

SECTION A

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QUESTION 1

Choose the correct option for questions 1.1–1.20 and enter the letter corresponding to your choice in the block below.

1.1	
1.2	
1.3	
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1.17	
1.18	
1.19	
1.20	

10 × 2 =

<hr style="width: 50%; margin: 0 auto;"/> 20

10 × 3 =

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1.1 Calculate the multiplier if marginal propensity to save = 0,2, marginal propensity to import = 0,2 and marginal propensity to tax = 0,1.

- A 0,5
 - B 1
 - C 2
 - D 5
- (2)

1.2 Select the entry that forms part of the production method and is used to calculate GDP.

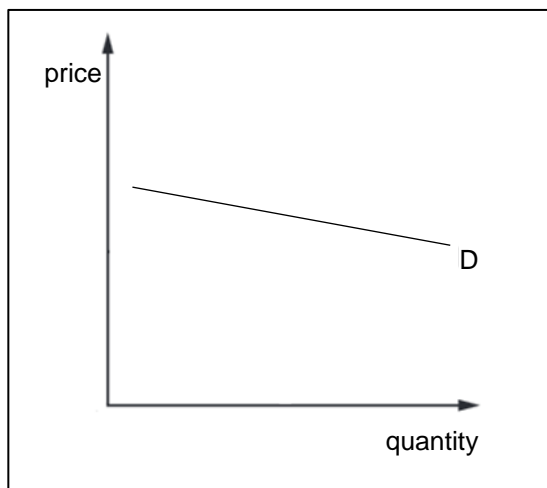
- A Exports.
 - B Consumption of fixed capital.
 - C Gross value added at factor prices.
 - D Gross value added at basic prices.
- (2)

1.3 When $S + T + M = I + G + X$, national income will ...

- A remain unchanged.
 - B equal all inflows and outflows of the foreign sector.
 - C fall.
 - D rise.
- (2)

1.4 Study Graph 1 below and answer the question that follows.

Graph 1: Price elasticity of demand curve



The curve above shows the price elasticity of demand of a product. What can be deduced about the product?

- A It has an infinite price elasticity of demand.
 - B It has close substitutes.
 - C It is a necessity.
 - D It costs a small proportion of consumer income.
- (2)

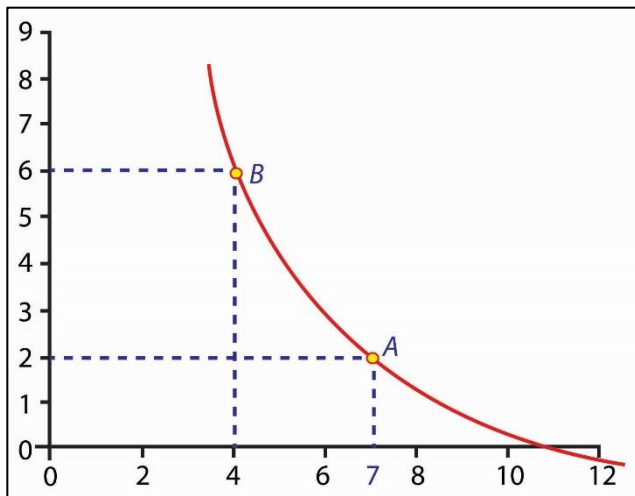
- 1.5 Product A and Product B are substitute goods. A rise in the price of Product A will result in a ...
- A leftward shift of the demand curve and a decrease in the equilibrium price of Product B.
 - B rightward shift of the demand curve and an increase in the equilibrium price of Product B.
 - C leftward shift of the supply curve and an increase in the equilibrium price of Product B.
 - D rightward shift of the supply curve and a decrease in the equilibrium price of Product B. (2)
- 1.6 If GDP at current prices is R2 400 m and the CPI is 127, then GDP at constant prices is ...
- A also R2 400 m.
 - B R3 048 m.
 - C R2 547 m.
 - D R1 889,76 m. (2)
- 1.7 When aggregate spending in the economy increases faster than output of production, the inflation that results is ...
- A hyperinflation.
 - B cost-push inflation.
 - C demand-pull inflation.
 - D stagflation. (2)
- 1.8 ... are taxed by government, because markets will over supply them.
- A Merit goods
 - B Demerit goods
 - C Scarce goods
 - D Public goods (2)
- 1.9 Average fixed cost ...
- A does not change as output changes.
 - B will fall as output increases.
 - C includes rent and raw materials.
 - D is calculated as total cost minus total variable cost. (2)
- 1.10 Which one of the following statements about public goods is true?
- A They are only provided in perfect markets.
 - B There is no opportunity cost involved in their provision.
 - C They are characterised by the free-rider problem.
 - D They are also known as 'free goods'. (2)

1.11 Over a period of time, the value of the British pound against the US dollar changes from £1 = \$1,40 to £1 = \$2,10. Other things being equal, this will probably result in ...

- A growth in the UK's economy.
- B UK products becoming more expensive in the US.
- C a higher inflation rate in the UK.
- D a decrease in the UK's budget deficit. (3)

1.12 Study Graph 2 below and answer the question that follows.

Graph 2: Phillips curve



Which one of the statements below is correct for Graph 2?

- A If inflation decreases from 7% to 4% unemployment increases from 2% to 6%.
- B If employment increases beyond 9% the economy experiences deflation.
- C Inflation will increase by 4% if unemployment decreases by 3%.
- D If employment decreases, inflation increases. (3)

1.13 If ratings agency Standard & Poor's should downgrade South Africa to *junk* status, the impact on South Africa's BOP will be that:

- A Net direct investments and portfolio investments will increase.
- B Net direct investments and portfolio investments will decrease.
- C Net direct investments will increase, and portfolio investments will decrease.
- D Net direct investments will decrease, and portfolio investments will increase. (3)

1.14 If the rand depreciates significantly, it will have the following impact on South Africa's BOP:

- A The balance on the Current account will improve.
- B Merchandise imports will increase.
- C Net other investments will decrease due to a decrease in interest rates.
- D Current transfers will increase. (3)

1.15 Calculate the price elasticity of demand of Product X if a price increase of 10% causes consumption to decrease from 10 to 8 units.

- A Price elasticity of demand = 0,5
- B Price elasticity of demand = -2
- C Price elasticity of demand = -0,5
- D Price elasticity of demand = -0,25 (3)

1.16 An injection into an economy, with a marginal propensity to consume of 0,75, leads to a total increase in national income of R224 million. What was the value of the initial injection?

- A R22,4 million
- B R56 million
- C R168 million
- D R896 million (3)

1.17 If the price elasticity of supply of a good is +3,5 and its price increases by 10%, the increase in quantity supplied is ...

- A 40%.
- B 35%.
- C 4%.
- D 3,5%. (3)

1.18 Study Table 1 below and answer the question that follows.

Which combination of statements, A, B, C or D, is most likely to be consistent with the descriptor in column 1?

Table 1

Descriptor		Statement 1	Statement 2
Rand depreciates	A	More tourists from the USA	More imports from the USA
Rand depreciates	B	US investors pull out of SA	More tourists to the USA
Rand appreciates	C	More tourists to the USA	More imports from the USA
Rand appreciates	D	Less imports from the USA	US investors pull out of SA

(3)

1.19 Study Table 2 below and answer the question that follows.

Table 2: Consumer price index (CPI)

Year	CPI
2018	84,6
2019	88,2
2020	92,6
2021	97,8

The most accurate statement for Table 2 is:

- A Consumer prices rose by 10% from 2018 to 2019.
- B Consumer prices rose by 7% from 2019 to 2020.
- C Consumer prices rose by 5,6% from 2020 to 2021.
- D None of the above.

(3)

1.20 Study Table 3 below and answer the question that follows.

Table 3: Income tax table

Income per year	Tax paid per year		
	Tax A	Tax B	Tax C
R100 000	R40 000	R10 000	R10 000
R200 000	R30 000	R25 000	R10 000
R300 000	R20 000	R40 000	R10 000
R400 000	R10 000	R60 000	R10 000

Which of the tax(es) in Table 3 is/are regressive?

- A Tax A.
- B Tax B.
- C Tax C.
- D Tax A and Tax B.

(3)

50 marks

SECTION B

QUESTION 2 MACROECONOMICS

2.1 Study Table 4 below and answer the questions that follow.

Table 4: GDP of Economy X

Item	2020 R million	2021 R million
Final consumption expenditure by households	1 937 396	1 957 656
Final consumption expenditure by general government	641 512	651 103
Gross fixed capital formation	609 614	603 928
A	B	-9 130
Residual items	316	3 276
Gross domestic expenditure	3 183 398	C

2.1.1 **Describe** the economic term *GDP*.

(2)

2.1.2 **Name or calculate** the missing entries labelled A, B and C in Table 4 above:

A: _____

B: _____

C: _____

(3)

2.1.3 **Name** any TWO methods used to calculate GDP.

(2)

2.1.4 **Explain** by giving TWO reasons why GDP should be calculated according to these international methods identified in Question 2.1.3 above.

(4)

2.1.5 **Describe** the economic term *the multiplier*.

(2)

2.1.6 **Explain in detail** the extent to which a higher GDP can influence the multiplier of an economy.

(10)

2.2 Complete Table 5 below.

Table 5: Economic indicators

Change in indicator	Type of indicator	Impact on the GDP (increase or decrease)
Decrease in new building plans approved.		
Increase in M1 money supply.		
Decrease in the number of hours in construction.		

(6)

2.3 Study Table 6 below and answer the questions that follow.

Table 6: GDP at current prices for Country X

YEAR	GDP at current prices	Inflation rate
2018	3 805 350	5.77%
2019	40 051 421	4.994%
2020	4 350 314	7.011%
2021	4 651 785	5.3%

2.3.1 **Calculate** GDP at constant prices for 2020 and 2021.
(Show all calculations)

2020:

(4)

2021:

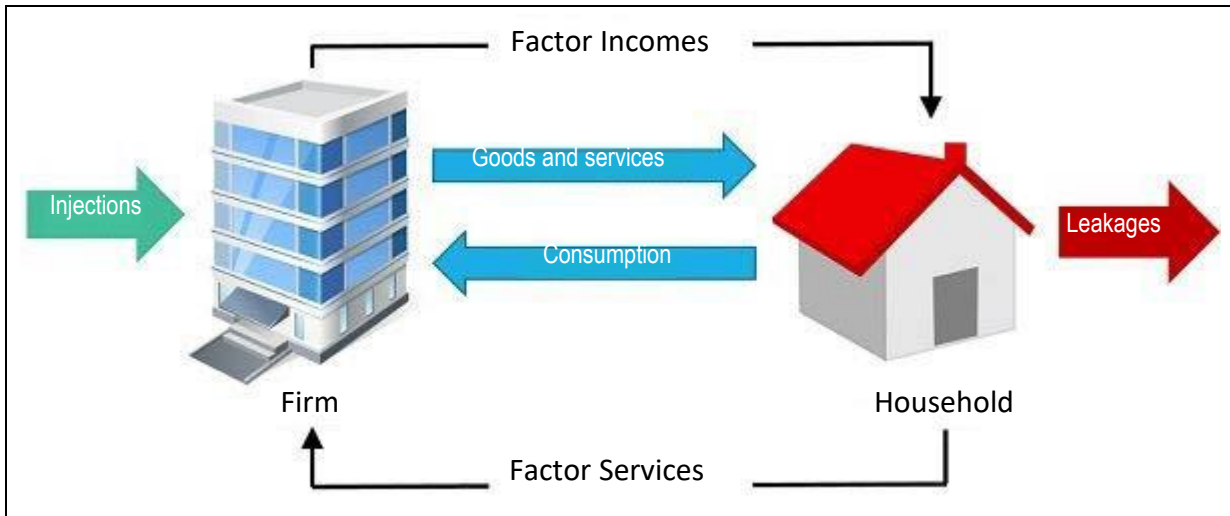
(4)

2.3.2 **Calculate** the GDP growth rate for 2021. (Show all calculations.)

(3)

2.4 Study Source 1 and answer the questions that follow.

Source 1: Injections and leakages



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

2.4.1 **Describe** the economic term *circular flow model*.

(2)

2.4.2 **List** TWO examples of leakages and injections.

Leakages	Injections

(4)

2.4.3 Refer to Source 1 above and **explain** the difference between a leakage and an injection relating to the circular flow model.

(4)
[50]

QUESTION 3 MICROECONOMICS

3.1 Study Table 7 below and answer the questions that follow.

Table 7: Cost data for Firm X

Quantity	Fixed cost	Variable cost	Total cost	Average cost	Marginal cost
0	55	0	55	–	–
1	55	A	77	C	22
2	55	35	90	45	D
3	55	44	B	33	9
4	55	59	114	28,5	E

3.1.1 **Calculate** the values of **A, B, C, D and E**. You do not have to show your calculations.

A: _____

B: _____

C: _____

D: _____

E: _____ (5)

3.1.2 Use an example to **explain** why an increase in production will result in an increase in variable cost.

_____ (2)

3.1.3 **Explain** the difference between the short-run and long-run costs in production.

_____ (2)

3.2 **Describe** the following economic terms:

3.2.1 *Allocative efficiency:*

(2)

3.2.2 *Law of diminishing marginal utility:*

(2)

3.3 Complete Table 8 below.

Table 8: Market structures

Characteristic	Perfect competition	Monopoly
Number of participants		
Nature of the product		
Access to market information for the consumer		

(6)

3.4 **The price of a product increases from R3 to R5, and the quantity demanded falls from 60 to 40.**

3.4.1 Use the *arc elasticity of demand* to **calculate** the *price elasticity of demand* for this product. Show your calculations.

(4)

3.5 Study the pictures below and answer the question that follows.



[Source: Google images]

Discuss TWO examples of non-price competition that the fast-food pizza industry can use to compete in this imperfect market.

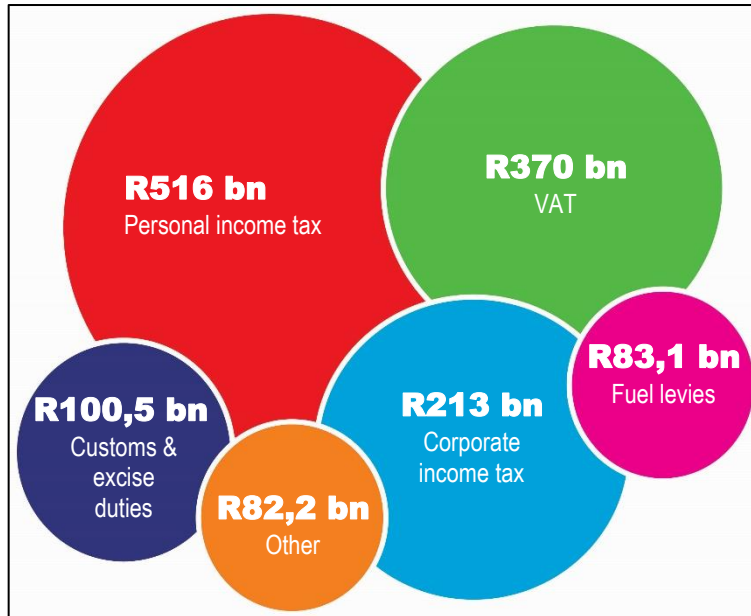
(4)

3.6 **Discuss** FOUR causes of market failure.

QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 Study Source 2 below and answer the questions that follow.

Source 2: South Africa's projected tax revenue for 2021/2022



[Source: National Treasury]

4.1.1 **Name** the South African government's largest source of tax revenue according to Source 2.

_____ (2)

4.1.2 Use Source 2 to **list** ONE example of progressive and ONE example of regressive tax.

 _____ (2)

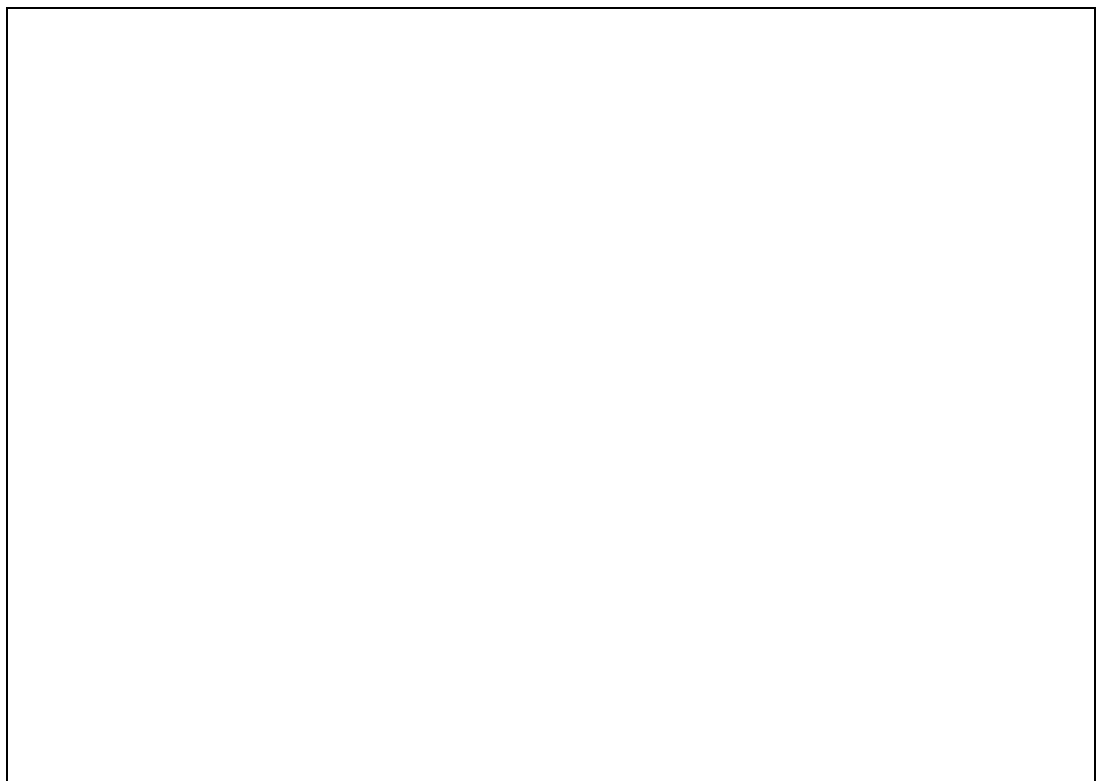
4.1.3 **Analyse** the effect an increase in VAT would have on consumer spending and government spending.

 _____ (4)

4.1.4 **Explain** the difference between progressive and regressive taxes.

(4)

4.1.5 **Draw** a labelled Laffer curve.



(4)

4.2 Study Table 9 below and answer the questions that follow.

Table 9: Human development report

Country	HDI value	Life expectancy	Expected years of schooling	GNI per capita (\$)	Gini index
Australia	0,939	83,1	22,9	43,560	0,332
Germany	0,936	81,2	17,0	46,136	0,290
Ireland	0,938	81,6	19,6	53,754	0,300
Mozambique	0,437	58,9	9,7	1,093	0,390
Nigeria	0,532	53,9	10	5,231	0,390
Norway	0,953	82,3	17,9	68,012	0,240
Switzerland	0,944	83,5	16,2	57,625	0,293
Thailand	0,755	75,5	14,7	15,516	0,437

[Source: <<http://hdr.undp.org>>]

4.2.1 **Analyse** how the following TWO factors might attract more investors to a country:

(a) Life expectancy

(4)

(b) Expected years of schooling

(4)

QUESTION 5 MIXED QUESTIONS

5.1 Study Cartoon 1 below and answer the questions that follow.

Cartoon 1: Labour relations



[Source: www.miningweekly.com]

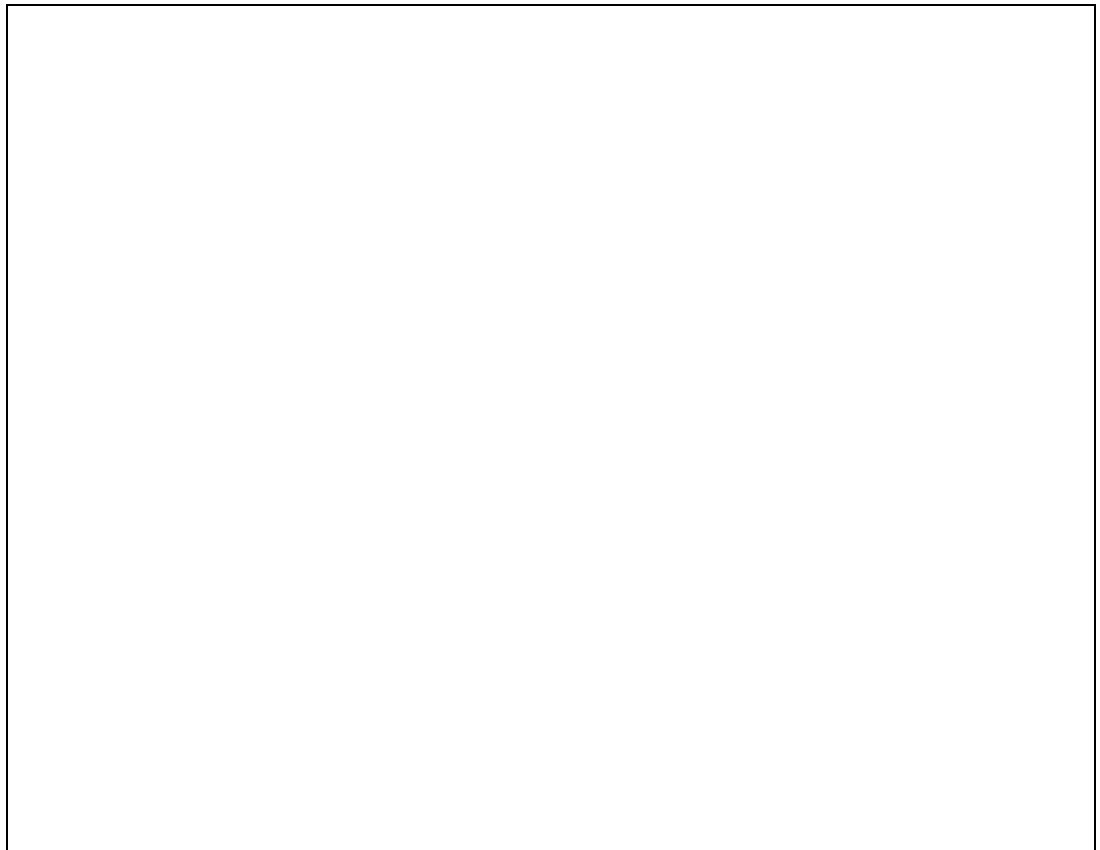
5.1.1 **Describe** the economic concept *minimum wage*.

(2)

5.1.2 **Evaluate** the impact of government wage increases on the budget.

(6)

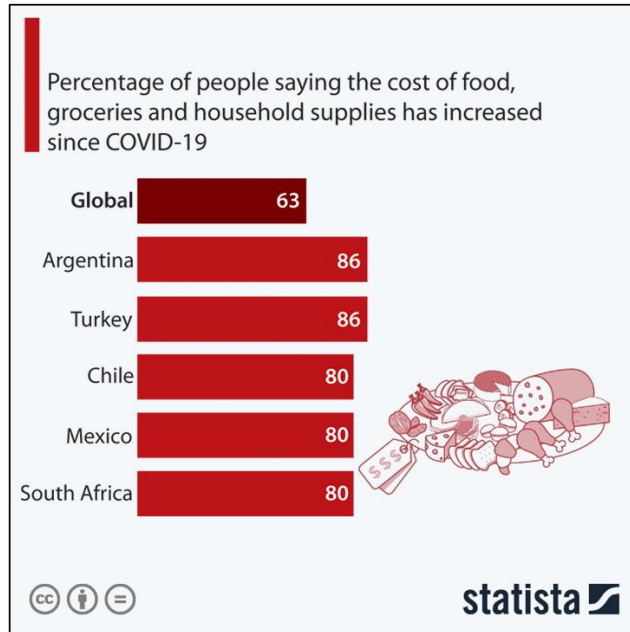
5.1.3 **Draw** a graph and **explain** the effect of the minimum wage on demand and supply of labour in the South African economy.



(8)

5.2 Study Source 3 below and answer the questions that follow.

Source 3: Global Perception of increased food prices



[Source: Ipsos]

5.2.1 **Give** ONE economic term that is used for the concept illustrated in Source 3 above.

(2)

5.2.2 **Indicate** whether an increase in the price of goods as seen in Source 3 is of a demand-pull or cost-push nature?

(2)

5.2.3 **Describe** what could have contributed towards an increase in food prices since the outbreak of the COVID-19 pandemic?

(2)

5.3 **Explain in detail** the impact of an increase in food prices on:

5.3.1 Lenders and borrowers:

(4)

5.3.2 The rand:

(4)

5.4 **Explain in detail** what action the SARB will take if the increase in the price of goods and services rises above the bracket of 3%–6%.

(4)

5.5 **Name** FOUR of South Africa's macroeconomic objectives.

(4)

[50]

SECTION C

QUESTION 6 DATA RESPONSE

6.1 Study Table 10 below and answer the questions that follow.

Table 10: South Africa's Balance of Payments account for 2020

Current account	R millions
Merchandise exports, free on board	1 286 047
Net gold exports	108 299
Service receipts	121 073
Income receipts	122 120
Merchandise imports, free on board	1 109 459
Payments for services	160 422
Income payments	216 319
Current transfers (net)	-43 135
Balance on Current account	?
Capital Transfer account	234
Financial account	
Net direct investments	83 608
Net portfolio investments	-112 683
Net financial derivatives	-11 107
Net other investments	-146 648
Balance on Financial account	-146 648
Unrecorded transactions	24 272

[Source: SARB Quarterly Bulletin March 2021]

6.1.1 Describe the economic term *Balance of Payments account*.

(2)

6.1.2 Refer to Table 10 and **calculate** the *balance of trade*. (Show all your calculations)

(4)

6.1.3 Refer to Table 10 and **calculate** the balance on the *Current account*. (Show all your calculations)

(4)

6.1.4 Differentiate between *net direct investment* and *net portfolio investment*.

(4)

6.2 Study the following article and answer the questions that follow.

Why South Africa should revert to greater protection for some of its industries

After years of relative silence, debates about the pros and cons of tariffs in international trade have become a regular feature. The renewed interest has been sparked by the actions of (the former) US President Donald Trump, the first president since the Great Depression to impose, or threaten to impose, higher tariffs on imported goods.

In March 2020, the US imposed tariffs of 25% on Chinese imports worth \$250 billion a year. Although the intended extension of the measures to all Chinese goods was on hold, the US threatened similar steps against the European Union.

The debate is important for countries that are struggling to diversify their economies, in South Africa's case to build its capacity in medium and high technology-based industries.

South Africa's manufacturing sector has been significantly affected by trade liberalisation policies dating back to the nineties. At the time, these were widely adopted as a means of stimulating national economies in developed countries that were characterised as being hamstrung by high input costs and stagnant local markets. It was argued that open markets would help create jobs, raise levels of productivity and competitiveness, and ultimately increase economic output.

[Adapted from: theconversation.com]

6.2.1 **Describe** the following economic concepts mentioned in the article above:

(a) *Tariffs*

(2)

(b) *Developed countries*

(2)

(c) *Productivity*

(2)

6.2.2 **Draw** an exchange rate diagram (using the indirect method) to illustrate the effects of an increase in protectionism on the value of the rand. **Provide a short explanation** to support your answer.



(10)

6.2.3 **Analyse** the relationship between substitute and complementary products giving examples of South African imports and exports.

(8)

