LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF EDUCATION

CAPRICORN SOUTH DISTRICT

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS

MARCH 2025

COMMON TEST

DATE: 11 March 2025

MARKS: 100

TIME: 1H30

This question paper consists of 09 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 :** Answer any **ONE** of the two questions
2. Write the question number above each answer.
3. Answer only the required numbers 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 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.

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SECTION A: COMPULSORY

QUESTION 1 **20 MARKS – 30 MINUTES**

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 ... buy the factors of production and also they are the producers of goods and services

A households
B businesses
C government
D foreign sector

1.1.2 When the economy grow too fast (overheating), a … fiscal policy can be used to reduce the speed

A restrictive
B expansionary
C neutral
D stimulating

1.1.3 The total money received by the state through taxation and other sources

A social welfare
B service delivery
C government revenue
D welfare grant

1.1.4 …refers to one country's monetary unit expressed in terms of another country's monetary unit.

A exchange rate
B interest rate
C South African Reserve Bank
D Balance of Payments

1.1.5 The limits that a country can set on the amount of domestic currency that a resident can exchange for foreign currencies.

A free floating exchange rate system
B managed floating exchange rate
C Fixed exchange rate system
D foreign exchange controls

(5 x 2) (10)

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

COLUMN A	COLUMN B
1.2.1 Factor cost	A When a person or business is dodging tax in illegal ways, such as misrepresenting taxable income in order to pay a reduced amount of tax
1.2.2 Central bank	
1.2.3 Community goods	B an economy's ability to produce a particular good at a lower opportunity cost than its trading partners
1.2.4 Managed floating exchange rate	C The cost of the factors of production used to produce goods and services
	D The national bank that provides financial services for the government and the commercial banks.
1.2.5 Tax evasion	
1.2.6 National budget	E Exist when the central bank allows the value of the country's currency to float between an upper and a lower limit.
	F Public goods that are non-excludable and non-rivalrous in consumption
	G The government's plan for government revenue and government expenditure for the coming fiscal year

(6 x 1) (6)

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. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 The goods and services that are purchased and sold for production processes.

1.3.2 A fraction or portion of additional income that households decides to save rather than to spend on goods and services.

1.3.3 The rate at which the general level of prices for goods and services is rising.

1.3.4 When people or businesses are acquiring an influential interest in a business in another country or to a country building a factory abroad.

(4 x 1) (4)

TOTAL SECTION A: [20]

SECTION B

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

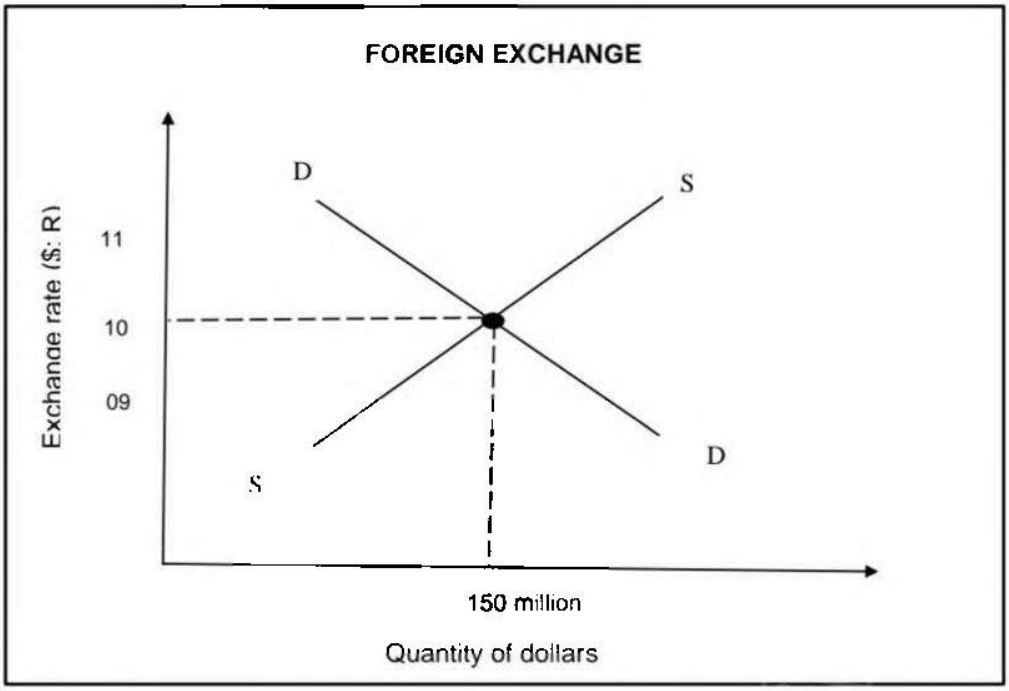
QUESTION 2 **40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name TWO theories used to explain the causes of the business cycles (2 x 1) (2)

2.1.2 Why are injections important in the South African economy? (1 x 2) (2)

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



2.2.1. What is the equilibrium exchange rate from the information above? (1)

2.2.2. List any ONE cause of demand for foreign exchange. (1)

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

2.2.4. Why are terms of trade important in international trade? (2)

2.2.5. Redraw the graph above, and indicate what would happen in the market when the demand for dollars' increases. (4)

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

SOUTH AFRICA CURRENT ACCOUNT

South Africa's current account deficit shrank to ZAR 70.8 billion in Q3 2024, from a revised ZAR 75.3 billion in the previous three-month period. It was the smallest current account shortfall since Q3 2023. The gap in the services, income and current transfer account narrowed for a second consecutive quarter to ZAR 247.8 billion in Q3 from ZAR 254.7 billion in Q2. The broader deficit in the income account was counterbalanced by narrower deficits in the services and current transfer accounts, leading to a reduced overall deficit in the combined services, income, and current transfer accounts..

Source: South African Reserve Bank

2.3.1. Determine the value of the smallest current account shortfall since Q3 2023. (1)

2.3.2. Name any factor that counter balanced the broader deficit in the income account. (1)

2.3.3.'Briefly describe the concept *balance of payments*. (2)

2.3.4. What is the significance of the balance on the current account? (2)

2.3.5. How can a surplus on the balance of payments affect South African economy positively?

(2x2) (4)

2.4 Explain the relationship between *households* and *businesses* in the circular flow-model. (8)

2.5 Explain how changes in income affect the multiplier (4 x 2) (8)

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QUESTION 3 **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO accounts in the balance of payments. (2 x 1) (2)

3.1.2 How does the South African government smooth out fluctuations in business cycles? (1 x 2) (2)

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

THE NATURE OF THE ECONOMY

Policy decision can have a big impact on the circular flow and therefore economic growth. For example, a decrease in interest rates is likely to encourage firms to increase investment. This is due to the fact that they can borrow money at a lower rate of interest thus reducing the cost of borrowing. Therefore, firms will decide that it is best for them to invest whilst interest rates are low to avoid dependence on government spending.

[Adapted from www.economicsonline.co.za]

3.2.1 Identify an example of an injection from firms in the above extract (1)

3.2.2 Name any ONE participant not mentioned in the extract above in a three-sector economy (1)

3.2.3 Briefly describe the term *circular flow.* (2)

3.2.4 What is the importance of the financial sector in the circular flow (2)

3.2.5 How does Gross Capital Formation positively impact the economy (4)

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

NATIONAL INCOME AND PRODUCTION ACCOUNTS OF SOUTH AFRICA AT CURRENT PRICES	R millions
Compensation of employees	2 861 309
Net operating surplus	1 795 000
Consumption of fixed capital	797 230
Gross value added at factor cost	**A**
Gross value added at basic prices	**5 572 608**

[www.google.com/GDP]

3.3.1 Identify an item made up of salaries and wages from the table above (1)

3.3.2 Name one item used to convert GDP at factor cost to GDP at basic prices (1)

3.3.3 Briefly describe the term *basic prices.* (2)

3.3.4 Explain the purpose of residual item in calculating GDP? (2)

3.3.5 Calculate the value of A. (Show ALL calculations) (2x2) (4)

3.4 Discuss *money market* and *capital market* as markets in the four-sector model. (8)

3.5 How can improving efficiency in markets stimulate aggregate supply? (4 x 2) (8)

TOTAL SECTION B: [40]

SECTION C **40 MARKS – 30 MINUTES**

Answer any ONE of the two questions in this section in the ANSWER BOOK. Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower order-response • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not include any part of the introduction in your body. • Avoid saying 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. **Additional part:** Give own 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.	Max. 26 Max. 10
Conclusion Any high-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. • Additional support information to strengthen the discussion/ analysis. • A contradictory viewpoint with motivation, if required. • Recommendations.	Max. 2
TOTAL	**40**

QUESTION 4 **40 MARKS – 30 MINUTES**

- Discuss in detail the features underpinning forecasting of business cycles. (26 marks)
- Analyse the challenges that an economic recession poses on different participants in the economy. (10 marks)

QUESTION 5 **40 MARKS – 30 MINUTES**

- Discuss in detail the reasons for public sector failure (link them to typical problems experienced through public sector provisioning) (26 marks)

- Why are parastatals bailouts unsustainable (do they not provide long term solutions to the problems of parastatals)? (10 marks)

TOTAL SECTION C: [40]

GRAND TOTAL: 100

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