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Department:
Education
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

BOJANALA DISTRICT ASSESSMENT

GRADE 12

ECONOMICS

BI-WEEKLY TEST NO.1

THE CIRCULAR FLOW MARKING GUIDELINES

29 JANUARY 2024

Marks: 60

These marking guidelines consist of 7 pages.

SECTION A**30 MARKS – 20 MINUTES****QUESTION 1: CIRCULAR FLOW****1.1 MULTIPLE CHOICE**

- 1.1.1 A current prices. ✓✓
- 1.1.2 B households. ✓✓
- 1.1.3 B capital ✓✓
- 1.1.4 A investment. ✓✓
- 1.1.5 C 0,4. ✓✓
- 1.1.6 D autonomous ✓✓
- 1.1.7 D final ✓✓
- 1.1.8 C residual ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 E leakages are greater than injections ✓
- 1.2.2 G the proportion of additional income that households choose to spend on goods and services ✓
- 1.2.3 A fraction of extra income that households do not consume ✓
- 1.2.4 B an economy that excludes the foreign sector ✓
- 1.2.5 F an economy that includes the foreign sector ✓
- 1.2.6 C where labour, entrepreneurship, land and capital are traded ✓
- 1.2.7 D adjusted to inflationary changes ✓
- 1.2.8 I usage-up of value in a fixed asset ✓

(8 x 1) (8)

1.3 GIVE ONE TERM

- 1.3.1 Real flows ✓
- 1.3.2 Gross Value Added ✓
- 1.3.3 Foreign exchange market ✓
- 1.3.4 Transfer payments ✓
- 1.3.5 Real Gross Domestic Product ✓
- 1.3.6 Gross Domestic Expenditure ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B**QUESTION 2: THE CIRCULAR FLOW MARKETS****2.1 DATA RESPONSE**

- 2.1.1 **Which type of economy is depicted in the diagram above?**
A Three-sector economy/closed economy✓ (1)
- 2.1.2 **Identify an example of an injection depicted in the diagram above.**
Government spending/government spending✓ (1)
- 2.1.3 **Briefly describe the term *leakage*.**
Money withdrawn from the circular flow/ economy, e.g through savings (S), taxes (T) and import expenditure (M) ✓✓ (2)
- 2.1.4 **What is the importance of a resource market in the economy above?**
- To provide the economy with the factors of production that will be used in the production process. ✓✓
 - The households own the factors of production and sell the factors on the input market and receive an income (wages, rent, interest and profit) in return to use in buying goods and services. ✓✓
 - Businesses purchase the factors of production from the household in the factor market to be used in the production of goods and services✓✓
- (Accept any other correct relevant response) (2)
- 2.1.5 **Briefly describe the interrelationship that exists between the households and the government.**
- The household sells its factors of production to the government.✓✓
 - The government provides income to the households.✓✓
 - The household pays taxes to the government.✓✓
 - The government provides social, economic services and infrastructure.✓✓
- (Accept any other correct relevant response) (4)

QUESTION 3: THE NATIONAL ACCOUNT AGGREGATES**3.1 DATA RESPONSE**

- 3.1.1 **Identify the base year that the South African Reserve Bank uses to compile national accounts aggregates.**
2015✓ (1)
- 3.1.2 **Give the alternative term used for gross value added in national accounts.**
Gross domestic product / GDP(P) ✓ (1)
- 3.1.3 **Briefly describe the term *basic prices*.**
Basic prices is the cost to the producer adding taxes on production and subtracting subsidies on production✓✓
(Accept any other correct relevant response) (2)
- 3.1.4 **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✓✓ (2)
- 3.1.5 **Why would economists prefer constant prices to current prices when measuring economic growth?**
- Constant prices are adjusted to exclude the effects of inflation, whereas current prices are not adjusted✓✓
 - Constant prices provide a true reflection on actual changes in production of goods and services, while current prices gives a distorted reflection✓✓
 - Current prices give a distorted indication of the actual growth of the economy✓✓
 - Measuring economic growth using constant prices provides accurate data to policy makers to make informed decisions✓✓
 - Constant prices help to make accurate comparison of economic performance from year to year✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

QUESTION 4: MACROECONOMIC MULTIPLIER**4.1 DATA RESPONSE**

4.1.1 **Name ONE leakage that is related to the foreign sector.**

Import/ import spending✓

(1)

4.1.2 **Identify the value of the mpc in the graph above?**

0,5✓

(1)

4.1.3 **Briefly describe the term *multiplier effect*.**

It occurs when a small increase in spending produces a larger increase in national income✓✓

(Accept any other correct relevant response)

(2)

4.1.4 **Why does the value of the multiplier become smaller in a THREE-sector economy?**

The size of the multiplier will be smaller as there will be more leakages (taxes and imports) in the economy✓✓

(Accept any other correct relevant response)

(2)

4.1.5 **Use the formula that pertains to changes in income and injections to calculate the value of the multiplier in the graph above. Show ALL calculations.**

$$K = \Delta Y / \Delta J \checkmark$$

$$= \frac{20}{10} \checkmark$$

$$= 2 \checkmark$$

(A maximum of 3 marks may be allocated for correct calculation without the formula)

(4)

TOTAL SECTION B: 30

GRAND TOTAL: 60