ccep

Province of the
EASTERN CAPE
EDUCATION

NATIONAL
SENIOR CERTIFICATE

GRADE 12

PRE - JUNE 2025

ECONOMICS P1

MARKS: 150

TIME: 2 hours

This question paper consists of pages.

INSTRUCTIONS AND INFORMATION

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

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 pocket calculator.

11. Write neatly and legibly.

SECTION A: (COMPULSORY)

QUESTION 1 **30 MARKS – 20 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 (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.7 B.

1.1.1 If the marginal propensity to consume (mpc) is 0,6 in a 2-sector model, the marginal propensity to save (mps) will be …

A 4
B 6
C 9
D 0,4✓✓

1.1.2 The following is presented in October to inform parliament of changes in the budget since February …

A main budget
B medium-term budget policy statement ✓✓
C medium-term expenditure framework
D national budget

1.1.3 Business cycles that are caused by changes in the construction industry that last for 15 to 20 years are called … cycles.

A Kuznets
B Kitchin
C Jugler ✓✓
D Kondratieff

1.1.4 The … is presented in October to inform parliament of changes in the budget since February.

A Main budget
B Medium – term budget policy statement✓✓
C Medium term expenditure framework
D National budget

1.1.5 Transfer of ownership of entities from the private sector to the public sector is called …

A privatisation. ✓✓
B commercialisation.
C deregulation.

D nationalisation.

1.1.6 Investment contracts that base their value on the underlying assets, such as currencies and commodities, are known as …

A other investments.
B direct investments
C financial derivatives
D portfolio investments

1.1.7 The peak of a business cycle is characterised by a …

A high demand for credit.✓✓
B stable inflation rate.
C high unemployment rate.
D low output.

1.1.8 A deliberate action by the government to increase the value of a currency is known as …

A revaluation✓✓
B appreciation
C devaluation
D depreciation

(8 x 2) (16)

1.2 Choose a description in COLUMN B that matches an item in COLUMN A. Write only the letter (A–I) next to the question number (1.2.1–1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	D ✓	A	prescribed by the United Nations to compile gross domestic product figures
1.2.2	E✓	B	Process of removing regulations in a specific industry by the government
1.2.3	H✓	C	money received without any productive service rendered
1.2.4	F✓	D	spending that takes place irrespective of the level of income
1.2.5	C✓	E	the smoothing of business cycles using monetary and fiscal policy
1.2.6	**I**✓	F	ensures the supply of standardised articles through an automated mechanical process
1.2.7	G✓	G	spending by businesses on capital goods
1.2.8	**A** ✓	H	official rules and regulations that can hinder service delivery
		I	the contraction period of the business cycle

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.6) in the ANSWER BOOK.

1.3.1 Phillips curve✓

1.3.2 Special Drawing Rights✓

1.3.3 Regressive tax system✓

1.3.4 Revaluation✓

1.3.5 Endogenous approach ✓

1.3.6 Composite indicator✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

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

2.1 Answer the following questions.

2.1.1 **Name any TWO sources of state revenue.**

- Tax (Personal income tax / Capital gains tax / Value Added Tax / Customs duties / Fuel levy / Excise duties) ✓
- Income from property rental ✓
- Income from privatisation of state assets ✓
- Profits from SOEs ✓
- Donations ✓
- Loans ✓ (2)

2.1.2 **How are basic prices converted to market prices?**

Taxes on products are added to and subsidies on products are subtracted from gross domestic product at basic prices to get gross domestic product at market prices / GVA at basic prices PLUS taxes on products MINUS subsidies on products = GDP @ market prices ✓✓
(Accept any other correct relevant response).

(2)

2.2 Study the extract below and answer the questions that follow:

EFFECTS OF INTERNATIONAL TRADE

International trade helps countries specialise in what they produce best, leading to greater efficiency and economic growth. Trade brings in foreign income, creates jobs, and gives consumers access to a wider variety of products.

In the last quarter of 2024, South Africa's terms of trade rose to 111.70 points, indicating a slight improvement compared to the previous quarter.

2.2.1 **Identify an effect of international trade in the above extract.**

- Efficiency✓
- specialisation✓ (1)

2.2.2 **Name ONE demand reason for international trade** (1)

- Size of population ✓

- Income levels ✓
- Change in the wealth of the population ✓
- Preferences and taste ✓
- The difference in consumption patterns✓

2.2.3 **Briefly describe the term *comparative advantage*.**

Countries can benefit from specialising in the production of goods or services they can produce more efficiently (at a lower opportunity cost) than others.✓✓
Accept any other correct relevant response (2)

2.2.4 **Explain natural resources as a supply reason for international trade**

- Natural resources are not evenly distributed across all countries of the world. ✓✓
- They vary from country to country and can only be exploited in places where these resources exist. ✓✓
- South Africa has large deposits of gold while Nigeria has crude oil. ✓✓
- The availability of natural resources creates a platform for specialisation and an opportunity to earn valuable export revenue. ✓✓ (2)

2.2.5 **How does an improvement in terms of trade affect the economy?**

- An improvement in the terms of trade comes as a result of an increase in export prices or/and a decrease in import prices ✓✓
- An increase in export prices would increase economic welfare in the short term, as more revenue is earned with the same/less expenditure on imports ✓✓
- A decrease in import prices would result in less expenditure or less payments on imports in the short term ✓✓
- Higher export earnings and lower import payments may reduce Balance of Payments deficit in the short term ✓✓
- Less resources would be used to produce exports to pay for imports ✓✓
- Demand for South African exports may decrease in the long run due to higher prices ✓✓ (4)

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

NATIONAL ACCOUNTS FOR SOUTH AFRICA
At current prices

Item	**2021 (R billion)**
Compensation of employees	2 861
Net operating surplus	1 795
Consumption of fixed capital	797
Gross value added at factor cost	**5 453**
Taxes on production	132
Subsidies on production	12
Gross value added at basic prices	**(A)**
Taxes on products	634
Subsidies on products	14
Gross domestic product at market prices	**6 193**

[Adapted from *SARB Quarterly Bulletin*, December 202

2.3.1 **Identify in the table above the method used to calculate the gross domestic product (GDP).**
Income method✓ (1)

2.3.2 **Give ONE example of taxes on products.**
Value Added Tax / VAT ✓
Excise duties E.g. Sin tax, carbon tax, sugar tax, fuel levy ✓
Import duties / Custom duties / Import tariffs ✓
(Accept any other correct relevant response)
(1)

2.3.3 **Briefly describe the term *subsidy on production.***

Financial assistance or support by the government to reduce cost of production or encourage production of certain products or influence remuneration of the factors of production ✓✓
(Accept any other correct relevant response) (2)

2.3.4 **Why is it important for a country to prepare national account aggregates?** (2)

- To determine the level economic activity by measuring the value of real GDP in a country ✓✓
- To measure economic growth by comparing real GDP figures for the current period with the previous ✓✓

- To measure the standard of living by determining the level of real GDP per capita ✓✓
- To compare the levels of prosperity between countries ✓✓

(Accept any other correct relevant response)

2.3.5 **Calculate the gross value added (GVA) at basic prices (A) in the table above. Show ALL calculations.**

GVA at basic prices (A) = 5 453✓ + 132✓ - 12✓

= R5 573 bn ✓ (4)

2.4 Briefly discuss management *failure* and *lack of motivation* as reasons for public sector failure.

Management failure

- Ignorance leads to the implementation of conflicting or wrong policies ✓✓
- Incompetence in the public sector may be due to improper qualifications, lack of training, experience and an attitude of apathy ✓✓
- Lack of skills may lead to wrong decisions and low productivity ✓✓
- Corruption exist when government official exploit their positions for personal gain. ✓✓
- Taking bribes, committing fraud, nepotism, behaving dishonestly and committing discrimination. ✓✓
- • Allowing rent-seeking, which is behaviour that improves the welfare of someone at the expense of the welfare of others ✓✓

Lack of motivation

- Frontline workers rarely receive incentives for successful service delivery but are only monitored on inputs and following procedures and processes. ✓✓
- Lack of motivation leads to limited services, high cost and low-quality service delivery ✓✓
- There is no measurement of effectiveness or productivity and few rewards for outstanding performance and penalties for poor performance. ✓✓
- • There are not enough systems in place to evaluate the services that government employees give ✓✓ (8)

2.5 **How can households play an important role in the economy?** (8)

- Households play an important role in the economy by consuming goods and services, driving demand and supporting businesses.✓✓
- They sell their factors of production labour to the economy, and contribute to production.✓✓
- Households save and invest money, which helps fund business expansion and supports the financial system.✓✓
- They pay taxes that fund public services such as education, healthcare, and infrastructure.✓✓
- Many households engage in entrepreneurship, starting small businesses that create jobs and stimulate innovation.✓✓
- They invest in the education and health of their members, which builds human capital and supports long-term economic growth.✓✓
- Household choices about energy use, transportation, and consumption impact the environment and influence

sustainable economic practices.✓✓
Accept any other correct relevant answer.

[40]

QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO factors of production
Land/natural resources
Labour
Capital
Entrepereneur (2)

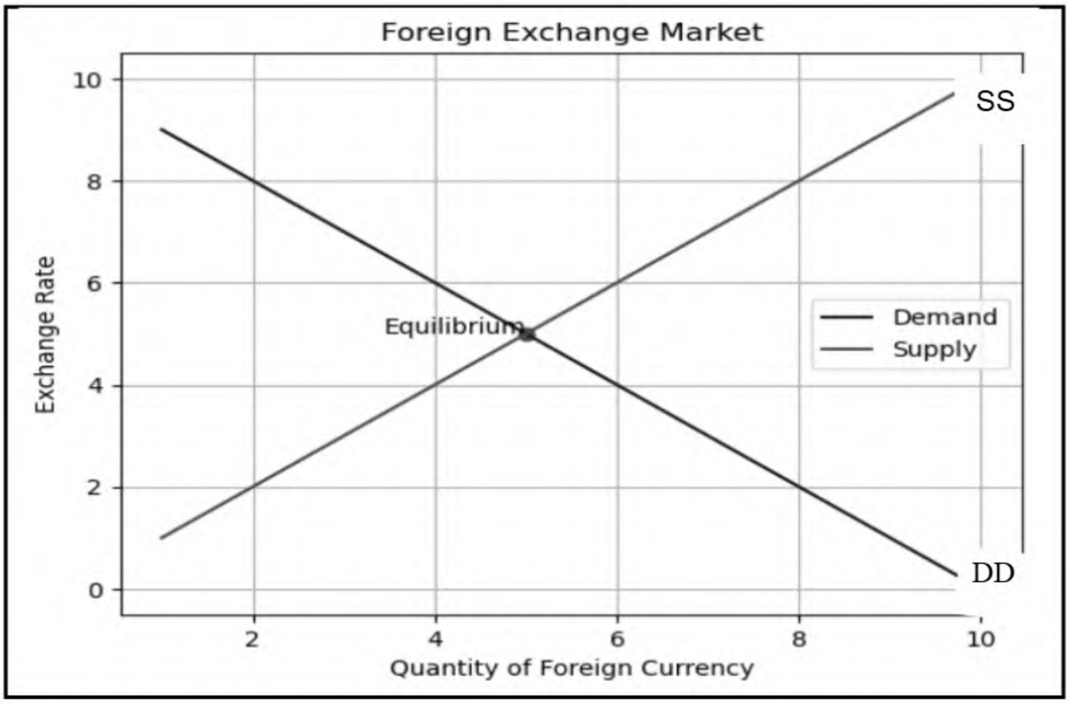
3.1.2 Why does the endogenous school of thought encourage government intervention in the economy?

- The endogenous school of thought believes that economic growth is largely driven by internal factors such as technology, education, and innovation, which markets alone may not adequately support.✓✓
- It argues that without government support, investments in research and development, infrastructure, and human capital may be underprovided due to market failures.✓✓

Accept any other correct response

(2)

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



3.2.1 Identify the equilibrium exchange rate in the graph above.
5✓ (1)

3.2.2 **Name ONE exchange rate system.**
Fixed exchange rate✓
Managed exchange rate✓
Free floating exchange rate✓ (1)

3.2.3 **Briefly describe the term *exchange rate.***
The price of one currency in terms of another currency.✓✓ (2)

3.2.4 **Explain a factor affecting supply of a foreign currency**
- Exporting goods increases the supply of that foreign currency in the domestic market because exporters convert it into their local currency.✓✓
- For example, if South African companies export goods to the United States, they receive US dollars, which they then exchange for South African rand, increasing the supply of US dollars in South Africa.✓✓

Accept any other correct response

(2)

3.2.5 **How can changes in the exchange rate affect South Africa's imports and exports?**
- If the South African rand appreciates (becomes stronger), imports become cheaper because it takes fewer rand to buy foreign goods leading to an increase in imports.✓✓
- At the same time, South African exports become more expensive for foreign buyers, which can cause a decrease in exports.✓✓
- If the rand depreciates (becomes weaker), imports become more expensive, which may lead to a decrease in imports.✓✓
- Meanwhile, South African exports become cheaper for foreign buyers, potentially leading to an increase in exports.✓✓
- Changes in the exchange rate can affect the trade balance and overall economic activity.✓✓

Accept any other correct relevant response.

(4)

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

PUBLIC SECTOR CHALLENGES

The public sector comprises three levels of government, namely national, provincial and local government. The government programmes include the Medium-term Strategic Framework implemented from 2014–2019 as part of the National Development Plan. It consists of various focus areas such as education, health and economic growth and development.

[Adapted from www.gov.za]

3.3.1 **Which level of government develops policy and coordinates services across all nine provinces?**
National government✓ (1)

3.3.2 **Name ONE macroeconomic objective of the state.**
- Economic growth ✓
- Full employment ✓
- Exchange rate stability / Balance of Payments equilibrium ✓
- Price stability ✓
- Economic equity✓ (1)

3.3.3 **Briefly describe the term accountability**.
The duty of an individual or organisation is to explain its decisions and actions and accept responsibility for its behaviour ✓✓
(Accept any other correct relevant response) (2)

3.3.4 **How will the government benefit from privatising state-owned enterprises?**
- Generate additional funds for the government to provide more goods and services ✓✓
- The tax base will be broadened, increasing corporate tax to ensure an increase in income for the government ✓✓
- It can lead to greater efficiency in the economy because the wage bill is coming down and allows government to be involved in a greater variety of services ✓✓
- The government can use privatisation to promote broad-based black economic empowerment ✓✓

(Accept any other correct relevant response) (2)

3.3.5 Why is the pricing policy a problem for the government in respect of the provisioning of goods and services? (4)

- State-owned enterprises do not work within the market system of demand and supply creating problems in determining the price for public goods and services ✓✓
- Community goods are provided free of charge, because it is difficult to attach a price due to its non-excludability and nonrival characteristics ✓✓
- User-charges: government loses income due to motorists failing to pay e-tolls, leading to tax evasion ✓✓
- If the price of a product or service increases sharply it would lead to a misallocation of resources ✓✓ for example water and electricity ✓
- When government considers covering the cost of a service with charges, difficulties may arise when relatively high fixed costs are involved ✓✓ such as public rail or bus transport, where direct and indirect subsidies would cover part of the cost ✓✓

(Accept any other correct relevant response

3.4 Briefly discuss injections and leakages in an open circular flow.

Injections

- Injections are additions to the economy's income and spending. ✓✓
- These include investment, government spending, and exports, which bring money into the economy.✓✓
- For the economy to grow, injections must be greater than leakages.✓✓

Leakages

- Leakages are withdrawals from the circular flow, reducing the amount of income circulating. ✓✓
- These include savings, taxes, and imports, which take money out of the economy.✓✓
- If leakages exceed injections, the economy may slow down.✓✓ (8)

3.5 Evaluate the impact of the depreciating rand on the South African economy (8)

<u>It will affect the economy positively because</u>:

- exports are cheaper which allows the country to be more competitive ✓✓
- there will be an increase in production which will lead to job creation ✓✓
- an increase in exports will lead to an improvement in the Balance Payments (reduced deficit) ✓✓
- an increase in aggregate demand will lead to economic growth ✓✓
- it allows central banks to cut interest rates which will stimulate tl economy ✓✓

<u>It will affect the economy negatively because:</u>

- it causes inflation which will make imports more expensive ✓✓
- it reduces the purchasing power (reduced real wages) of South Africa travelling abroad ✓✓
- it can scare off potential investors because their assets will decrease value which can result in capital flight (disinvestment) ✓✓
- debts in foreign currency will impact negatively on the cost repayments ✓✓

(Accept any other correct relevant higher order response) (Max 8

(A maximum of 2 marks may be allocated for mere listing of facts/examples)

[40]

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
Introduction • A good starting point would be to define a concept or key word that appears in the question. • Include other sentences to support the topic. • Do not include in your introduction any part of the question. • Do not repeat any part of the introduction in the 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/Explain/Assess/Debate.	Max. 26
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	Max. 10
Conclusion Any relevant higher order conclusion that should include: • A brief summary of what has been discussed/analysed without repeating facts already mentioned in the body • An opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if so required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS

- Discuss in detail the markets within the four-sector model **NOV 2020** (26)

- Analyse the relationship between the financial sector and other participants in the circular-flow model.

- Financial sector includes banks and other institutions that provide borrowing and lending services to the other participants on the circular flow model ✓✓
- Financial institutions act as intermediaries between the households who want to save money and businesses that want to borrow money to finance their investments. ✓✓
- Commercial banks accept deposits of money from households as savings and pay interests on the savings.✓✓
- The financial sector lends money in form of loans to producers that need to expand their operations ✓✓ for example buy more land and buildings or machinery and equipment ✓
- Households may borrow money from financial institutions to purchase goods and services such as houses and vehicles ✓✓
- The financial sector makes profit from the difference between the interest rate paid to depositors and that which is charged to borrowers ✓✓
- Financial institutions may act as stock brokers by assisting households who may need to invest their surplus funds ✓✓ for example buying shares at the Johannesburg Securities Exchange (JSE) ✓
- Commercial banks facilitate the exchange of different currencies which allows other participants to make payments for their imports ✓✓
- Financial markets coordinate the demand for and supply of foreign exchange to determine different exchange rates ✓✓
- Government institutions such as state-owned businesses and local municipalities may save or invest their surplus fund with the financial institutions ✓✓
- The government may borrow funds from different financial institution to cover the spending needs ✓✓
- Financial institution such as commercial banks and insurance companies pay tax to the government from the income that they generate ✓✓

(Accept any other correct relevant response) (4 x 2) (10)

QUESTION 6: MACROECONOMICS
NOV 2022

- Discuss in detail the features underpinning forecasting (26)

- Analyse the challenges that an economic recession poses on different participants in the economy. (10)

TOTAL SECTION C: 40

GRAND TOTAL: 150