

SECTION A

QUESTION 1

Choose the MOST 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	
1.4	
1.5	
1.6	
1.7	
1.8	
1.9	
1.10	
1.11	
1.12	
1.13	
1.14	
1.15	
1.16	
1.17	
1.18	
1.19	
1.20	

1.1 Savings is a(n) ... in the circular flow model and part of the ... flow.

- A leakage, real
- B injection, monetary
- C leakage, monetary
- D injection, real

(2)

1.2 Government expenditure includes the ...

- A salaries and wages paid to workers in the private sector.
- B profits of producers and the consumption of households.
- C payment for imports to South Africa by private businesses.
- D expenditure on services provided by government.

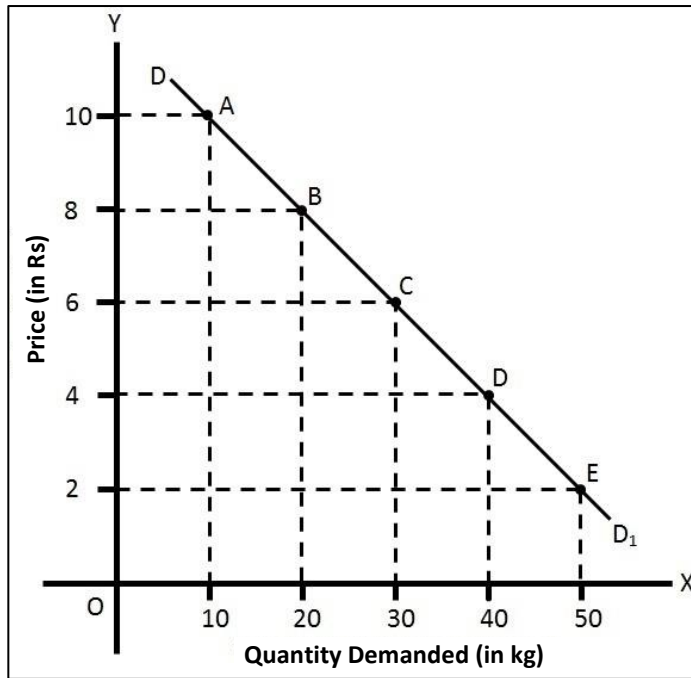
(2)

1.3 This type of inflation occurs when production costs increase, leading to higher prices.

- A Stagflation
 - B Cost-push inflation
 - C Deflation
 - D Demand-pull inflation
- (2)

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

Graph 1: Demand and Supply



Graph 1 ceteris paribus illustrates that the demand curve has a ... slope and a(n) ... relationship between price and quantity.

- A positive, direct
 - B negative, direct
 - C negative, indirect
 - D positive, indirect
- (2)

1.5 In a **closed economy**, Gross Domestic Product (GDP) at market price can be represented by which ONE of the following formulas?

- A $C + G + I$
 - B $C + G + I + (X - M)$
 - C $C + G + (X - M)$
 - D $C + I + (X - M)$
- (2)

1.6 The macroeconomic multiplier is equal to ...

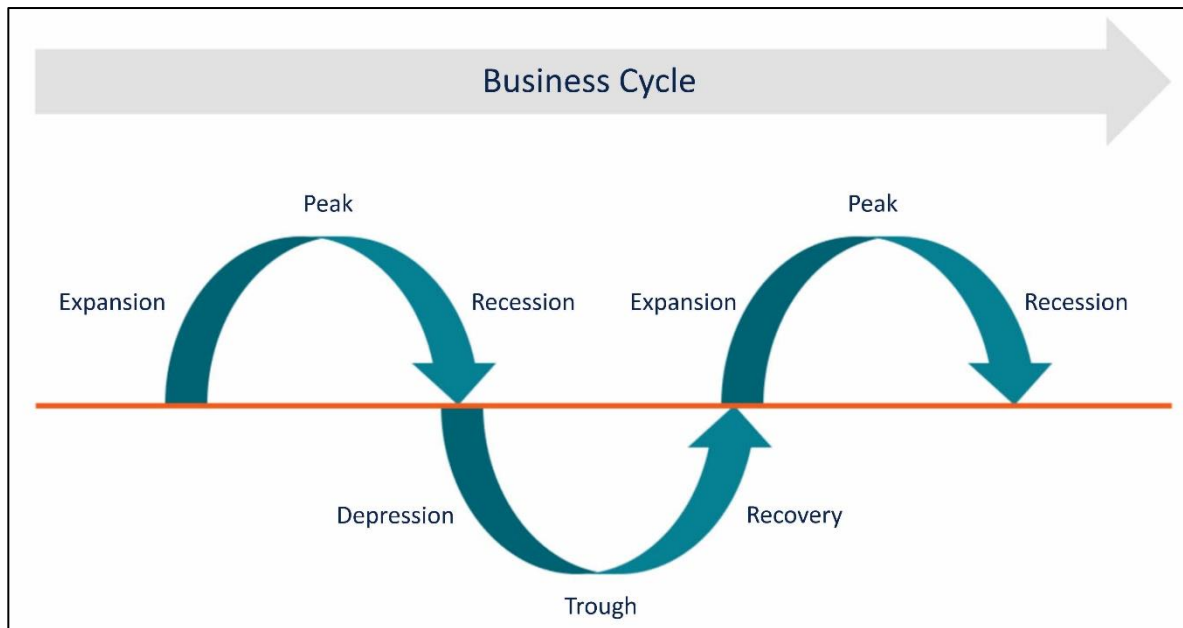
- A change in Y divided by the change in E.
 - B change in E divided by the change in Y.
 - C % change in QD divided by the % change in P.
 - D change in S divided by the change in I.
- (2)

1.7 The income tax system in South Africa is called ...

- A Value Added Tax (VAT).
- B Sin Tax.
- C Corporate Tax.
- D Pay As You Earn (PAYE). (2)

1.8 Study Diagram 1 below and answer the question that follows.

Diagram 1: Business cycle



The length of the business cycle in Diagram 1 is measured from ... to ...

- A trough; peak.
- B peak; peak.
- C peak; recession.
- D trough; recovery. (2)

1.9 This institution/organisation is responsible for collecting taxes on behalf of the South African government.

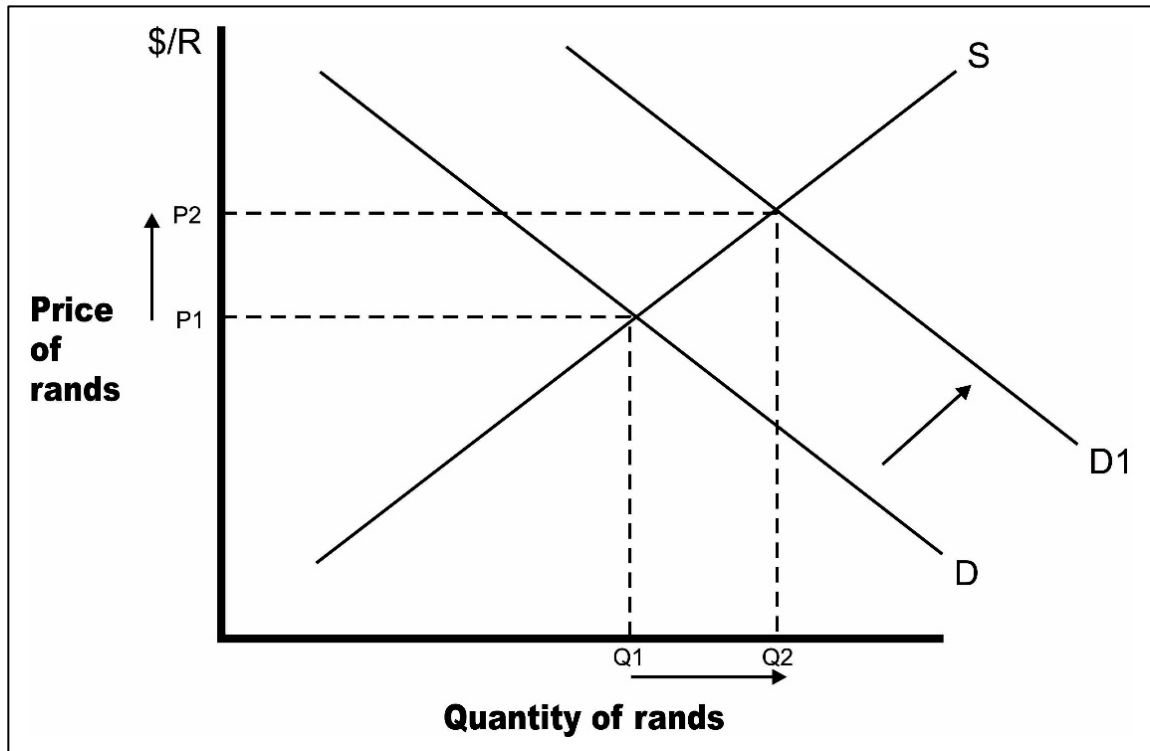
- A SARB
- B SABC
- C SABS
- D SARS (2)

1.10 If the marginal propensity to consume (c) is 0,4, the size of the multiplier will be ...

- A 1,67.
- B 2,5.
- C 0,6.
- D 0,4. (2)

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

Graph 2: Demand for local currency



Which ONE of the following factors does not influence the demand for local currency (rand) as illustrated in Graph 2?

- A The purchase of local goods and services by foreigners.
- B Foreign investment by local residents.
- C Foreign tourists visiting South Africa.
- D Purchase of South African real assets by foreign investors. (3)

1.12 Income elasticity of demand (YED) will Generally, there will be more goods and services that will have a ... YED.

- A vary; positive
- B be the same; positive
- C vary; negative
- D be the same; negative (3)

1.13 Table 1 below shows estimates of the percentage changes in price and quantity demanded for fresh fruit and vegetables.

Table 1: Price elasticity

Type of food	Price change (%)	Quantity demanded (%)
Fresh fruit	7,0	-7,7
Fresh vegetables	8,0	-9,6

Other things being equal, the data in Table 1 suggests that ...

- A income elasticity of demand is negative for fresh fruit and veg.
- B demand is more price elastic for fresh vegetables than fresh fruit.
- C total revenue has increased for producers of both fresh fruit and fresh vegetables.
- D demand is price inelastic for both fresh fruit and fresh vegetables. (3)

1.14 Which of the following is the best example of price discrimination?

- A One shuttle service charging more than the other shuttle services to go from point A to point B.
- B Spur charging more for a cup of coffee than a cup of tea.
- C An airline charging more for business class than economy class.
- D Units of electricity that become cheaper after higher levels of consumption. (3)

1.15 All other things being equal, which of the following is most likely to lead to a deterioration in South Africa's current account of the balance of payments?

Table 2

	SA inflation rate	Value of the rand
A	Increase	Decrease
B	Decrease	Increase
C	Increase	Increase
D	Decrease	Decrease

(3)

1.16 When a price floor is set above the equilibrium price on the market, it will create ...

- A a shortage on the market.
- B a surplus on the market.
- C an equilibrium on the market.
- D no change. (3)

1.17 The SARB requires commercial banks to hold reserve asset deposits with the central bank. If the SARB requires commercial banks to increase these deposits, then which one of the following is likely to occur?

- A Bank lending to consumers and businesses will rise.
- B Bank profits will rise.
- C Bank lending to businesses and consumers will fall.
- D Banks will have to borrow more from central banks. (3)

1.18 In an attempt to reduce hyperinflation, the Venezuelan Government imposed maximum prices on a range of goods. This caused the price of illegally sold goods to rise.

Which one of the following statements could explain this?

- A The maximum prices increased demand whilst reducing supply.
- B The maximum prices reduced demand whilst increasing supply.
- C The maximum prices were set above the equilibrium price levels.
- D The maximum prices were set at the equilibrium price levels. (3)

1.19 Country X and Country Y produce two chocolates, COCO and MILCO. Their production, using all their resources, is shown in Table 3:

Table 3

	COUNTRY X	COUNTRY Y
COCO	300	350
MILCO	60	210

This can be illustrated on a ... curve, showing that Country Y has ...

- A production possibility; an absolute advantage in both products and a comparative advantage in MILCO.
- B Lorenz; an absolute disadvantage in both products and a comparative advantage in MILCO.
- C production possibility; an absolute advantage in both products and a comparative advantage in COCO.
- D Laffer; an absolute disadvantage in both products and a comparative advantage in COCO. (3)

1.20 The critical macroeconomic policy implication of a vertical long-run Phillips curve is that ...

- A inflation is everywhere and always a monetary phenomenon.
- B big inflation will be stopped by big recession.
- C money illusion is the source of the unemployment in the long run.
- D demand policies cannot move the actual unemployment rate permanently away from its equilibrium level. (3)

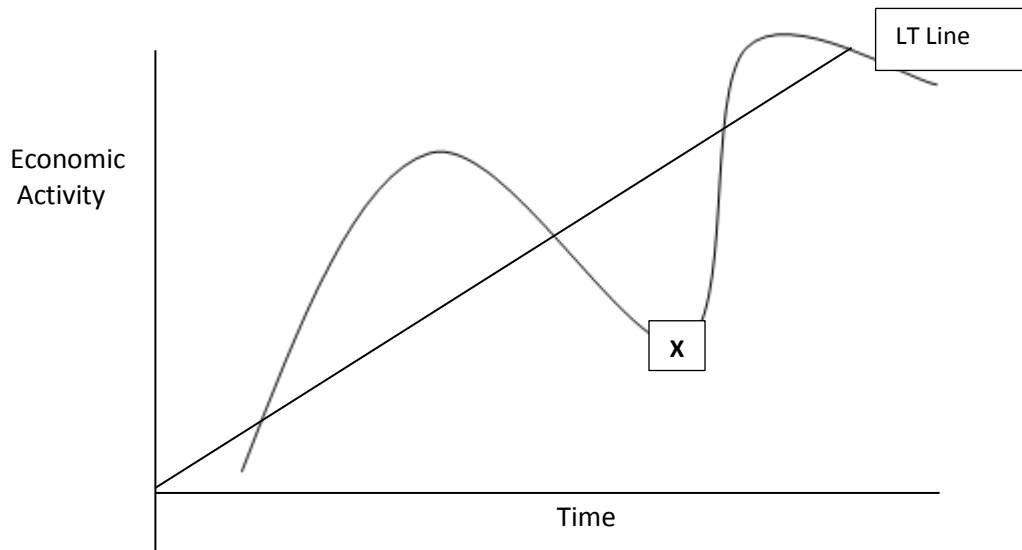
50 marks

SECTION B

QUESTION 2 MACROECONOMICS

2.1 Study Diagram 2 below and answer the questions that follow.

Diagram 2: Business cycle



2.1.1 **Describe** the economic term *business cycle*.

(2)

2.1.2 **Discuss** the state of FOUR contributing factors of the economy that would occur at position 'X' on Diagram 2.

(8)

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

Table 4: Balance of payment account for Country X (BOP)

Item	Billions
Current Account	
Merchandise exports	504
Gold exports	53
Service receipts	101
Income receipts	34
Goods imports	(554)
Services payments	(124)
Income payments	(88)
Net current transfers	(22)
Capital transfer account	0
Financial Account	
Net direct investment	36
Net portfolio investment	94
Net other investments	(16)
Unrecorded transactions	?
Change in net gold and other foreign reserves	(18)
Sum of balance of payments	0

2.2.1 **Describe** the following entries in the Balance of Payments (BOP).

(a) Current account:

(2)

(b) Primary income flows:

(2)

2.2.2 **Calculate** the following values for Table 4 on page 10.

(a) Financial Account balance:

(2)

(b) Unrecorded transactions balance:

(2)

(c) Trade balance:

(4)

2.2.3 **Evaluate** the implications or impact of a surplus or deficit on the current account, on the value of the rand.

(6)

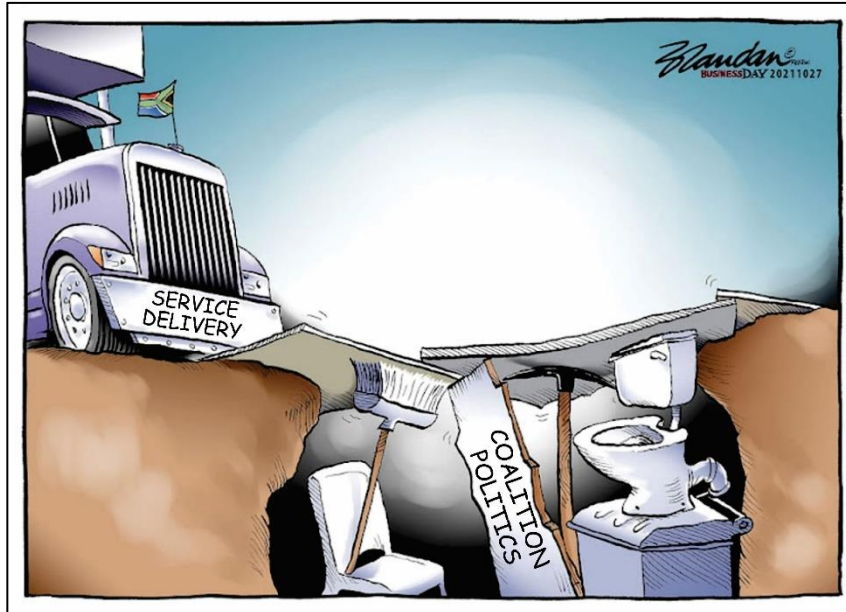
2.2.4 Discuss THREE reasons why South Africa trades with the rest of the world.

(6)
[50]

QUESTION 3 MICROECONOMICS

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

Cartoon 1: Public sector service delivery issues



[Source: <<https://www.businesslive.co.za/bd/opinion/2021-10-27-cartoon-service-delivery-poser-for-coalitions/>>]

3.1.1 **Describe** the concept of coalition politics as depicted in Cartoon 1.

(2)

3.1.2 **Interpret** Cartoon 1.

(2)

3.1.3 **Discuss** the following TWO current service delivery issues by the public sector and suggest government mechanisms to address the issues.

(a) Lack of accountability

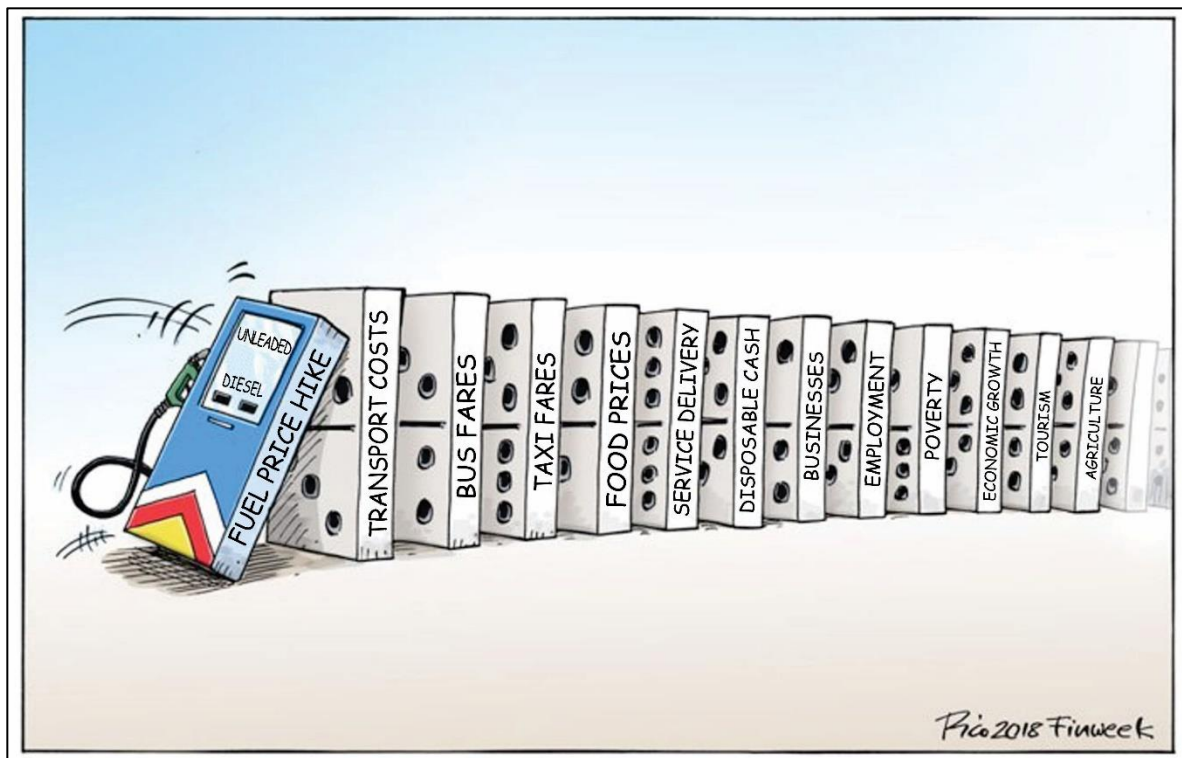
(4)

(b) Inefficiency

(4)

3.2 Study Cartoon 2 below and answer the question that follows.

Cartoon 2: Fuel Price Hike



[Source: <<https://twitter.com/ricoschacher/status/1047729355684814849>>]

3.2.1 Describe the following economic terms:

(a) Law of demand

(2)

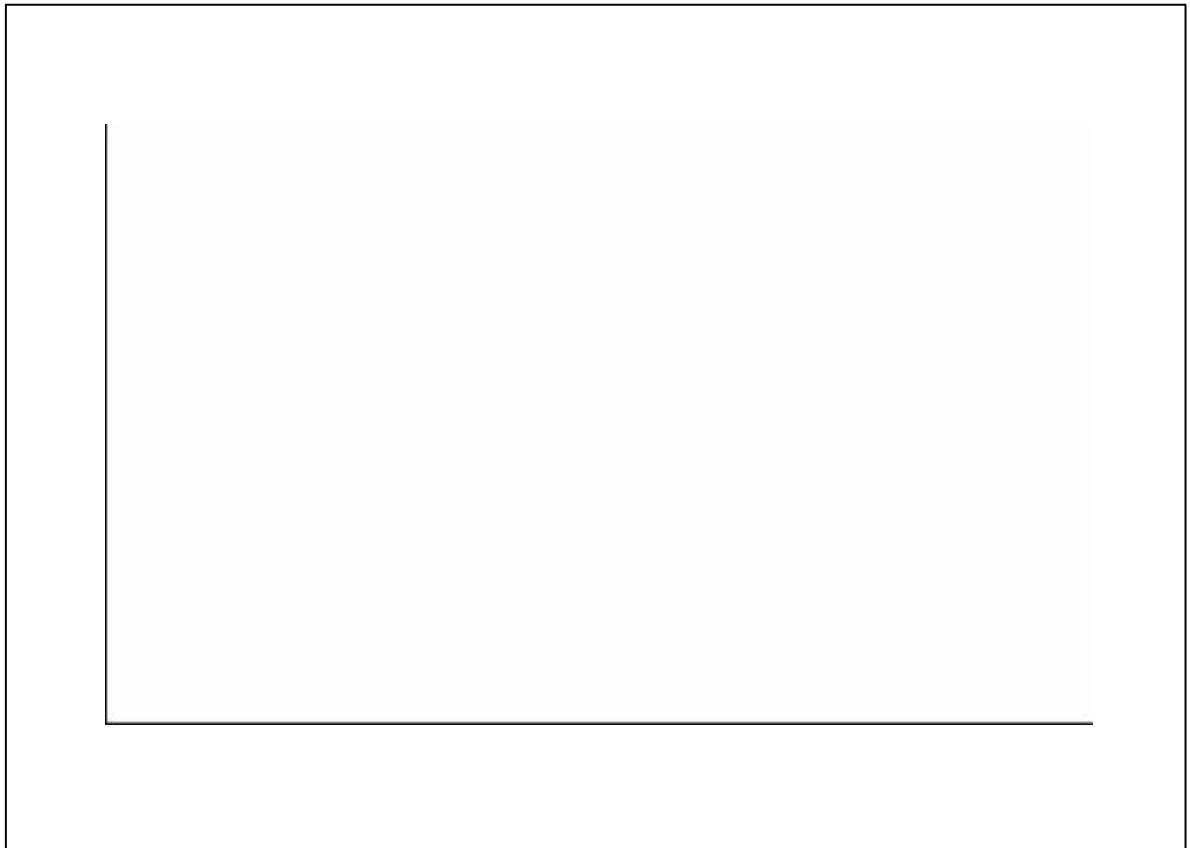
(b) Law of supply

(2)

3.2.2 With reference to Cartoon 2 on page 14, briefly **explain** the reasons that could have caused the fuel prices to increase so dramatically.

(4)

3.2.3 **Draw ONLY** a fully labelled supply and demand diagram to **illustrate** the impact of the fuel price hike on businesses.



(6)

3.3.2 Use economic theory to briefly **explain** the difference between Product A and Product B as illustrated in Formula 1 on page 16.

(6)

3.3.3 **Explain** how a firm could benefit from knowing the outcome of Formula 1 on page 16 on their price decisions.

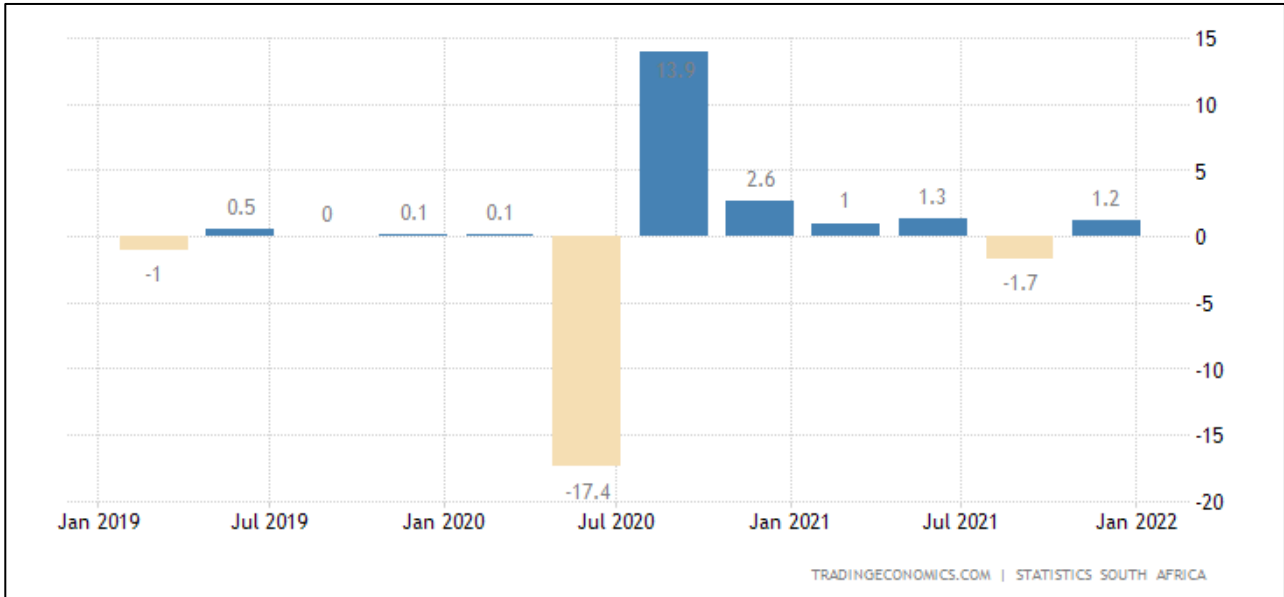
(8)

[50]

QUESTION 4 CONTEMPORARY ECONOMIC ISSUES

4.1 Study Graph 3 below and answer the questions that follow.

Graph 3: South African Economic growth rate



[Source: <<https://tradingeconomics.com/south-africa/gdp-growth>>]

4.1.1 Describe the following terms:

(a) Economic growth

(2)

(b) Economic development

(2)

4.1.2 With reference to Graph 3 explain the drastic negative growth during the second quarter of 2020.

(4)

4.1.3 **Discuss** the following TWO factors as policies of the supply side approach, to increase economic growth.

(a) High labour productivity.

(4)

(b) Improved technology.

(4)

4.2 4.2.1 Briefly **explain** the purpose of the National Minimum Wage Act.

(2)

4.2.2 **List** THREE sectors covered by the National Minimum Wage.

(3)

4.2.3 Draw **ONLY** a clearly labelled diagram to **illustrate** the minimum wage.



(5)

4.3 Study Source 1 below and answer the questions that follow.

Source 1: Gini Coefficient

Top 10 Countries with the Highest Gini Coefficients (%) – World Bank:	
1. South Africa – 63,0	6. Central African Republic – 56,2
2. Namibia – 59,1	7. Eswatini – 54,6
3. Suriname – 57,9	8. Mozambique – 54,0
4. Zambia – 57,1	9. Brazil – 53,4
5. São Tomé and Príncipe – 56,3	10. Belize – 53,3

[Source: <<https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country-2022>>]

4.3.1 **Describe** the economic term *Gini Coefficient*.

(2)

4.3.2 With reference to Source 1 on page 20, **interpret** whether the highest Gini Coefficient percentage is a **good** or **bad** thing.

(4)

4.3.3 With reference to Source 1 on page 20, **explain** the reasons that could contribute to South Africa having the highest Gini Coefficient percentage in the world.

(4)

4.3.4 **Draw** a fully labelled Lorenz curve to illustrate South Africa's Gini Coefficient.

(6)

QUESTION 5 MIXED QUESTIONS

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

Excerpt 1: Inflation

SA consumer inflation remained unchanged on an annual basis at 5,7% in February, Statistics South Africa said. But there are plenty of food and fuel price pressures in the pipeline, not least because of Russia's invasion of Ukraine, so expect inflation to remain elevated and interest rates to maintain their climb.

[Source: <<https://www.dailymaverick.co.za/article/2022-03-23-sas-annualised-inflation-holds-steady-in-february-but-food-and-fuel-pressures-loom/>>]

5.1.1 **Describe** the economic terms:

(a) Inflation

(2)

(b) Interest rates

(2)

5.1.2 With reference to Excerpt 1, **explain** whether the South African Reserve Bank would be concerned with the inflation rate.

(4)

5.1.3 **Discuss** how food and fuel price pressures will cause inflation.

(4)

5.1.4 **Discuss** the effects of inflation on the individual consumer by referring to TWO losers and TWO winners when inflation occurs.

(a) TWO losers:

(b) TWO winners:

(8)

5.2 5.2.1 Describe the economic term *collusion*.

(2)

5.2.2 **Name** the institution in South Africa that deals with businesses who collude.

(2)

5.2.3 South African banks are regarded as an example of an oligopoly market structure. **Justify** how this example corresponds with the following characteristics of oligopolies.

(a) Number of businesses:

(4)

(b) Type of product:

(4)

(c) Availability of market knowledge to consumers and the banks:

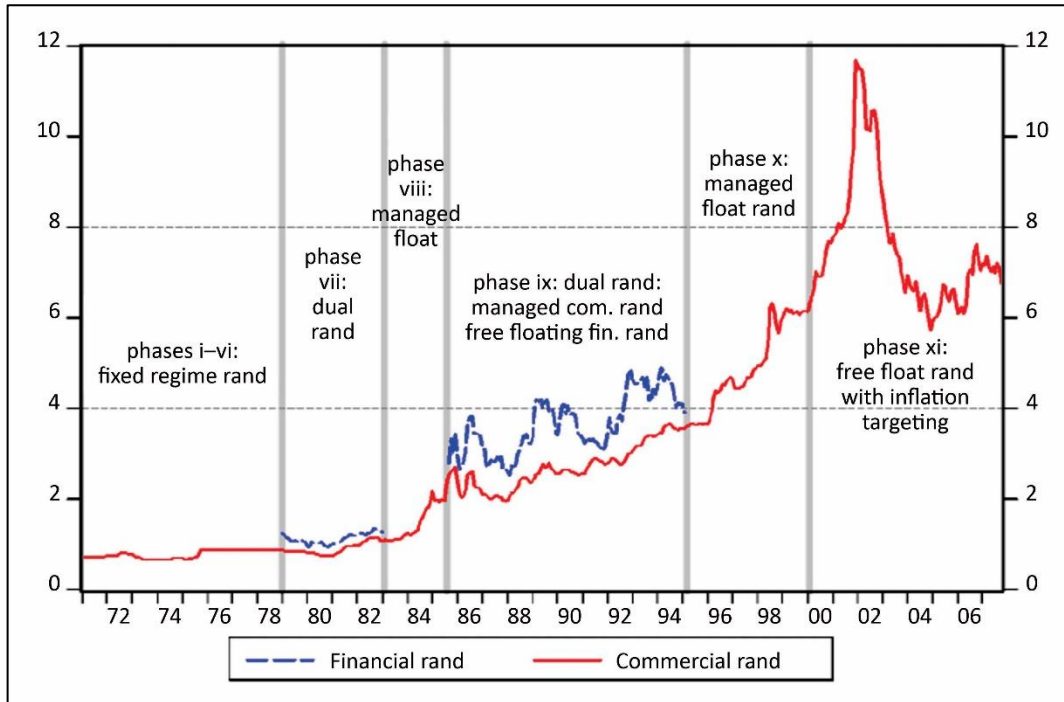
(4)

(d) Barriers to enter and exit the market:

(4)

5.3 Study Graph 4 below and answer the questions that follow.

Graph 4: Foreign exchange market



5.3.1 **Explain** the difference between the financial rand and the commercial rand.

(2)

5.3.2 **Discuss** phase xi in Graph 4 above.

(4)

5.3.3 Briefly **explain** the following exchange rate systems.

(a) Fixed exchange rate system:

(2)

(b) Managed/controlled floating exchange rate system:

(2)
[50]

200 marks

SECTION C

QUESTION 6 DATA RESPONSE

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

Source 2: Types of taxes

South Africa to cut fuel levy to ease impact of rising prices

- General fuel levy to be reduced by almost 40% for two months
- Sale of strategic oil reserves to fund relief measure

[Source: <<https://www.bloomberg.com/news/articles/2022-03-31/south-africa-to-cut-fuel-levy-to-mitigate-against-rising-prices>>]

6.1.1 **Briefly explain** the meaning of a *fuel levy* as indicated in Source 2.

(2)

6.1.2 **Indicate** whether a fuel levy is an example of **direct** or **indirect** taxes.

(1)

6.1.3 **List THREE** other sources of revenue to the South African government besides the fuel levy as mentioned in Source 2.

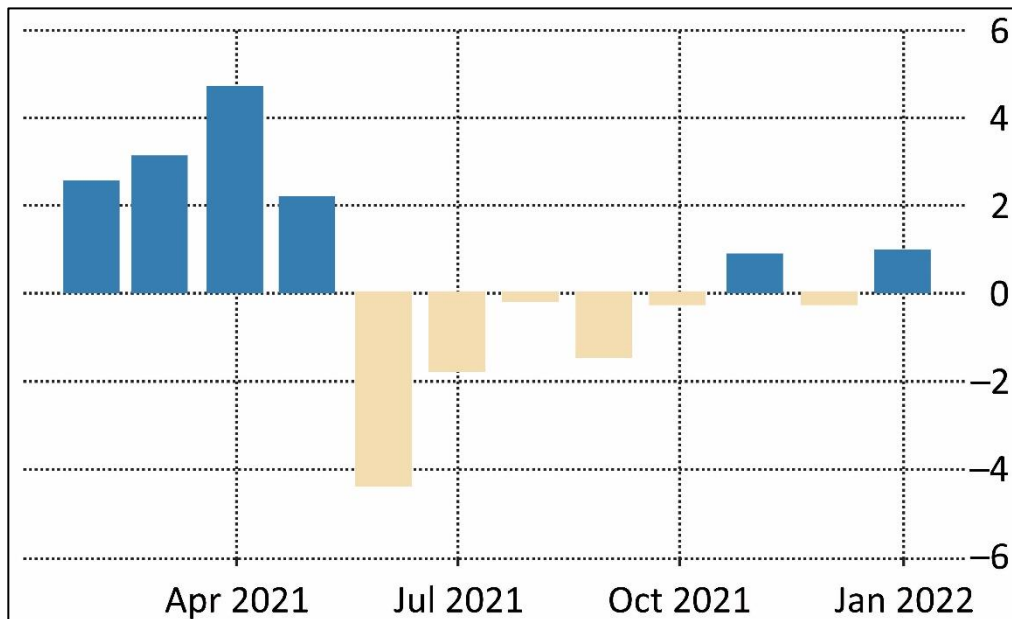
(3)

6.1.4 **Evaluate** the impact on reducing the general fuel levy as indicated in Source 2 on the fiscus of the South African government.

(6)

6.2 Study Graph 5 below and answer the questions that follow.

Graph 5: South Africa's leading business cycle indicator



[Source: <<https://tradingeconomics.com/south-africa/leading-economic-index>>]

6.2.1 **Explain** the difference between a leading indicator and a lagging indicator.

(4)

6.2.2 **List** THREE examples of a leading indicator and THREE examples of a lagging indicator.

Leading indicators	Lagging indicators

(6)

(b) Change in inventories

(2)

(c) Gross domestic expenditure

(2)

(d) Current prices

(2)

6.3.2 **List** TWO other methods used to calculate GDP besides the one used in Source 3 on page 30.

(2)

6.3.3 **Interpret** the GDP figures for 2020 and 2021.

(4)

6.3.4 Use the figures in Source 3 on page 30 to **calculate** the economic growth rate for 2021. (Show all calculations)

(4)

6.4 **List FOUR** of South Africa's macroeconomic objectives.

(4)

50 marks

Total: 300 marks

