

High School Olympiad

Guiding the leaders of tomorrow

Economics

GRADE 11

Olympiad Paper

Round One

Marks: 30

Time: 1 hour

Date: 7 May 2025



Instructions

Please take time to read the instructions carefully.

If the ANSWER SHEET is not COMPLETE and correct your answer sheet will be invalid.

1. **NB! Please use a HB pencil or a black pen to complete the answer sheet.**
No highlighter or colours pens are allowed.
2. The ANSWER SHEET consist of 3 sections. Accounting, Business Studies and Economics.
Please select and answer the **correct** section/subject
3. There are 4 possible answers per question (A B C D)
Only one answer is correct. Colour a circle completely.
4. Good luck!

THE FACTORS OF PRODUCTION

1. Which of the following is NOT one of the four main factors of production?
 - A Land
 - B Labour
 - C Money
 - D Capital

2. Which of the following best explains the role of **land** as a factor of production?
 - A It refers to physical buildings used in production.
 - B It represents human effort used in producing goods and services.
 - C It includes all natural resources used in the production process.
 - D It is the money required to start a business.

3. A farmer buys a new tractor to increase crop production. In terms of factors of production, the tractor is an example of van _____.
 - A land.
 - B labour.
 - C capital.
 - D entrepreneurship.

4. A company decides to replace human workers with automated machines in its factory. Which factor of production is being reduced, and which is being increased?
 - A Labor is reduced, and capital is increased.
 - B Land is reduced, and entrepreneurship is increased.
 - C Capital is reduced, and labour is increased.
 - D Entrepreneurship is reduced, and land is increased.

5. A business owner decides to pay workers higher wages to improve productivity. Do you think this is an effective decision?
 - A No, because it will reduce the company's profit.
 - B Yes, because higher wages can motivate workers and increase efficiency.
 - C No, because labour is not an essential factor of production.
 - D Yes, because wages are the most important factor in production.

6. Why do landlords receive rent as a form of income?
- A Because they provide financial capital.
 - B Because they take risks in business.
 - C Because they supply natural resources like land.
 - D Because they contribute labour to production.
7. A government decides to increase the minimum wage to improve workers' living standards. What could be a potential negative consequence of this decision?
- A Businesses can hire more workers.
 - B The cost of production may decrease.
 - C Unemployment may rise as businesses reduce hiring.
 - D There will be no effect on businesses.
8. What does the term **derived demand** mean?
- A Demand that is created artificially by marketing campaigns.
 - B Demand that remains constant regardless of price changes.
 - C Demand for a factor of production based on the demand for the final product.
 - D Demand for a good or service that arises from consumer preference.
9. A government implements strict environmental laws, reducing the demand for coal-powered electricity. How might this affect the **demand for coal miners**?
- A The demand for coal miners will increase.
 - B The demand for coal miners will decrease.
 - C The demand for coal miners will remain unchanged.
 - D The demand for coal miners will decrease, but only temporarily.
10. What is the key difference between **nominal wages** and **real wages**?
- A Nominal wages account for inflation, while real wages do not.
 - B Nominal wages are measured in money terms, while real wages consider purchasing power.
 - C Real wages are expressed in current money terms, while nominal wages adjust for inflation.
 - D Real wages are always higher than nominal wages.

THE USES OF ECONOMIC GOODS AND SERVICES

11. What is the definition of **final consumption by households**?
- A The total value of goods and services produced in a country.
 - B The expenditure on goods and services by businesses.
 - C The spending by households on goods and services for personal use.
 - D The amount of income saved by households.

12. What happens to real GDP if a country's nominal GDP increases by 5% and inflation is 3%?
- A Real GDP increases by approximately 2%.
 - B Real GDP remains the same.
 - C Real GDP decreases by 3%.
 - D Real GDP increases by 8%.
13. A government report shows that Real GDP by households has decreased while overall Real GDP has increased. What could be a possible explanation?
- A The inflation rate increased, reducing the value of Real GDP.
 - B Households earned more income and spent more.
 - C Business investment and government spending increased, but household consumption dropped.
 - D More people were employed, leading to increased wages.
14. Which of the following best explains why real GDP by households alone may not fully reflect living standards?
- A It measures only government spending on welfare programs.
 - B It does not account for the distribution of income among households.
 - C It ignores employment rates in the country.
 - D It excludes business investments in the economy.
15. A household invests in a fixed deposit to save for future education expenses. What type of capital formation does this represent?
- A Social capital
 - B Human capital
 - C Physical capital
 - D Financial capital
16. Suppose you are an economic advisor. Propose a strategy to encourage more household capital formation in a developing country. Which of the following would be the BEST recommendation?
- A Increase wages without providing savings incentives.
 - B Lower interest rates to make borrowing easier.
 - C Introduce financial literacy programs and higher interest rates on savings.
 - D Encourage people to spend more to boost the economy.

17. Country X's consumption expenditure is R820 billion, investment expenditure is R250 billion, government spending is R180 billion, and net exports are R50 billion. What is the GDP of Country X?
- A R1 250 billion
 - B R1 300 billion
 - C R1 350 billion
 - D R1 400 billion
18. Why are transfer payments (e.g., pensions, unemployment benefits) not included in GDP calculations by using the income method?
- A It increases household consumption directly.
 - B It forms part of net exports.
 - C It is not earned through productive activities.
 - D It is considered capital formation.
19. Which of the following statements correctly explains why depreciation is subtracted in the income method of GDP calculation?
- A Depreciation accounts for increases in profit due to inflation.
 - B Depreciation is an additional income earned by firms.
 - C Depreciation measures the value of new investments.
 - D Depreciation represents capital that is no longer productive.
20. How will it affect GDP calculations, if self-employed individuals underreport their income, using the income method?
- A GDP will be underestimated.
 - B GDP will be overestimated.
 - C GDP will remain unaffected.
 - D GDP will increase due to higher disposable income.

ECONOMIC SYSTEMS

21. What does the term *laissez-faire* mean in economics?
- A Government controls all business operations.
 - B Minimal government intervention in the economy.
 - C Complete government ownership of businesses.
 - D Strict government regulations on all industries.

22. Which of the following is a key characteristic of a market economy?
- A Government controls all businesses.
 - B There is no competition between firms.
 - C Resources are allocated based on government planning.
 - D Prices are determined by supply and demand.
23. A country is transitioning from a command economy to a market economy. What is the most likely result?
- A Increased government control over industries.
 - B More competition among businesses.
 - C Fewer choices for consumers.
 - D A decrease in entrepreneurship.
24. How does consumer choice in a market economy influence business?
- A It has no impact since businesses control what is produced.
 - B It leads to government intervention in pricing decisions.
 - C It forces businesses to improve quality and efficiency to attract customers.
 - D It reduces competition by making products more expensive.
25. If you were an economic advisor to a country considering a shift to a market economy, what policy would you suggest to maximise its benefits?
- A Encourage entrepreneurship by reducing business regulations.
 - B Increase government control over production.
 - C Restrict consumer choice to essential goods only.
 - D Set fixed prices for all goods and services.
26. If you were designing an ideal mixed economy, which policies would you implement to maximise both economic growth and social welfare?
- A Remove all government involvement in the economy.
 - B Allow businesses to operate freely but introduce regulations for fair wages and environmental protection.
 - C Let the government make all production and pricing decisions.
 - D Allow monopolies to dominate the market without regulations.

THE ECONOMIC STRUCTURE OF SOUTH AFRICA

27. What are the three main sectors of the South African economy?
- A Agriculture, mining, and manufacturing.
 - B Public, private, and informal.
 - C Trade, services, and technology.
 - D Primary, secondary, and tertiary.

28. Which sector will benefit the most if the South African government wants to boost economic growth by improving infrastructure?
- A Primary sector
 - B Secondary sector
 - C Tertiary sector
 - D Quaternary sector
29. Which of the following policies would be most effective in reducing unemployment in South Africa's economy?
- A Increasing subsidies for large corporations.
 - B Reducing government spending on education.
 - C Encouraging foreign investment in the manufacturing sector.
 - D Limiting trade with international partners.
30. You are an economic advisor to the South African government. What strategy would you propose to balance growth across all three economic sectors?
- A Invest in technology to modernise agriculture and manufacturing.
 - B Focus entirely on the tertiary sector and abandon mining.
 - C Reduce investments in education and focus on natural resource exports.
 - D Ban all foreign companies from operating in South Africa.