



ISIXHAKA-NATAL PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA



**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS
MARCH COMMON TEST
MARCH 2022**

MARKS: 100

TIME: 1 ½ hours

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This question paper consists of 10 pages.

INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows:
 - SECTION A: COMPULSORY
 - SECTION B: Answer any ONE question from this section.
 - SECTION C: Answer any ONE of the two questions.
2. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of each question above each answer.
4. Read the questions carefully and start EACH question on a new page.
5. Leave at least ONE line between subsections of each question.
6. Start each question on a new page.
7. Answer questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
8. Answer ONLY the required number of questions. Answers in excess of the required number will NOT be marked.
9. Use ONLY blue or black ink.
10. Non-programmable pocket calculators may be used.
11. Write legibly and present your work neatly.

SECTION A: COMPULSORY**QUESTION 1****20 MARKS – 15 MINUTES**

1.1. Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A-D) next to the question number (1.1.1-1.1.8) in the ANSWER BOOK, for example 1.1.9. D.

1.1.1 The total value of all spending by households on goods and services is known as ... spending.

- A. government
- B. investment
- C. export
- D. consumption

1.1.2 Business cycles that are caused by the changes in the building and construction industry are called ... cycles.

- A. Kitchin
- B. Jugler
- C. Kuznets
- D. Kondratief

1.1.3 The public sector that is responsible for the overall running of the country is called ... government.

- A. provincial
- B. national
- C. local
- D. international

1.1.4 The difference between merchandise imports and exports is referred to as trade ...

- A. balance
- B. surplus
- C. deficit
- D. neutrality

1.1.5 A tax system that is used in South African to ensure equitable distribution of income is known as...tax system

- A. regressive
- B. proportional
- C. flat
- D. progressive

(5 x 2) (10)

- 1.2. Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A-I) next to the question numbers (1.2.1. to 1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1. Injections	A. A contraction in the level of economic activity.
1.2.2. Real flow	B. Factors that originate outside the market system.
1.2.3. Economic depression	C. State-owned enterprises that provide public goods on behalf of government.
1.2.4. Parastatals	D. A country produces a good or service at lowest costs than other countries.
1.2.5. Exchange rate	E. The movement of goods and services from firms to households.
1.2.6. Absolute advantage	F. The introduction of income into the economy in the form of investment, government spending and exports.
	G. The price of one national currency in terms of another currency.

(6 x 1)

- 1.3 Give ONE term for EACH of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples WILL NOT be accepted.

1.3.1 A small initial increase in spending produces a proportionately larger increase in aggregate national income.

1.3.2 The price of an alternative that must be forgone to pursue a certain action.

1.3.3 An attempt by interest groups to influence government behaviour to their advantage.

1.3.4 Independent factors that can influence the business cycle from outside economy.

(1X4) (4)

TOTAL SECTION A: 20

SECTION B

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

QUESTION 2: MACROECONOMICS

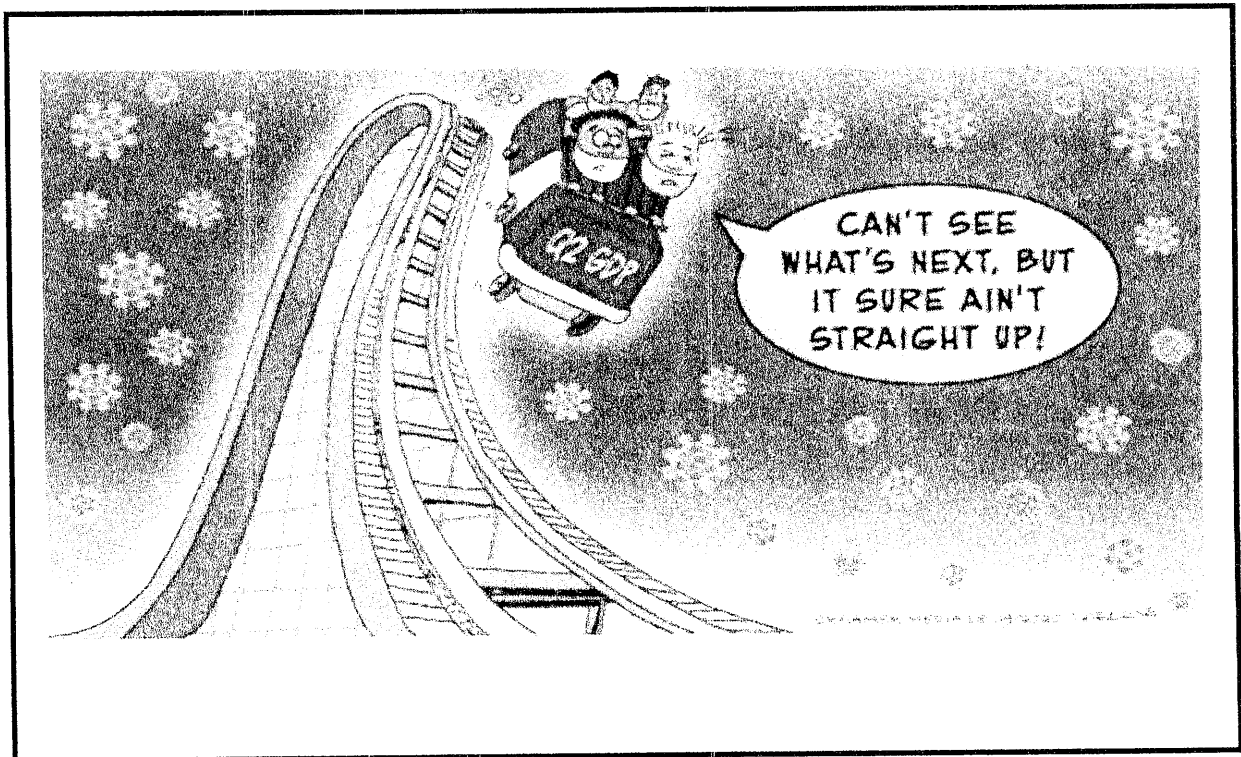
40 MARKS – 30 MINUTES

2.1. Answer the following questions.

2.1.1 Name TWO instruments of the fiscal policy. (2x1) (2)

2.1.2. What is the impact of a recession on the economy? (1x2) (2)

2.2. Study the picture below and answer the questions that follow.



2.2.1. Identify the example of lagging indicators shown above. (1)

2.2.2. Which economic trend is depicted on the above cartoon? (1)

2.2.3. Briefly describe the term *business cycle*. (2)

2.2.4. Explain the impact of decreasing taxes on the economy. (2)

2.2.5 Why is it important for the government to forecast the economy of the country? (2x2) (4)

[10]

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

BUDGET 2022 IN A NUTSHELL

The Minister of Finance warned that government debt was dangerous. It has reached R4.3 trillion and is projected to rise to R5.4 trillion over the medium term. On average, 20 cents of every rand collected in government revenue is now being spent on debt repayments, which is crowding out spending on health and basic education.

Adopted from : Fin 24 February 2022

- 2.3.1. Identify the fiscal instrument that is discussed above. (1)
- 2.3.2. Name the government department that is responsible for budgeting. (1)
- 2.3.3. Briefly describe the term *Medium-term Expenditure Framework*. (2)
- 2.3.4. What is the negative impact of a budget deficit on service delivery? (2)
- 2.3.5. Why is it important for government departments to account for the use of public funds? (2x2) (4)
- [10]**
- 2.4. Discuss *exchange rate stability and equitable distribution of income as macroeconomic objectives of the state*. (4x2) (8)
- 2.5. How can the government use supply-side policies to smooth out fluctuation in the economy? (8)
- [40]**



QUESTION 3: MACRO-ECONOMICS**40 MARKS – 30 MINUTES**

3.1. Answer the following questions.

3.1.1. Name TWO turning point of business cycle. (2x1) (2)

3.1.2. What is the impact of high tax rate on tax payers? (2)

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

RESERVE BANK REPO RATE TO 3, 75%

The REPO rate will increase by 25 basis to 3, 75%, South African Reserve Bank governor announced. This means that the prime lending rate of commercial banks will increase to 7, 25%. The move to hike the rate comes with an increasing concerns around higher inflation and follows the conclusion of the SARSs last Monetary Policy Committee (MPC) meeting of the year.

Adopted from: News24, 18 November 2021

3.2.1 Identify the monetary instrument discussed on the extract above. (1)

3.2.2 Name the institution that is responsible for monetary policies. (1)

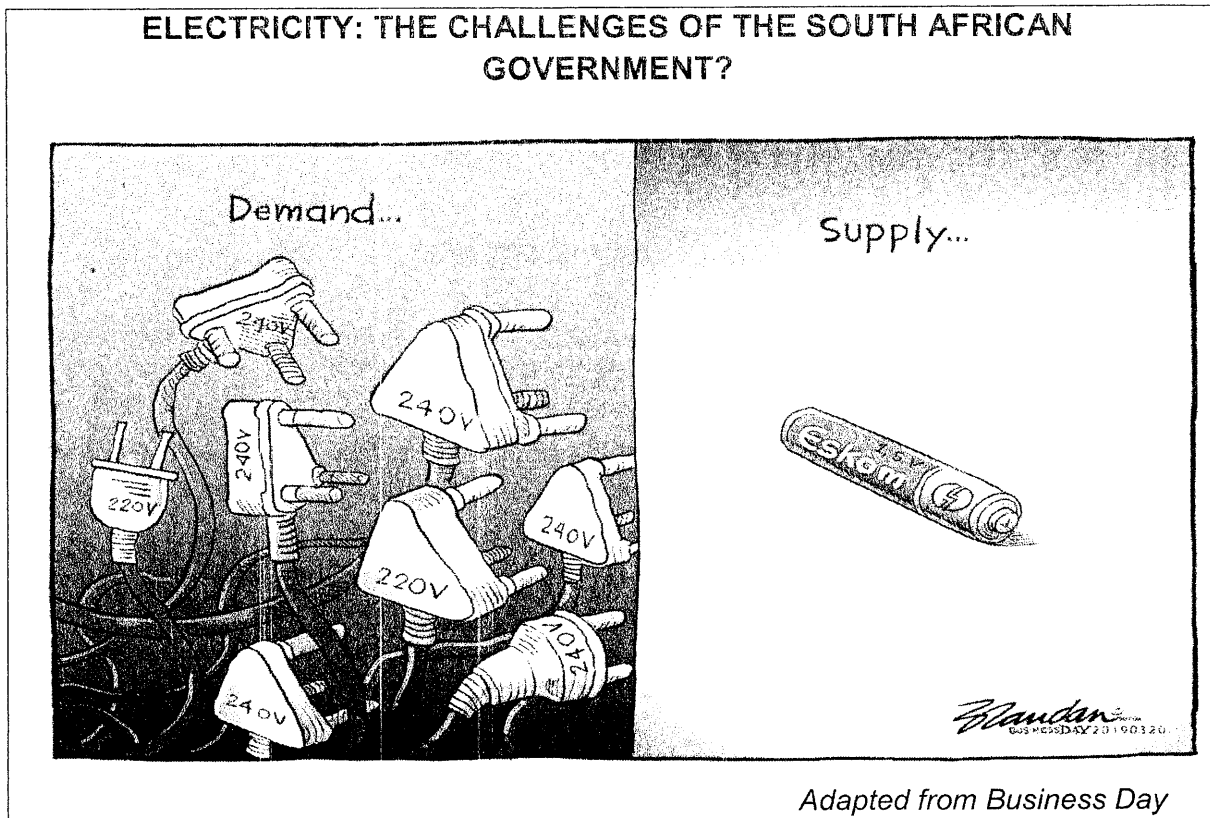
3.2.3 Briefly describe the term *cash reserve requirements*. (2)

3.2.4 What is the positive impact of increasing money supply in the economy? (2)

3.2.5 What role does the government play in discouraging the use of demerit goods? (2x2) (4)

[10]

3.3. Study the cartoon below and answer questions that follow.



- 3.3.1. Identify the parastatal shown above (1)
- 3.3.2. Name the government department responsible for the provision of electricity. (1)
- 3.3.3. Briefly describe the term *community goods*. (2)
- 3.3.4. Explain the negative impact of giving bailouts to state-owned enterprises on the economy. (2)
- 3.3.5. How does bureaucracy contribute to public sector failure? (2x2) (4)
- [10]
- 3.4. Discuss *moving averages* and *length* as tools to smoothen economic fluctuations. (4x2) (8)
- 3.5. How can full employment be achieved as a macroeconomic objective of the state? (8)
- [40]
- TOTAL SECTION B: 40**

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.
Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction</p> <p>The introduction is a lower order-response</p> <ul style="list-style-type: none"> ● A good starting point would be to define the main concept related to the question topic. ● Do not include any part of the question in your introduction. ● Do not include any part of the introduction in your body. ● Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body</p> <p>Main part: Discuss in detail/ In depth discussion/ Examine/ Critically discuss/ Analyse/ Compare/ Evaluate/ Distinguish/Differentiate/ Explain.</p> <p>Additional part: Give own 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</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion</p> <p>Any high-order conclusion should include:</p> <ul style="list-style-type: none"> ● A brief summary of what has been discussed without repeating facts already mentioned. ● 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. 	Max. 2
TOTAL	40

QUESTION 4: MACRO-ECONOMICS

MARKS – 40 MINUTES

- Discuss in detail the markets within the four sector model. (26)
- How can government use fiscal policy to stimulate economy? (10)

[40]

QUESTION 5: MACRO-ECONOMICS

MARKS – 40 MINUTES

- Discuss in detail the reasons for international trade. (26)
- How can the South African government promote trade? (10)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 100





KWAZULU-NATAL PROVINCE

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GRADE 12

ECONOMICS
COMMON TEST
MARCH 2022
MARKING GUIDELINES

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MARKS: 100

This marking guideline consists of 15 pages.

SECTION A: COMPULSORY**QUESTION 1****20 MARKS – 15 MINUTES****1.1. MULTIPLE CHOICE**

- 1.1.1 D (consumption) ✓ ✓
- 1.1.2 C (Kuznets) ✓ ✓
- 1.1.3 B (national) ✓ ✓
- 1.1.4 A (balance) ✓ ✓
- 1.1.5 D (progressive) ✓ ✓

(5 x 2) (10)

1.2 MATCHING ITEMS

- 1.2.1 F - The introduction of income into the economy in the form of investment, government spending and exports. ✓
- 1.2.2 E - The movement of goods and services from firms to households. ✓
- 1.2.3 A - A contraction in the level of economic activity. ✓
- 1.2.4 C - State-owned enterprises that provide public goods on behalf of government. ✓
- 1.2.5 G - The price of one national currency in terms of another currency. ✓
- 1.2.6 D - A country produces a good or service at lowest cost than other countries. ✓

(6 x 1) (6)

1.3 CONCEPTS

- 1.3.1 Multiplier ✓
- 1.3.2 Opportunity cost ✓
- 1.3.3 Rent-seeking ✓
- 1.3.4 Exogenous explanation ✓

(1 x 4) (4)

SECTION B

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

QUESTION 2: MACROECONOMICS**40 MARKS – 30 MINUTES**

2.1. Answer the following questions.

2.1.1 **Name TWO instruments of the fiscal policy.** (2 x 1) (2)

- Government spending✓
- Taxation✓
- Public debt✓

2.1.2. **What is the impact of a recession on the economy?** (1 x 2) (2)

- Recession is associated with a high unemployment rate hence lowering the standard of living and increased dependency rate to the government.✓✓
- During a recession consumer spending decreases thereby resulting to businesses becoming less profitable and consequently shutting-down. ✓✓

(Accept any other relevant and correct response)

2.2. **DATA-RESPONSE**

2.2.1. **Identify the example of lagging indicators shown above.** (1)

Real GDP✓ / Q2 GDP✓/GDP

2.2.2. **Which economic trend that is depicted on the above cartoon?** (1)

Downturn✓/ downswing✓/ downwards✓/ negative✓/ decline✓/
Contraction/Recession

2.2.3. **Briefly describe the term *business cycle*.** (2)

Business cycle is a successive periods of increasing or decreasing economic activities.✓✓

(Accept any other relevant and correct response)

2.2.4. Explain the impact of decreasing taxes in the economy? (2)

- Consumers will have a larger part to their income available to spend on goods and services thereby increasing aggregate demand.✓✓
- Producers will spend more on capital goods thereby stimulating the economy.✓✓

(Accept any other relevant and correct response)

2.2.5. Why is it important for the government to forecast the economy of the country? (2 x 2) (4)

- The government use predictions to make informed decisions when undertaking policy planning.✓✓
- Economic forecasting is used by the government to determine how to allocate the resources of the state.✓✓
- Economic forecasting help the government to determine the financial state of the country.✓✓

(Accept any other relevant and correct response)

[10]

2.3. DATA-RESPONSE**2.3.1. Identify the fiscal instrument that is discussed above. (1)**

State debt✓ / government debt✓ / public debt✓

2.3.2. Name the government department that is responsible for budgeting. (1)

National treasury✓ / Department of finance✓

2.3.3. Briefly describe the term *Medium-term Expenditure Framework* (2)

The Medium-term Expenditure Framework is a system of budgeting which require the state to use a rolling budget and set budgets for a three-year period.✓✓

(Accept any other relevant and correct response)

2.3.4. What is the negative impact of a budget deficit on service delivery? (2)

- A budget deficit comes with a high level of debt for the government thus retarding the efficiency of the state when it comes to the provision of public goods and services.✓✓
- A shortfall in government revenue means that some public servants lose their jobs which slow down service delivery thus causing community members to become disgruntled and consequently service delivery protests may arise.✓✓

(Accept any other relevant and correct response)

2.3.5. Why is it important for government departments to account for the use of public funds? (2 x 2) (4)

- Government departments are there to serve the people and therefore they have the responsibility to show that they are acting in the interest of the people they serve. ✓✓
- Government departments need to be transparent about state funds so that a good relationship with the public can be maintained. ✓✓
- Accountability sessions by government departments are used to monitor whether the state is able to achieve its objectives. ✓✓

(Accept any other relevant and correct response)

2.4. Discuss exchange rate stability and equitable distribution of income as macroeconomic objectives of the state. (4 x 2) (8)

Exchange rate stability

- The state tries to protect the country's currency from excess depreciation and appreciation. ✓✓
- Depreciation and appreciation creates uncertainty for producers and investors and should therefore be limited. ✓✓
- Monetary and fiscal policies are used to ensure that exchange rates remain relatively stable for as long as possible. ✓✓

(Accept any other relevant and correct response)

Equitable distribution of income

- Redistribution of income and wealth is essential, South Africa uses a progressive income tax system – taxation on profits, taxation on wealth, capital gains tax and taxation on spending, are used to finance free services. ✓✓
- Free social services are basic education; primary health and to finance basic economic services e.g. Cash grant to the poor, child grants and cash grants to vulnerable people, disability grants. ✓✓
- Progressive taxation means that the higher income earners pay higher/more taxation. ✓✓

(Accept any other relevant and correct response)



2.5. How can the government use supply-side policies to smooth out fluctuations in the economy? (8)

- The government can reduce the cost of production by cutting taxes and giving subsidies thus allowing producers to generate income and creating new jobs. ✓✓
- Government spending can be channelled towards infrastructural development and technological development thereby improving economic growth. ✓✓
- The government can improve the quality of human resources by implementing training and education programmes which will consequently increase the overall efficiency of resources. ✓✓ It can promote exportation of goods and services thus earning foreign income for the country. ✓✓
- The government can promote competition by implementing competition laws therefore making markets accessible to everyone. ✓✓

(Accept any other relevant and correct response)

[40]

QUESTION 3: MACRO-ECONOMICS

40 MARKS – 30 MINUTES

3.1. Answer the following questions.

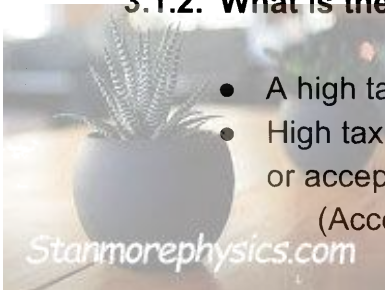
3.1.1. Name TWO turning point of business cycle. (2 x 1) (2)

- Trough ✓
- Peak ✓

3.1.2. What is the impact of high tax rate on tax payers? (2)

- A high tax rate will promote tax evasion. ✓✓
- High tax rate discourage people from entering the labour market or accepting promotions. ✓✓

(Accept any other relevant and correct response)



3.2. DATA-RESPONSE**3.2.1. Identify the monetary instrument discussed on the extract above. (1)**

Repo rate ✓ / Repurchase rate ✓

3.2.2. Name the institution that is responsible for monetary policies. (1)

South African Reserve bank ✓ / SARB ✓

3.2.3. Briefly describe the term *cash reserve requirements*. (2)

Cash reserve requirements are the amount of funds that a bank holds in reserve to ensure that it is able to meet liabilities in case of sudden withdrawal. ✓ ✓

(Accept any other relevant and correct response)

3.2.4. What is the positive impact of increasing money supply on the economy? (2)

- An increase in the supply of money will consequently result to an increase in aggregate demand hence a concurrent increase in profit earnings of businesses. ✓ ✓
- When money supply increases, the economy is stimulated thereby causing efficiency of the markets and a fast economic growth rate can be experienced. ✓ ✓

(Accept any other relevant and correct response)

3.2.5. What role does the government play in discouraging the use of demerit goods? (2 x 2)(4)

- The government reduce consumption of demerit goods by levying of excise duties on demerit goods ✓ ✓
- The government raise awareness about the negative impact on the use of demerit goods through campaigns. ✓ ✓
- The government pass laws and regulations to limit consumption of these goods to decrease their harmful effect on society. ✓ ✓

(Accept any other relevant and correct response)

3.3. DATA-RESPONSE

3.3.1. Identify the parastatal shown above. (1)

ESKOM ✓

3.3.2. Name the government department responsible for the provision of electricity. (1)

Department of energy ✓

3.3.3. Briefly describe the term *community goods*. (2)

Community goods refer to non-excludable goods that everyone can use whether they are prepared to pay for them or not. ✓ ✓

(Accept any other relevant and correct response)

3.3.4. Explain the negative impact of giving bail-outs to state-owned enterprises on the economy. (2)

- Bail-outs that the government give to state owned enterprises increase government expenditure thus retarding the ability of the state to focus on its macroeconomic objectives. ✓ ✓
- Giving bail-outs to state owned enterprises shift the focus of state resources away from development. ✓ ✓

(Accept any other relevant and correct response)

3.3.5. How does bureaucracy contribute to public sector failure? (4)

- The prevalence of bureaucracy allows certain individuals (bureaucrats) to obey rules and regulations and compromise service delivery. ✓ ✓
- Official rules and procedures which are time consuming and hamper productivity are put to place as red tape to benefit certain individuals. ✓ ✓
- Individuals and enterprises influence government to act in their interests and not of that of the public that they serve. ✓ ✓

(Accept any other relevant and correct response)

3.4. Discuss *moving averages* and *length* as tools to smoothen economic fluctuations.

Moving averages

- Moving averages are statistical tools used to analyse the changes that occur in a series of data over a certain period of time. ✓ ✓
 - It repeatedly calculates a series of different average values over a long time series. ✓ ✓
 - By calculating a moving average, a forecaster is able to smooth out minor fluctuations in a data series thus making it easy to spot trends. ✓ ✓
- (Accept any other relevant and correct response)

Length

- The length refers to the amount of time it takes to move through one complete cycle. ✓ ✓
 - It is a horizontal measurement of business cycles from peak to peak or trough to trough. ✓ ✓
 - It is important to know the length as it indicates the strength of the economy. ✓ ✓
- (Accept any other relevant and correct response)

3.5. How can full-employment be achieved as a macroeconomic objective of the state?

- The state can invest on capacity building by implementing skills development projects which will equip communities with skills which make them to be employable. ✓ ✓
- The government can use incentives such as tax reduction and subsidies to encourage the business sector to create jobs. ✓ ✓
- It can implement initiatives meant to inspire small business development which will create job opportunities for local communities. ✓ ✓
- Government spending can be focused on infrastructural development while strategically creating job opportunities e.g. EPWP. ✓ ✓
- The state can initiate youth employment programs to promote the employment of young people. ✓ ✓

(Accept any other relevant and correct response)

[40]

TOTAL SECTION B: 40



SECTION C**QUESTION 4: MACRO-ECONOMICS****MARKS – 40 MINUTES****Discuss in detail the markets within the four-sector model.****(26)****Introduction:**

A market is defined as any contact or communication between actual or potential buyers and actual and potential sellers of goods and services. ✓ ✓

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(Accept any other relevant correct introduction)

(2)

Body**Main part:****1. The Product/ goods market ✓**

- Goods and services are traded in the product market. All participants purchase these goods and services in the product market. ✓ ✓
- Goods are defined as tangible items (such as food, clothing and cars) that satisfy some human wants or need. ✓ ✓
- Services are non-tangible actions (such as cleaning services, medical care, etc.) that satisfy human wants or need. ✓ ✓
- Non-durable goods are those items which are used up when they are consumed and cannot be re-used, for example, cool drink, petrol and electricity. ✓ ✓
- Semi-durable goods lasts a short period of time and can be used more than once. ✓ ✓
- Durable goods can be used over again and do not wear out very easily e.g. vehicles ✓ ✓
- Households purchase consumer goods for consumption and businesses purchase capital goods for use in the production process. ✓ ✓

2. The Factor/ Resources market ✓

- The four factors of production are traded for income in form of wages/ salaries, interest, economic rent and profit in this market. ✓ ✓
- Businesses purchase the factors of production from the households in the factor market. ✓ ✓
- The price and quantity traded is also determined by interaction between supply and demand. ✓ ✓
- The factor market can be further sub-divided into markets in which different factors of production like labour, property and financial market. ✓ ✓

3. The financial market ✓

- The financial market serves those who wish to save and those who wish to borrow. ✓ ✓
- The money, capital and foreign exchange markets are part of the financial market. ✓ ✓
- This sector represents financial institutions who are not directly involved in the production of goods and services but are a link between participants in the economy with surplus money and participants who require funds. ✓ ✓
- Households make their financial capital available to the financial sector in the form of savings. ✓ ✓
- The financial sector in turn makes financial capital available to firms through investments. ✓ ✓

a.) Money market ✓

- This is used by participants as a means for borrowing and lending in short term, from a few days to just less than 3 years. ✓ ✓
- The South African Reserve Bank is a key institution in the money market. ✓ ✓

b.) Capital market ✓

- This is a financial market where individuals and institutions trade financial securities in the long-term, which is 3 years and above. ✓ ✓
- The JSE is the key institution in the capital market. ✓ ✓

4. The foreign exchange market ✓

- In an open economy, foreign currency is needed to facilitate transaction between countries. ✓ ✓
- It is on this market that one currency can be exchanged for another. ✓ ✓
- The amount that is received in this exchange is known as exchange rate. ✓ ✓
- The exchange rates are normally determined by the interaction between supply and demand. ✓ ✓
- They are sometimes influenced by the Reserve bank. ✓ ✓
- Foreign currency can be acquired through commercial banks. ✓ ✓

(Accept any other relevant and correct response)

(Max. 26)

(Mark sub-headings and examples to a maximum of 8 marks)

Additional part:**How can government use fiscal policy to stimulate the economy?**

The government can increase government spending thereby creating jobs

through the development of infrastructure and this stimulates the aggregate demand and level of production. ✓ ✓

- The government can provide public goods and services to kick the multiplier thus stimulating economic growth. ✓ ✓
- South African government spends large sums of money on education to improve the quality of labour and productive capacity of the country. ✓ ✓
- The government revenue can be used to provide incentives to promote new and developing businesses, this improves efficiency of markets. ✓ ✓
- Security grants (transfer payments) given to households increase disposable income then increase aggregate demand. ✓ ✓
- The government can influence the total demand and spending by cutting taxes to increase disposable income. ✓ ✓

(Accept any other relevant and correct response)

(10)

Conclusion:

Markets play a significant role in the circular flow as they determine prices and have signals to participants about the scarcity of resources. ✓ ✓

(Accept any other relevant correct conclusion)

(2)

[40]

QUESTION 5: MACRO-ECONOMICS**MARKS – 40 MINUTES****Discuss in detail the reasons for international trade.****(26)****How can the South African government promote trade?****(10)****Introduction:**

Countries may have a surplus of some goods and a shortage of other goods and they will trade in order to correct the imbalances. ✓ ✓

(Accept any other relevant and correct introduction)

Body:**Main part:****1. Supply reasons****1.1 The availability of natural resources ✓**

- Natural resources are unevenly distributed across all countries in the world. ✓ ✓
- They vary from country to country and can only be exploited in places where these resources exist. ✓ ✓
- A country may be richly endowed with different natural resources but less endowed with skilled labour and capital. ✓ ✓

1.2 Availability of labour resources ✓

- Labour differs from country to country in terms of skills, knowledge, training, quality and cost between them. ✓ ✓
- Some countries have highly skilled, well-paid workers and high productivity levels. ✓ ✓
- Skills drain occurs when the labour force migrate to countries where labour resources are highly remunerated. ✓ ✓

1.3 Availability of capital ✓

- Some countries need to modernise their industries and economies with advanced machinery, equipment and plant but cannot manufacture this equipment because they lack capital to do so. ✓ ✓
- This has increased the need for international trade. ✓ ✓

1.4 Lack of entrepreneurship ✓

- Countries that have good entrepreneurship skills offer more goods and services for trade. ✓ ✓
- Efficiency determines the supply of goods and services produced at lower prices and reduce the opportunity cost of acquiring them. ✓ ✓

1.5 Climatic conditions ✓

- Climatic conditions make it possible for some countries to produce certain goods at a lower price than other countries. ✓ ✓
- E.g. Brazil is the biggest producer of coffee. ✓
- Countries have different climatic conditions and are therefore able to produce different products. ✓ ✓

1.6 Technological resources ✓

- The development levels and innovation processes of countries will always differ as a result other countries may have them in abundance while others are not. ✓ ✓
- Countries like Germany are able to use capital that embodies high levels of technology while other countries do not have access to the latest technology. ✓ ✓
- These countries that have high technological labour force are able to produce certain goods and services at a low unit cost. ✓ ✓

1.7 Specialisation ✓

- The production of certain goods and services allows some countries to produce them at a lower cost than others. ✓ ✓
- E.g. Japan produces electronic goods and sells them at a lower price. ✓ ✓
- International trade enables countries to specialise in the production of goods and services in which they have a comparative advantage. ✓ ✓
- Most of such surplus production gets exported to other countries and the revenue earned from these exports can be used to finance imports. ✓ ✓

(Accept any other relevant and correct response)

2. Demand reasons

2.1 The size of the population ✓

- An increase in population growth may result to an increase in demand. ✓ ✓
- Local producers may not be able to satisfy this demand. ✓ ✓
- This therefore means that goods and services must be imported from other countries. ✓ ✓

2.2 The population's income levels affect demand ✓

- Changes in income cause a change in the demand for goods and services. ✓ ✓
- An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported. ✓ ✓

2.3 An increase in the wealth ✓

- An increase in the wealth of the population leads to greater demand for goods. ✓ ✓
- People have access to loans and can spend more on luxury goods, many of which are produced in other countries. ✓ ✓

2.4 Preferences and tastes ✓

- Tastes and preferences can play a significant role in determining prices of goods and services. ✓ ✓
- Consumers can have preference over a specific product which is not produced in their country. ✓ ✓
- The particular product will have to be imported and sold at a higher price. ✓ ✓

2.5 The difference in consumption patterns ✓

- Consumption patterns are determined by the level of economic development in the country. ✓ ✓
 - Poorly developed countries will have a high demand for basic goods and services but a lower demand for luxury goods. ✓ ✓
- (Accept any other relevant and correct response)

How can the South African government promote trade?

- Trade can be promoted through improving the infrastructure of the country so that overall efficiency can be achieved. ✓ ✓
- The government can improve international relations so that other countries will be attracted to the country. ✓ ✓
- The country can participate in economic integrations so as to increase demand for exports. ✓ ✓
- The government can enforce the improvement in the quality and quantity of exports. ✓ ✓
- South Africa can adopt policies that promote trade and offer incentives to those who participate. ✓ ✓
- Marketing and promotion of locally manufactured products can improve the image of the country in the international market. ✓ ✓

(Accept any other relevant and correct response)

(10)



Conclusion

The need to integrate shall never become superseded as nations of the world need each other for survival of all and for development purposes. ✓ ✓

(Accept any other relevant and correct conclusion)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 100