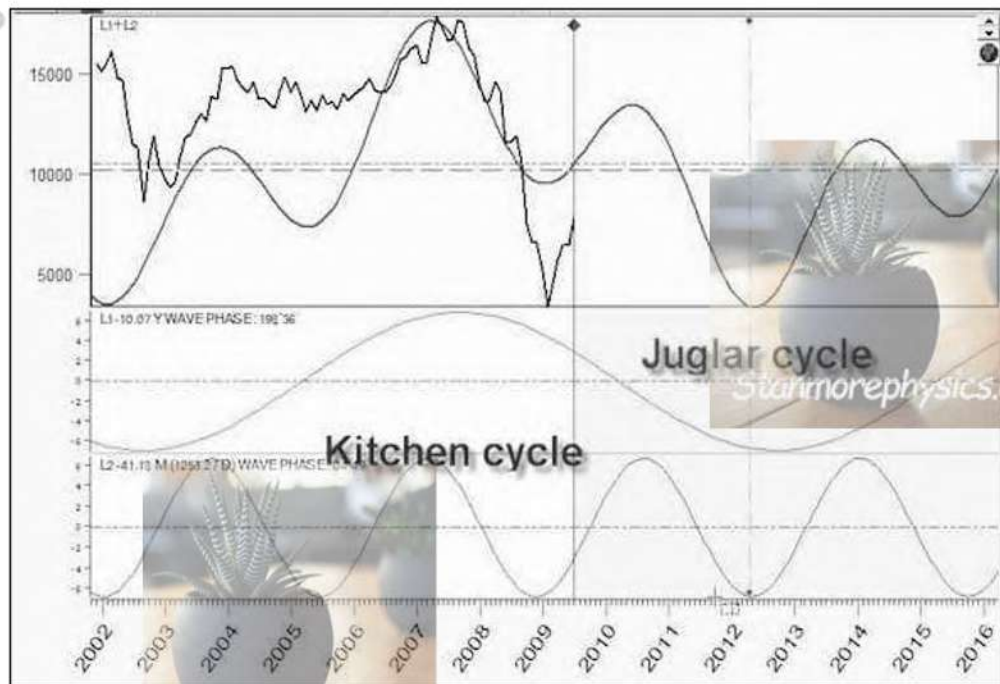
2.3.1   Identify the business cycle that lasts between 3 to 5 years.   (1)

2.3.2   Name the business cycle that is also known as the building cycle.   (1)

2.3.3   Briefly explain the term *real business cycle*.   (2)

2.3.4   Explain the effect of a contraction period on the inflation rate.   (2)

2.3.5   How can the government use taxation to stimulate economic recovery?   (2 x 2)   (4)

2.4   Draw a correctly labeled business cycle diagram, clearly indicating the trend line, length, amplitude, and trough.   (8)

2.5   How can South Africa benefit from an increase in injection?   (4 x 2)   (8)

[40]

QUESTION 3: MACROECONOMICS   **40 MARKS – 30 MINUTES**
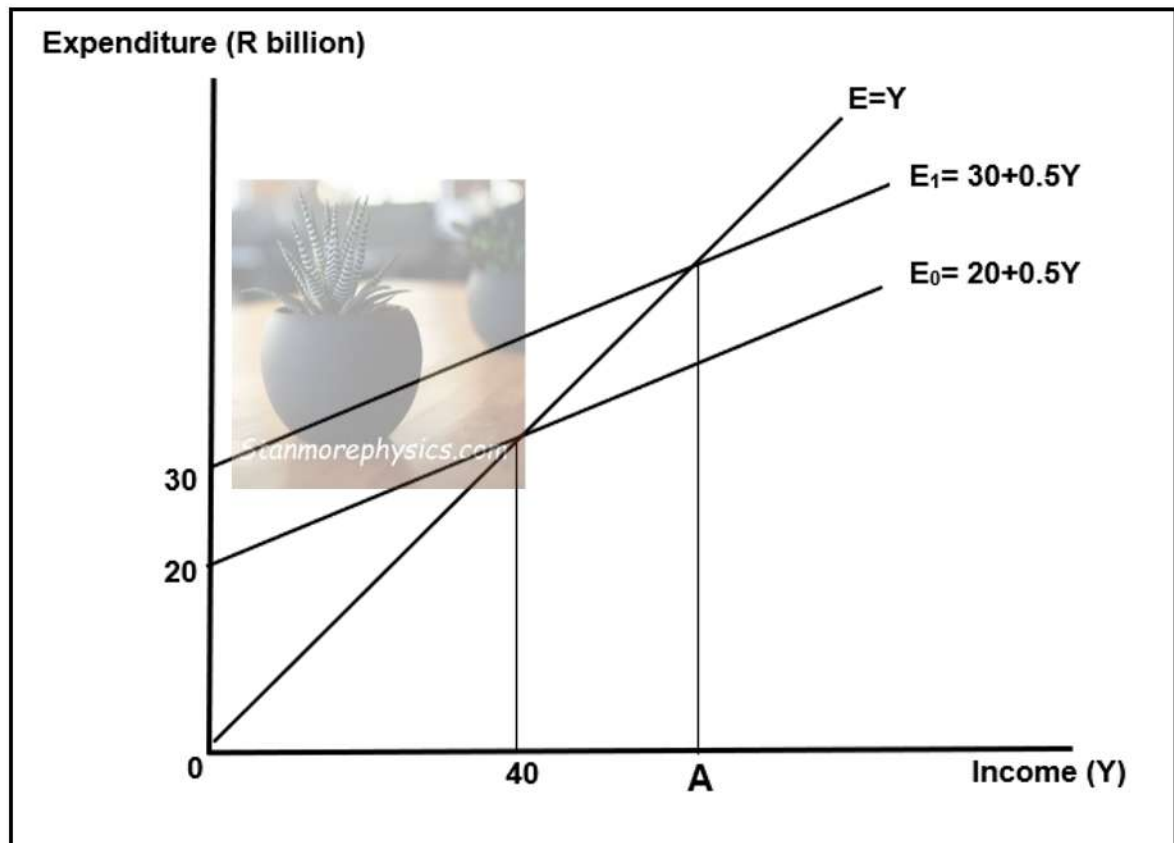
3.1   Answer the following questions.

   3.1.1   Name the TWO turning points in a business cycle.   (2 x 1)   (2)

   3.1.2   Explain the role of savings in the financial market.   (1 x 2)   (2)

3.2   Study the graph below and answer the following questions.

3.2.1   Identify the Keynesian equilibrium line in the graph.   (1)

3.2.2   Provide the value of autonomous consumption for the original
           consumption function.   (1)

3.2.3   Briefly describe the term *multiplier*.   (2)

3.2.4   Explain the impact of a decreased marginal tax rate on the multiplier.   (2)

3.2.5   Use the information in the graph above to calculate **A**. Show ALL
           calculations.   (4)

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

Investment in Capital Goods

Value of retail sales

Building plans passed
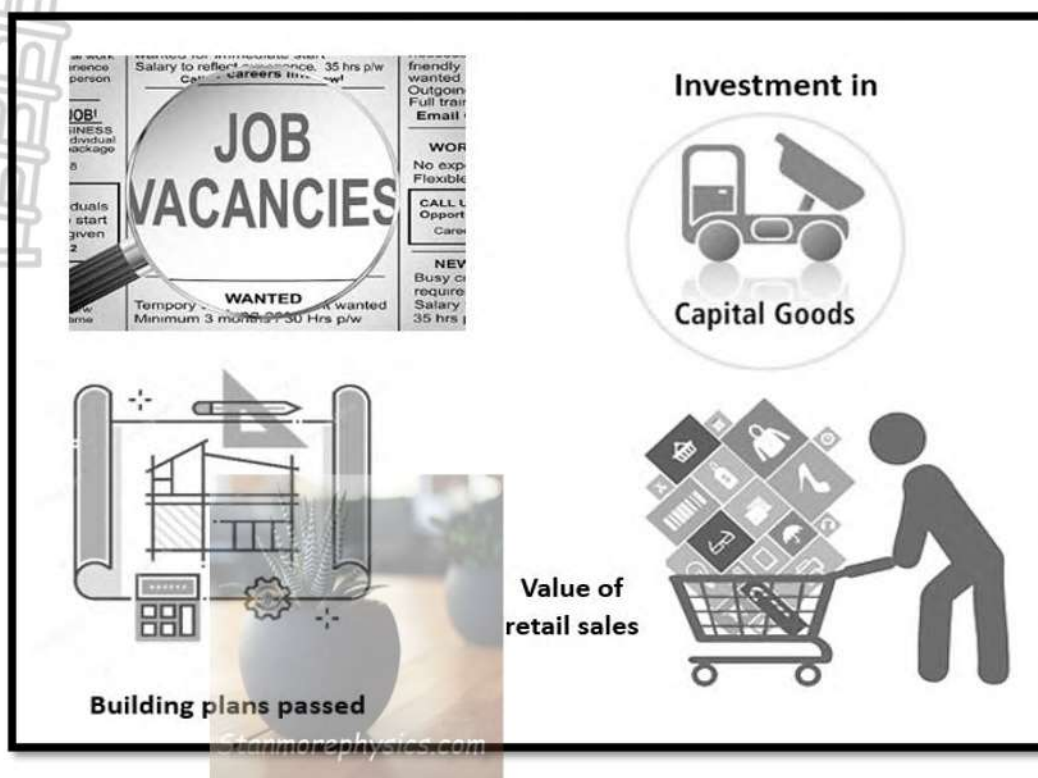
3.3.1   Identify any ONE example of a leading indicator.   (1)

3.3.2   Name any other economic indicator in the forecasting of business cycles.   (1)

3.3.3   Briefly describe the concept *economic growth*.   (2)

3.3.4   Explain the importance of the amplitude in business cycles.   (2)

3.3.5   How can the length of a business cycle be used in forecasting?
                                                                    (2 x 2)   (4)

3.4   Briefly discuss the *endogenous approach* to business cycles.   (4 x 2)   (8)

3.5   How can households contribute to building the economy?   (4 x 2)   (8)

[40]

QUESTION 4: MACROECONOMICS   **40 MARKS – 30 MINUTES**
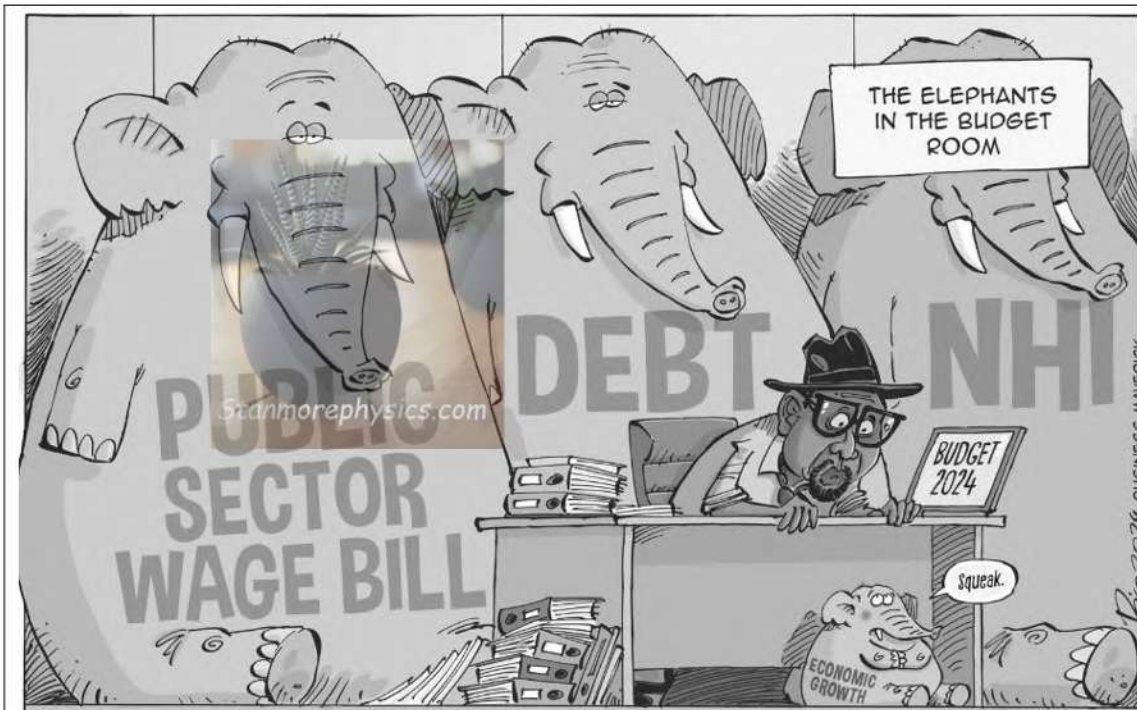
4.1   Answer the following questions.

      4.1.1   Name TWO leakages in an economy.   (2 x 1)   (2)

      4.1.2   Explain the relationship between inflation and unemployment
             according to the Phillips curve.   (1 x 2)   (2)

4.2   Study the information below and answer the following questions:

[Source:www.dailymaverick.co.za/Feb 2024]

South Africa's prospects remain constrained due to low demand, a weaker rand, increased borrowing costs, a high cost of living, high levels of unemployment and limited investment and growth.

      4.2.1   Identify the macroeconomic objective in the information.   (1)

   4.2.2   Give the benchmark percentage of public debt in relation to gross
             domestic product.   (1)

      4.2.3   Briefly describe the term *budget*.   (2)

      4.2.4   Explain the benefit of a decreased public sector wage bill for the
             South African government.   (2)

      4.2.5   How do high levels of unemployment impact on the South African
             economy?   (2 x 2)   (4)

4.3   Study the graph below and answer the questions that follow.
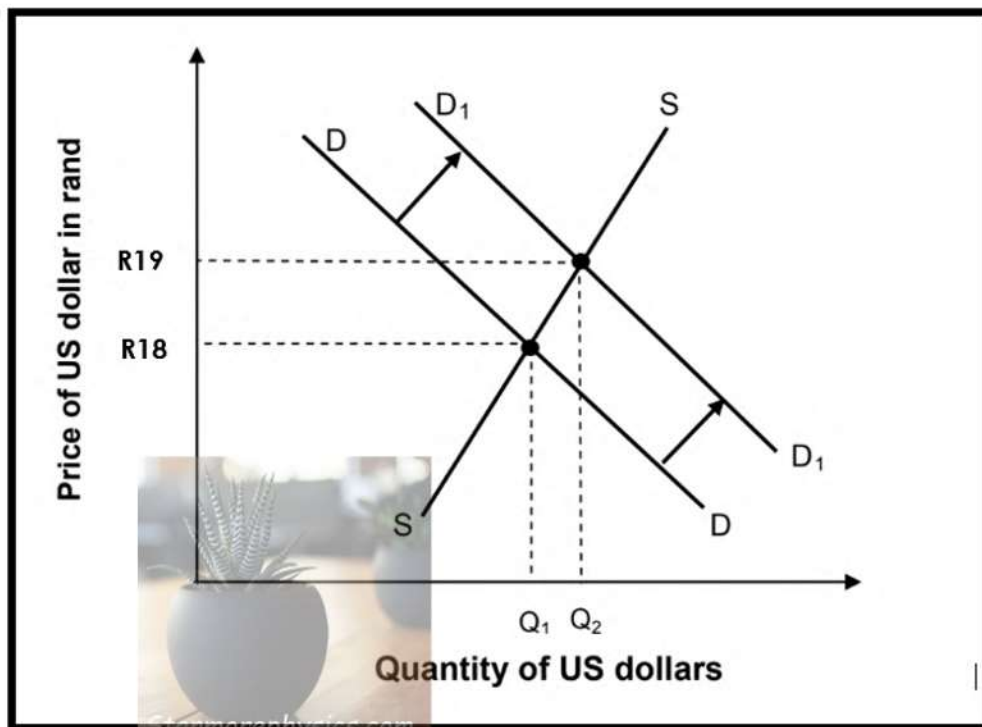
4.3.1   Identify the original rand/dollar exchange rate before the
          demand for US dollars increased.   (1)

4.3.2   Name the exchange rate system depicted in the graph.   (1)

4.3.3   Briefly describe the term *exchange rate*.   (2)

4.3.4   Explain the impact of increased demand for US dollars on the
          value of the rand.   (2)

4.3.5   How can the South African Reserve Bank intervene when the rand
          is overvalued or undervalued?   (2 x 2)   (4)

4.4   Distinguish between the *money market* and the *capital market* in the circular
        flow.   (2 x 4)   (8)

4.5   How can the government use supply-side policies to grow the economy?
                                                                 (4 x 2)   (8)

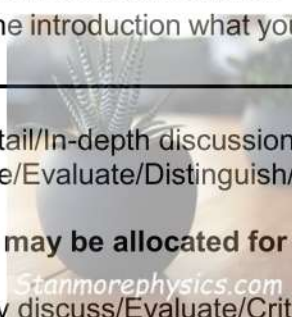   **[40]**

                                            TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response: • A good starting point will be to define the main concept related to the question topic. • DO NOT include any part of the question in your introduction. • DO NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate **A maximum of 8 marks may be allocated for headings/examples.**	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/Distinguish/Suggest/Interpret/Debate/How **A maximum of 2 marks may be allocated for mere listing of facts.**	Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS   **40 MARKS – 40 MINUTES**

• Discuss in detail the reasons for public sector failure.   (26 marks)

• How can public sector failure negatively affect the economy of South Africa?

      (10 marks)   **[40]**

QUESTION 6: MACROECONOMICS   **40 MARKS – 40 MINUTES**

• Discuss in detail the reasons for international trade.   (26 marks)

• How do exchange rate fluctuations affect the country's exports?   (10 marks)   **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150