

ECONOMICS

GRADE 12

Olympiad Paper

Round Two

Marks: 30

Time: 1 hour

Date: 2 August 2023



Instructions

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

CIRCULAR FLOW, NATIONAL AGGREGATES, AND MULTIPLIER

1. What is the relationship between the product market and the factor market in the circular flow model?
 - A The product market is where goods and services are produced and the factor market is where households buy these goods and services.
 - B The product market is where households buy goods and services and the factor market is where firms buy resources.
 - C The product market is where households sell their labour and the factor market is where firms buy these resources.
 - D The product market and the factor market are the same in the circular flow model.

2. What happens in the factor market in the circular flow model when firms need more labour?
 - A The price of goods and services increases.
 - B The price of goods and services decreases.
 - C The wage rate increases.
 - D The wage rate decreases.

3. The role of households in the economy can best be described as _____
 - A producing goods and services for sale in the market.
 - B providing labour to companies in exchange for wages.
 - C regulating the economy through monetary and fiscal policy.
 - D consuming goods and services produced by companies.

4. How can a government create policies that promote both economic growth and environmental sustainability?
 - A Encourage companies to increase their use of fossil fuels to stimulate economic growth.
 - B Provide tax breaks for companies that invest in green technologies and practices.
 - C Limit regulations on industries to allow for greater flexibility in the marketplace.
 - D Reduce funding for environmental protection programs to free up resources for economic growth.

5. If the government increases spending by R10 million and the multiplier is 2, what is the expected increase in GDP?
- A R40 million
 - B R30 million
 - C R20 million
 - D R10 million
6. If the marginal propensity to consume (MPC) is 0.8, what is the value of the multiplier?
- A 0.2
 - B 1.2
 - C 4
 - D 5

BUSINESS CYCLES

7. Which of the following phases of the business cycle is characterised by an increase in economic activity?
- A Expansion
 - B Recession
 - C Trough
 - D Peak
8. The primary cause of a revival phase in the business cycle is a/an _____
- A increase in consumer demand.
 - B decrease in government spending.
 - C decrease in the money supply.
 - D increase in taxes.
9. Which of the following is not an endogenous factor that can contribute to the business cycle?
- A Fluctuations in investment spending.
 - B Changes in consumer spending.
 - C Government's fiscal policy.
 - D Technological advancements.

10. Which of the following policies is most effective in reducing the impact of a trough on vulnerable populations such as low-income households?
- A Cutting government spending to reduce inflation.
 - B Implementing tax cuts for wealthy individuals and businesses.
 - C Increasing government spending on social safety net programs.
 - D Deregulating industries to encourage economic growth.

PUBLIC SECTOR

11. Why does the public sector exist?
- A To provide goods and services that the private sector is unwilling or unable to provide.
 - B To generate profits for the government and to lessen the tax burden.
 - C To eliminate competition from the private sector and to regulate the prices of goods.
 - D To promote economic inequality.
12. Which of the following is an example of a government transfer payment?
- A Paying for a public park.
 - B Providing funding for a university.
 - C Paying for unemployment benefits.
 - D Providing tax breaks to businesses.

INTERNATIONAL TRADE

13. Which of the following is not a reason for international trade?
- A To obtain goods and services that are not available domestically.
 - B To take advantage of lower production costs in other countries.
 - C To reduce reliance on domestic suppliers.
 - D To protect domestic industries from foreign competition.
14. How does comparative advantage contribute to international trade?
- A Countries can specialise in the production of goods that they can produce at a lower opportunity cost than other countries, and trade those goods for goods that other countries can produce more efficiently.
 - B Countries can only trade goods that they produce more efficiently than other countries.
 - C Countries must produce all goods domestically to ensure economic growth.
 - D Comparative advantage has no impact on international trade.

15. What is the most likely impact of an increase in tariffs on international trade?
- A It will decrease imports and increase exports.
 - B It will increase imports and decrease exports.
 - C It is impossible to predict the impact of tariffs on international trade.
 - D It will have no impact on international trade.
16. Which of the following scenarios is most likely to result in a mutually beneficial trade relationship between two countries?
- A Both countries have an absolute advantage in producing the same goods.
 - B One country has an absolute advantage in producing both goods, while the other country has no absolute advantage in producing either.
 - C One country has an absolute advantage in producing one good, while the other country has an absolute advantage in producing the other good.
 - D There is no scenario in which trade can be mutually beneficial between two countries.
17. How can changes in a country's exchange rate impact its balance of payments?
- A A decrease in the exchange rate will decrease imports and increase exports, leading to a positive balance of payments.
 - B An increase in the exchange rate will decrease imports and increase exports, leading to a positive balance of payments.
 - C A decrease in the exchange rate will increase imports and decrease exports, leading to a negative balance of payments.
 - D An increase in the exchange rate will increase imports and decrease exports, leading to a negative balance of payments.
18. Which of the following policies is most likely to improve a country's balance of payments?
- A An increase in government spending.
 - B The implementation of import restrictions.
 - C Lowering interest rates.
 - D Lowering taxes.

DYNAMICS OF PERFECT AND IMPERFECT MARKETS

19. The concept of perfect competition can best be described as a market structure in which _____
- A a single firm dominates the market and sets prices.
 - B there are only a few large firms in the market.
 - C many small firms are selling identical products.
 - D firms sell products that are differentiated from each other.
20. What is the impact of a firm increasing its price above the market price in perfect competition?
- A The firm will sell more units.
 - B The firm will sell fewer units.
 - C The firm will sell the same number of units.
 - D It is impossible to predict the impact on sales without more information.
21. What is the relationship between marginal revenue (MR) and marginal cost (MC) in profit maximisation?
- A MR is greater than MC.
 - B MR is less than MC.
 - C MR is equal to MC.
 - D There is no relationship between MR and MC.
22. Which market structure is characterised by a large number of firms, low barriers to entry, and differentiated products?
- A Monopoly
 - B Oligopoly
 - C Monopolistic competition
 - D Perfect competition
23. How can a merger between two firms in an oligopolistic market impact market competition?
- A It will increase competition in the market.
 - B It will decrease competition in the market.
 - C It will have no impact on competition in the market.
 - D It is impossible to predict the impact of a merger on competition in an oligopolistic market.

MARKET FAILURES

24. A market failure can best be described as a situation where _____
- A the government intervenes in the market.
 - B a market does not produce the socially optimal level of output.
 - C there is perfect competition in the market.
 - D there are no externalities present in the market.
25. An externality is a situation where _____
- A the government regulates the market.
 - B a market produces too much of a good.
 - C the benefits or costs of a good are not fully reflected in the market price.
 - D there is perfect competition in the market.
26. Which of the following policies is most effective at correcting a market failure caused by a negative externality?
- A A tax on the good that creates the negative externality.
 - B A subsidy for the good that creates the negative externality.
 - C Remove government regulation of the market.
 - D Allow the market to correct the negative externality on its own.
27. Which of the following is an example of a market failure caused by externalities?
- A Pollution from a factory causing health problems for nearby residents.
 - B A decrease in the supply of a product that leads to an increase in its price.
 - C A company that produces a product with high demand and low production costs.
 - D A consumer purchases a good without considering its long-term environmental impact.
28. A merit good can be best described as a good that is _____
- A in short supply.
 - B illegal to consume.
 - C considered socially desirable.
 - D subject to price controls.
29. What could be a reason for the government to choose to tax goods?
- A To increase revenue for the government.
 - B To discourage the consumption of goods that are considered harmful to society.
 - C To increase demand for demerit goods.
 - D To discourage consumption of goods that are considered socially desirable.

30. Should the government always provide merit goods for free?
- A Yes, because everyone deserves access to these goods.
 - B No, because providing goods for free can create a situation where people consume more merit goods than they need.
 - C It depends on the specific situation and the costs and benefits of providing the merit goods for free.
 - D It is impossible to provide merit goods for free.