GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2023

10731

ECONOMICS

(PAPER 1)

TIME: 2 hours

MARKS: 150

13 pages

ECONOMICS: Paper 1

10731E

X05

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

   SECTION A: COMPULSORY
   SECTION B: Answer TWO of the three questions.
   SECTION C: Answer ONE of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.

3. Number the answers correctly according to the numbering system used in this question paper.

4. Write the question number above each answer.

5. Read the questions carefully.

6. Start EACH question on a NEW page.

7. Leave 2 – 3 lines between sub-sections of questions.

8. Answer the questions in full sentences and ensure that the format, content, and context of your responses comply with the cognitive requirements of the questions.

9. Use only black or blue ink.

10. You may use a non-programmable calculator.

11. Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1 **30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g.1.1.9 D.

1.1.1 An injection into the economy will lead to a/an …

A withdrawal of money.
B decrease in the national income.
C economy in equilibrium.
D increase in the national income.

1.1.2 An economic indicator that changes only after the change in the economy has taken place, is called a … indicator.

A lagging
B coincident
C leading
D composite

1.1.3 In the circular flow model, businesses …

A buy products and factors of production.
B sell products and factors of production.
C sell products and buy factors of production.
D buy products and sell factors of production.

1.1.4 The difference between the value of a country's exports and the value of a country's imports for a given period is known as …

A capital account balance.
B balance of trade.
C current account balance.
D balance of payments.

1.1.5 The discontinuation of international trade and investment with a particular country is known as …

A quotas.
B dumping.
C sanctions.
D diversification.

1.1.6 A physically enclosed area next to a harbour or airport where the production of exports is encouraged, is known as a/an …

A Special Economic Zone.
B Industrial Development Zone.
C Spatial Development Initiative.
D Broad-Based Black Empowerment Initiative.

1.1.7 Which of the following development initiatives is the most successful in South Africa?

A Lubombo Spatial Development Initiative
B Maputo Development Corridor
C Lobito-Benguela Corridor
D OR Tambo International IDZ

1.1.8 The ratio between import and export prices is known as …

A injections.
B leakages.
C taxes.
D terms of trade. (8 x 2) (16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question numbers (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Depression	A the absence of excessive fluctuations in the GDP of a country
1.2.2 Aggregate demand	B trade activities which are paid for using an exchange rate
1.2.3 Economic stability	C improvement in the well-being and quality of life of people
1.2.4 International Monetary Fund	D a world organisation that assists countries with balance of payment problems
1.2.5 Johannesburg Security Exchange	E key institution in the capital market in South Africa
1.2.6 Structural unemployment	F total spending on goods and services in the economy
1.2.7 Strategic industries	G economic activities at its lowest
1.2.8 Economic development	H a cause of changes in technology
	I very important infrastructure and technology that cause large innovative spill over effects

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 – 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 A balancing figure in the calculation of the gross domestic product expenditure

1.3.2 The process of estimating an unknown value using a known fact

1.3.3 A sub-account of the Balance of Payments that records international transactions relating to the ownership of fixed assets

1.3.4 A trade policy whereby the state discourages the importing of certain goods and services

1.3.5 An increase in the capital input in the economy at a faster rate than the increase in the labour input

1.3.6 An area where economic activities are concentrated (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS 40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name TWO examples of real flows within the four-sector model. (2 x 1) (2)

2.1.2 How does comparative advantage encourage the production of specialised goods? (1 x 2) (2)

2.2 Read the following extract and answer the questions that follow.

NEW DIRECTION FOR MONETARY POLICY

Currently central banks face new challenges in the interaction between monetary policy and financial stability. There are clear trade-offs between inflation management and financial stability because interest rate hikes to fight inflation threaten to destabilise financial markets. A central bank stabilises inflation by slowing economic growth.

Emerging economies are feeling the crisis of developed countries raising interest rates to curb inflation. The raising of interest rates adds to slow economic growth after the pandemic and the effect of the Russia-Ukraine conflict. These two factors are causing supply shocks in the world economy. It also aggravates the national debt of these countries.

[Adapted source: https://www.imf.org/en/Publications/fandd/issues/2023/03]

2.2.1 Name ONE fiscal measure to increase economic activity during a recession. (1)

2.2.2 Which school of thought proposes external shocks as reasons for business cycles? (1)

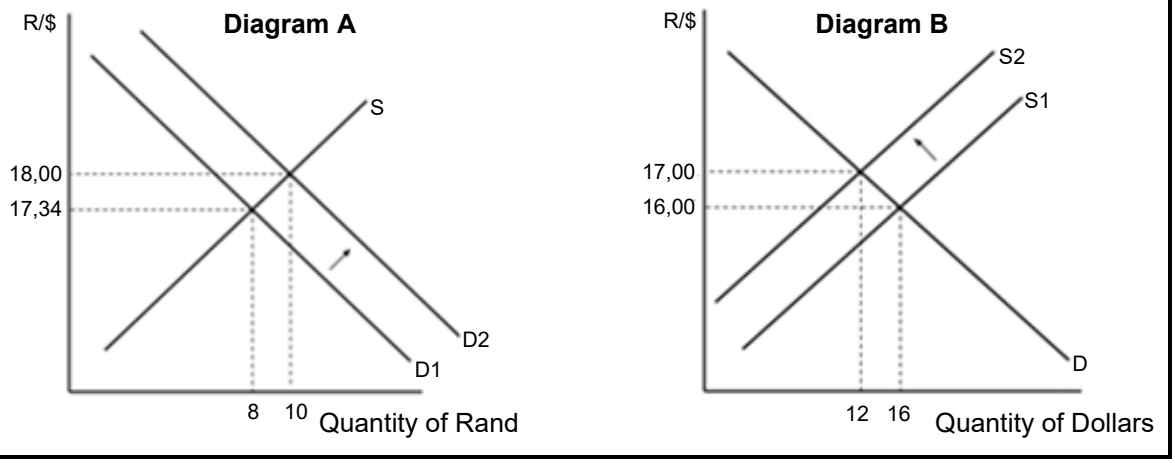
2.2.3 Briefly describe the term *monetary policy.* (2)

2.2.4 What is the relationship between *unemployment* and *inflation* in the Phillips curve? (2)

2.2.5 How can raising interest rates slow down economic growth? (2 x 2) (4)

2.3 Study the diagrams below and answer the questions that follow.

IMPACT OF TOURISM ON THE RAND/DOLLAR EXCHANGE RATE



[Adapted source: internet images]

2.3.1 Who manages exchange rate policies in South Africa? (1)

2.3.2 Which diagram above represents an increase in the number of tourists from the USA to South Africa? (1)

2.3.3 Briefly describe the term *foreign exchange control.* (2)

2.3.4 How can the SARB correct an undervalued currency? (2)

2.3.5 Explain the impact on the rand if the number of tourists from South Africa to the USA decreases. Use the information in the diagrams to prove your answer. (2 x 2) (4)

2.4 Briefly explain real business cycles without the use of a graph. (4 x 2) (8)

2.5 How can an increase in the gross domestic product (GDP) influence the multiplier? (8)

[40]

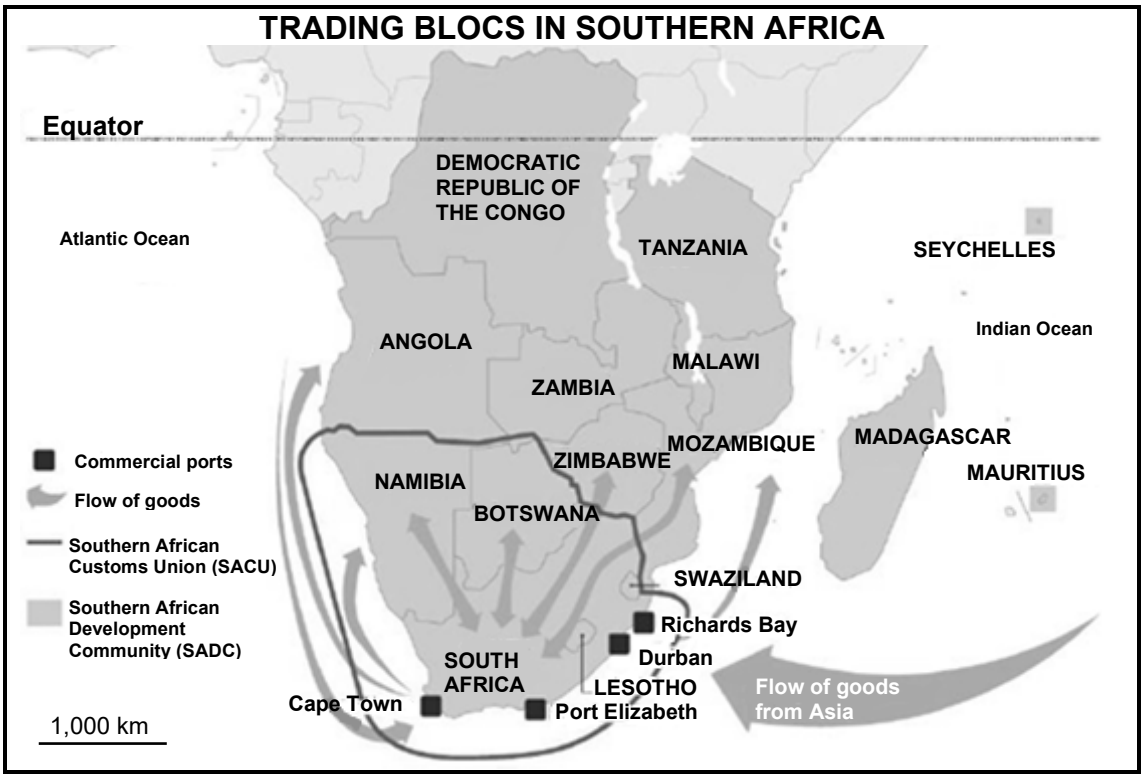
QUESTION 3: ECONOMIC PURSUITS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name TWO examples of SETAs in South Africa. (2 x 1) (2)

3.1.2 How does deregulation improve Broad-Based Black Economic Empowerment (BBBEE)? (1 x 2) (2)

3.2 Study the map below and answer the questions that follow.



[Source: https://www.cairn-int.info/article-E_AFCO_248_ 0031--south-africa-i-the-brics-africa.htm]

3.2.1 Name ONE country that is a member of SACU. (1)

3.2.2 Of how many countries does SADC consist? (1)

3.2.3 Briefly describe the term *trading bloc.* (2)

3.2.4 How do tariffs on imported goods influence domestic prices? (2)

3.2.5 How can countries benefit by being members of a trading bloc? (2 x 2) (4)

3.3 Study the information below and answer the questions that follow.

SA REMAINED THE DESTINATION FOR THE MOST FOREIGN DIRECT INVESTMENT PROJECTS IN AFRICA

SOUTH Africa remained the destination for the most foreign direct investment (FDI) projects despite the sharp fall in FDI in the continent due to the impact of COVID-19.
South Africa is less reliant on resource-based industries, and more driven by services and technology sectors. This helped to attract more projects during the pandemic.

[Adapted source: https://www.iol.co.za/business-report/ economy/sa-remained-the-destination-for-the-most-foreign-direct-investment]

3.3.1 Identify ONE cross-cutting issue of the integrated manufacturing strategy from the information above. (1)

3.3.2 Name ONE reason for industrial development. (1)

3.3.3 Briefly describe the term *private-public partnership.* (2)

3.3.4 What is "development within" in regional development? (2)

3.3.5 How does foreign direct investment affect employment in South Africa? (2 x 2) (4)

3.4 Briefly discuss *good governance* and *provision of resources* as regional development policies in terms of international benchmark criteria. (4 x 2) (8)

3.5 Evaluate the impact of the National Skills Development Strategy (NSDS) on economic development since 1994. (8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 Answer the following questions.

4.1.1 Name TWO examples of capital goods. (2 x 1) (2)

4.1.2 How does mass production influence international trade? (1 x 2) (2)

4.2 Study the table below and answer the questions that follow.

SOUTH AFRICA: NATIONAL ACCOUNTS	
R million	Current prices
	2022
Compensation of employees	3 009 561
Net operating surplus	1 937 904
Consumption of fixed capital	879 257
Gross value added at factor cost	**5 826 713**
Other taxes on production	137 099
Less: Subsidies on production	14 141
Gross value added at basic prices	**5 949 671**
Taxes on products	704 144
Less: Subsidies on products	15 469
Gross domestic product at market prices	**(?)**

[Adapted source: *SARB Quarterly Bulletin* March 2023]

4.2.1 Give another term for "compensation of employees". (1)

4.2.2 Give ONE example of taxes on production. (1)

4.2.3 Briefly describe the term *factor cost.* (2)

4.2.4 What is the main purpose of subsidies on production? (2)

4.2.5 Calculate gross domestic product at market prices.
Show ALL calculations. (4)

4.3 Study the extract below and answer the questions that follow.

EXPANDING AFRICAN TRADE TO BOOST GROWTH AND REDUCE POVERTY

Africa is poised to race ahead in the global market and become a major global player, but bold reforms are needed to help Africa win the race against poverty and improve the lives of all the continent's dynamic citizens.

[Adapted source: https://www.worldbank.org/en/news/feature/ 2022/02/10/expanding-african-trade-to-boost-growth-and-reduce-poverty]

4.3.1 Which initiative was established in 2021 to boost free trade in Africa? (1)

4.3.2 Which current South African growth and development policy aims to eliminate poverty by 2030? (1)

4.3.3 Briefly describe the term *global market*. (2)

4.3.4 Why does the North have little interest in the welfare of the South? (2)

4.3.5 How can Africa become a major global player? (2 x 2) (4)

4.4 Discuss *direct investments* and *portfolio investments* as sub-accounts of the financial account in the Balance of Payments. (4 x 2) (8)

4.5 Examine South Africa's endeavours to reduce inequality in the country. (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point would be to define the main concept related to the question topic. • Do NOT include any part of the question in your introduction. • Do NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate **A maximum of 8 marks may be allocated for headings/examples** **Additional part:** Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce/Compare/Distinguish/Interpret/How?/Suggest **A maximum of 2 marks may be allocated for merely listing facts.**	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating any facts already mentioned • Any opinion or value-judgement on the facts discussed • Additional supporting information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS **40 MARKS – 40 MINUTES**

- Discuss, in detail, the reasons for public sector failure. (Link them to a typical problem experienced through public sector provisioning.) (26 marks)

- Examine the practicality of the medium-term expenditure framework in the South African economy. (10 marks) **[40]**

QUESTION 6: ECONOMIC PURSUITS **40 MARKS – 40 MINUTES**

- Discuss, in detail, South Africa's social indicators. (26 marks)

- How important is productivity as an economic indicator? (10 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 150

END