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**SA EXAM
PAPERS**

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Proudly South African



LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

SEKHUKHUNE EAST EDUCATION DISTRICT

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS CONTROLLED TEST

19 MARCH 2026

MARKING GUIDELINE

MARKS: 100

DURATION: 1.5HRS



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SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 B – induced ✓✓
- 1.1.2 C – real business cycle ✓✓
- 1.1.3 A – fiscal Policy ✓✓
- 1.1.4 B- terms of trade ✓✓
- 1.1.5 D- disinvestment ✓✓

(5 x 2) (10)

1.2 MATCHING ITEMS

- 1.2.1 E – total expenditure on final goods and services produced within the borders of the country ✓
- 1.2.2 G – to estimate something unknown from the facts that are known ✓
- 1.2.3 D- when government fails to manage an economy and the resources under its Control optimally ✓
- 1.2.4 A – an increase in the price of a currency ✓
- 1.2.5. F- it involves SARB action to control money supply. ✓

(5x1) (5)

1.3 GIVE THE CONCEPT

- 1.3.1 Multiplier effect ✓
- 1.3.2 Amplitude ✓
- 1.3.3 Demerit goods ✓
- 1.3.4 International monetary fund ✓
- 1.3.5 residual value ✓

(5x 1) (5)

TOTAL SECTION A: 20**SECTION B**

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

QUESTION 2: MACROECONOMICS

2.1 Answer the following questions.

2.1.1 Name **TWO** examples of injections.

- Government spending ✓
- Investments ✓

(2x1) (2)

2.1.2 Why government expenditure is regarded as an injection in the economy?

- Government spends money on public goods and services which are additional to the circular flow ✓✓

(Accept any other correct relevant response

(1x2) (2)

2.2 DATA RESPONSE

2.2.1 Identify the primary participants from the diagram?

Household ✓

(1)

2.2.2 Name the main source of government revenue

Taxes /taxation ✓

(1)

2.2.3 Briefly describe the concept circular flow.

Circular flow is the continuous flow of spending, production and income between different sectors ✓✓

(Accept any other correct relevant response)

(2)

2.2.4 Explain the effect of an increase in savings on aggregate demand?

An increase in savings result in decrease in disposable income therefore decreasing aggregate demand in the circular flow ✓✓

(Accept any other correct relevant response)

(2)



2.2.5 How can interest rates be used to smooth business cycles? (4)

- The central bank must increase interest rates in order to discourage credit creation. Cost of credit becomes too expensive, reducing money supply and aggregate supply. ✓✓
or
- The central bank must decrease interest rates in order to encourage credit creation. Cost of credit becomes too cheap, increasing money supply and aggregate supply. ✓✓

2.3 DATA RESPONSE

2.3.1 Identify the period in which the level of economic activities start to decrease.

Recession ✓ (1)

2.3.2 How is the length of business cycles measured?

Trough to trough ✓ or peak to peak ✓ any 1x1 (1)

2.3.3 Briefly describe the term *business cycle*

A time series showing repeated increasing and decreasing economic activity ✓✓ (2)

(Accept any other correct relevant response)

2.3.4 What happens to inflation during a trough?

Inflation is low ✓✓

(Accept any other correct relevant response) (2)

2.3.5 How can the government through fiscal policy stabilise the economy in a boom phase?

- Government can increase direct taxes thereby affecting a decrease in income and consumption ✓✓
- Government can increase indirect taxes thereby affecting a decrease in price and consumption ✓✓
- or government can use contractionary and restrictive measures ✓✓

(Accept any other correct relevant response) any 2x2 (4)

2.4 How can reserve bank use open market transaction to curb inflation

- The reserve bank must apply contractionary monetary policy by selling government bonds and securities on the open market. ✓✓



- Selling government bonds will be a leakage of money from commercial banks to the reserve bank leaving commercial banks with less money to use for credit creation. ✓✓
- Aggregate demand and spending will both decrease leading to decrease in inflation. ✓✓

(Accept any other correct relevant responses)

(8)

2.5 How can households, as important participant in the circular flow model, contribute in building the economy?

- Households can sell their factors of production at lower rates to help lower inflation rate and build the economy ✓✓
- Households can limit labour unrest and strikes where they usually claim unrealistic wage /salary increases ✓✓
- They can increase their savings and contributed indirectly to increased production in the manufacturing sector ✓✓
- They can limit their spending on luxury goods that will limit the aggregate demand and stabilise prices ✓✓

(Accept any other correct relevant response)

(8)

[4

QUESTION 3:

3.1 Answer the following questions.

3.1.1 Name two methods of calculating Gross Domestic Product

- income method ✓
- expenditure method ✓
- production method

Any (2 x 1) (2)

3.1.2 How will a decrease in VAT affect poor people in South Africa?

- Poor people will be able to buy more goods and services as they will be affordable ✓✓

(Accept any other relevant response)

1x2 (2)

3.2 DATA RESPONSE



3.2.1 Identify the budget for the year 2025 in the extract above.

- 1.6 ✓ (1)

3.2.2 Name the item in the current account that is unique to the south African economy?

- Net gold export ✓ (1)

3.2.3 Briefly describe the term Balance of Payment

- BoP is the statement record of all transaction between South Africa and all other countries of the world ,over time ✓✓

(Accept any other correct relevant response) (2)

3.2.4 What is the impact of increase imports on economic growth?

- An increase in imports may reduce economic growth since it causes a decline in local aggregate demand ✓✓

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

3.2.5 How does the value of minerals such as gold influence the value of the current account?

- An increase in the value of gold can improve the current balance as gold share index will rise. ✓✓

(Accept any other correct relevant response) 2x2 (4)

3.3 DATA RESPONSE

3.3.1 Identify the original equilibrium point in the graph above.

- E ✓

1x1 (1)

3.3.2 Which type of exchange rate system uses demand and supply to determine exchange rate?

- Freefloatingexchangeratesystem ✓ (1)
(accept any other correct relevant response)

3.3.3 Briefly describe the term devaluation

- Devaluation refers to the deliberate decrease in the currency in terms of another currency as a result of intervention by central bank ✓✓

(Accept any other correct relevant response) (2)

3.3.4 Explain the effect of a depreciation of rand on exports?

- When the rand depreciates exports become cheap in forign countries and that may cause an increase in the number of exports ✓✓

(Accept any other correct relevant response)

Any1x2 (2)

3.3.5 Why is necessary for government to improve efficiency in state -owned enterprises?



- There will be improvement in standard of living of people as they will offer service to the people ✓✓
 - Government will not spend lot of money on bailing them out ✓✓
 - Job creation ✓✓
 - Economy will grow ✓✓
- (Accept any other correct relevant answers) (2x2) (4)

3.4 Briefly explain how balance of payment disequilibria can be corrected.

- Lending and borrowing ✓
 - Countries with surpluses often lend money to countries with deficit ✓✓
 - Countries with deficits borrow and make them to have much foreign debt ✓✓
 - Countries may borrow money from international monetary fund ✓✓
- Change in exchange rate ✓
 - Currency depreciation or devaluation makes imports more expensive for domestic consumers

3.5 How does the free exchange rate policy promote international trade ?

- The free exchange rate policy makes it possible for consumers and businesses to import and export goods from other countries through the availability of foreign currencies in the foreign exchange markets. ✓✓
 - This policy makes foreign currencies freely available to private individuals and companies who want to invest in foreign countries. ✓✓
- (Accept any other correct relevant responses)

(2x4)

(8)

QUESTION 4: MACROECONOMICS

40 MARKS

- Discuss in details the features underpinning forecasting of business cycle (26)
 - What impact will South Africa's policy on land expropriation without compensation have on the agricultural sector? (10)
- [40]**

INTRODUCTION

- Business cycle refers to the increase and decrease (fluctuations) in economic activities ✓✓

BODY

FEATURES UNDERPINNING BUSINESS CYCLE FORECASTING



Leading indicators ✓

- They are indicators that change before the economy gets changed. ✓✓
- They tell of how the economy will be in the coming months. ✓✓
- When they rise, it means the economic activity will rise in the next few months. ✓✓
- When they decline it also means the level of economic activity will decline in the coming months. ✓✓
- Examples include number of residential plans passed, Number of job advertisements, number of new companies registered ✓

Coincident indicators ✓

- They are indicators that change at the same time as the economy changes. ✓✓
- A downturn is shown by a decrease in these indicators while an upswing is shown an increase in these indicators. ✓✓
- Examples of coincident indicators are: usage of capacity in manufacturing, registered unemployment, Retail sales, real merchandise imports. ✓

Lagging indicators ✓

- They are indicators that change after the economy has already changed. ✓✓
- They reach the turning point after the business cycle has already turned. ✓✓
- They are used to confirm the changes predicted by the leading indicators. ✓✓
- Examples of lagging indicators are: number of commercial vehicle sold, real investment in machinery, unit labour cost in manufacturing ✓

Composite indicator ✓

- It is the summary of group of indicators of the same type into a single value. ✓✓
- This means all the values of the leading indicators are summarised, the same is done with coincident and lagging indicators. ✓✓

Extrapolation ✓

- Means to estimate something unknown from facts or information that is known. ✓✓
- For example, if it becomes clear that the business cycle has passed through a trough and has entered a boom phase, forecasters might predict that the economy will grow in the few months ✓

Length of the cycle ✓

- It is the time that the economy takes to move from one peak to another peak or one trough to another trough. ✓✓
- Some business cycles last for a brief time while others can take up to 50 years. ✓✓



- Shorter cycles represent a weaker cycle and longer lengths represent a stronger cycle. ✓✓

Amplitude ✓

- Measures the distance from trend line to the next turning point such as from trend line to peak or trough. ✓✓
- Large amplitude represents strong underlying forces of the economy at large. ✓✓

Trend line ✓

- It shows the general direction in which the economy is moving ✓✓

ADDITIONAL PART

- Many South African farmers will be negatively affected by land expropriation without compensation. ✓✓
- Some farmers are still owing banks money they borrowed when they buy land for agricultural purposes. ✓✓
- As a result, they will still be expected to do monthly repayments of loans. ✓✓
- These can lead to some farmers being bankrupt and leave the agricultural sector. ✓✓
- The total production in the agricultural sector will decrease. ✓✓
- Prices of agricultural products will increase and consumers will be forced to pay high prices. ✓✓

(Accept any other correct and relevant response)

MAX.

(10)

CONCLUSION

- Understanding of business cycle will help policy makers to apply correct policies that will help boost the development of the economy while reducing inflation rate and unemployment and this will allow participants in the economy to specialise in economic activities of their choice ✓✓

(Accept any other correct and relevant response)

QUESTION 5

Discuss in detail the main objectives of the public sector in the economy.

How can the government reduce public sector failure more efficiently?

INTRODUCTION

The state is a body that governs and regulates the functioning of its economy and also plays a paternal role in providing its economy with its basic and important needs. ✓✓

(Max. 2)



BODY:

MAIN PART

1. Full employment ✓

- Full employment is a condition where all people who are looking for a job, can find it. ✓✓
- Government is always trying to attain high levels of employment in the country. ✓✓
- The current rate of unemployment is **estimated at 27.6%**. ✓✓
- Employment increases due to **the contribution of the informal sector**. ✓✓
- The rate of unemployment has **unfortunately** increased in South Africa over the years. ✓✓
- The GEAR strategy was implemented by the government with the purpose to create a climate conducive to employment creation mainly by the private sector. ✓✓

2. Economic growth ✓

- Economic growth is referred to as an increase in the production of goods and services produced by the country in a specified period. ✓✓
- Economic growth is measured in real GDP. ✓✓
- For economic growth to occur, economic growth rate must be higher than population growth rate. ✓✓
- Economic growth if used for the purposes of development, improves the economic welfare of the country's inhabitants. ✓✓

3. Price stability ✓

- The SARB has implemented a policy of keeping inflation within the targeting rate of 3-6%. ✓✓
- Market economies produce better results in terms of growth and development if the inflation rate is stable. ✓✓
- Interest rates are the main instrument used to stabilise prices. ✓✓
- The stable budget deficit also has a stabilising effect on the rate of inflation. ✓✓

4. Economic equity ✓

- Redistribution of income and wealth is essential in the market economies. ✓✓
- The South African government uses the progressive tax system to redistribute income. ✓✓
- Taxes on profits, progressive income tax and tax on wealth are taxes used to finance free public services and social security grants. ✓✓

5. Exchange rate stability ✓

- The government **manages** the economy through effective fiscal and monetary policies to **stabilise the country's exchange rate**. ✓✓
- Depreciation and appreciation of the currency could create uncertainties for the currency and should be limited. ✓✓
- The South African government uses the free-floating exchange rate system. ✓✓



(Max. 26)

ADDITIONAL PART

How can the government reduce public sector failure more efficiently?

The government could reduce public sector failure by:

- Providing leadership and training to management and employees. ✓✓
- Recognising employee worker performance through incentives, ✓✓ e.g. reward on excellent service. ✓
- Eliminating corruption through regular monitoring, ✓✓ e.g. auditing. ✓
- Administering flexible business processes to accommodate individual differences. ✓✓
- Employing different strategies to ensure service delivery, ✓✓ e.g. set targets, turn-around time. ✓

(Accept any relevant and correct answer)

(Max. 10)

CONCLUSION

It is very important that the state improves its functioning from time to time to avoid the economy's instability so as to bring about desired development. ✓✓

(Accept any other relevant conclusion)

(Max. 2)

