Please paste the barcoded label here	TOTAL MARKS

INTERNATIONAL SECONDARY CERTIFICATE EXAMINATION
NOVEMBER 2024

ECONOMICS

EXAMINATION NUMBER													

Time: 3 hours — 300 marks

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY

1. This question paper consists of 34 pages. Please check that your question paper is complete.
2. Read the questions carefully.
3. **All questions are compulsory**.
   SECTION A: Question 1
   SECTION B: Question 2, 3, 4 and 5
   SECTION C: Question 6
4. **Answer ALL the questions on the question paper and hand this in at the end of the examination. Remember to write your examination number in the space provided on the question paper.**
5. Answer questions, where possible, point by point but in full sentences. A systematic presentation of facts is required.
6. It is in your own interest to write legibly and to present your work neatly.
7. Non-programmable calculators may be used.
8. Please **do not write in pencil** as work in pencil will not be marked. However, any sketches or diagrams may be done in pencil.
9. Three blank pages (pages 32 to 34) are included at the end of the paper. If you run out of space for a question, use these pages. Clearly indicate the number of your answer should you use this extra space.

Allocation of marks

Q1	Q2	Q3	Q4	Q5	Q6	Total
50	**50**	**50**	**50**	**50**	**50**	**300**

SECTION A

QUESTION 1

Indicate the most correct answer by writing the letter of the alternative you have chosen in the space provided below.

1.1 The Government considers that inflation in the country is caused by excess demand. What policy measure should be taken to reduce inflation?

A reduced import tariff
B increased government spending
C reduced interest rates
D increased level of taxation (2)

1.2 The Consumer Price Index of a country changes from 156 to 164. By how much did the country's inflation rate increase?

A 5,1%
B 7%
C 5,4%
D 7,2% (2)

1.3 The country's terms of trade will improve when …

A there are more imports than exports.
B there is a high rate of inflation.
C there is a decrease in the level of productivity.
D there is a depreciation in the country's exchange rate. (2)

1.4 The steep increase in prices that leads to people losing confidence in the value of money, is called …

A stagflation.
B consumer inflation.
C producer inflation.
D hyperinflation. (2)

1.5 Maximum price controls cause all of the following except …

A shortages.
B food riots.
C surplus in the markets.
D emergence of black markets. (2)

1.6 Effective demand for a commodity refers to the …

A desire to purchase a commodity.
B great ability to purchase the commodity.
C need for a commodity that one wants to purchase.
D willingness to purchase the product backed by ability to pay. (2)

1.1	1.2	1.3	1.4	1.5	1.6

1.7 The government of a particular country introduces laws to reduce the powers of trade unions. This is an example of … policy.

A demand
B supply side
C monetary
D fiscal (2)

1.8 Financial capital held by the monetary authorities such as the central bank to finance the trading disequilibrium is referred to as …

A financial derivatives.
B reserve assets.
C merchandise exports.
D portfolio investments. (2)

1.9 The practice of selling goods in a foreign country at lower prices than in the country of origin is known as …

A exportation.
B importation.
C dumping.
D investment. (2)

1.10 Unemployment resulting from a mismatch between the demand for labour and the skills of job seekers is referred to as … unemployment.

A structural
B cyclical
C frictional
D institutional (2)

1.11 A Nigerian consultant working for MTN in Cape Town, forms part of ...

A South Africa's GNP and Nigeria's GDP.
B Nigeria's GNP and South Africa's GDP.
C only South Africa's national income figures.
D only Nigeria's national income figures as he is a Nigerian citizen. (3)

1.12 Components of the monetary policy used by the state to influence the economy in a desired direction, are moral suasions and ...

A taxation.
B state debt.
C cash reserve requirements.
D government spending. (3)

1.7	1.8	1.9	1.10	1.11	1.12

1.13 A decrease in the value of a currency under a fixed exchange rate system is called …

A depreciation.
B revaluation.
C appreciation.
D devaluation. (3)

1.14 The costs to the third party that are not included in the price of the product are called … externalities.

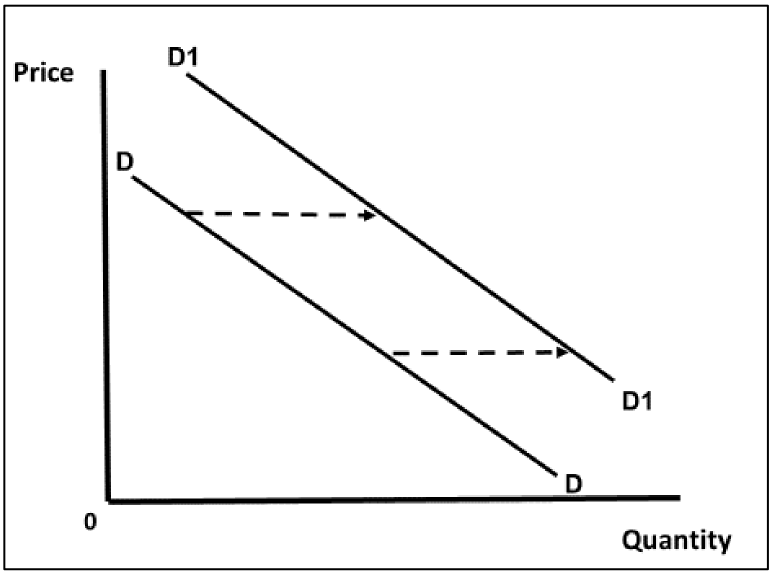
A internal
B positive
C private
D negative (3)

1.15 Goods that are highly desirable for the population's general welfare, but not highly rated by the market are called … goods.

A community
B merit
C demerit
D collective (3)

1.16 Study **Graph 1** below and answer the question that follows.

Graph 1: Shift in demand



A shift of the demand curve DD to D1D1 could be caused by …

A a decrease in quantity supplied.
B an increase in the price of a complement.
C a decrease in consumers' incomes.
D an increase in the price of a substitute. (3)

1.13	1.14	1.15	1.16

1.17 Study **Table 1** below and answer the question that follows.

Table 1: Price and Output in a cartel

If firms in an oligopolistic industry agree to form a cartel, what are the likely effects on price and output produced?

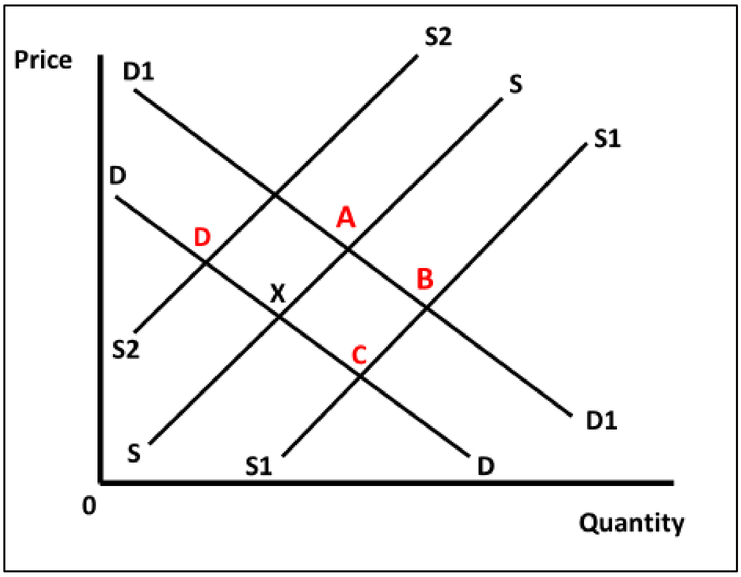
	EFFECT ON PRICE	**EFFECT ON OUTPUT**
A	falls	falls
B	falls	increases
C	increases	falls
D	increases	increases

(3)

1.18 Study **Graph 2** below and answer the following question.

Graph 2: Demand and supply curves for maize

The diagram below shows demand and supply curves in a maize market. Point X is the initial equilibrium. What is the new equilibrium if the government introduces a subsidy to maize producers?



A A
B B
C C
D D

(3)

1.17	1.18

1.19 Study **Table 2** below and answer the question that follows.

Table 2: Production possibility schedule

The table below shows a production possibility schedule of an economy producing two goods, wheat and maize using the available resources.

COMBINATION	WHEAT(tonnes)	MAIZE(tonnes)
1	400	0
2	350	80
3	0	100

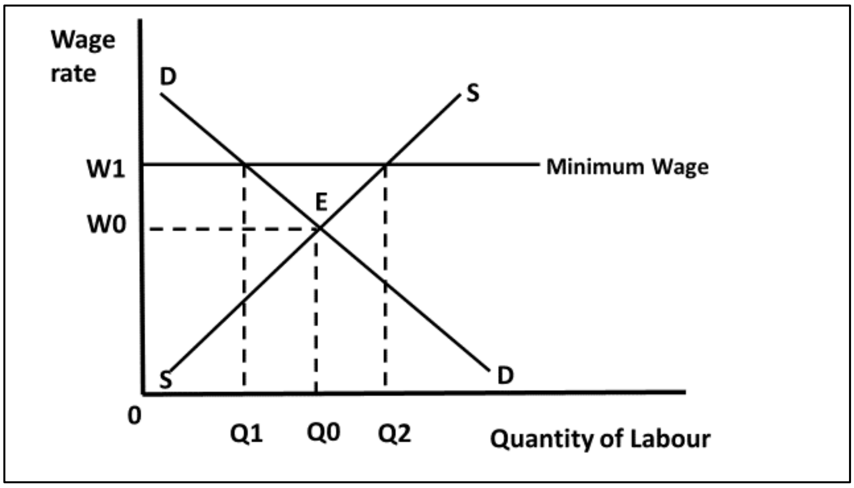
What is the opportunity cost of increasing maize production from 80 to 100?

A 20 tonnes of wheat
B 50 tonnes of wheat
C 350 tonnes of wheat
D 400 tonnes of wheat (3)

1.20 Study **Graph 3** below and answer the question that follows.

Graph 3: Minimum wage

The diagram below shows an effective minimum wage imposed by the government in a labour market for semi-skilled workers.



The new minimum wage will cause unemployment equal to …

A 0 and Q1
B Q1 and Q2
C Q0 and Q2
D Q0 and Q1 (3)

1.19	1.20

50 marks

SECTION B

QUESTION 2 MACROECONOMICS

2.1 Study **Table 3** below and answer the questions that follow.

Table 3: National Accounts for country X

$ million	**Current prices**
	2023
Compensation of employees	**3 151 463**
Net operating surplus	**1 848 924**
Consumption of fixed capital	**875 252**
Gross value added at factor cost	**5 875 639**
Other taxes on production	**159 241**
Less: Subsidies on production	**16 141**
Gross value added at basic prices	**6 018 739**
Taxes on products	**704 133**
Less: Subsidies on products	**14 964**
Gross domestic product at market prices	**(?)**

2.1.1 Give one term for each of the following concepts:

(a) Compensation of employees

______________________________ (2)

(b) Net operating surplus

______________________________ (2)

(c) Consumption of fixed capital

______________________________ (2)

2.1.2 Give one example of taxes on products.

______________________________ (2)

2.1.3 Define the term *factor cost*.

______________________________ (2)

2.1.4 Explain the main purpose of subsidies on production.

(2)

2.1.5 Calculate the gross domestic product at market prices. Show ALL calculations.

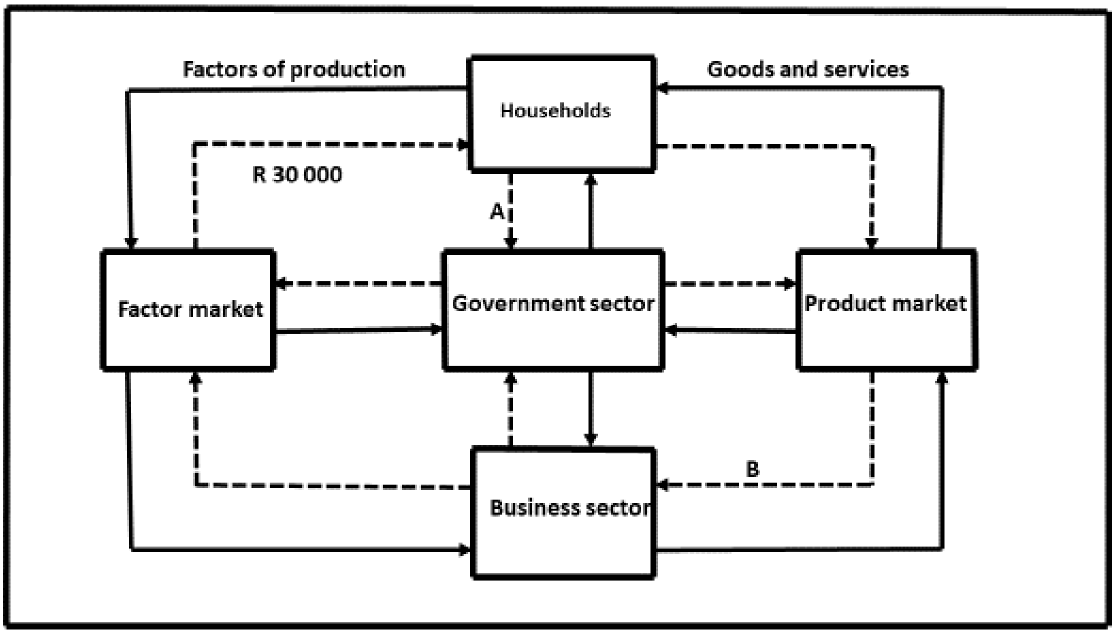
(4)

2.1.6 Explain why economists prefer constant prices to current prices when measuring economic growth.

(4)

2.2 Study **Diagram 1** below and answer the questions that follow.

Diagram 1: The economic circular flow



2.2.1 Identify the main economic participant in the diagram above.

____ (2)

2.2.2 Name the money flow represented by the letter B.

____ (2)

2.2.3 Briefly describe the concept *economic circular flow*.

____

____

____ (2)

2.2.4 Briefly explain why taxation is regarded as a leakage.

____

____

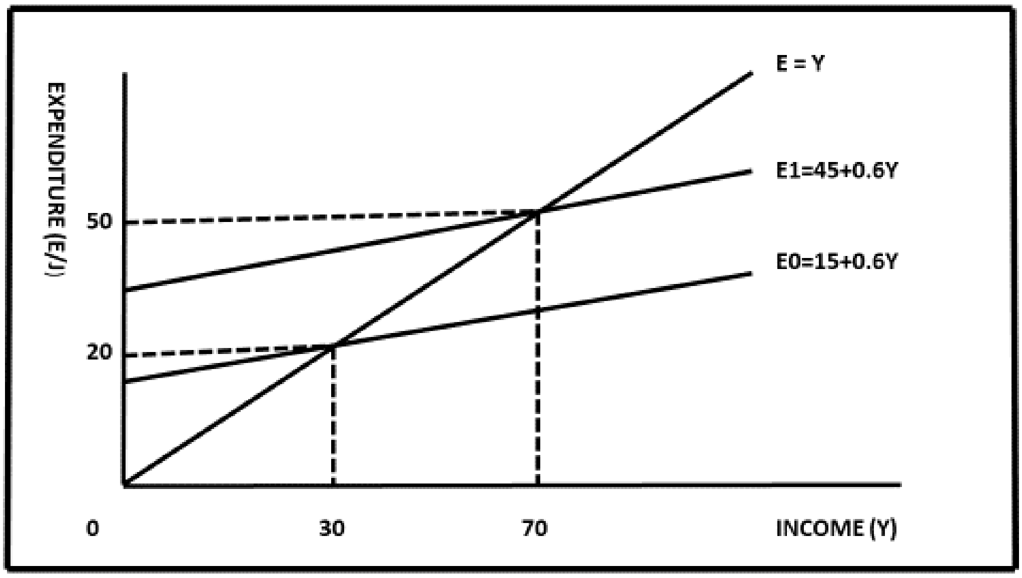
____ (2)

2.2.5 If the government charges an income tax rate of 18%, what will be the amount collected from tax represented by the letter A? Show all your calculations.

(4)

2.3 Study **Diagram 2** below and answer the questions that follow.

Diagram 2: The multiplier



2.3.1 Define the economic concept the *multiplier.*

(2)

2.3.2 Identify the original consumption function on the diagram.

(2)

2.3.3 Give the marginal propensity to consume (mpc) from the above diagram.

(2)

2.3.4 Differentiate between *autonomous* and *induced* government *consumption*.

(4)

2.3.5 Briefly explain how an increase in the marginal propensity to consume influences the value of the multiplier.

(2)

2.3.6 Using the formula ΔY / ΔJ, calculate the value of the multiplier for the diagram on the previous page. Show all calculations.

(4)

2.3.7 Calculate the value of the multiplier if the marginal propensity to save is 0,4. Show all calculations.

(2)

[50]

QUESTION 3 MICROECONOMICS

3.1 Study **Extract 1** below and answer the questions that follow.

Extract 1: Imperfect markets

[Source: <www.googleimages.co.za>]

3.1.1 Identify one firm that represents an oligopolistic market from the above information.

____ (2)

3.1.2 Briefly describe the term *oligopoly*.

____

____

____

____ (2)

3.1.3 Briefly explain why oligopolistic competitors prefer to use non-price competition.

(2)

3.1.4 Explain why entry into the monopoly market is regarded as difficult.

(4)

3.1.5 Briefly explain why prices in a monopolistically competitive market are lower than the prices of a monopoly.

(2)

3.1.6 Explain TWO characteristics of a perfectly competitive market.

(4)

3.2 Describe why externalities are regarded as a cause of market failure. Provide an example of a positive and a negative externality.

(4)

3.3 3.3.1 Explain the concept of a public good and also explain why it can lead to market failure. Provide two examples of public goods.

(4)

3.3.2 Describe how incomplete information can result in market failure for producers and consumers. Use an example to illustrate your explanation.

(4)

3.3.3 Explain why monopoly power can result in inefficiencies in resource allocation.

(4)

3.4 State the law of diminishing marginal utility.

(2)

3.5 3.5.1 Explain, in terms of price elasticity of demand, why a rise in the price of salt has little effect on the quantity sold.

(2)

3.5.2 Using your knowledge of price elasticity, discuss how increasing the price by 20%, in a market structure such as the one in which KFC operates may influence its profit.

(4)

3.6 Study **Source 1** and answer the questions that follow.

Source 1: Cross Price Elasticity of Demand

'The price of DVD players decreases by 20% and the sale of DVDs increases by 33% in a year.'

3.6.1 Calculate the cross-price elasticity of demand for **Source 1** above. Show all calculations.

(4)

3.6.2 Indicate whether the goods are complements or substitutes.

(2)

3.6.3 Draw a graph that shows a perfectly inelastic demand curve.

(2)

3.6.4 Provide TWO examples of products whose demand is perfectly inelastic.

(2)
[50]

QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 Study **Source 2** and answer the questions that follow.

Source 2: Interest rates

Fed Leaves Interest Rates Unchanged as 'Inflation Risks' Persist

Fed Chair Powell says his confidence in inflation moving back down is lower than before. The Federal Reserve left interest rates unchanged at their highest levels in 23 years as monetary policymakers have observed 'a lack of further progress' toward the central bank's 2 percent inflation target.

[Source: <www.theepochtimes.com>]

4.1.1 Define the economic term *interest rate*.

(2)

4.1.2 Discuss the relationship between interest rates and inflation.

(4)

4.2 **Identify the concepts defined below.**

4.2.1 Inflation that excludes mortgage bond interest rates.

(2)

4.2.2 Price increases based on the basket of goods and services selected by StatsSA but excluding prices that often change (meat, fruit and vegetables) and municipal rates and fuel.

(2)

4.2.3 Occurs when high inflation is combined with high unemployment rate and low economic growth.

(2)

4.2.4 A decreasing rate of inflation when prices are still increasing but at a slower rate than before.

(2)

4.2.5 Measures changes in the prices of manufactured goods when they leave the factory gate.

(2)

4.3 **'Inflation causes a redistribution of income and wealth depending on people's positions. There are *losers and winners*.'**

4.3.1 Discuss ONE loser and ONE winner when inflation is high.

(4)

4.3.2 Explain the extent to which a country's Monetary and Fiscal authorities can use monetary and fiscal policies to reduce inflation.

(14)

4.4 Study **Source 3** below and answer the questions that follow.

Source 3: Petrol prices

Painful petrol, diesel price hikes confirmed for Wednesday

Petrol and diesel prices will both be hiked on Wednesday. Unleaded petrol of both grades (93 and 95) will rise by R1,21 a litre, bringing the Gauteng (inland) price of 95 unleaded petrol to R24,45 a litre, while the coastal price will reach R23,73. This leaves the Gauteng (inland) wholesale price at R22,41, with the coastal price rising to R21,69.

South African fuel prices are largely determined by international oil costs and the rand exchange rate, as oil is priced in dollars. This jump, according to the Department of Mineral Resources and Energy, was due to continued production cuts by oil cartel OPEC+, extremely cold weather affecting production from North America, and continued tension in the Red Sea, which added to the geopolitical risk premium on shipping costs. The rand weakened from R18,77/$ to R19,20/$ over the past month.

[Source: <www.news24.com>]

4.4.1 Briefly explain why coastal fuel prices are generally lower than elsewhere in a country.

(2)

4.4.2 What does the acronym OPEC+ stand for?

(2)

4.4.3 Identify TWO factors from **Source 3** that contributed to an increase in the price of fuel.

(2)

4.4.4 Use a clearly labelled diagram to show the effect of the naira weakening from N1490,77/$ to N1515,90/$ using the direct method.

(6)

4.4.5 Distinguish between an appreciation and revaluation of a currency.

(4)

[50]

QUESTION 5 MIXED QUESTIONS

5.1 Study **Table 4** below and answer the questions that follow.

Table 4: Balance of Payments

Current account	**2023: $ millions**
Merchandise exports	**1 286 047**
Net gold exports	**108 299**
Service receipts	**121 073**
Income receipts	**122 120**
(Less): Merchandise imports	**1 109 459**
(Less): Service payments	**160 422**
(Less): Income payments	**216 319**
Current transfers	**–43 135**
Balance on the current account	**108 204**

5.1.1 Briefly describe the economic concept *balance of payments*.

____

____

____

____ (2)

5.1.2 Identify the item that represents money sent between countries as gifts.

____ (2)

5.1.3 Name the FOUR main accounts in the balance of payments.

____

____

____

____ (4)

5.1.4 Briefly explain what a positive balance (surplus) on the current account indicates of a country's economy.

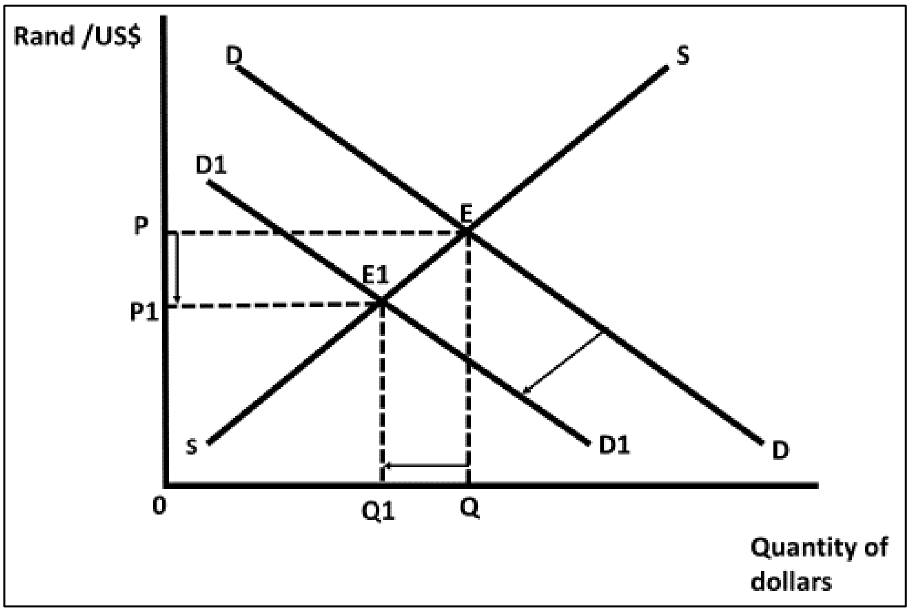
(2)

5.1.5 Calculate the trade balance. Show all calculations.

(4)

5.2 Study **Diagram 3** below and answer the questions that follow.

Diagram 3: Foreign exchange market



5.2.1 With reference to **Diagram 3** above, interpret the effect of the decrease in the demand for US dollars on the value of the rand.

(4)

5.2.2 Distinguish between a fixed exchange rate and free-floating exchange rate and list examples of each.

(6)

5.2.3 Briefly explain how an increased supply of rands influences the price of the rand.

(2)

5.2.4 Provide TWO reasons that can cause an increase in the supply of a country's currency.

(4)

5.2.5 Discuss FOUR reasons, with headings and relevant examples, why countries trade.

(12)

5.3 Study **Table 5** and answer the questions that follow.

Table 5: Business growth and related costs

Number of workers	Cost of capital	Total cost (TC)	Marginal cost (MC)
0	80	0	0
1	80	6	6
2	80	13	**C**
3	80	21	8
4	80	**A**	4
5	80	31	6
6	80	**B**	2
7	80	34	**D**
8	80	33	-1
9	80	31	**E**
10	80	28	

5.3.1 Identify the column that represents the variable costs.

(1)

5.3.2 Identify the column that represents the fixed costs.

(1)

5.3.3 Provide a name for the period of time during which at least one of the inputs in a production process is fixed.

(1)

5.3.4 Calculate the missing values A–E. You do not have to show your calculations.

(5)
[50]

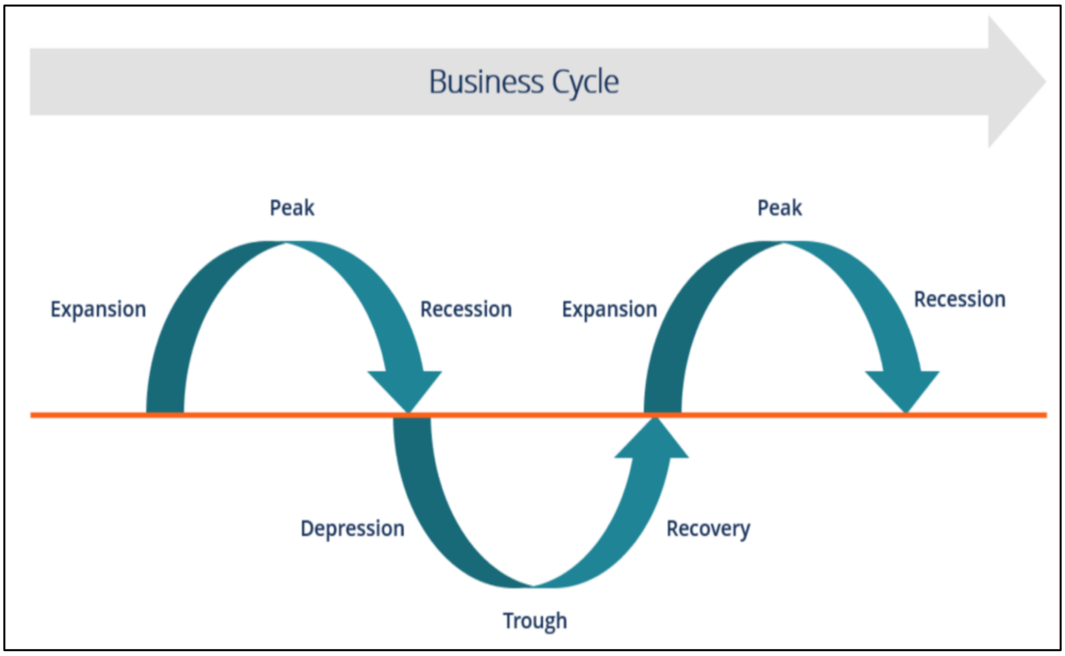
200 marks

SECTION C

QUESTION 6 DATA RESPONSE

6.1 Study **Extract 2** below and answer the questions that follow

Extract 2: Business Cycle



6.1.1 Identify the phase where the following key indicators of economic activity would occur **on the business cycle above**.

(a) High demand for credit

____ (2)

(b) Increase in imports

____ (2)

(c) Bank repossessions of houses and cars, many businesses shut down

____ (2)

(d) Depreciation of the country's currency

____ (2)

(e) Consumption spending by households starts to drop

____ (2)

6.1.2 Differentiate, with the aid of appropriate examples, exogenous and endogenous explanations for why business cycles occur.

(8)

6.2 Study **Source 4** below and answer the questions that follow.

Source 4: Minimum prices

> **'European farmers say they're being short-changed by Big Food. Is a price floor the answer?'**
>
> Minimum prices would address farmers' concerns that they are being short-changed by buyers. But it would be a recipe for overproduction.

[<www.politico.eu>]

6.2.1 Define the economic term *minimum price/price floor.*

(2)

6.2.2 Draw a clearly labelled diagram to illustrate the impact of a minimum price/price floor in the market.

(6)

6.2.3 Evaluate the usefulness of minimum prices/price floors for producers and consumers.

(8)

6.3 Study **Source 5** below and answer the questions that follow.

Source 5: Economic Growth and Development

'Africa free trade area may lift 50 million people out of extreme poverty, says IMF'

Africa's continent-wide free-trade area, if successfully implemented, could significantly boost economic growth and improve living standards at a time of rising geopolitical tensions and climate change, the International Monetary Fund said in a study.

[www.newzimbabwe.com]

6.3.1 Discuss the difference between economic growth and economic development.

____

____

____

____

____

____

(4)

6.3.2 What does the acronym HDI stand for?

____

(1)

6.3.3 Name the components that make up the HDI.

____

____

____

____

(3)

6.3.4 Explain any TWO advantages of free trade.

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____

____

____

____

____

(4)

6.3.5 Describe the following economic terms:

(a) Import substitution

(2)

(b) Export promotion

(2)

50 marks

Total: 300 marks

ADDITIONAL SPACE (ALL QUESTIONS)

REMEMBER TO CLEARLY INDICATE AT THE QUESTION THAT YOU USED THE ADDITIONAL SPACE TO ENSURE THAT ALL THE ANSWERS ARE MARKED.