

High School Olympiad

Guiding the leaders of tomorrow

ECONOMICS

GRADE 12

Olympiad Paper

Round One

Marks: 30

Time: 1 hour

Date: 12 May 2021



Instructions

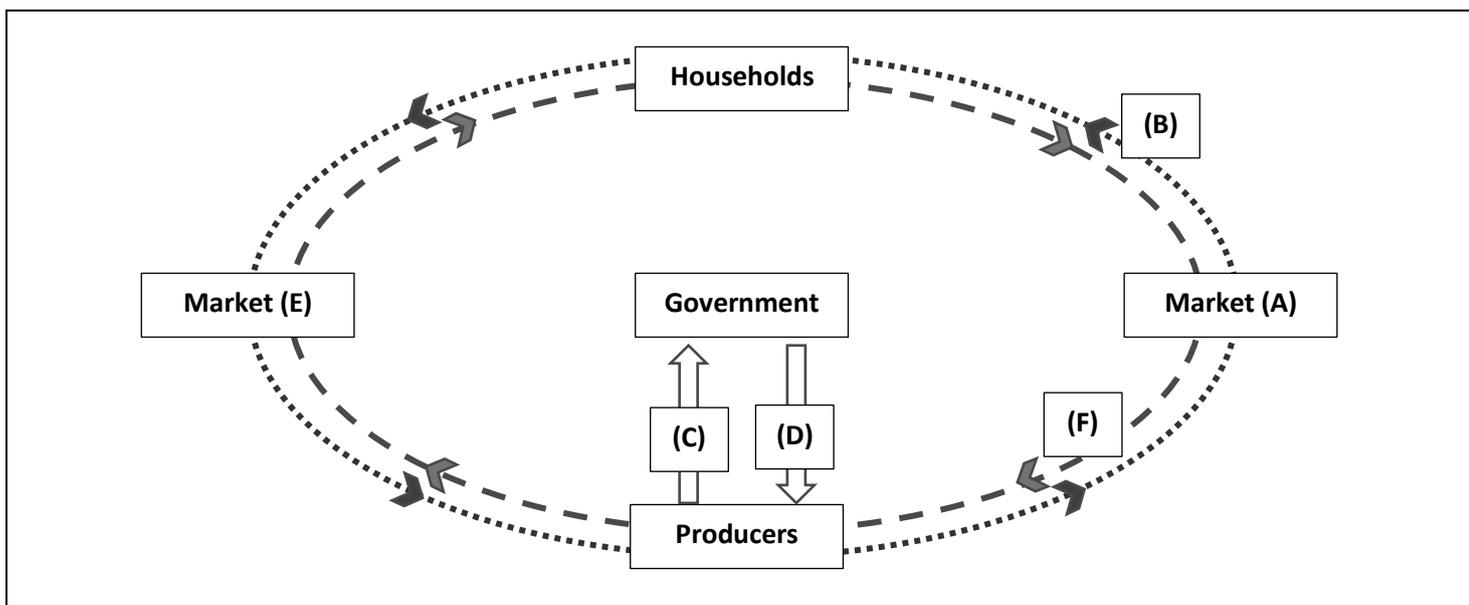
1. Complete questions on the ANSWER SHEET provided.
2. Complete all information on the ANSWER SHEET.
3. The ANSWER SHEET consist of 4 sections. Please select the correct section/subject.
4. There are 4 possible answers per question (A B C D)
Only one answer is correct.
Colour a circle completely.
5.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

PROVERTO EMS OLYMPIAD 2021 – GRADE 12 ECONOMICS

ROUND 1

THE CIRCULAR FLOW

Study the following economic model and answer questions 1 to 5



	Money flow
	Real flow

- This type of representation in economics is called a _____.
 - model
 - graph
 - law
 - relation
- The market represented by (E) is the market for:
 - factors of production.
 - goods and services.
 - labour and entrepreneurship.
 - international trade.
- The flow indicated as (F) from Market (A) to Producers indicates the flow of:
 - factors of production.
 - the remuneration of factors of production.
 - goods and services.
 - the remuneration for goods and services.

4. If we assume that this representation is of an economy that is in equilibrium, which one of the following is true?
- A NI < NP > NE
 B NI = NP = NE
 C NI > NP > NE
 D NI < NP < NE
5. If Flow (C) represents the flow of goods and services, then Flow (D) most likely represents:
- A public goods and subsidies.
 B subsidies and taxes.
 C public goods and taxes.
 D transfer payments and private goods.
6. The following was taken from the SARB Quarterly Bulletin (December 2020).

R million	2015	2016	2017	2018	2019
Compensation of employees	1 912 083	2 072 859	2 225 800	2 320 179	2 418 544
Net operating surplus	1 079 222	1 123 567	1 226 323	1 249 182	1 296 696
Consumption of fixed capital	560 416	617 969	638 782	1 249 182	713 078
Taxes on production	81 169	85 519	92 072	101 936	105 061
Subsidies on production	7 983	8 356	9 653	6 492	9 796
Taxes on products	440 102	482 772	497 335	545 558	564 866
Subsidies on products	15 126	15 270	17 084	12 951	10 821
Extract from KB601					

The value of the GDP at market prices for 2019 is:

- A R 5 451 124 million
 B R 3 782 008 million
 C R 5 077 628 million
 D R 3 651 472 million
7. What will the change in consumption be in a closed economy with no government if there is an increase in investment of R4 000 000, and the marginal propensity to consume (mpc) is 0,75?
- A -R16 000 000
 B -R1 600 000
 C R1 600 000
 D R16 000 000
8. What can the government do if the economy starts to show signs of inflation and they want to curb growth in the economy?
- A Increase both taxes and imports.
 B Decrease government expenditure and increase taxes.
 C Increase both imports and the consumption of goods and services.
 D Decrease taxes and increase government expenditure.

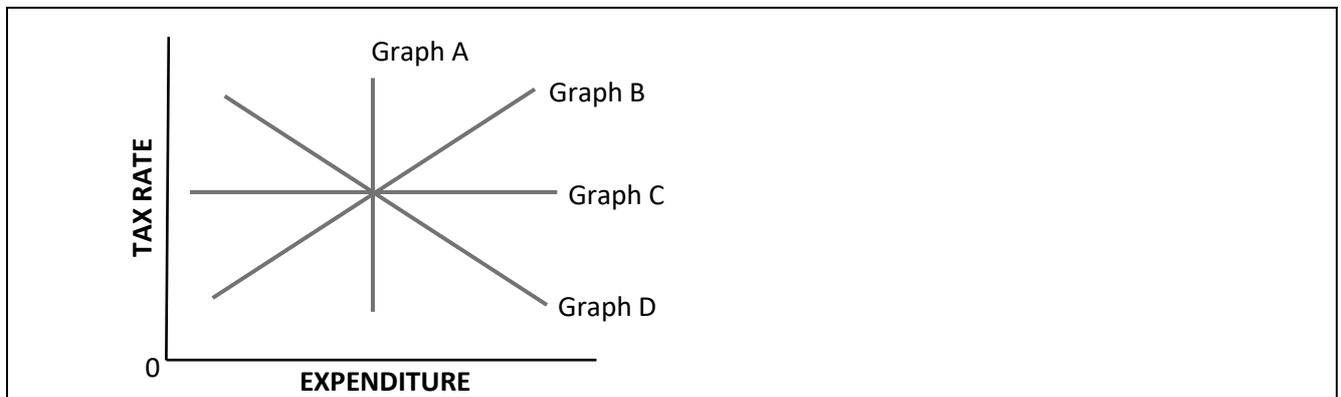
BUSINESS CYCLES

9. The opposite of a trough is the point on a business cycle where:
- A inflation is at its lowest.
 - B aggregate demand and cost leads to a decrease in investment.
 - C aggregate economic activity is decreasing.
 - D the unemployment rate is at its lowest.
10. The phase between a peak and a trough on a business cycle can best be described as:
- A a recovery point.
 - B an expansion phase.
 - C a contraction phase.
 - D an optimal output point.
11. During the growth phase, the economic growth rate on a year-to-year basis is:
- A negative, at an increasing rate.
 - B negative, at a decreasing rate.
 - C positive, at an increasing rate.
 - D positive, at a decreasing rate.
12. Professor Jan van Heerden writes in the article *SA's economic slowdown is structural* (<https://www.iol.co.za/business-report/opinion/opinion-sas-economic-slowdown-is-structural-29d10f0d-fb37-453d-88a7-a90e503eb6ef>) that there are various reasons why South Africa is experiencing a structural slowdown.
- Which one of the following will not be regarded as a structural problem?
- A The majority of labourers in South Africa have been educated poorly, because the primary and secondary education system is dysfunctional.
 - B The government system is not functioning optimally, as it suffers from corruption and basic services are not provided adequately.
 - C Manufacturing plants are not able to employ educated, committed, skilled workers who can perform whatever is required with a high degree of efficiency and reliability, and deliver what foreign firms require.
 - D An increase in the money supply in order to increase government expenditure and lowering the tax rate on both individuals and businesses.
13. The phase of a business cycle that occurs after a trough and when the growth rate is positive can be described as a _____ phase.
- A boom
 - B contraction
 - C recession
 - D depression
14. In an effort to adjust economic growth, the government announces an increase in taxes. This is an example of a/an:
- A expansionary fiscal policy.
 - B contractionary fiscal policy.
 - C expansionary monetary policy.
 - D contractionary monetary policy.

15. Which one of the following changes in aggregate demand and aggregate supply will lead to an increase in economic growth?
- A An increase in aggregate demand while aggregate supply remains constant.
 - B An increase in aggregate supply while aggregate demand remains constant.
 - C A decrease in aggregate demand and a decrease in aggregate supply.
 - D An increase in aggregate demand and an increase in aggregate supply.

THE PUBLIC SECTOR

16. The GDP of South Africa in current prices from 1985 to 2025 is published on the website <https://www.statista.com>. The statistics for 2022 – 2025 is calculated using:
- A historical models.
 - B econometric models.
 - C extrapolation.
 - D moving averages.
17. Which graph depicts VAT the best?



- A Graph A
 - B Graph B
 - C Graph C
 - D Graph D
18. A large number of fish species have gone extinct due to overfishing. As such, fish in the ocean can best be seen as a:
- A common good.
 - B public good.
 - C collective good.
 - D merit good.
19. The government decides to make the Covid-19 vaccine available to all members of the community free of charge. The vaccine can be seen as a:
- A common good.
 - B public good.
 - C collective good.
 - D merit good.

- 20.** Which one of the following is not a reason why government will provide merit goods and services?
- A** To encourage consumption so that positive externalities of merit goods can be achieved.
 - B** To overcome the information failures linked to merit goods.
 - C** Consumption of merit goods is believed often to generate positive externalities – where the private benefit from consumption exceeds the social benefit.
 - D** Because the government believes that consumption should not be based solely on the grounds of ability to pay for a good or service.
- 21.** Government decides to build more wind farms to generate electricity. Which one of the following will be classified as an external cost rather than a private cost?
- A** The price of the land the farm is built on.
 - B** The expenses incurred in installing the wind turbines.
 - C** Expenses related to the manufacturing of the wind turbines.
 - D** Lower property prices in the area.
- 22.** When the government acquires goods and services for future use, it is classified as:
- A** government spending.
 - B** government investment.
 - C** monetary policy.
 - D** fiscal policy.
- 23.** Which one of the following is not a reason for government spending?
- A** To supply goods and services that are not supplied by the private sector.
 - B** To achieve improvements in the demand-side of the macro-economy, such as spending on education and training to improve labour productivity.
 - C** To provide subsidies to industries that may need financial support for either their operation or expansion.
 - D** To help redistribute income and promote social welfare.

FOREIGN EXCHANGE MARKETS

- 24.** Which one of the following best describes an advantage of international trade?
- A** International trade encourages a country to specialise in producing those goods and services which it can produce at a higher cost, thus increasing the profit opportunity as a result of higher selling prices.
 - B** International trade lowers competition and increases world prices, which provides benefits to consumers by raising the purchasing power of their own income, and leads to a rise in producer surplus.
 - C** The quality of goods and services can increase as competition encourages innovation, design and the application of new technologies.
 - D** Local producers, who may supply a unique product tailored to meet the needs of the domestic market can sell their products at higher prices because consumers will not be interested in cheaper imports.

25. Country X and Country Y both produce two chocolates, FOMOs and YOLOs. Their potential production, using all their resources, is shown in the following table:

	COUNTRY X	COUNTRY Y
FOMO	300	350
YOLO	60	210

In this example, Country Y has:

- A an absolute advantage in both products and a comparative advantage in YOLOs.
 - B an absolute disadvantage in both products and a comparative advantage in YOLOs.
 - C an absolute advantage in both products and a comparative disadvantage in FOMOs.
 - D an absolute disadvantage in both products and a comparative advantage in FOMOs.
26. Possible reasons for a current account surplus are:
- (a) surplus of savings over investments.
 - (b) significant long-run competitive advantage.
 - (c) long-run rise in global prices of main exports.
 - (d) structural increase in net investment income.

Which of the possibilities are TRUE?

- A (a), (c) and (d)
- B (b) and (d)
- C only (c)
- D (a), (b), (c) and (d)

Answer questions 27 and 28 based on these figures.

<p>On 8 March 2021, ZAR1.000 = €0,054. On 11 March 2021, ZAR1.000 = €0,056.</p>

27. The Rand _____ against the Euro.
- A devaluated
 - B revaluated
 - C depreciated
 - D appreciated
28. On 11 March 2021, imports of €1 000 will:
- A cost R661,38 more.
 - B cost R661,38 less.
 - C cost the same.
 - D Impossible to say.

29. In order to reduce a current account deficit, the government needs to intervene.

- (a) Reduce consumer spending.
- (b) Increase consumer spending.
- (c) Supply side policies to improve competitiveness.
- (d) Demand side policies to improve competitiveness.
- (e) Devaluation of the exchange rate.
- (f) Revaluation of the exchange rate.

The best policies to attain the goal of reducing the current account deficit are:

- A** (a), (c) and (f)
- B** (b), (d) and (e)
- C** (b), (d) and (f)
- D** (a), (c) and (e)

30. Due to the implementation of new technology, Country H experiences an increase in productivity. This will cause the currency of Country H to _____ because goods are produced at a _____ price.

- A** appreciate; lower
- B** depreciate; lower
- C** appreciate; higher
- D** depreciate; higher