



education

**MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA**

**FURTHER EDUCATION AND TRAINING
GERT SIBANDE DISTRICT**

Stanmorephysics.com

GRADE 12

ECONOMICS

CLASS TEST NO 4

FOREIGN EXCHANGE MARKET

MARCH 2025

Stanmorephysics.com

MARKS: 100

TIME: 1,5 HOURS

This question paper consists of 09 pages

INSTRUCTIONS AND INFORMATION

1. Answer all TREE (3) questions in your Answer book as follows:
SECTION A: Compulsory
SECTION B: Answer ONE of the two questions.
SECTION C: Compulsory
2. Answer only the required number of questions, Answers exceeded will not be marked.
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.

SECTION A

QUESTION 1 :MACROECONOMICS

20 MINUTES

20 MARKS

1.1 Various 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 1.1.6. D.

1.1.1 A nominal exchange rate system that is set firmly by monetary authority with respect to foreign exchange.

- A free floating
- B fixed
- C managed
- D accountability

1.1.2 The government can intervene with rules and regulations to control adjustment of the currency.

- A free floating
- B fixed
- C managed
- D accountability

1.1.3 When consumers are able to buy goods and services anywhere they want in the world without restrictions

- A trade protocols
- B tariffs
- C quotas
- D free trade

1.1.4 A type of economy that trade goods and services with other countries of the world.

- A closed
- B open
- C vertical
- D downward

1.1.5 The increase in production capacity of goods and services over a period of time is classified as...

- A economic growth
- B economic integration
- C economic development
- D allocative efficiency.

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	COLUMN B
1.2.1 Foreign exchange	A An institution or mechanisms that bring buyers and sellers to exchange goods.
1.2.2 Reserve account	B Decline in value of currency by market forces of demand and supply
1.2.3 Primary income payment	C The market structure with small number of sellers who sell homogenous or differentiated products.
1.2.4 Market	D The money that we receive as income from the sale of goods to other countries
1.2.5 Depreciation	E This refers to compensation paid to non-resident workers and investment income. F Record changes to the amount of gold and foreign exchange reserve held by the country.

Stanmorephysics.com (5 x 1) (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. **(No Abbreviations)**

1.3.1 The increase in the price of the currency through market forces of demand and supply. (1)

1.3.2 Records of country's transactions with the rest of the world. (1)

1.3.3 Assets held on reserve by a central bank in foreign currencies. (1)

1.3.4 An amount that account for any statistical errors and ensure that current and capital account sum to zero. (1)

1.3.5 The value of exports being greater than the value of imports. (1)

(5 x 1) (5)

TOTAL SECTION A: 20

SECTION B

QUESTION 2 :MICROECONOMICS

40 MINUTES

40 MARKS

2.1. Answer the following questions.

2.1.1 Name any TWO factors affecting demand of foreign exchange (2 x 1) (2)

2.1.2 Why is important for the government of SA to prevent Bop disequilibrium? (1 x 2) (2)

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



2.2.1 Identify the base year in which South Africa recorded the highest value of exports. (1)

2.2.2 Name the institution that publish the above data (1)

2.2.3 Briefly describe the term *globalization* (2)

2.2.4 Explain the impact of electricity shortages on export volumes in South Africa. (2)

2.2.5 How can a positive trade balance benefit the economy at large? (4)

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

BALANCE OF PAYMENT 2021	
1. Current account	2021
Merchandise exports	1 175 547
Net gold exports	71 678
Service receipts	210 415
Income receipts	96 507
Less: Merchandise imports	1 222 944
Less: Payments for services	217 939
Less: Income payments	250 552
(A)	-35 674
Balance on the current account	-172 062
2. Capital Transfer Account	236
Net lending to (+) borrowing from (-) rest of world	-172 726

[Adapted from SARB Quarterly Bulletin, March 2019]

- 2.3.1 Identify the item in the current account that is unique to South Africa (1)
- 2.3.2 Name the item (A) that is missing from the current account in the table above (1)
- 2.3.3 Briefly describe the term *revaluation* (2)
- 2.3.4 Explain what a negative terms of trade indicate in the economy (2)
- 2.3.5 Determine the value of trade balance using the information given in the table. Show all calculations. (4)
- 2.4. Briefly explain *direct investment* and *portfolio investment* as subaccount of financial component (8)
- 2.5. Analyse the impact of appreciation of rand in the economy of South Africa (8)

QUESTION 2 : 40

QUESTION 3 :MACROECONOMICS

40 MINUTES

40 MARKS

3.1. Answer the following questions.

3.1.1 Name any two factors affecting the supply of foreign exchange (2 x 1) (2)

3.1.2 Why are trade protocols playing a vital role in improving developing countries? (1 x 2) (2)

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



3.2.1 Identify the market responsible for the inflow and outflow of currency with goods and services from one country to another. (1)

3.2.2 Name one method used by the government to promote export development. (1)

3.2.3 Briefly describe the term *absolute advantage* (2)

3.2.4 Explain how global trade was affected by Covid-19 (2)

3.2.5 How can exports benefit the economy of South Africa? (4)

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

CURRENT STATE OF BRICS ECONOMIES

The BRICS club, which used to be known for its tremendous growth potential, is in the midst of severe economic and political challenges. Falling global commodity prices such as oil, gold and coal have affected these emerging markets which rely heavily on export-led growth.

The structural transformation of China from an export-driven economy to one relying on domestic consumption has added to the current challenges of BRICS.

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[Adapted from *BusinessTech*]

- 3.3.1 Identify the commodity that is a major foreign exchange earner in South Africa. (1)
- 3.3.2 Name any one country that has been added as part of BRICS in 2024 (1)
- 3.3.3 Briefly describe the term *trade liberalisation*. (2)
- 3.3.4 Explain the impact of a decrease in mineral prices on the South African economy. (2)
- 3.3.5 How does South Africa benefit from being a member of BRICS? (4)
- 3.4 With aid of graph explain the impact of increase in demand of dollar by SA (8)
- 3.5 Evaluate the effects of international trade in the economy of South Africa? (8)

SECTION B: 40

SECTION C

Your Answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max.2
Body Main part: Discuss in detail/In-depth discussion/Examine/Critically Discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Eplain/ Assess/Debate Additional part: Give own opinion/Critically discuss/Evaluate/Critically Evaluate/Draw a graph and explain/Use the graph given and explain/ Distinguish/Interpret/Briefly debate/How?/Suggest	Max.26 Max.10
Conclusion <ul style="list-style-type: none"> • Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgment on the facts discussed • A contradiction viewpoint with motivation, if required • Recommendations 	Max.2
TOTAL	40

QUESTION 4 :MACROECONOMICS**40 MINUTES****40 ARKS**

- Discuss in detail the *supply* and *demand reasons* for international trade (26)
- How can South African government correct deficit in the Balance of Payment? (10)
[40]

SECTION C: 40**GRAND TOTAL: 100**



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GRADE 12

**ECONOMICS
MARKING GUIDELINE
FOREIGN EXCHANGE MARKET TEST
MARCH 2025**



MARKS: 100

TIME: 1,5 HOURS

This MARKING GUIDELINE consists of 12 pages

SECTION A

QUESTION 1 :MACROECONOMICS

20 MINUTES

20 MARKS

1.1 MULTIPLE CHOICE

1.1.1 B. fixed ✓✓

1.1.2 C. managed ✓✓

1.1.3 D. free trade ✓✓

1.1.4 B. open ✓✓

1.1.5 A. economic growth ✓✓



(5 x 2) (10)

1.2 MATCHING ITEMS

1.2.1 D ✓

1.2.2 F ✓

1.2.3 E ✓

1.2.4 A ✓

1.2.5 B ✓

(5 x 1) (5)

1.3 ECONOMIC TERMS

1.3.1 Appreciation ✓ (1)

1.3.2 Balance of payment ✓ (1)

1.3.3 .Foreign exchange reserves ✓ (1)

1.3.4 Balancing item ✓ (1)

1.3.5 Surplus ✓ (1)

(5 x 1) (5)

TOTAL SECTION A: 20

SECTION B**QUESTION 2 : MICROECONOMICS****40 MINUTES****40 MARKS**

2.1. Answer the following questions.

2.1.1 **Name any TWO factors affecting demand of foreign exchange**

- Importing goods✓
 - Payment for services from foreign countries✓
 - Buying shares in another country✓
 - Tourists spending money overseas✓
 - Repayment of debt borrowed from foreign countries✓
- (2)

2.1.1 **Why is important for the government of SA to prevent Bop disequilibrium?**

Preventing deficit will encourage the country to produce more goods and services for exports which open more job opportunities. ✓✓
(Accept any other relevant response)

(2)**2.2 DATA RESPONSE**2.2.1 **Identify the base year in which South Africa recorded the highest value of exports.**

2020✓

(1)

2.2.2 **Name the institution that publish the above data**

SARB✓

(1)

2.2.3 **Briefly describe the term *globalization***

A process of interacting with other countries of the world to exchange ideas, education, strategies and goods and services. ✓✓

(2)2.2.4 **Explain the impact of electricity shortages on export volumes in South Africa.**

This will increase cost of production since money is spent on alternative energy that will operate the production machines leading to less goods produced and less exports. ✓✓

(2)

(Accept any other relevant response)

2.2.5 **How can a positive trade balance benefit the economy at large?**

- A positive trade balance indicate that the value of merchandise exports was greater than the value of merchandise imports the fore more foreign exchange has been earned from other countries.
- This income will be used to produce more goods and to expand local businesses which will demand labour and that create more job opportunities. ✓✓

(Accept any other relevant responses) (4 x 2) (4)

2.3. DATA RESPONSE

2.3.1 Identify the item in the current account that is unique to South Africa (1)
 Net gold Export ✓

2.3.2 Name the item (A) that is missing from the current account in the table above (1)
 Current account ✓

2.3.3 Briefly describe the term **revaluation** (2)
 When a government or central bank intervenes in the market to increase the value of their currency relative to another country's currency. ✓✓

2.3.4 Explain what a negative terms of trade indicate in the economy (2)
 It indicates that the value of merchandise exports was less than the value of merchandise imports leading to less inflow of foreign exchange. ✓✓

2.3.5 Determine the value of trade balance using the information given in the table. Show all calculations. (4)

Merchandise exports	1 175 547
Plus: Net Gold exports (+)	71 678 ✓
Less: Merchandise imports (-)	1 222 944 ✓
	R24 281m ✓✓

2.4. Briefly explain **direct investment** and **portfolio investment** as compositions of Bop

Direct investment	Portfolio investment
<ul style="list-style-type: none"> Refers to investment related to fixed property and shares The investor will earn a significant amount of share that must be more 10% in the business. that give u ownership of 10% or more. <p>(2 x 2) (4)</p>	<ul style="list-style-type: none"> Financial account consists of <i>direct investments</i> which is an investment made by a firm or individual in one country into business located in another country. ✓✓ Also known as hot money since is easy to convert the investment into cash. . ✓✓ <p>(2 x 2) (4) (8)</p>

2.5. Analyse the impact of appreciation of rand in the economy of South Africa

It will affect the economy negatively because:

- exports will be expensive which will make the country to be less more competitive ✓✓

- there will be decrease in production and exports which will lead to less job opportunities created thus decreasing standard of living. ✓✓
- an decrease in exports will lead decrease improvement in the Balance of Payments resulting in high deficit ✓✓
- an increase in aggregate demand will lead to economic growth ✓✓
- it allows central banks to cut interest rates which will stimulate the economy. ✓✓

(Accept any other correct relevant higher order response)

(4 x 2)

It will affect the economy negatively because:

- exports will be expensive which will make the country to be less more competitive ✓✓ (8)
- there will be decrease in production and exports which will lead to less job opportunities created thus decreasing standard of living. ✓✓
- an decrease in exports will lead decrease improvement in the Balance of Payments resulting in high deficit ✓✓
- an increase in aggregate demand will lead to economic growth ✓✓
- it allows central banks to cut interest rates which will stimulate the economy. ✓✓

(Accept any other correct relevant higher order response)

(4 x 2)

TOTAL QUESTION 2 : 40

QUESTION 3 :MACROECONOMICS

40 MINUTES

40 MARKS

3.1. Answer the following questions.

3.1.1 **Name any two for factors affecting the supply of foreign exchange** (2 x 1) (2)

- Exporting goods ✓
- Providing services overseas ✓

3.1.1 **Why are trade protocols playing a vital role in improving developing countries?**

They limit the inflow of goods from other countries which will encourage the development of local industries that will create more jobs. ✓✓

(Accept any other relevant response) (1 x 2) (2)

3.2. **DATA RESPONSE.**

3.2.1 **Identify the market responsible for the inflow and outflow of currency with goods and services from one country to another.** (1)
Foreign Exchange market ✓

3.2.2 **Name one method used by the government to promote export development.** (1)
• Subsidies ✓
• Incentives

3.2.3 **Briefly describe the term *absolute advantage*** (2)
Absolute advantage is when a producer can produce a good or service in greater quantity for the same cost, or the same quantity at a lower cost, than other producers. ✓✓

3.2.4 **Explain how global trade was affected by Covid-19** (2)
Due to the restrictions of lockdown rules imposed in different countries it became more difficult and expensive to move goods from one place to another leading to less foreign exchange for many countries of the world. ✓✓

3.2.5 **How can exports benefit the economy of South Africa?** (4)
• An increase in exports will lead to an improvement in the Balance of Payments (reduced deficit) ✓✓
• More foreign exchange will be received to finance import of scarce products, advanced machines and raw materials that will in return boost local production and increase economic growth and job opportunities. ✓✓
(Accept any other relevant response) (2 x 2)

3.3. DATA RESPONSE

3.3.1 Identify the commodity that is a major foreign exchange earner in South Africa.

Gold✓

(1)

3.3.2 Name any other BRICS member country, apart from China.

Brazil/Russia/South Africa/India✓

(1)

3.3.3 Briefly describe the term *trade liberalisation*.

Trade liberalization is the removal or reduction of import rules, import quotas and tariffs among countries to allow free trade so that consumers and producers can enjoy more choices of goods and services at lower prices✓✓

(2)

3.3.4 Explain the impact of a decrease in mineral prices on the South African economy.

- Many countries will be interested to import SA minerals as they are affordable and this will help our country generate more profit or foreign exchange. ✓✓
- Due to this high demand of minerals, more labour will be demanded in mining sector to extract minerals and this will create more job opportunities and increase standard of living. ✓✓

(2)

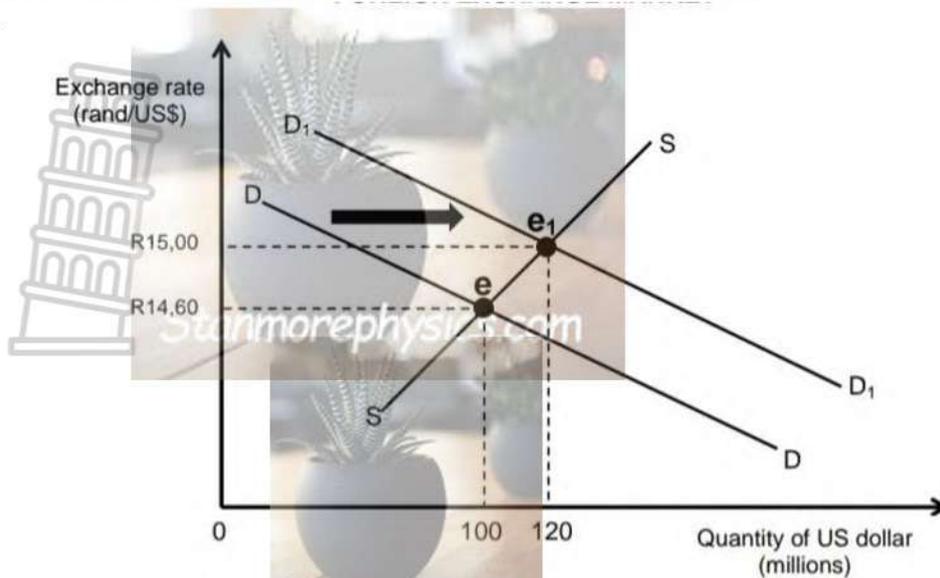
3.3.5 How does South Africa benefit from being a member of BRICS?

- Consumers will enjoy freedom of choice to buy anywhere in the world / they are not limited to buy locally produced goods✓✓
- Products and raw materials will be purchased for less prices when other countries produce some items cheaper (reduced prices) ✓✓
- Welfare is increased because some prefer to buy foreign goods rather than domestic goods✓✓

(Accept any other relevant responses) (2 x 2)

(4)

3.4



Allocate a maximum of 4 marks for correct drawing, labelling, new equilibrium and shift of DD or SS curves for the above graph

IMPACT OF AN INCREASE IN DEMAND OF DOLLAR BY SA:

- An increase in demand for US dollars shifts the demand curve to the right, from DD to D1D1 / market equilibrium will shift from e to e1 ✓✓
- The price of the dollar increases from R14.60 to R15.00, which means that South Africans will need more rands to buy the same US dollar
- The value of the rand decreases or the rand depreciates ✓✓

(Allocate a maximum of 4 marks for correct discussion)

3.5 Evaluate the effects of international trade in the economy of South Africa (8)

POSITIVE EFFECTS

- *Specialization*: Many countries have gained the development of new techniques that lead to huge increases in productivity and provided countries with comparative advantage that increases their foreign exchange and aggregate supply of goods. ✓✓
- *Efficiency*: International trade led to the Improvements in production efficiency meaning that countries can produce more goods and services with the same amount of resources which increases economies of scale as costs per units will decrease if more is produced. ✓✓
- *Globalization*: This has resulted in greater interconnectedness among markets around the world and increased communication and awareness of business opportunities in the world ✓✓
- Due to globalization more investors can access new investment opportunities and study new markets at a greater distance than before. ✓✓
- *Mass production*: International trade assist countries to exchange more advanced and innovative machines that will be able to produce goods in large quantities at shorter period of time and more cheaper than the use of

traditional; methods of production. √√

- *Employment*: More labour is demanded to produce goods and services which creates more job opportunities that improve standard of living

NEGATIVE EFFECTS

- *Dumping*: international trade has given other countries the advantage to sell their fake products at a price below their cost of production and local market price. √√
- *Illegal goods*: International trade has developed the opportunity for criminals to export and import drugs and illicit goods that may affect human health and decrease labour productivity and life expectancy. √√

(Accept any other relevant responses) (4 x 2)



SECTION B: 40**SECTION C****QUESTION 4 :MACROECONOMICS****40 MINUTES****40 ARKS**

- **Discuss in detail the *supply and demand reasons* for international trade** (26)
- **How can South African government correct deficit in the Balance of Payment?** (10)

40**INTRODUCTION**

- International trade is the exchange of goods and services across many countries of the world√√ (2)

BODY: MAIN PART (26)**DEMAND REASONS****The size of the population impacts demand√**

- If there is an increase in population growth, it causes an increase in demand, as more people's needs must be satisfied. √√
- Local suppliers may not be able to satisfy this demand. √√

The population's income levels effect demand. √

- Changes in income cause a change in the demand for goods and services. √√
- An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported. √√
- An increase in the wealth of the population leads to greater demand for goods. √√
- People have access to loans and can spend more on luxury goods, many of which are produced in other countries. √√

Preferences and tastes√

- Preferences and tastes can play a part in the determining of prices √√
e.g. customers in Australia have a preference for a specific product which they do not produce and need to import, and it will have a higher value than in other countries. √

Consumption patterns√

- The difference in consumption patterns is determined by the level of economic development in the country√√
- e.g. a poorly developed country will have a high demand for basic goods and services √

SUPPLY REASONS

Natural resources√

- These resources are not evenly distributed across all countries of the world. √√
- They vary from one country to another, and can only be exploited in places where the resources exist. √√
- South Africa is well equipped with different natural resources, but less resourced with skilled labour and capital. √√
- An example is Japan and Ireland, which have an abundance of skilled labour, but they lack natural resources. √

Labour resources√

- Labour differs between different countries in terms of skills, knowledge, training, quality, quantity and also cost. √√
- Some countries have highly skilled, well-paid workers, and high productivity levels, such as Switzerland. √

The availability of capital√

- In some countries they need to modernize their industries and economies with advanced machinery, equipment (plants), but cannot manufacture this equipment, because they lack the capital to do so. √√
- This factor has therefore increased the need for international trade. √

Lack of entrepreneurship√

- Those countries that have good entrepreneurial skills offer more goods and services for trade. √√
- Efficiency determines the supply of goods and services produced at lower prices and also reduces the opportunity cost of acquiring them. √√

Climatic conditions√

- These countries make it possible for others to produce certain goods at a lower price than other countries. √√
- An example is Brazil, which is the largest producer of coffee. √
- Countries have different climatic conditions and are therefore able to produce different range of products allowing consumers to have more choices of goods to choose from√√

(Body: Max. 26)

HOW TO CORRECT BOP DEFICIT /DISEQUILLIBRIA**(10)**

- **Export promotion:** The state can grant subsidies to small businesses to help reduce their cost of production so more goods and can be produced and exported overseas. ✓✓
- **Import substitution:** The government can encourage the production and consumption of locally produced products though putting tariffs and quotas to limit the inflow of goods from other countries. ✓✓
- **Interests Rate:** This can be increased to restrict more cheap credit so less people will be interested to import luxury goods. ✓✓
- **Tax Rate:** The government must increase tax rates so households and businesses will remain with less disposable income to buy luxury goods overseas. ✓✓
- **Funds:** The state can borrow money from International Monetary Fund Bank to fund the deficit ✓✓.
- **Donation:** Countries with deficit can borrow money from countries with surplus or apply for donation from member countries that are part of BRICS. ✓✓
- **Borrowing:** Countries with deficit must borrow money from countries with a surplus using BRICS and SADC trade agreements. ✓✓

(Accept any other relevant responses)

CONCLUSION

International trade opens new markets for foreign producers, encouraging them to produce more and this will demand more labour resulting in higher number of job opportunities created to improve standard of living. ✓✓

(Accept any other relevant higher order conclusion) **(Max 2)****[40]****SECTION C: 40****GRAND TOTAL: 100**