



eduresourceza.com



education

DEPARTMENT: EDUCATION
MPUMALANGA PROVINCE

FURTHER EDUCATION AND TRAINING

GRADE 12

**ECONOMICS
MONTHLY TEST 1
MARKING GUIDELINE
FEBRUARY 2024
GERT SIBANDE DISTRICT**

MARKS: 100

TIME: 1 HOUR

This question paper consists of 08 pages

SECTION A (COMPULSORY)
QUESTION 1**20 MARKS – 20 MINUTES****1.1 MULTIPLE CHOICE**

1.1.1 B. Circular flow✓

1.1.2 A. Durable goods ✓

1.1.3 A. National income✓

1.1.4 B. Spending by government✓

1.1.5 C. Personal income tax✓

(5 X 2) (10)

1.2 MATCHING ITEMS

1.2.1 E- Allow for all errors and omission in GDP calculations. ✓

1.2.2 D- GDP is calculated by considering the remuneration for factors of production ✓

1.2.3 B- A group of people elected by the citizens to manage the economy ✓

1.2.4 A- This is charged by SARB to commercial banks when they lend them money✓.

1.2.5 F- Figures have been adjusted for inflation ✓

(5 X 1) (5)

1.3 GIVE THE TERM

1.3.1 Multiplier✓

1.3.2 Imports ✓

1.3.3 Gross Domestic Product ✓

1.3.4 Investment.✓

1.3.5 Household ✓

(5 X 1) (5)

TOTAL SECTION A: 20

SECTION B**QUESTION 2:****40 MARKS – 20 MINUTES**

2.1 Answer the following questions.

2.1.1 **Name any TWO examples of money flows in the circular flow**

- Income from factors of production ✓
- Spending on goods and services ✓ (2 x 1) (2)

2.1.2 **Why are subsidies on products subtracted when converting GDP at basic prices to GDP at market prices?**

- A subsidy on product is a financial assistance that help reduce the prices paid by consumers hence it is subtracted ✓✓ (1 x 2) (2)

2.2 **DATA RESPONSE**2.2.1 **Identify the item that contribute the most national income in the table above**

Compensation of employees ✓ (1)

2.2.2 **Name the participant that is responsible for export and imports**

Foreign sector ✓ (1)

2.2.3 **Briefly describe the term *Autonomous consumption***

This refers to the level of spending that does not depend on the level on income. ✓ (2)

2.2.4 **Explain the importance of businesses in the economy** (2)

- /
- Businesses combine factors of production to produce goods and services ✓✓
 - This will increase economic growth and more labour will be demanded which open more job opportunities ✓✓
 - Businesses pay tax to the government which in return is used to finance public goods and services ✓✓

2.2.5 **Using the marginal propensity to consume (mpc) of 0,6 calculate the change in national income if it was an investment of R250 m. Show all Calculations.**

$K = 1/1 - mpc$ ✓
 $= 1/1 - 0,6$ ✓
 $= 1/0,4$ ✓
 $= 2,5$ ✓ and $2,5 \times 250 \text{ m} = \text{R}625 \text{ m}$ ✓

(10)

2.3 DATA RESPONSE

2.3.1 Identify item the item that contribute the most national income (1)

- Compensation of employees✓

2.3.2 Give an example of taxes on product. (1)

- VAT or Sin tax✓

2.3.3 Briefly describe the term *Gross national product (GNP)*

- GNP refers to the total value of goods produced by permanent citizens. ✓✓ (2)

2.3.4 How can an increase in savings affect the size of the multiplier? (2)

- Increase in savings reduces the size of the multiplier✓✓

2.3.5 Calculate the value of A. Show all calculations

$$= 5\,453\,539✓$$

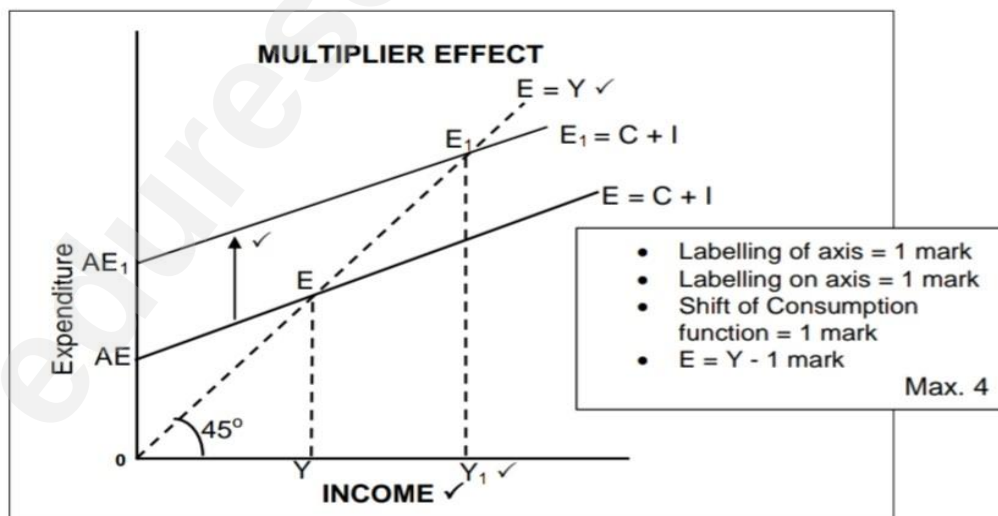
$$+ 131\,563✓$$

$$- 12\,494✓$$

$$= R5\,572\,608✓$$

(4)
(10)

2.4 With the aid of a correctly labelled graph, explain the multiplier effect.



- The multiplier effect occurs when a small increase in spending leads to larger proportional increase in national income. ✓✓
- An increase from AE to AE1 means more money is injected in the economy causing an increase in national income from Y to Y1. ✓✓

(8)

2.5 How can a decrease in consumption spending by household affect the economy?

- It can create contraction of economic activities the fore slowing economic growth ✓✓
- A reduced aggregate demand can shrink the productive capacity of the country thus reducing real GDP ✓✓
- A decline in consumption can hinder industrial development thus causing disinvestment ✓✓
- Low spending by household reduces the per capita income therefore lowering the standard of living ✓✓
- It can cause high dependency rate to the government which hinders economic development of the country ✓✓

(8)

(Accept any other relevant response)

(40)

Answer the following compulsory essay on the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
INTRODUCTION	Maximum 2
BODY: Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss /Analyse/Compare Evaluate/Distinguish /Differentiate/Explain//Assess/Debate Additional part: Give your 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/ diagram/ Outline/ Expand on /Support	Maximum 26 Maximum 10
CONCLUSION: Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned in the body. • 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.	Maximum 2
TOTAL	[40]

QUESTION 3**40 MARKS – 20 MINUTES**

• Discuss in detail the markets in a four sector economy.	(26)
• How can a decrease in consumption spending by household affect the economy?	(10)
	[40]

INTRODUCTION

- Market is a mechanism that brings buyers and sellers together to do business..√√
(Accept other relevant introduction) (2)

Product (consumer) market √

- It is a market where goods and services are bought and sold. √√
- Firms, government and foreign sector supply goods and services. √√
- These goods and services are called real flow. √
- Consumers, firms, government and foreign sector buy these goods and services. √
- The payments represent the money flow. √

Factor market√

- It is a market where factors of production are traded (bought and sold). √√
- Households are the owners of factors of production and they sell them to firms, government and foreign sector. √√
- The factors of production are labour, entrepreneurship, capital and land and they are exchanged for wages, profit, interest and rent. √√

Financial Market

- Is a market where household, government and businesses can get services of cash withdrawals, investments, savings and loans√√

Money and capital market

- These markets render financial services to the other participants in the economy by gathering surplus funds and lending it to those who need funding. √√
- Money market√ is a market for short term loans and savings (three years and shorter) √√.
- It includes inter- banking lending for a period as short as overnight. √√
- The securities traded include short term deposits, short term debentures and treasury bills. √√
- Capital market√ is a market for long term savings and loans. √√
- JSE is a key institution in this market as it trades in shares. √√
- Examples of securities traded in this market are long term deposits, mortgage bonds, shares and unit trusts. √√

Foreign exchange market✓

- It is a market where currencies are exchanged for one another e.g. Rands for dollars. ✓✓
- It originates when one country imports goods from another country and domestic currency has to be exchanged in order to pay for such imports. ✓✓
- It is a multi-national market as the currencies of all the countries are traded in this market. ✓✓
- Foreign exchange can be bought and sold at the banks and foreign exchange agent. ✓✓

ADDITIONAL PART

- They own factors of production and can improve the quality of factors of resources which provide a positive contribution in the economy ✓✓
- Household sell their factors of production which assist in in keeping inflation rate at minimum ✓✓
- Household can increase savings thereby making capital available for financial institutions to lend to new investors ✓✓
- Household buy local products which contribute to development of local industries ✓✓
- Household pay tax to the government which is then used to fiancé social grants and development of infrastructure ✓✓ (5x2) (10)

(Accept any other relevant answer)

CONCLUSION

The financial market is not directly involved in the production of goods but act as a link between the participants of the economy and the four markets ✓✓ (2)

(Accept any other relevant answer)

TOTAL SECTION C: (40)

GRAND TOTAL FOR PAPER: 100