

ECONOMICS

GRADE 12

Olympiad Paper

Round One

Marks: 30

Time: 1 hour

Date: 10 May 2023



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!

THE CIRCULAR FLOW

1. The schematic representation of the circular flow is known as an economic _____.
 - A schedule.
 - B model.
 - C module.
 - D graph.

2. Which of the following best defines factor of production remuneration?
 - A The amount of profit a firm earns.
 - B The amount paid to workers for their labor.
 - C The cost of raw materials used in production.
 - D The amount paid to banks for money borrowed.

3. Which sector of the circular flow of income and expenditure is responsible for producing goods and services?
 - A Government sector.
 - B Financial sector.
 - C Household sector.
 - D Business sector.

4. What will be the impact of an increase in government spending on the circular flow of income and expenditure?
 - A It will decrease the overall level of economic activity.
 - B It will increase the level of imports.
 - C It will increase the level of exports.
 - D It will increase the level of national income.

5. What are the potential effects of a decrease in interest rates on the circular flow of income and expenditure?
 - A Increased consumer spending, increased investment, increased economic growth.
 - B Decreased consumer spending, decreased investment, decreased economic growth.
 - C Increased consumer spending, decreased investment, increased economic growth.
 - D Decreased consumer spending, increased investment, increased economic growth.

6. Country Z has a GDP of R12 000 000 000 and a population of 10 000 000. The GDP per capita is _____.
 - A R12 000
 - B R1 200
 - C R120
 - D R12

- 7.** Country Q's GDP increases by 5% on a year-to-year basis. During the same time, the population also increases by 5%. What happens to the GDP per capita?
- A It increases by 10%.
 - B It increases by 5%.
 - C There is no effect on the GDP.
 - D The GDP decreases by 10%.
- 8.** Which of the following is an example of government spending in the C+I+G+X-M formula?
- A A family buying a new car.
 - B A company building a new factory.
 - C A government constructing a new highway.
 - D An individual investing in the stock market.
- 9.** Which of the following best describes the circular flow of income and expenditure?
- A The flow of goods and services from households to firms, and the flow of money from firms to households.
 - B The flow of money from households to firms, and the flow of goods and services from firms to households.
 - C The flow of money from firms to households, and the flow of goods and services from households to firms.
 - D The flow of goods and services from firms to households, and the flow of money from households to firms.
- 10.** Which of the following is an example of leakages in the circular flow of income and expenditure?
- A Government spending on infrastructure.
 - B Investment in new machinery by a firm.
 - C Household savings in a bank account.
 - D Business profits invested in the stock market.
- 11.** Which of the following is an example of injections in the circular flow of income and expenditure?
- A Household expenditure on consumer goods.
 - B A producer expanding his local production plant.
 - C Government taxation on income.
 - D Payments of wages and salaries to workers.

- 12.** What is the significance of the circular flow of income and expenditure for the economy?
- A It ensures that there is a constant flow of money and goods between households and firms.
 - B It allows households to consume goods and services, and firms to earn income.
 - C It shows how money circulates through the economy, creating economic growth and development.
 - D It highlights the interdependence of households, firms, and government in the economy.
- 13.** Which of the following best describes the multiplier effect in the circular flow of income and expenditure?
- A The process by which an increase in investment leads to a larger increase in national income.
 - B The process by which a decrease in consumption leads to a decrease in national income.
 - C The process by which government spending leads to inflation and a decrease in real output.
 - D The process by which households and firms respond to changes in the price level by adjusting their spending

BUSINESS CYCLES

- 14.** Which of the following best describes a business cycle?
- A The regular ups and downs of economic growth over time.
 - B The process of starting and running a new business.
 - C The relationship between supply and demand in a market.
 - D The cycles of profits and losses in consecutive financial years.
- 15.** During which phase of the business cycle is the economy at its peak?
- A Expansion
 - B Contraction
 - C Trough
 - D Recovery
- 16.** Which of the following is NOT a characteristic of the expansion phase of the business cycle?
- A Rising employment rates.
 - B Increasing business disinvestment.
 - C Rising consumer spending.
 - D Increasing gross domestic product.

- 17.** Which of the following best describes the relationship between the unemployment rate and the business cycle?
- A Unemployment rates are highest during the expansion phase of the business cycle.
 - B Unemployment rates are lowest during the expansion phase of the business cycle.
 - C Unemployment rates are highest during the contraction phase of the business cycle.
 - D Unemployment rates are lowest during the trough phase of the business cycle.
- 18.** Which of the following is an example of a leading economic indicator?
- A Unemployment rate.
 - B Gross domestic product.
 - C Consumer price index.
 - D Building permits.
- 19.** Which of the following is a potential negative consequence of government intervention during a recession?
- A Increased economic growth.
 - B Increased government debt.
 - C Increased consumer spending.
 - D Increased business investment.
- 20.** Which of the following is an example of a macroeconomic variable that can be used for economic forecasting?
- A Inflation rate.
 - B Price of a specific stock.
 - C Number of employees at a particular company.
 - D Demand for a particular product.

THE PUBLIC SECTOR

- 21.** Which of the following is a characteristic of the public sector?
- A Profit maximisation.
 - B Private ownership.
 - C Competition.
 - D Government ownership.
- 22.** Which of the following is an example of a government transfer payment?
- A A company paying wages to its employees.
 - B An individual receiving an old age grant.
 - C A household paying property taxes.
 - D A business paying rent for its office space.

- 23.** Which of the following statements is true regarding the public sector?
- A It is entirely funded by private individuals and businesses.
 - B Its primary objective is to maximise profits.
 - C It provides goods and services to the general public.
 - D Its activities are always less efficient than those of the private sector.
- 24.** Which of the following is a disadvantage of government intervention in the economy?
- A It can lead to the provision of public goods that would otherwise be under-provided.
 - B It can lead to a misallocation of resources.
 - C It can result in excessive competition.
 - D It can cause firms to maximise profits at the expense of consumer welfare.
- 25.** What is the main difference between a public good and a private good?
- A Public goods are excludable, while private goods are non-excludable.
 - B Public goods are rivalrous, while private goods are non-rivalrous.
 - C Public goods are provided by the government, while private goods are provided by the market.
 - D Public goods are scarce, while private goods are abundant.

THE FOREIGN EXCHANGE MARKET

- 26.** Which of the following is NOT a reason for international trade?
- A To obtain goods and services that a country cannot produce itself.
 - B To increase employment opportunities in a country.
 - C To benefit from economies of scale.
 - D To increase the variety of goods and services available to consumers.
- 27.** Which of the following is an example of an absolute advantage?
- A A country that produces both wheat and cloth but can only produce wheat more efficiently than another country.
 - B A country that produces both wheat and cloth but produces both wheat and cloth with the same efficiency than the other country.
 - C A country that can produce both wheat and cloth more efficiently than another country.
 - D A country that can produce neither wheat nor cloth efficiently compared to another country.

- 28.** Which of the following is an example of a tariff?
- A A limit on the number of cars that can be imported from another country.
 - B A tax on imported steel.
 - C A limit on the value of cars that can be imported from another country.
 - D A ban on imported goods.
- 29.** Due to the depreciation of the domestic currency, it is expected that ____.
- A the domestic currency will be devaluated.
 - B the domestic currency will be revaluated.
 - C exports will decrease.
 - D exports will increase.
- 30.** Which of the following makes up the balance of payment?
- i. Current account.
 - ii. Capital transfer account.
 - iii. Financial account.
 - iv. Real account.
 - v. Reserve account.
 - vi. Trade account
- A ii, iii, iv, vi
 - B i, ii, iii, v
 - C iii, iv, v, vi
 - D i, iv, v