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ECONOMICS
Grade 12

03 JULY 2014

MACRO-ECONOMICS

Checklist

Make sure you can:

- Present the circular flow as a macro-economic model
- Analyse and explain business cycles
- Evaluate the role of the public sector in the economy with special reference to its socioeconomic responsibility in the South African context
- Examine the foreign exchange market and the establishment of exchange rates and show how the balance of payments account is affected
- Discuss protectionism and free trade and evaluate the South African international trade policies and major protocols

Exam Questions

Question 1

(Adapted from Feb/Mar 2014, NSC, Question 2.1)

Choose the correct word from those given in brackets.

- 1.1 To calculate GDP at basic prices, we use the (expenditure/ production) method.
- 1.2 The highest turning point in the business cycle is known as the (peak/trough).
- 1.3 The medium-term expenditure framework shows income and expenditure estimates for a (one/three)-year period.
- 1.4 Market failure results in (higher/lower) market prices.

(4 x 2) (8)

Question 2

(Adapted from Feb/Mar 2014, NSC, Question 2.2)

List any THREE indicators underpinning forecasting in business cycles.

(3 x 2) (6)

Question 3

(Adapted from Feb/Mar 2014, NSC, Question 2.3)

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

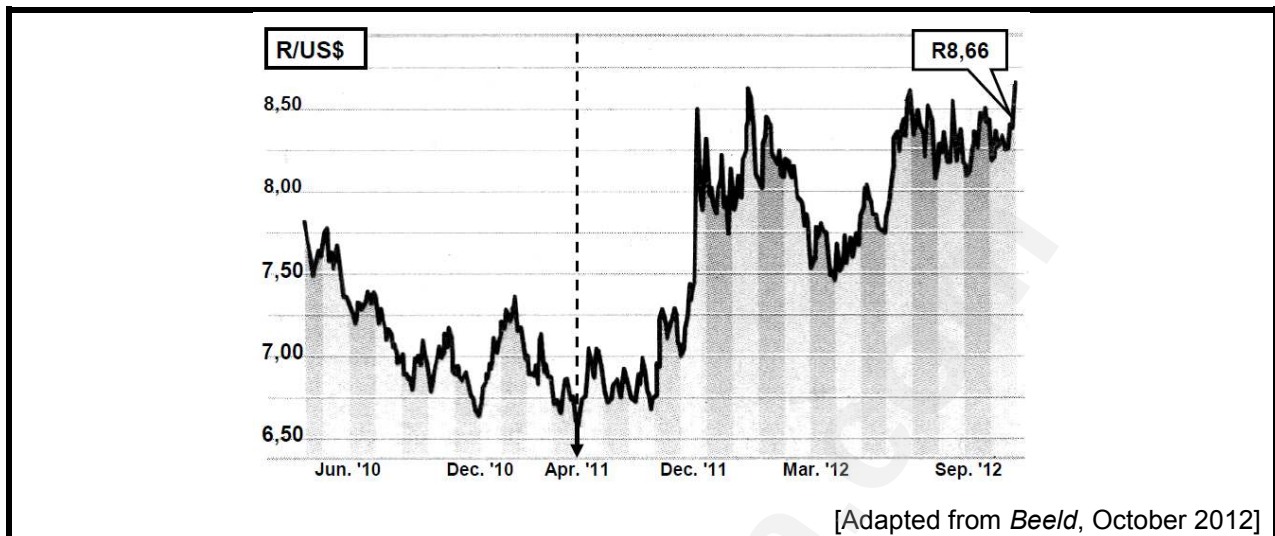
EXCHANGE RATE PROBLEMS FOR SOUTH AFRICA

The wide-spread strikes in the country will not only affect mining and transport companies, but consumers too. The weak rand affects the average South African the most. The three expenses that interest workers most are petrol, food and electricity. The weak rand can, however, be more positive for exporters. The strikes caused the mining industry to produce less than they were supposed to export, resulting in more imports and fewer exports. The chances that the rand will recover remain slim.





ECONOMICS Grade 12

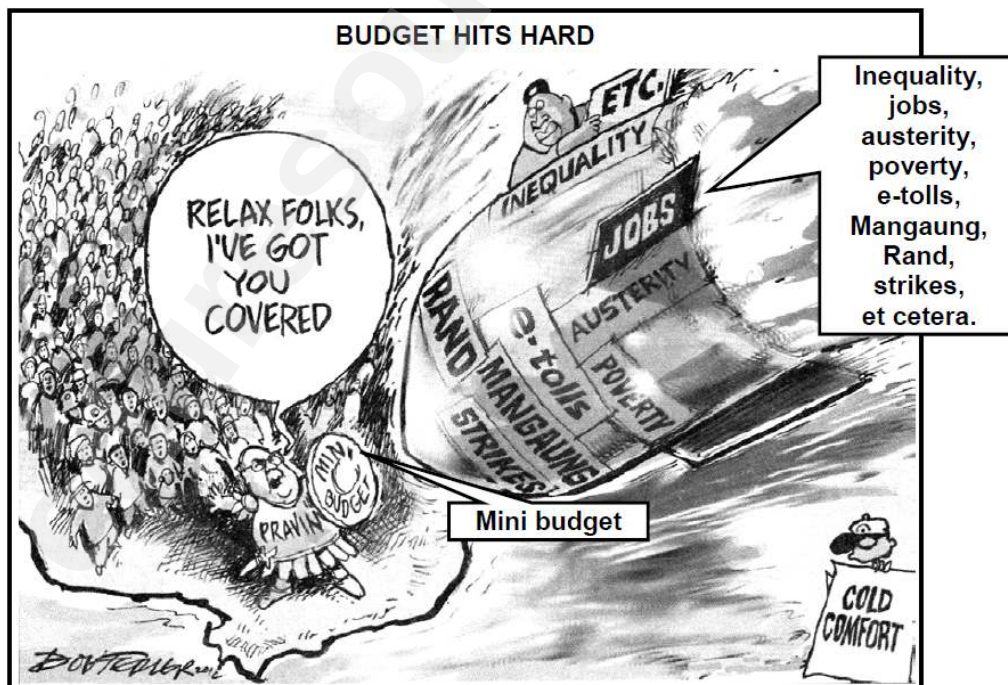


- 3.1 Define the term exchange rate. (2)
- 3.2 Explain the negative impact of strikes on the South African economy. (4)
- 3.3 Do you think South Africa attracted more direct foreign investment during April 2011? Motivate your answer. (4)

Question 4

(Adapted from Feb/Mar 2014, NSC, Question 2.4)

Study the cartoon below and answer the questions that follow.



[Adapted from *Business Report*, October 2012]

- 4.1 What is the purpose of the annual budget? (2)
- 4.2 Government has spent considerable amounts of money on the implementation of e-tolls in South Africa. What can government do to recover this money? (2)
- 4.3 What can employers do to reduce the negative impact of strikes on production? (2)





ECONOMICS
Grade 12

- 4.4 Do you think that the minister of finance can stop the rocket that is heading his way?
Motivate your answer.

(4)

Question 5

(Adapted from Feb/Mar 2014, NSC, Question 2.6)

Explain the Laffer curve with the aid of a graph.

(8)

Question 6

(Adapted from Feb/Mar 2014, NSC, Question 7)

There is a constant flow of money, goods and services in the economy.

- Discuss the interaction between the participants in an open economy.
- Construct a fully labelled diagram to illustrate the open economy circular flow model.

(30)

(10)

[50]

