

ECONOMICS

GRADE 12

Olympiad Paper

Round Two

Marks: 30

Time: 1 hour

Date: 3 August 2022



Instructions

1. Complete questions on the ANSWER SHEET provided.
2. Complete all information on the ANSWER SHEET.
3. The ANSWER SHEET consist of 4 sections. Please select the correct section/subject.
4. There are 4 possible answers per question (A B C D)
Only one answer is correct.
Colour a circle completely.
5. Good luck!

CIRCULAR FLOW

1. The circular flow model shows the relationship between:
 - A the primary, secondary and tertiary sectors in the economy.
 - B needs and wants in the economy.
 - C what to produce, how to produce, and for whom to produce.
 - D the various role players and their interdependence in the economy.

2. Which one of the following is true with regards to factor markets?
 - A Households employ resources from producers in exchange for factor remuneration.
 - B Households purchase final goods and services from producers as part of final consumption expenditure.
 - C Households sell their factors of production to firms in exchange for wages, interest, profits and rent.
 - D Firms and the government purchase goods for final and intermediate consumption.

NATIONAL AGGREGATES & MULTIPLIER

3. Which one of the following examples is NOT considered to be investment as seen in Economics?
 - A Agnes opens a fixed deposit for a 24-month term to get higher interest on her savings.
 - B Ben, a farmer, rebuilds a storage facility on his farm after it has burned down.
 - C Caroline updates her laptop with the latest version of the computer program she uses to do her job.
 - D Derick builds a new factory to produce personal protective wear.

4. An economist wants to compare the production output of various countries. Which one of the following must she study?
 - A Consumer price index.
 - B Gross domestic product.
 - C Unemployment rate.
 - D Index of leading indicators.

5. Which one of the following would you include when calculating the GDP of a country?
 - A A hairdresser cuts the hair of her children.
 - B A family contributes to the SPCA.
 - C A house is bought by a second owner.
 - D The army buys a new fighter jet.

6. Ethel has started her own business baking birthday cakes. Which of the following would be considered an intermediate good or service for her business?
 - A The baking tins and utensils she bought.
 - B The stove and other small appliances she bought.
 - C The ingredients she bought.
 - D The rent she pays for her workspace.

7. The following reflects the hypothetical economy of Country Z:

Year	Nominal GDP	Index (1990 = 100)	Index (2000 = 100)
1990	R500 000 000	100	(I)
2000	R1 200 000 000	200	100

If 2000 was the base year, the value of the index number indicated as (I) and rounded to the nearest whole number would be _____.

- A 0
- B 42
- C 100
- D 200

BUSINESS CYCLES

8. The South African government announced a decrease of R1.50 per litre in the fuel price as part of their two-month tax holiday initiative. This forms part of a/an _____ policy.
- A restrictive fiscal
 - B expansionary fiscal
 - C restrictive monetary
 - D expansionary monetary
9. The turning points of a business cycle is known as:
- A expansion and peak.
 - B peak and contraction.
 - C contraction and trough.
 - D peak and trough.
10. Which one of the following does not describe a typical characteristic of business cycles?
- A Business cycles vary in duration.
 - B Business cycles vary in intensity.
 - C Business cycles have a set pattern.
 - D Business cycles follow a perfectly timed sequence.

PUBLIC SECTOR

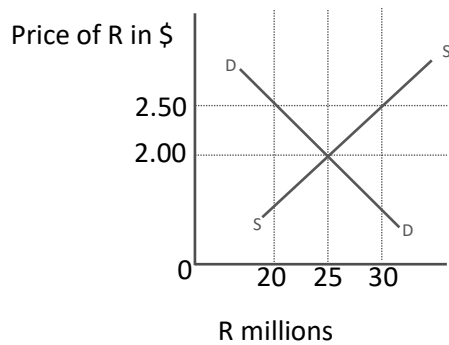
11. South Africa is deemed to have a mixed economy. This means that:
- A both the production sector and the service sector are important components of the economy as a whole.
 - B both labour and capital are major role players in the production of goods and services in the economy.
 - C goods and services are produced by either private or public firms, depending on the profitability of the products produced or services delivered.
 - D the labour force consists of both highly skilled workers and less skilled workers.
12. The transfer of ownership of assets from the public sector to the private sector is known as:

- A parastatal transfers.
 - B subsidies.
 - C nationalisation.
 - D privatisation.
13. The personal income tax system in South Africa is:
- A direct and progressive.
 - B direct and regressive.
 - C indirect and progressive.
 - D indirect and regressive.

INTERNATIONAL TRADE

14. The most compelling reason for trade is that:
- A some countries prefer to focus on the production of one product.
 - B resources are not equally distributed among countries.
 - C the opportunity to make profit is enhanced.
 - D interest rates are not the same in all countries.
15. International trade will most likely result in short-term unemployment in industries that:
- A focus only on national trade.
 - B focus only on international trade.
 - C are competing for imports.
 - D focus on both national and international trade.
16. Which one of the following is NOT a reason for international trade?
- A Production costs in one country is higher than in another country.
 - B Prices in one country are higher than in another country.
 - C The productivity of labour in one country is lower than in another country.
 - D One country gains political advantage over another if they import more and export less.
17. The government implements legislation that would limit the practice of foreign sourcing of motor vehicle parts. This legislation can be best described as:
- A tariff quotas.
 - B export subsidies.
 - C voluntary export quotas.
 - D local content requirement.

18. The following hypothetical graph shows the ZAR which is in equilibrium. What does the South African Reserve Bank have to do to achieve an exchange rate of ZAR1:USD2.50?



- A Buy R5 million.
 B Buy R10 million.
 C Sell R5 million.
 D Sell R10 million.

DYNAMICS OF PERFECT MARKETS

19. Products in this market type are so similar that buyers do not care from which business they buy the product. This scenario best describes:

- A perfect competition.
 B monopolistic competition.
 C monopoly.
 D oligopoly.

20. Marginal profit is calculated as:

Key: MR – Marginal revenue
 MC – Marginal cost
 TR – Total revenue
 TC – Total cost
 Q – Quantity

- A $MR + MC$
 B $MR - MC$
 C $TR + MC/Q$
 D $(TR + TC)/Q$

21. The market demand curve for a perfectly competitive industry is $QD = 24 - 2P$. The market supply curve is $QS = 6 + P$. The market will be in equilibrium if:

Key: P – Price
Q – Quantity
D – Demand
S – Supply

	P	Q
A	6	12
B	12	6
C	30	36
D	36	30

22. Which one of the following scenarios best describes the invisible hand principle?
- A Peter works at a bakery where he will promote a new line of cookies so that the business can break even on the new line.
- B Odette works in a clothing store and she will try to find a selling price that is in her best interest.
- C Norman makes home-cooked meals and delivers them to his customers. He will make as many meals as he knows he has customers to buy them.
- D Michelle is a substitute teacher and she will work the same number of hours as she gets paid for.

DYNAMICS OF IMPERFECT MARKETS

23. A large number of manufacturers are all selling an identical product. This implies that:
- A the market supply curve is horizontal.
- B all the manufacturers (sellers) are incurring a loss.
- C a single manufacturer cannot change the price.
- D market chaos exists as demand and supply can never be in equilibrium.
24. Which one of the following would result in a natural monopoly?
- A A firm needs a government-issued licence before it can start to operate.
- B A single firm is able to produce at a lower average cost than two or more competitors.
- C A firm has an exclusive right to deliver a specific service.
- D A firm owns all the patented inputs needed for the production of a specific product.
25. Firm G receives a patent on a product H. Which one of the following statements is not correct?
- A Patents stimulate innovation, research and development.
- B A patent can be seen as a barrier to entry into a market.
- C A patent results in a permanent monopoly for a firm or industry.
- D Patents encourage improvement in the quality of goods.

26. Firm F is part of an industry with a large number of firms, differentiated products and free entry and exit to the industry. Firm F operates in a/an:
- A perfect competitive industry.
 - B oligopoly.
 - C monopolistic industry.
 - D monopolistic competitive industry.
27. A differentiated product has:
- A many perfect substitute products.
 - B a small number of perfect substitute products.
 - C similar, but not perfect, substitutes.
 - D absolutely no substitutes.
28. A trader, functioning in a monopolistic competitive market, undertakes a huge advertising campaign to convince buyers that its product has two advantages on its rivals' products, namely better quality and better value. Which one of the following best describes the possible effects of the campaign?

	Demand	Price-elasticity	Control over price
A	Decrease	More demand elastic	Less control over price
B	Decrease	Less demand elastic	Greater control over price
C	Increase	Less demand inelastic	Less control over price
D	Increase	More demand inelastic	Greater control over price

CAUSES AND EFFECTS OF MARKET FAILURES

29. Which one of the following statements about market failure is correct?
- A The existence of free riders will result in the over-production of public goods.
 - B Markets fail to supply merit goods.
 - C Small firms are usually less efficient than large firms due to diseconomies of scale.
 - D The social benefits of some private goods exceed the private benefits.
30. Which one of the following would an economist suggest that the government must implement to cope with a negative externality?
- A Sin tax
 - B Vouchers
 - C Patents
 - D Subsidies
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