GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2025

10731

ECONOMICS

(PAPER 1)

ECONOMICS: Paper 1

10731E

TIME: **2 hours**

MARKS: **150**

14 pages

X05

P.T.O

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 subsections 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 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 Why are intermediate goods excluded from GDP calculations?

A They are not taxed.
B To avoid double counting
C They are very difficult to track.
D They do not contribute to national income.

1.1.2 A period of increased economic activities is known as a/an …

A downswing.
B upswing.
C depression.
D recession.

1.1.3 Which type of tax requires individuals in lower income groups to pay a higher percentage of their income compared to those in higher income groups?

A Regressive tax
B Proportional tax
C Progressive tax
D Sin tax

1.1.4 The purchase of financial assets, such as shares on the stock exchange of another country, is referred to as … investment.

A direct
B other
C portfolio
D capital

1.1.5 A social indicator that is determined by assessing a child's height and weight in relation to their age is known as …

A child malnutrition.
B infant mortality.
C obesity.
D life expectancy.

1.1.6 Which type of economic integration includes features of free trade and protectionism?

A Import substitution
B Export promotion
C A desirable mix
D Internationalisation

1.1.7 When a government adopts a form of economic integration that includes both the features of a common market and a single monetary system, it is referred to as a/an …

A common market.
B customs union.
C free trade zone.
D economic union.

1.1.8 Which of the following industrial development incentives is designed to attract investment and create employment in South Africa by encouraging offshore activities?

A Critical Infrastructure Programme
B Services to Business Process
C Foreign Investment Grant (FIG)
D Strategic Investment Programme (SIP) (8 x 2) (16)

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

COLUMN A	COLUMN B
1.2.1 Bureaucracy	A encourages banks to act in a desirable manner
1.2.2 International comparison	B spending by firms on capital goods
1.2.3 Moral persuasion	C aims to promote equal opportunities for all
1.2.4 Investment	D expanding the manufacturing sector of an economy
1.2.5 Exchange control	E characterised by too much paperwork and rules
1.2.6 Employment Equity Act	F restricts the flow of foreign currency
1.2.7 Industrial Development	G the removal or reduction of restrictions on trade between countries
1.2.8 Trade liberalisation	H buying and selling of securities and bonds by the reserve bank
	I the key means of measuring a country's economic and social development

(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 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms, and examples will NOT be accepted.

1.3.1 Total income earned, both locally and abroad, by permanent residents of a country

1.3.2 Attempts by interest groups to influence government policies or decisions to their advantage

1.3.3 The removal or transfer of financial assets out of a country

1.3.4 A strip of land that forms a passageway, providing access between two areas

1.3.5 A strategic framework developed by the South African government to promote industrial growth and development

1.3.6 The study of population characteristics, such as age, gender, income, education, and ethnicity (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

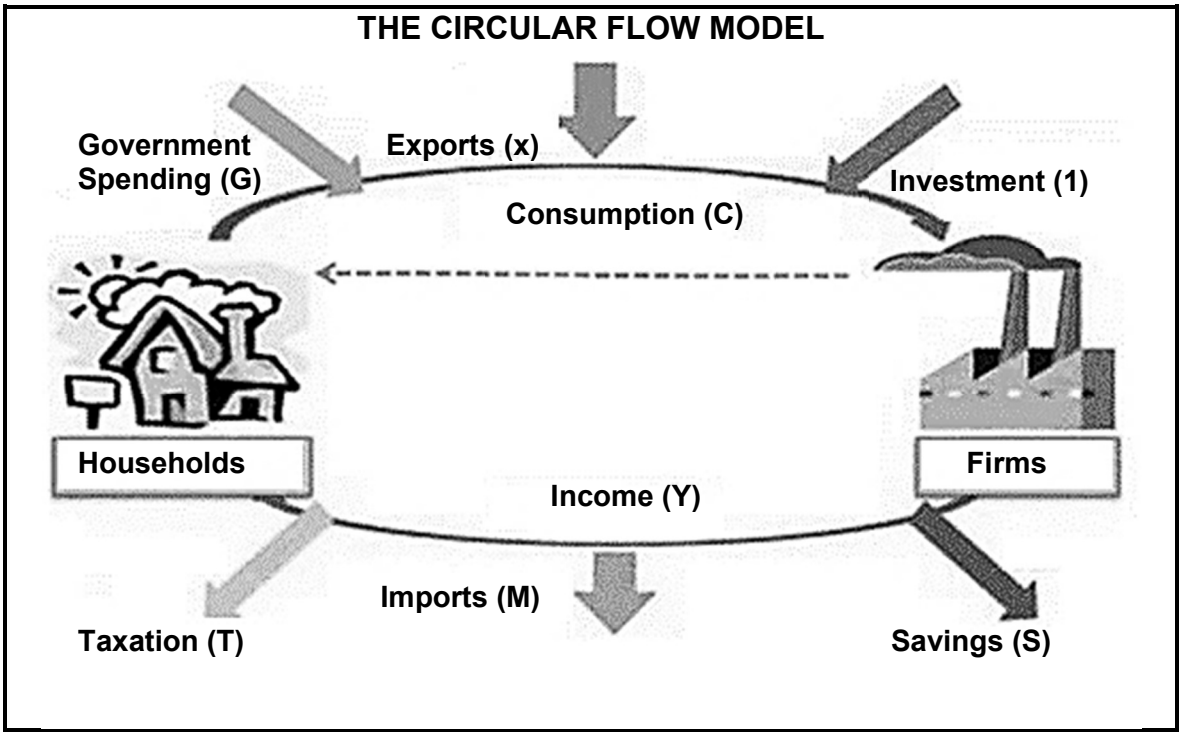
QUESTION 2: MACROECONOMICS 40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name TWO types of business cycles. (2 x 1) (2)

2.1.2 Why would a decrease in South African exports cause the value of the rand to decrease? (1 x 2) (2)

2.2 Study the model below and answer the questions that follow.



[Adapted from *STUDY MIND*]

2.2.1 Identify the participant who owns the factors of production. (1)

2.2.2 Name ONE real flow item that moves from households to firms in the model. (1)

2.2.3 Briefly describe the term *induced consumption*. (2)

2.2.4 How does an increase in government spending create a multiplier effect in the economy? (2)

2.2.5 Explain how higher taxes on households will impact total spending in the economy? (2 x 2) (4)

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

South Africa records widest trade surplus in 6 months

South Africa notched a trade surplus of ZAR 20,1 billion in May 2024, significantly higher than the downwardly revised ZAR 9,68 billion in the previous month. It was the widest trade surplus in six months, as exports soared by 5,7% over a month to a six-month peak of ZAR 178,4 billion. Conversely, imports decreased by 0,5% to ZAR 158,3 billion, leading to an improvement in South Africa's terms of trade.

[Adapted from *Trading Economics*]

2.3.1 Identify ONE debit item in the current account of the balance of payments. (1)

2.3.2 Name the current account item that records donations. (1)

2.3.3 Briefly describe the term *direct investment.* (2)

2.3.4 How can a current account surplus benefit the South African economy? (2)

2.3.5 Explain the impact of changes in the trade balance on the current account balance. (2 x 2) (4)

2.4 Briefly discuss the necessity of the public sector in the economy. (4 x 2) (8)

2.5 What are the economic consequences of rising import prices for South African consumers? (4 x 2) (8)

[40]

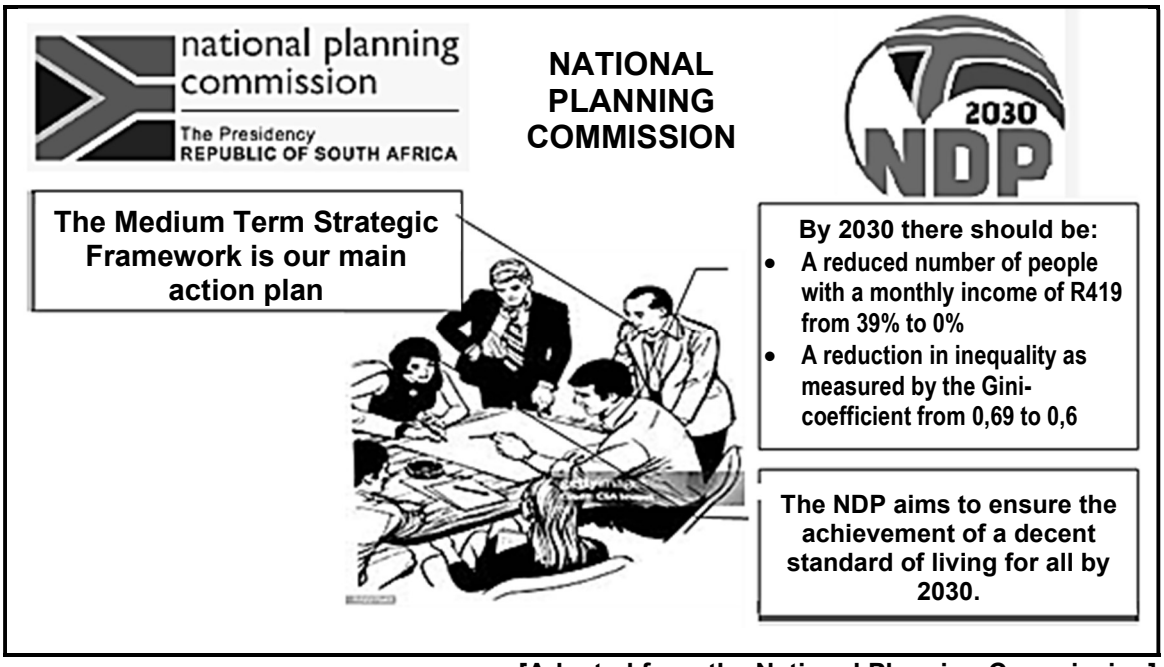
QUESTION 3: ECONOMIC PURSUITS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO fiscal policy instruments to promote growth. (2 x 1) (2)

3.1.2 How does the WTO influence tariffs and taxes on imported goods? (1 x 2) (2)

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



[Adapted from the National Planning Commission]

3.2.1 Identify the main action plan of the National Development Plan (NDP) from the information above. (1)

3.2.2 Which government body is responsible for the NDP? (1)

3.2.3 Briefly describe the term *Gini-coefficient.* (2)

3.2.4 Explain the aim of the NDP. (2)

3.2.5 How can the NDP reduce poverty in South Africa? (4)

3.3 Study the text and answer the questions that follow.

COEGA SPECIAL ECONOMIC ZONE (SEZ)

The Coega Development Corporation (Coega) proudly announced a major boost for South Africa's automotive sector with a R200 million investment declaration by FAW Trucks South Africa (SA).

This significant investment reaffirms Coega SEZ's standing as a strategic hub for automotive manufacturing in South Africa. By driving job creation, economic stimulation, and attracting further investment, this partnership between Coega and FAW Trucks SA will contribute to the broader prosperity of the Eastern Cape and South Africa.

[Adapted from the Department of Trade, Industry and Competition]

3.3.1 Identify the province where the Coega SEZ is located, from the extract above. (1)

3.3.2 Name ONE SEZ other than Coega. (1)

3.3.3 Briefly describe the term *special economic zone.* (2)

3.3.4 Explain ONE advantage of the Coega SEZ for a business such as FAW Trucks SA. (2)

3.3.5 How does foreign direct investment (FDI) from FAW Trucks SA contribute to South Africa's economic growth? (2 x 2) (4)

3.4 Briefly discuss the following supply-side policies*: Business efficiency* and *reducing the cost of doing business* (2 x 4) (8)

3.5 How can developing economies use import substitution to stimulate economic growth? (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name TWO features of public sector failure. (2 x 1) (2)

4.1.2 How do export subsidies impact government expenditure? (1 x 2) (2)

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

MAIN TRADE AGREEMENTS BETWEEN SOUTH AFRICA AND THE REST OF THE WORLD

TYPE OF AGREEMENT	TRADE PROTOCOL	TERMS OF AGREEMENT
Customs union	SACU	Goods and services move freely between member states, and they apply a common external tariff on imports from outside the bloc.
Free Trade Agreement	SADC	Services trade liberalisation: Protocol on trade in services
Non- reciprocal Trade Agreements	AGOA	Preferential access to the US market through lower tariffs or no tariffs on selected products
Free Trade Agreement	AfcFTA	A landmark trade agreement aiming to create a single market for goods and services across the African continent

[Adapted from the Department of Trade, Industry and Competition]

4.2.1 Identify the trade law that gives South African producers favourable access to markets in the United States (US), from the table above. (1)

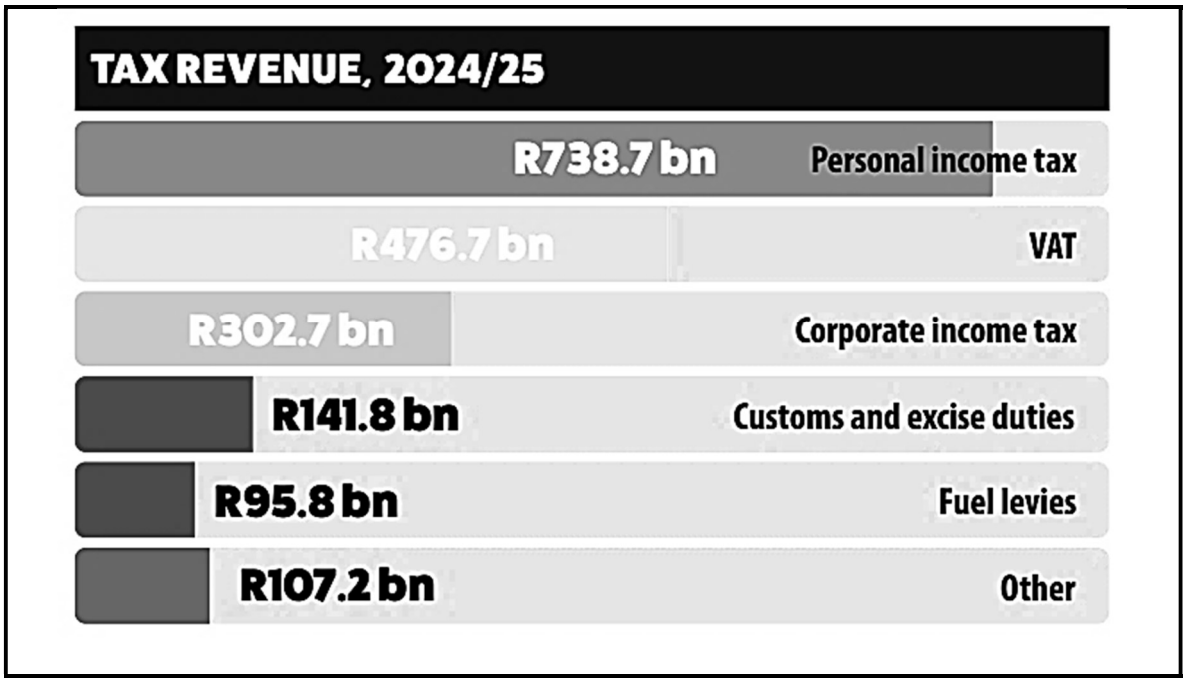
4.2.2 Name ONE other country, besides South Africa, that is a member of SACU. (1)

4.2.3 Briefly describe the term *trade protocol.* (2)

4.2.4 Explain how trade liberalisation influences the volume of trade between countries. (2)

4.2.5 What are the potential benefits of AfcFTA membership for South African businesses? (4)

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



[Adapted from the National Treasury]

4.3.1 Identify the main source of tax revenue for the national government, from the chart above. (1)

4.3.2 Name the tax system that South Africa uses for personal income tax. (1)

4.3.3 Briefly describe the term *budget*. (2)

4.3.4 Explain the importance of excise duties on products like alcohol and tobacco. (2)

4.3.5 How does government taxation impact consumer spending? (4)

4.4 Differentiate between *economic growth* and *economic development*. (2 x 4) (8)

4.5 How does the System of National Accounts help governments make economic policy decisions? (4 x 2) (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer 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 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/Differentiate/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.**	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce Compare/Distinguish/Interpret/How?/Suggest **A maximum of 2 marks may be allocated for the mere listing of facts.**	Max. 10
Conclusion Any higher-order conclusion should include: • A summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support 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 features underpinning forecasting. (26 marks)

- How can monetary policies be used to smooth-out fluctuations in business cycles? (10 marks) **[40]**

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

- Discuss the economic indicators in detail. (26 marks)

- What can governments do to reduce the pressure of high population growth on social services? (10 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 150

END