

SECTION A MULTIPLE CHOICE**QUESTION 1**

Select the correct alternative and enter the letter of the correct answer in the block.

1.1	
1.2	
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1.19	
1.20	

- 1.1 In the circular flow model ...
- A households are sellers in the factor market.
 - B firms are sellers in the factor and the product markets.
 - C the firms are buyers in the product market.
 - D the foreign sector is a seller in the financial market.
- (2)
- 1.2 Which policy is likely to promote economic development in a developing economy but may lead to a decline in the rate of economic growth?
- A A policy to increase female participation in the labour market.
 - B A policy to increase immunisation rates.
 - C A policy to nationalise all financial institutions.
 - D A policy to promote exports.
- (2)
- 1.3 Other things being equal, what is likely to result from an increase in interest rates in a country?
- A A capital outflow from the country.
 - B A depreciation of the country's currency.
 - C A decrease in consumption.
 - D A decrease in investment.
- (2)
- 1.4 An economic recession will have the following effect on a country's fiscal policy:
- A An increase in taxation.
 - B A decrease in tax revenue.
 - C An increase in interest rates.
 - D An increase in money supply.
- (2)
- 1.5 Which one of the following economic terms is used to describe the situation when the satisfaction gained from consuming a good or service declines with each additional unit consumed?
- A Diminishing marginal utility.
 - B Marginal utility.
 - C Utility.
 - D Disutility.
- (2)
- 1.6 What will cause a shift in the demand curve for a new car?
- A A change in the cost of production of the car.
 - B A change in the price of the car.
 - C A greater variety of colours.
 - D A specific tax levied on the car.
- (2)

- 1.7 Aggregate supply can be stimulated through a government policy of ...
- A reducing production costs.
 - B limiting the efficiency of inputs.
 - C increasing bureaucracy.
 - D increasing government spending.
- (2)
- 1.8 A country has a managed floating exchange rate, and the central bank decides to intervene in the foreign exchange markets to buy the domestic currency. What would a reason for this intervention be?
- A The currency is depreciating too quickly.
 - B The value of the currency is too strong.
 - C The rate of appreciation is too fast.
 - D An attempt to devalue the currency.
- (2)
- 1.9 What is the most likely aim of a government that increases the level of tariffs on imported manufactured goods?
- A A fall in interest rates.
 - B A depreciation of the exchange rate.
 - C A rise in domestic employment.
 - D A rise in the general price level.
- (2)
- 1.10 Which ONE of the following is considered a macroeconomic objective of the government?
- A Poverty alleviation in the country.
 - B Economic development.
 - C Equal opportunities.
 - D Price stability.
- (2)
- 1.11 The price elasticity of demand for a product is unitary for all price ranges. What will the effect of an increase in its price be?
- A An equal proportional increase in the quantity demanded.
 - B An equal proportional decrease in expenditure on the product.
 - C An increase in the product's percentage of total consumer expenditure.
 - D No change in the quantity of the product demanded.
- (3)

1.12 A fall in the price of cars causes the demand for petrol to rise by 20%. The cross-elasticity of demand between cars and petrol is -2 . Which change in car prices has brought this about?

	From	To
A	R60 000	R50 000
B	R55 000	R45 000
C	R50 000	R45 000
D	R50 000	R40 000

(3)

1.13 Table 1 below shows the total utility that an individual derives from consuming different quantities of a good.

Table 1: Utility

Quantity of good (units)	Total utility (units)
1	20
2	36
3	50
4	62
5	72
6	80

At which level of consumption will marginal utility be the lowest?

- A 5 units.
- B 3 units.
- C 6 units.
- D 2 units.

(3)

1.14 The demand for a firm's product is perfectly inelastic. What will the effect on the firm's revenue be if it increases its price by 5%?

- A Its revenue will be unchanged.
- B Its revenue will increase by 5%.
- C Its revenue will decrease by 5%.
- D Its revenue will fall to zero.

(3)

1.15 Study the following information and calculate the arc elasticity from B to C.

	Price	Quantity demanded
A	1000	0
B	800	50
C	600	100
D	400	150
E	200	200

- A 4.
- B 0,43.
- C 3,33.
- D 2,33.

(3)

1.16 Over a period of time, the value of the British pound against the US dollar changes from £1 = \$1,40 to £1 = \$2,10. All other things being equal, this is most likely to result in ...

- A a decrease in the UK's budget deficit.
- B a higher inflation rate in the UK.
- C UK products becoming more expensive in the US.
- D more US tourists visiting the UK.

(3)

1.17 What will the probable effect of an increase in indirect taxes in South Africa on demand-pull and cost-push inflation in South Africa be?

	Demand-pull inflation	Cost-push inflation
A	increase	increase
B	increase	decrease
C	decrease	decrease
D	decrease	increase

(3)

1.18 Foreign transactions for which there is no mutual exchange of goods or services would be classified as ... in the balance of payments account.

- A current transfers
- B income payments
- C service receipts
- D unrecorded transactions

(3)

1.19 Table 2 below gives the percentage of employment in the primary, secondary and tertiary sectors in four countries. Which country is most likely to be a developed country?

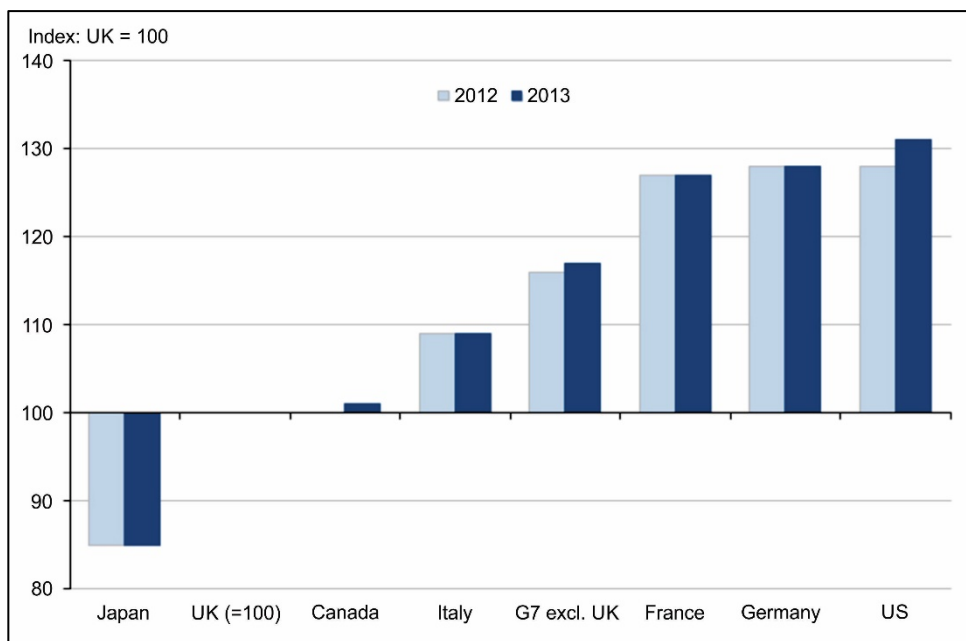
Table 2: Sectors of the economy

	Primary sector %	Secondary sector %	Tertiary sector %
A	15	35	40
B	40	30	20
C	35	50	15
D	40	20	40

(3)

1.20 Figure 1 below shows GDP per hour worked in the G7 group of countries relative to the United Kingdom in 2012 and 2013.

Figure 1: GDP per hour



[Source: Office for National Statistics]

Which one of the following is the most correct statement?

- A GDP per hour worked in the United Kingdom showed a positive change between 2012 and 2013.
- B GDP per worker was lower in the United Kingdom than in Italy in 2012 and 2013.
- C Japan had the most consistent productivity figures of all the countries between 2012 and 2013.
- D The gap in GDP per hour worked between the G7 (excluding the UK) and the US was unchanged between 2012 and 2013.

(3)

50 marks

SECTION B

Answer all the questions in this section.

QUESTION 2 MACROECONOMICS

2.1 Read the statement below and use the data in Table 3 to answer the questions that follow.

The balance of payments data is important to a lot of users. Investment managers, government policymakers, the central bank, businessmen, etc. all make use of the BOP data to make important decisions. The BOP data is affected by vital macroeconomic variables such as exchange rate, price levels, interest rates, employment, and GDP.

[Source: <<https://corporatefinanceinstitute.com>>]

Table 3: Balance of payments account (billions)

Item	R billion
Net gold exports	37 567
Current transfers	–9 798
Service payments	70 424
Net portfolio investments	21 467
Merchandise exports	432 659
Income receipts	35 456
Net direct investments	–60 427
Service receipts	71 997
Income payments	55 446
Net other investments	33 472
Merchandise imports	389 875

2.1.1 Describe the economic term *balance of payments account*.

(2)

2.1.2 Calculate the trade balance. Show all calculations.

(3)

2.1.3 Briefly discuss the balance on the trade balance account and its implications on the cost of imports and exports.

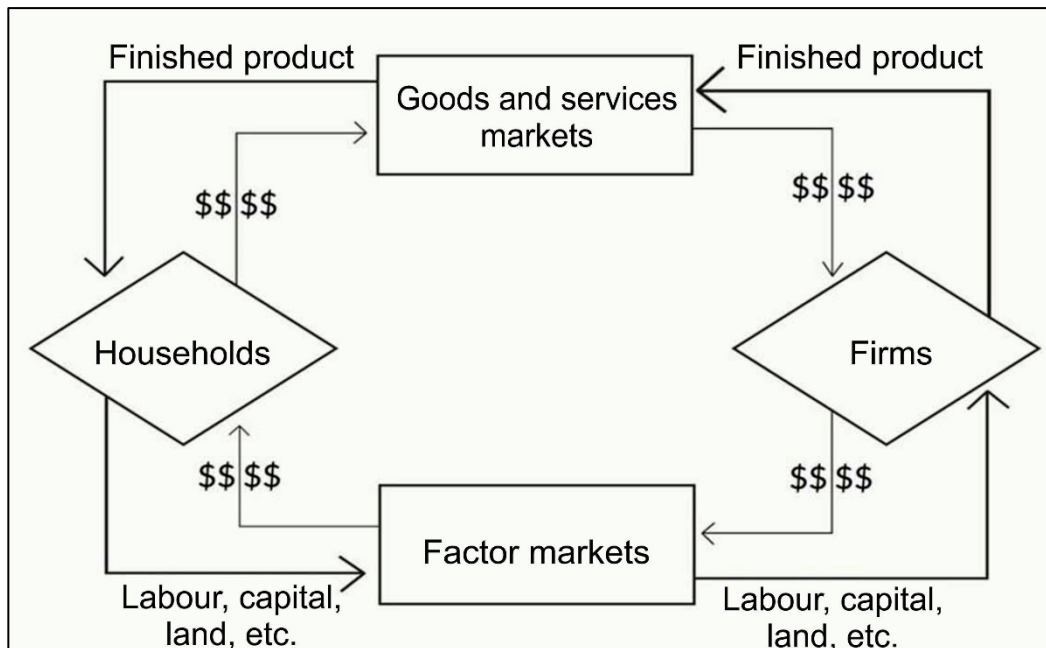
(4)

2.1.4 Calculate the balance on the financial account and discuss your findings. You do not have to show your calculations.

(4)

2.2 Study Figure 2 below and answer the questions that follow.

Figure 2: The circular flow model of an open economy



[Source: <<https://www.thoughtco.com/the-circular-flow-model-of-the-economy-1147015>>]

2.2.1 Name the two participants that are omitted from the circular flow model in Figure 2.

(2)

2.2.2 **The interest rate is suddenly increased from 10% to 15%.**

Analyse how this would affect the flow of money in an economy.

(6)

2.2.3 Study Table 4 below and answer the question that follows.

Table 4: National account entries

	Billions of rand
Donations	21
Savings	220
Government spending	722
Investments	551
Imports	349
Indirect and direct tax	533
Exports	360
Consumer spending	490

Use the information in Table 4 to calculate the total injections and leakages. Show all calculations and identify each injection and leakage.

Injections	Leakages

(8)

2.3 Study Table 5 below and answer the questions that follow.

Table 5: National accounts figures

Item	R billion
Net operating surplus	378 310
Taxes on production	33 457
Consumption of fixed capital	223 543
Subsidies on products	6 430
Compensation of employees	640 890
Taxes on products	44 500
Subsidies on production	20 897

2.3.1 Which method of calculating national income is being used in Table 5 of the national accounts figures?

_____ (1)

2.3.2 Use the information in Table 5 to calculate the GDP at market prices. Show all your calculations.

(5)

2.4 Study Table 6 and the statement below and answer the questions that follow.

Table 6: Composite economic indicators for South Africa

Indicator	2013	2014	2015	2016	2017	2018	2019
Leading	11,5	5,7	6,8	0,9	-5,8	0,9	0,8
Coincident	10,5	8,7	9,9	7,5	2,1	-9,3	1,6
Lagging	-2,4	1,3	2,7	3,8	4,1	-7,2	-7,3

The number of commercial vehicles sold increased slightly whilst the unemployment rate decreased marginally from 27,1% to 27%. At the same time export volumes started to increase.

2.4.1 Using the information above, categorise commercial vehicles, the unemployment rate, and export volumes according to the relevant composite economic indicators.

(3)

2.4.2 Interpret the trend of the leading indicator from 2017 to 2019.

(2)

QUESTION 3 MICROECONOMICS

3.1

Operating systems for smartphones and computers provide excellent examples of oligopolies. Apple iOS and Google Android dominate smartphone operating systems, while computer operating systems are overshadowed by Apple and Windows.

[Source: <<https://www.investopedia.com>>]

3.1.1 Describe the term *market failure*.

(2)

3.1.2 Name THREE characteristics of oligopolies.

(6)

3.1.3 Critically discuss TWO reasons why oligopolies could be harmful to an economy.

(4)

3.1.4 Name TWO aims of the Competition Commission in South Africa and briefly analyse whether this organisation has been successful or not in achieving its aims.

(6)

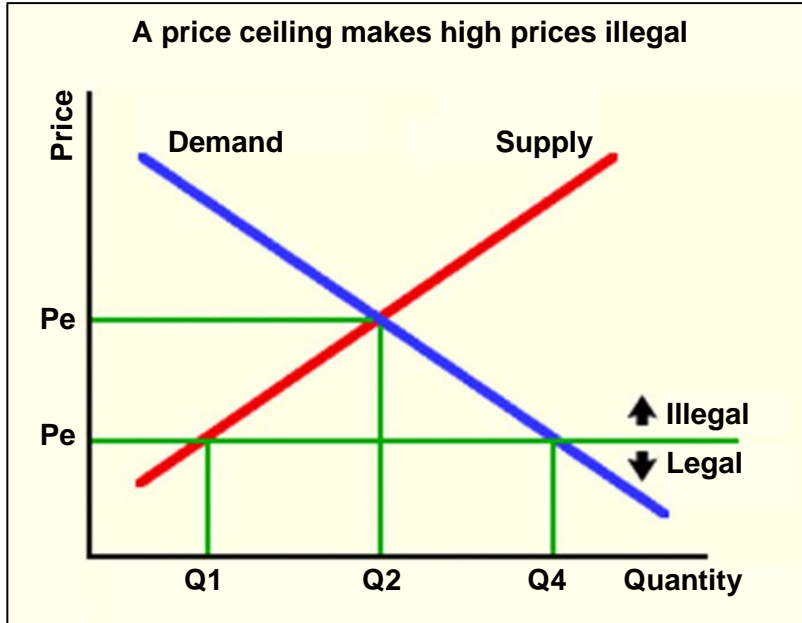
3.1.5 Explain with the aid of the Lorenz curve why imperfect distribution of income is one of the most important causes of market failure and poverty in South Africa.



(8)

3.2 Study Figure 3 below and answer the question that follows.

Figure 3: Maximum price



[Source: <<http://ingrimayne.com/econ/perfectcomp/PriceAsRationer.html>>]

Explain why a government would intervene in an economy via a maximum price and analyse the success of this form of government intervention.

(6)

3.3 Study the revenue schedule in Table 7 and answer the questions that follow.

Table 7: Revenue schedule

Quantity	Price	Total cost	Total revenue	Marginal revenue	Marginal cost	Profit
0	5	9	0			
1	5	10	5			
2	5	12			C	D
3	5	15		B		
4	5	19				
5	5	24				
6	5	30	A			
7	5	35				E

3.3.1 Calculate **A** to **E**. You do not have to show your calculations.

(5)

3.3.2 Name the profit made at **E**.

(2)

3.4 Study Table 8 below and answer the questions that follow.

Table 8: Estimates of price elasticity of demand and income elasticity of demand in the South African fuel market

Income elasticity	
Petrol	Diesel
+1,9	-1,36

3.4.1 Define the concept *income elasticity of demand*.

(2)

3.4.2 Using the information in Table 8, interpret the income elasticity figures for petrol and diesel.

(4)

3.4.3 Use **ONLY** a supply and demand graph to show the effects that an increase in income would have on the price and quantity sold of an inferior good.



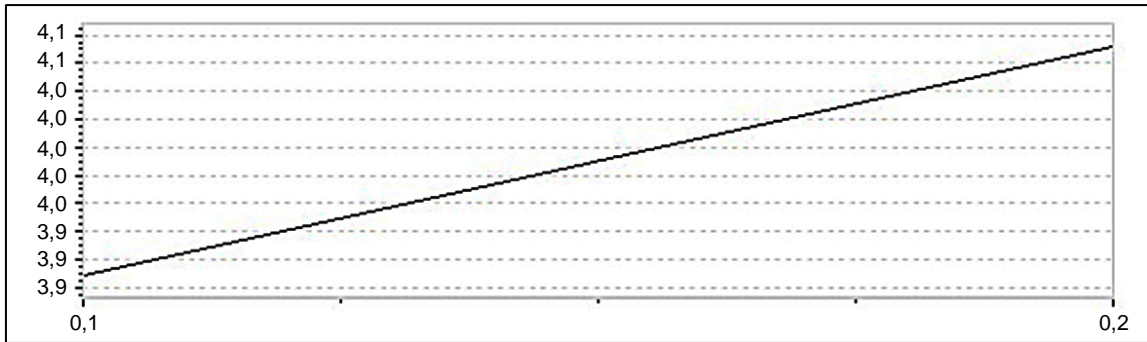
(5)
[50]

QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 Study Figure 4 and answer the questions that follow.

Figure 4: CPI inflation South Africa 2019 (yearly basis)

The average inflation of South Africa in 2019: 3,99%



[Source: <<https://www.inflation.eu>>]

4.1.1 Describe the economic term *inflation*.

(2)

4.1.2 Using the information in Figure 4, briefly discuss whether the South African Reserve Bank would be satisfied with the 2019 trend.

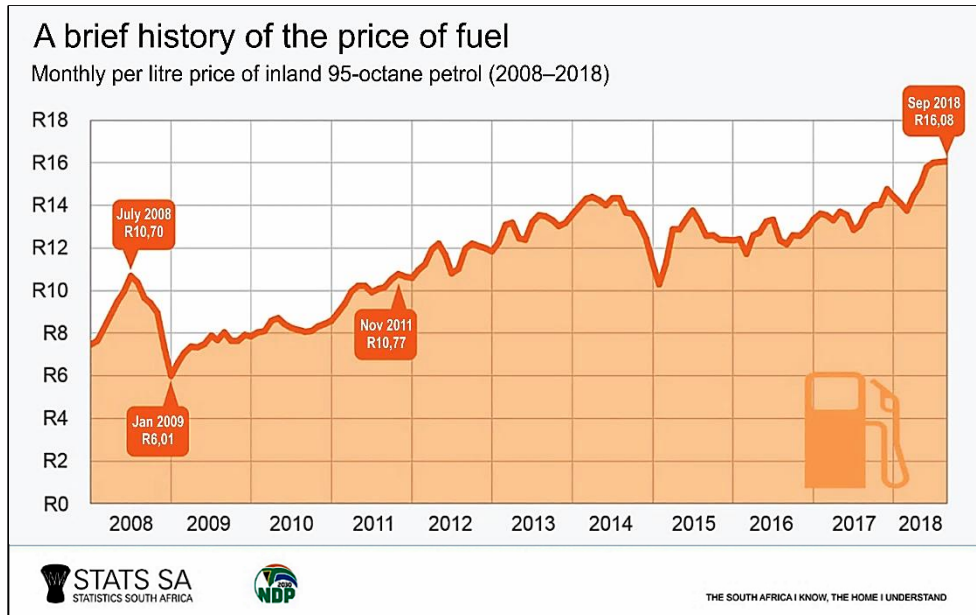
(4)

4.1.3 To what extent can *deflation* be considered an economic problem?

(4)

4.2 Study Figure 5 below and answer the questions that follow.

Figure 5: Fuel inflation



[Source: Department of Energy <www.energy.gov.za]

4.2.1 With reference to Figure 5, briefly discuss TWO possible reasons for the trend in fuel inflation in South Africa from 2008 to 2018.

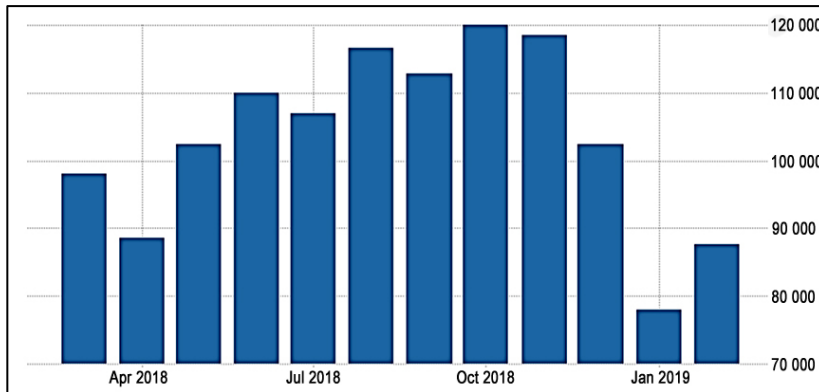
(4)

4.2.2 Analyse the impact of fuel inflation on the South African economy.

(8)

4.4 Study Figure 6 below and answer the questions that follow.

Figure 6: South African exports



[Source: <<https://tradingeconomics.com>>]

4.4.1 According to the information in Figure 6, when were South African exports the highest?

(1)

4.4.2 Using your knowledge of contemporary economics, briefly discuss TWO possible reasons for a decrease in exports.

(4)

4.4.3 Analyse how an increase in exports could increase a country's employment rate.

(4)

4.5 "IMF cuts SA's economic growth forecast."

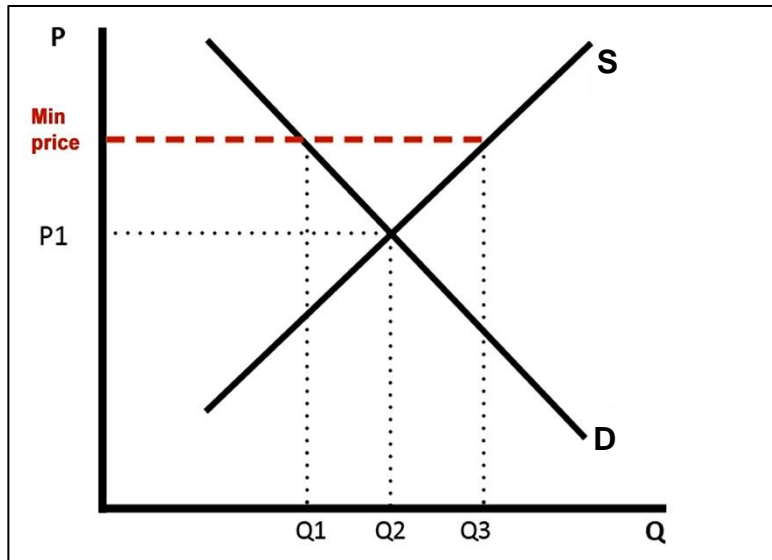
Briefly explain how the South African government can use a demand-side approach to stimulate economic growth.

(4)

[50]

5.1.3 Study Figure 7 below and answer the questions that follow.

Figure 7: Minimum price



[Source: <www.economicshelp.org>]

(a) With reference to Figure 7, provide TWO reasons why the South African government would implement a minimum price on Eskom electricity.

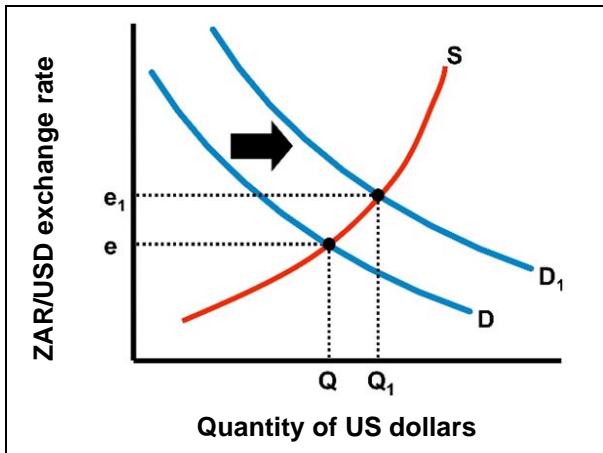
(4)

(b) With reference to Figure 7, evaluate the success of this form of government intervention. Specifically mention the positive and negative impact on Eskom.

(6)

5.2 Study Figure 8 below and answer the questions that follow.

Figure 8: Foreign exchange graph



Briefly discuss TWO possible reasons for the shift in demand from D to D1 in the graph above.

(4)

5.3 Briefly describe the difference between the following concepts:

5.3.1 A free-floating exchange rate system and a fixed exchange rate system.

(4)

5.3.2 Import quotas and import deposits.

(4)

5.4 Study Cartoon 1 below and answer the question that follows.

Cartoon 1: Brexit



[Source: <<https://www.autoindustrylawblog.com/wpcontent/uploads/sites/8/2019/01/brexit1.png>>]

Brexit was finalised in February 2020. Analyse the potential trade impact of *Brexit* on the South African economy.

(6)

5.5 Study the social and economic performance indicators in Table 9 below and answer the questions that follow.

Table 9: South Africa's social and economic performance indicators

Indicator	Unit	Current	Previous
Total imports	USD millions	7 902,5	7 209,9
Current account balance	USD millions	-4 790,7	-2 524,8
Employed persons	Person	16 377,5	16 171,0
Real GDP growth	%	1,82	1,53
Government debt to GDP	%	53,1	51,0
Nominal GDP growth	%	6,97	6,42
Consumer confidence	% point	22	26

[Adapted from <<https://www.ceicdata.com>>]

5.5.1 Explain the entries *service receipts* and *income receipts* in the current account of the balance of payments.

(4)

5.5.2 According to Table 9, the change in *nominal* and *real GDP growth* is positive. Explain the difference between these two indicators.

(4)

5.5.3 Analyse the effect of the change in *total imports* on the South African economy.

(4)

[50]

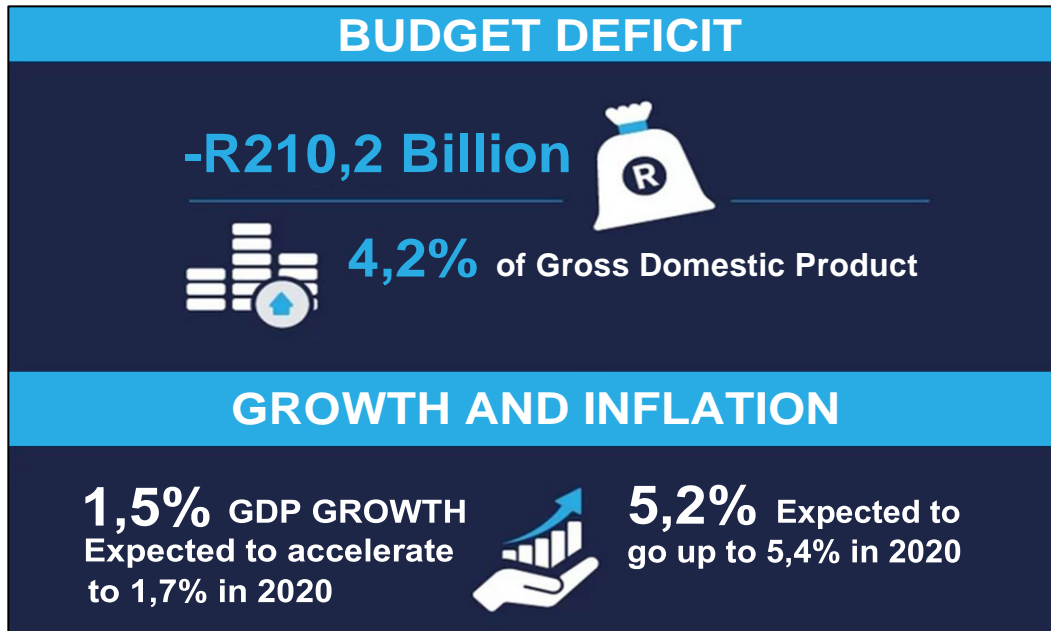
200 marks

SECTION C

QUESTION 6 DATA RESPONSE

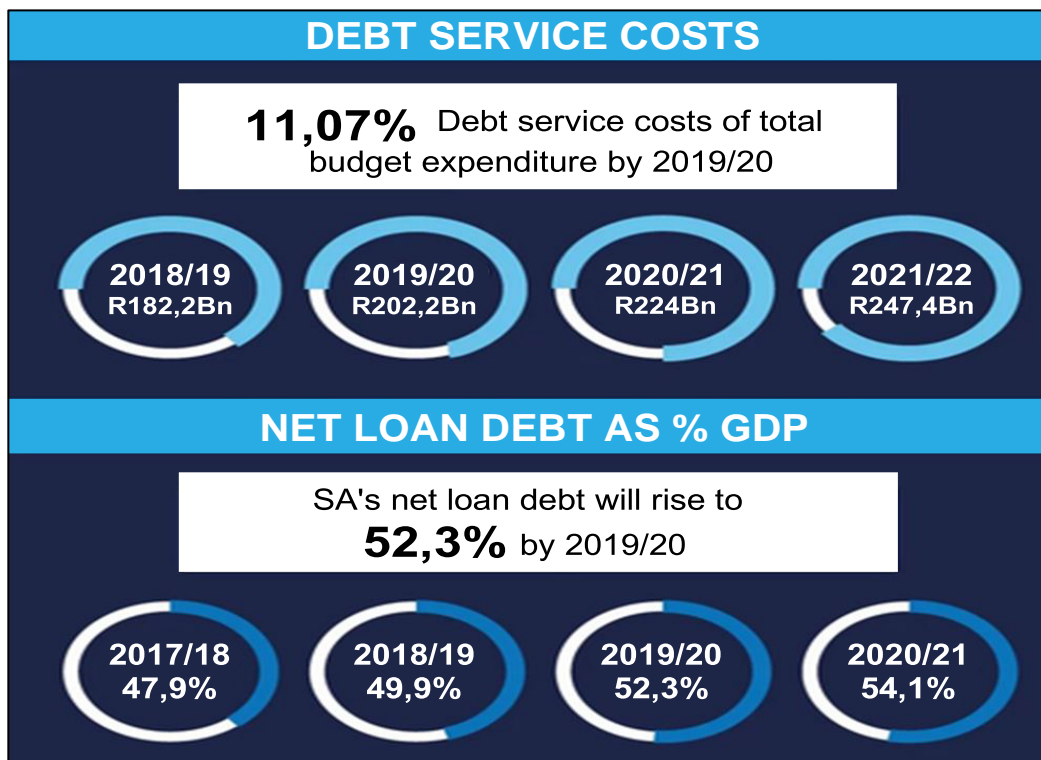
6.1 Study Sources 1 and 2 and answer the questions that follow.

Source 1



[Source: <<https://www.fin24.com/PartnerContent/infographic-budget-2019-at-a-glance-20190221>>]

Source 2



[Source: <<https://www.fin24.com/PartnerContent/infographic-budget-2019-at-a-glance-20190221>>]

6.1.1 With specific reference to the information provided in Source 1, describe the economic term *budget deficit*.

(4)

6.1.2 Explain how a GDP growth of 1,5% was calculated and indicate whether the South African government should be satisfied with this figure.

(4)

6.1.3 With reference to Source 2, provide a relevant reason for the *debt service* trend from 2018/19 to 2021/22.

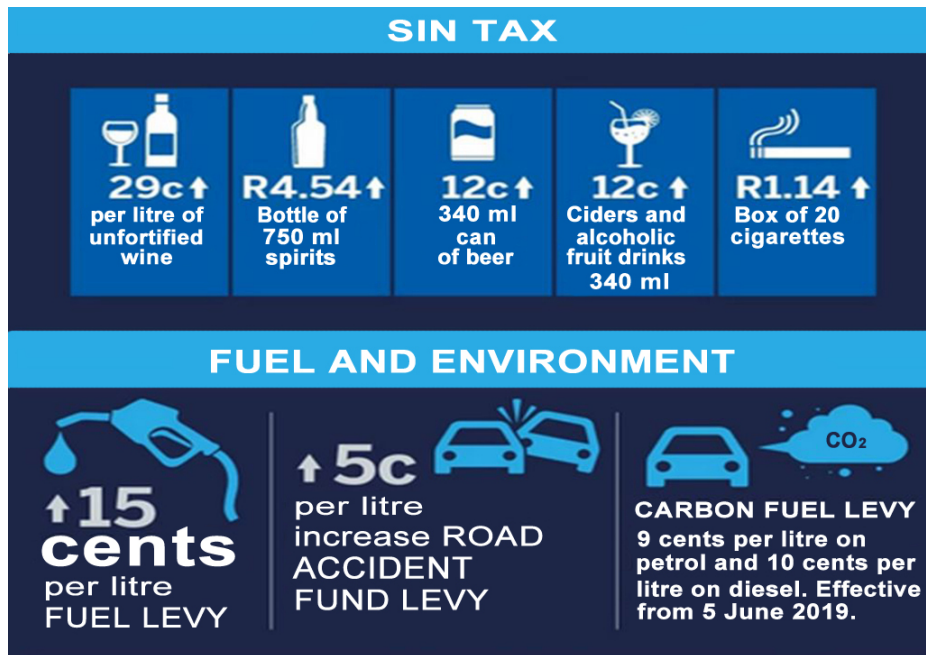
(2)

6.1.4 With reference to Source 2, explain the economic term *net loan debt as % GDP* and comment on the impact of this debt on the South African economy.

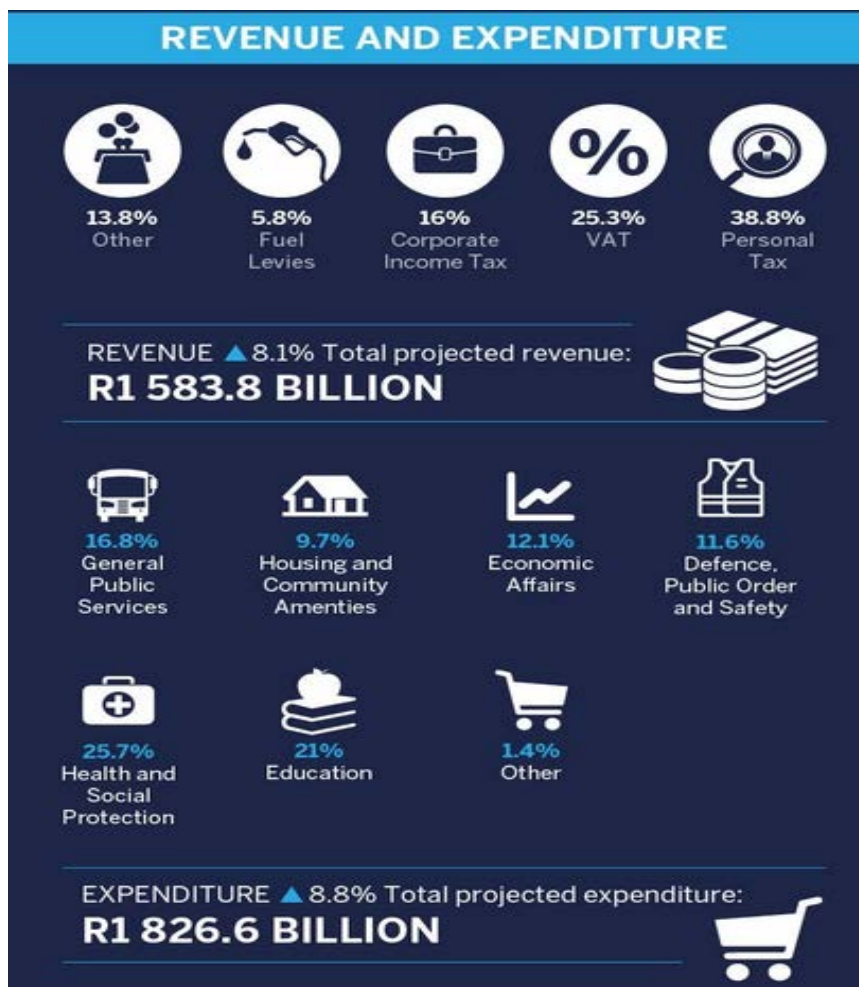
(4)

6.2 Study Sources 3 and 4 and answer the questions that follow.

Source 3



Source 4



[Source: <<https://www.fin24.com/PartnerContent/infographic-budget-2019-at-a-glance-20190221>>]

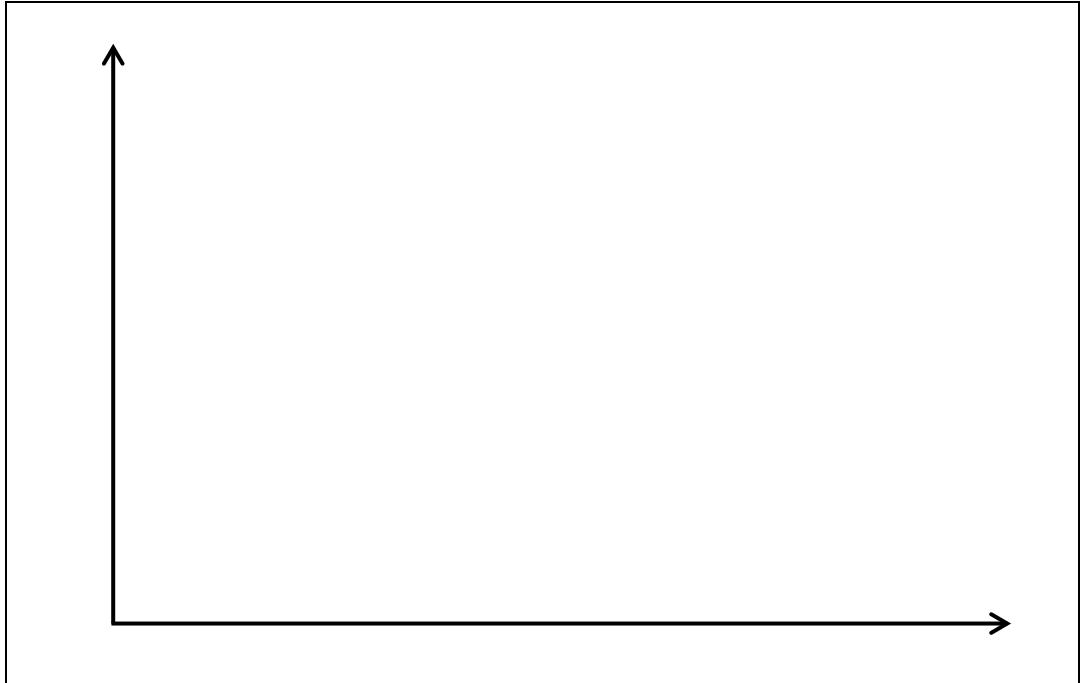
6.2.1 Evaluate the success of the increased sin taxes as illustrated in Source 3.

(6)

6.2.2 With reference to Source 4, name the expenditure (except for the combination of health and social protection), that will receive the highest priority and explain why this particular expenditure has been favoured in every budget for the last three years.

(6)

6.2.6 Draw the Laffer curve and explain the relationship between tax rates and tax revenue.



(8)
[50]

50 marks

Total: 300 marks

