

# SECONDARY SCHOOL IMPROVEMENT PROGRAMME (SSIP) 2021



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

**GRADE 12**



**SUBJECT: ECONOMICS HOLIDAY CLASSES**

**LEARNER WORKBOOK**

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## SESSION 1: MACROECONOMICS: THE CIRCULAR FLOW

### SECTION A: TYPICAL EXAM QUESTIONS

#### THE CIRCULAR FLOW

#### QUESTION 1:

#### Section A – Short Questions

(Taken from various sources)

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write **TWO** options.

#### 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 number.

##### 1.1.1 The circular flow model consists of 3 major processes namely

- A. production, income and spending
- B. scarcity, utility and wealth
- C. resources, production and spending
- D. spending, wants and income

If national income increases by R200 million as a result of an investment of R50 million, what is the value of the multiplier?

- A. 0.25
- B. 4
- C. 6.25
- D. 8

##### 1.1.3 the money market is a market for ... term savings and loans

- A. short .
- B. short and long.
- C. long
- D. immediate

##### 1.1.4 consumption of fixed capital is used to calculate GDP at ...

- A. basic prices.
- B. market prices.
- C. factor cost.
- D. basic cost.

1.1.5 The goods market describes a market in which...

- A. consumer goods and services are sold by households
- B. consumer goods and services are exchanged for money
- C. firms buy goods and services from households
- D. buyers and sellers of resources meet to trade

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 number (1.2.1 – 1.2.8) in the ANSWER BOOK.

1.2

COLUMN A	COLUMN B
1.2.1 Savings	A. expenditure that is independent of the level of income
1.2.2 Autonomous	B. $S+T+M$
1.2.3 Factor market	C. it includes trade with foreign countries
1.2.4 Injection	D. government spending
1.2.5 open economy	E. Income that participants choose not to spend but to put aside for future use
	F. where labour, entrepreneurship, land and capital are traded
	G. $G+I+X$

(8 x 1)

1.3 Provide the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. **NO ABBREVIATIONS WILL BE ACCEPTED.**

- 1.3.1 Firms are producing at some level below their productive capacity
- 1.3.2 A measure of the value of production once adjustments have been made for consumption of fixed capital
- 1.3.3 Amount to be paid for the various factors of production used to produce goods and services
- 1.3.4 The market where short-term government bonds found
- 1.3.5 The flow of money from the financial sector to businesses-

**SECTION B**

**QUESTION 2:**

**Section B**

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- 2.1 Name any TWO major flow elements in the economy (2 x 1)
- 2.2 Name TWO components to calculate expenditure method (2 x 1)
- 2.3. Name TWO types of markets in the economy (2 x 1)
- 2.4 List TWO leakages found in the four-sector model of multiplier (2 x 1)
- 2.5. Name any TWO types of income earned by labour (2 x 1)

**QUESTION 3:**

(Taken from various sources)

**HINT:** These types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2

- 3.1 Why tax is a leakage from the circular flow of income between household and firms. (1 x 2).
- 3.2. Why imports are subtracted in the expenditure approach to calculate (1 x 2)
- 3.3 How are businesses connected to factor and product markets? (1 x 2)
- 3.4 How income and output are determined in four sector model? (1 x 2)
- 3.5 Why is GNI misleading? (1 x 2)

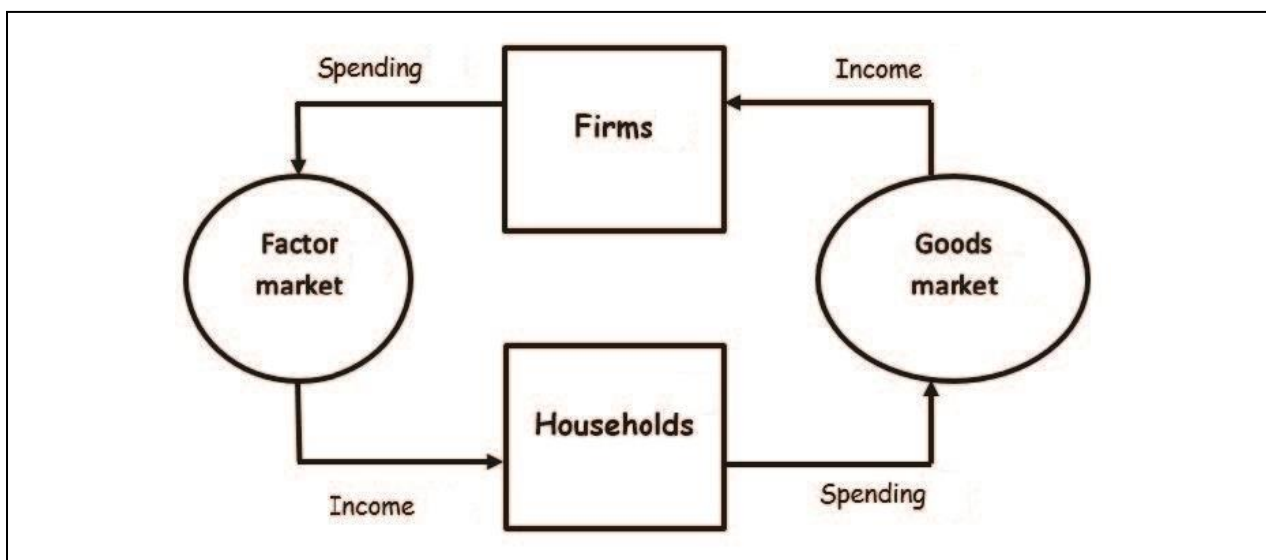


**Data Response**

**HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document

**QUESTION 4:**

Study the table below and answer the questions that follow



- 4.1 Give the economic concept illustrated in the diagram above. (1)
- 4.2 Name the type of income household receive from factor market (1)
- 4.3 Briefly describe the term *circular flow*. (2)
- 4.4 Explain the role of the factor market in the circular flow? (2)
- 4.5 Discuss the interaction between household and firms in the economy (2x2) (4)

**QUESTION 5:**

Study the graph below and answer the questions that follow.

## RAND TUMBLES TO 3-WEEK LOW, STOCKS FALL AS EARNINGS DISAPPOINT



At 1600 GMT the rand was 2.2% weaker at R16.91 per dollar, its weakest since July 10.

Source : <https://www.moneyweb.co.za/news-fast-news/rand-tumbles-to-3-week-low-stocks-fall-as-earnings-disappoint/>

- 5.1 Identify the market above (1)
- 5.2 List any type of notes used by South Africa Reserve Bank (1)
- 5.3 Briefly describe the term *market*. (2)

- 5.4 Explain the basic function of a financial intermediary.? (2)
- 5.5 Distinguish between consumer goods and capital goods (4)

**QUESTION 6:**

Study the table below and answer the questions that follow.

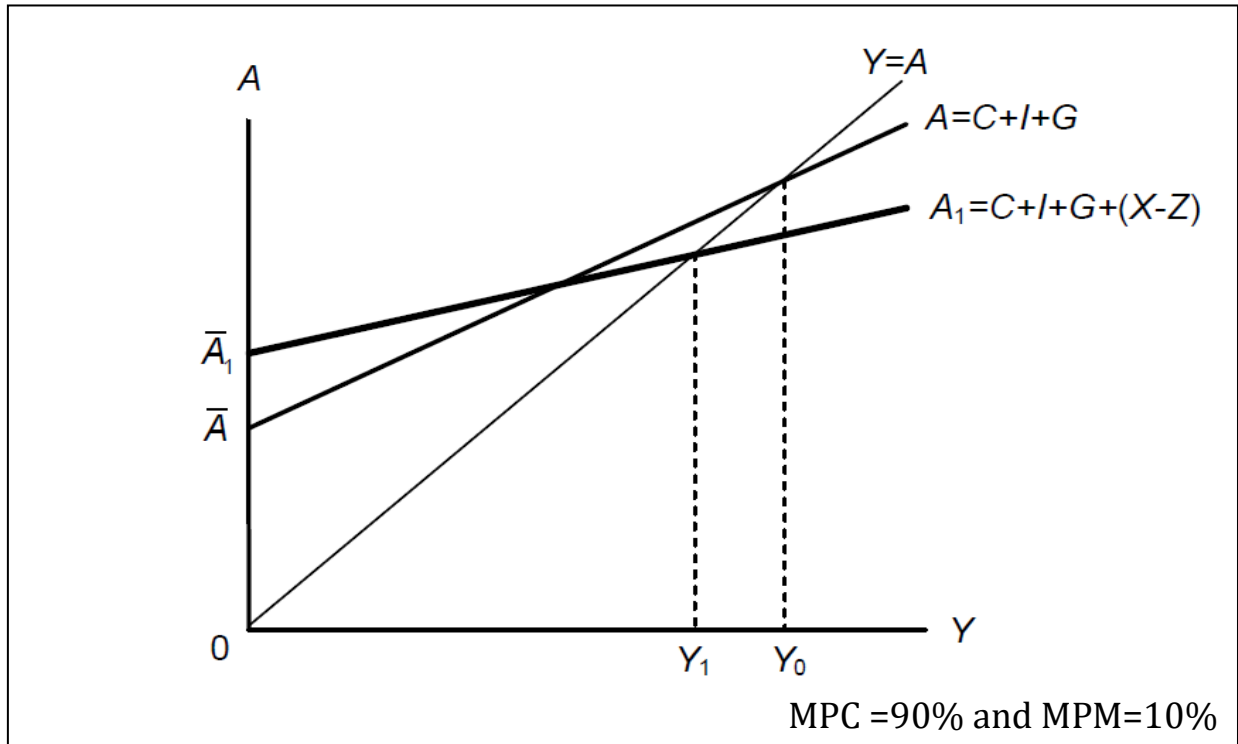
<b>Gross value added by kind of economic activity 2019-2020</b>		
	2019	2020
Agriculture , forestry and fishing	74 157	69 049
Mining and quarrying	230 514	226 154
Wholesale and retail trade, catering and accommodation	431 669	431 720
Manufacturing	386 884	383 831
Transport ,storage and communication	273 193	272 179

Source : SARB bulletin

- 6.1 Which method was used in the calculation of the gross domestic product GDP above (1)
- 6.2 List any ONE aggregate measures of economic activity (1)
- 6.3 Briefly describe the term *gross domestic product* (2)
- 6.4 Explain the purpose of the system of national accounts? (2)
- 6.5 Calculate gross value added at basic prices for the year 2020 (4)

**QUESTION 7**

Study the extract below and answer the questions that follow



- 7.1 Which sector model is illustrated above? (1)
- 7.2 What does  $Y_0$  represent? (1)
- 7.3 Briefly describe the term *marginal propensity to consume* (2)
- 7.4 Explain the Keynesian view approach on fiscal policy (2)
- 7.5 Calculate the multiplier effect on imports of aggregate expenditure (4)

### QUESTION 8

#### Paragraph type questions – Middle Cognitive

- 8.1. Explain the meaning of the various elements of gross domestic product
- 8.2. Draw and interpret an open four-sector circular-flow diagram.
- 8.3. Explain how double counting can be avoided when GDP is estimated
- 8.4. Distinguish between money market and capital market
- 8.5. Explain the economic significance of the intercept and the slope of the consumption function.

### QUESTION 12

#### Paragraph type questions – Higher cognitive

- 9.1. How is the multiplier derived?
- 9.2. Why does an increase in exports eventually lead to an increase in consumption by households?
- 9.3. How does an increase in the saving rate affect economic growth?
- 9.4. How do exports and imports affect the economy?



## SECTION C

**HINT:** All section C questions have TWO questions 5 & 6 NOT 13 like in this document. In the examination you will need to answer only one.

### ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

STRUCTURE OF ESSAY:	MARK ALLO- CATION:
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to the main concept related to the question topic</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid saying in the introduction what you are going to discuss in the body</li> </ul>	Max 2
<p><b>Body:</b> <b>Main part:</b> Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate <b>Additional part:</b> Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest</p>	Max 26  Max 10
<p><b>Conclusion</b> Any Higher or conclusion include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> </ul> <p>Recommendations</p>	Max 2
<b>TOTAL</b>	<b>40</b>

[40]

### QUESTION 10

- Discuss the role of markets in the circular flow. (26 marks)
- Analyse how the government benefit in calculating the value of the multiplier (10 marks)

**SESSION 2:           MACROECONOMICS: BUSINESS CYCLES**

**SECTION A: TYPICAL EXAM QUESTIONS**

**QUESTION 1:                           10 minutes   Section A – Short Questions**

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write **TWO** options.

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 number.

1.1.1       The period immediately before and through the upper turning point of the cycle is called the

- A   Upswing
- B   Peak
- C   Downswing
- D   Boom



1.1.2       The difference in the value of total output between a peak and a trough

- A   Amplitude
- B   Business cycles
- C   Length
- D   Depression

1.1.3       Government's use of taxation and government spending to achieve the economic objectives.

- A   Demand -side policy
- B   Fiscal policy
- C   Supply -side policy
- D   Monetary policy

1.1.4       Changes in decisions about what and how much to produce

- A   Kuznets cycles
- B   Exogenous factors
- C   Economic fluctuations
- D   Endogenous factors

1.1.5 Economic indicators that move at the same time with the aggregate economic activity

- A Leading indicator
- B Coincident indicator
- C Economic indicator
- D Lagging indicator

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 number (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Restrictive fiscal policy	A The technique of using known facts
1.2.2 Extrapolation	B Illustrates the relationship between unemployment and inflation
1.2.3 Monetarist approach	C Exogenous factor influencing business cycles
1.2.4 New economic paradigm	D A policy that attempts to dampen economic activity
1.2.5 Political shocks	E Believes that markets are inherently stable
	F Stabilising markets using monetary and fiscal policy

(8 × 1) 8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.15) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 A negative economic growth for at least two successive quarters

1.3.2 Illustrates the relationship between unemployment and inflation

1.3.3 Real changes in economic activities over a period of time

1.3.4 Independent factors that can influence business cycles and originate outside the economy

1.3.5 It is a grouping of various indicators of the same type into a single value

**QUESTION 2:**

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form.

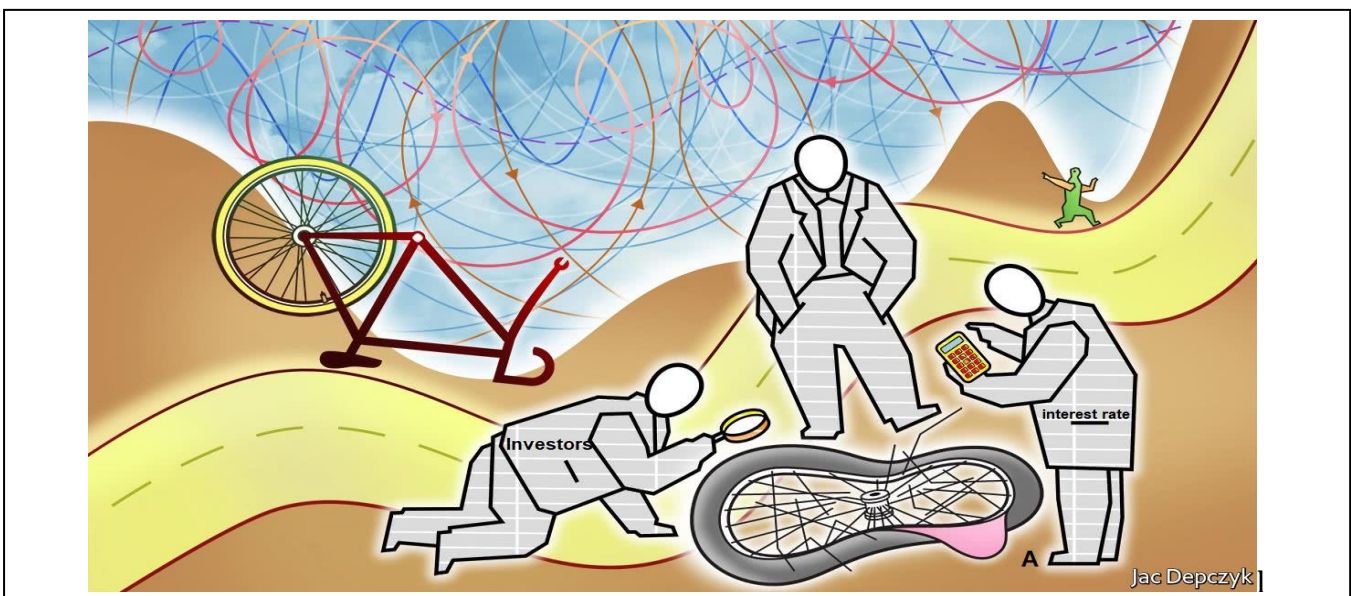
- 2.1 List any TWO types of business cycles
- 2.2 Name TWO government policy used to ‘smoothing of cycles’
- 2.3 List any TWO phases in business cycles
- 2.4 Name any TWO features underpinning forecasting on business cycles
- 2.5 List any TWO supply side policies of the new economic paradigm

**QUESTION 3:** (Taken from various sources)

- 3.1 How does the business cycle cause instability in an economy (1X2) 2
- 3.2 How can endogenous factors affect the business cycle? (1X2) 2
- 3.3 How accurate are leading indicators? (1x2) 2
- 3.4 Why do interest rates exist? (1x2) 2
- 3.5 Why does the government use incentives? (1x2) 2

**QUESTION 4:**

Study the information and answer the questions that follow

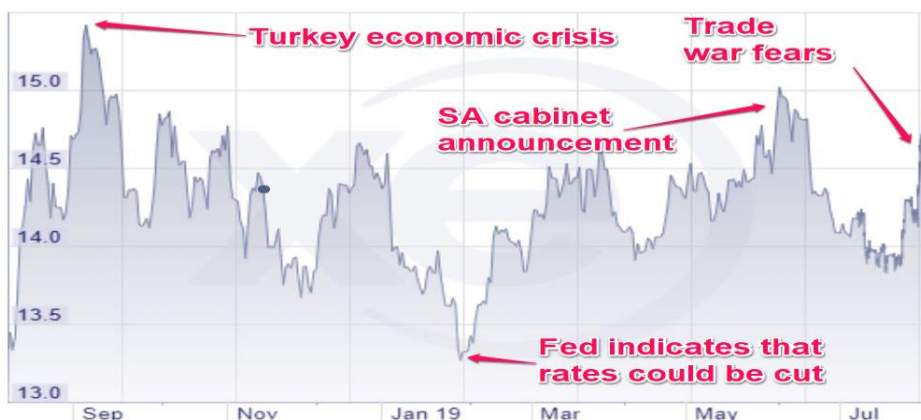


- 4.1 Name the period of the business cycles labelled A (1)
- 4.2 Name the turning point labelled A. (1)
- 4.3 Briefly describe the term *peak of a business cycles* (2)
- 4.4 What happens in the depression phase of a business cycle? (2)
- 4.5 How do governments influence business cycles? (2x2) (4)

**QUESTION 5:**

Study the information and answer the questions that follow

## THE RAND IS BLEEDING – BUT IT MAY NOT HURT SOUTH AFRICANS AS MUCH AS USUAL



Fears about a trade war between China and the US have sent global investors scurrying towards safe investments – and far away from anything risky, like emerging market currencies.

This (along with some local drama, including worries about Eskom’s massive debt burden) has wreaked havoc on the rand: the local currency has weakened by a full rand in the past two weeks. In the last week of July, it was worth R13.88/\$; on Monday, it almost reached R15. It recovered somewhat to R14.78 by Tuesday afternoon.

<https://www.businessinsider.co.za/rand-impact-2019-8>

- 5.1 Name the government policy illustrated above (1)
- 5.2 What was the current exchange rate on Monday? (1)
- 5.3 Briefly describe the term *expansionary fiscal policy*. (2)
- 5.4 How does the exchange rate policy affect exports? (2)
- 5.5 How does fiscal policy affect price level?? (2x2) (4)

**QUESTION 6:**

Study the information and answer the questions that follow

## YOUTH GRADUATE UNEMPLOYMENT RATE INCREASES IN Q1:2019

The youth aged 15–24 years are the most vulnerable in the South African labour market as the unemployment rate among this age group was 55,2% in the 1st quarter of 2019. Among graduates in this age group, the unemployment rate was 31,0% during this period compared to 19,5% in the 4th quarter of 2018 – an increase of 11,4 percentage points quarter-on-quarter. However, the graduate unemployment rate is still lower than the rate among those with other educational levels, meaning that education is still the key to these young people’s prospects improving in the South African labour market.

Source: <http://www.statssa.gov.za/?p=12121>

- |     |  |           |
|-----|--|-----------|
| 6.1 | Which policy can be implemented to reduce unemployment in South Africa | (1)       |
| 6.2 | What is the current unemployment rate?                                 | (1)       |
| 6.3 | Briefly describe the “ <i>new economic paradigm</i> ”.                 | (2)       |
| 6.4 | Explain the individual cost of unemployment to the society as a whole  | (2)       |
| 6.5 | Discuss the policy implications of the existence of the Philips curve? | (2x2) (4) |

**QUESTION 7:**

Study the information and answer the questions that follow

**END OF THE GOLDEN AGE? SA NOW TIES IN 11<sup>TH</sup> PLACE FOR ANNUAL PRODUCTION**



A lack of new investment, rising costs, load shedding and the challenges of keeping some of the world's deepest operational mines have seen SA's share of the gold market shrink.

- 7.1 Identify the type of economic indicator illustrated above. (1)
- 7.2 Name ONE example of economic indicator (1)
- 7.3 Briefly describe the term *economic forecasting* (2)
- 7.4 Explain the importance of the GDP as economic indicator (2)
- 7.5 How does GDP evaluate the business cycle? (2x2) (4)

**QUESTION 8**

**Paragraph type of questions**

**Middle order**

- 8.1 With an aid of Philips curve graph. Explain the relationship illustrated by the Philips curve (8)
- 8.2 Explain how the amplitude and trend line can be used in the forecasting of business cycles. (8)
- 8.3 Discuss the monetary policy instruments used in stabilising the economy. (8)
- 8.4 Discuss the Monetarist approach as a cause of business cycles. (8)
- 8.5 Discuss the policies that can be implemented to reduce unemployment. (8)

**QUESTION 9**                      **Paragraph type of questions**                      **Higher cognitive**

- 9.1      How can be expansionary fiscal policy used to correct business cycles?                      (8)
- 9.2      How does monetary and fiscal policy influence the position of the aggregate demand curve?                      (8)
- 9.3      How does government use demand-side policies to reduce unemployment ?                      (8)
- 9.4      Evaluate the extent to which the poor and economically vulnerable are affected by recession.                      (8)
- 9.5      How has the Keynesian (endogenous) school of thought influenced business cycles?                      (8)

**SECTION C**

**HINT:** All section C questions have TWO questions 5 & 6 NOT 9 & 10 like in this document. In the examination you will need to answer only one.

**ESSAY STRUCTURE**

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

<b>STRUCTURE OF ESSAY:</b>	<b>MARK ALLO- CATION:</b>
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to the main concept related to the question topic</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid saying in the introduction what you are going to discuss in the body</li> </ul>	<p>Max 2</p>
<p><b>Body:</b> <b>Main part:</b> Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate <b>Additional part:</b> Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest</p>	<p>Max 26</p> <p>Max 10</p>
<p><b>Conclusion</b></p>	



Any Higher or conclusion include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> </ul> Recommendations	Max 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 10**

- Discuss in detail the demand-side policies used in ‘smoothing of cycles’ (26 marks)
- Evaluate the extent to which the poor and economically vulnerable are affected by recession? (10 marks)



## SESSION 3: MACROECONOMICS: PUBLIC SECTOR

## SECTION A: TYPICAL EXAM QUESTIONS

## QUESTION 1: Section A – Short Questions

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write **TWO** options.

- 1.1.1 Policy makers who watch trends and change policies when the economy is not performing satisfactorily make use of...stabilisers
- A Automatic
  - B Manual
  - C Discretionary
  - D Manual
- 1.1.2 Officials rules and procedures which are time consuming and hamper productivity and efficiency
- A Corruption
  - B Incompetence
  - C Competence
  - D Bureaucracy
- 1.1.3 Goods which are not possible to exclude people from using them once they have been provide
- A Communal goods
  - B Merit goods
  - C Collective goods
  - D Demerit goods
- 1.1.4 The current inflation rate of 3-6% is a ....macroeconomic objective
- A Full employment
  - B Price stability
  - C Economic growth
  - D Equitable distribution of income

- 1.1.5 The ... government encompasses metropolitan, districts and municipalities.
- A local
  - B provincial
  - C national
  - D central

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 number (1.2.1 – 1.2.5) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Central national government	A An official in a government department
1.2.2 Demerit goods	B Deals with local issues within a town or municipal area
1.2.3 Budget	C Government's statement setting out its three-year budget
1.2.4 Local government	D A business owned wholly or partly by the state and run by a public authority, e.g. Eskom and SAA
1.2.5 Medium Term Budget Policy Statement (MTBPS)	E Direct or indirect compulsory payments to the government.
	F Concerned with national issues, e.g. safety and security

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.22) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

- 1.3.1 Transfer of functions and ownership of entities from the private sector to the public sector
- 1.3.2 The process of removing laws
- 1.3.3 Large public corporations or business entities in the public sector
- 1.3.4 It is impossible to make someone better off without making someone else worse off
- 1.3.5 The action taken by government in respect of taxation, government spending and borrowing in order to influence economic activity

**QUESTION 2:**

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form.

- |     |  |       |   |
|-----|--|-------|---|
| 2.1 | Name any TWO reasons for public sector inefficiency                                  | (2X1) | 2 |
| 2.2 | List any TWO mechanisms are applied to make the state more accountable to the public | (2X1) | 2 |
| 2.3 | List any TWO example of merit goods  | (2X1) | 2 |
| 2.4 | Name two kinds of municipalities   | (2X1) | 2 |
| 2.5 | List any TWO macroeconomic objectives  | (2X1) | 2 |

**QUESTION 3:**

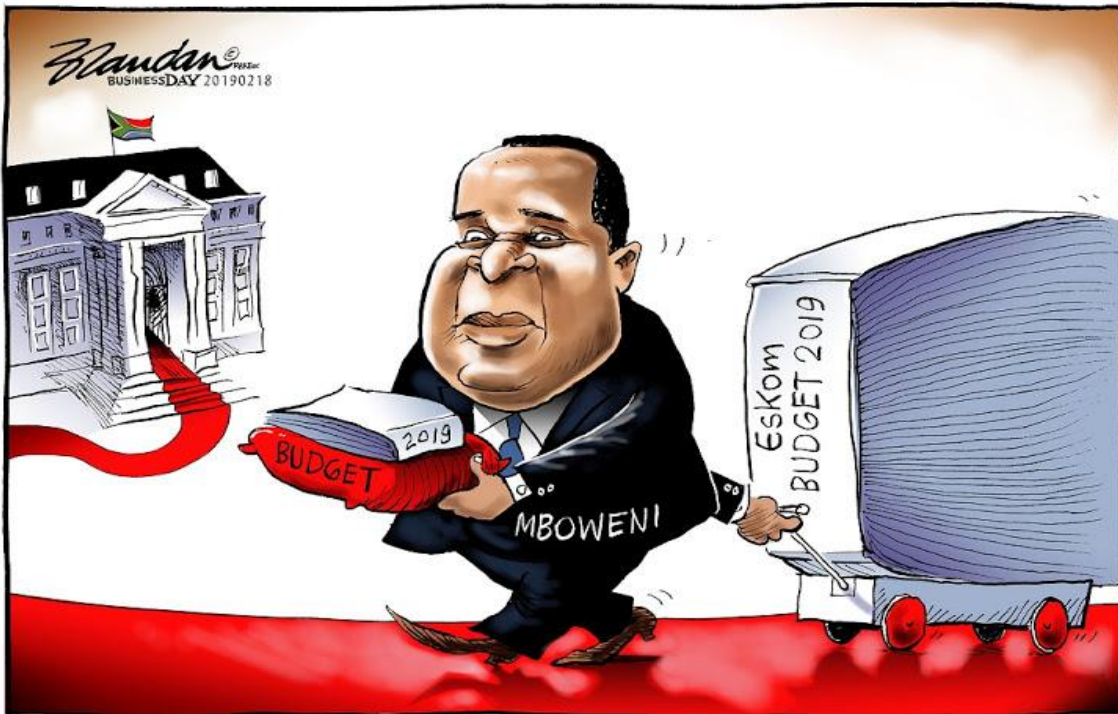
(Taken from various sources)

- |     |   |       |   |
|-----|---|-------|---|
| 3.1 | Why do externalities lead to market failure?        | (1x2) | 2 |
| 3.2 | How does fiscal policy affect price level?          | (1x2) | 2 |
| 3.3 | Why is an efficient local government so important?  | (1x2) | 2 |
| 3.4 | Why is full employment important?                   | (1x2) | 2 |
| 3.5 | What is the importance of taxation in South Africa? | (1x2) | 2 |

**Data Response**  
**QUESTION 4:**

(Taken from various sources)

Study the information and answer the questions that follow



- 4.1 Name the public corporations above. (1)
- 4.2 Who presents the national budget in South Africa? (1)
- 4.3 Briefly describe the term *medium-term expenditure framework*. (2)
- 4.4 Why would a company choose to become a public corporation? (2)
- 4.5 How is a budget helpful for a government? (2x2) (4)

**QUESTION 5:**

Study the information and answer the questions that follow

**‘STATE CAPTURE’: THE CORRUPTION INVESTIGATION THAT HAS SHAKEN SOUTH AFRICA**

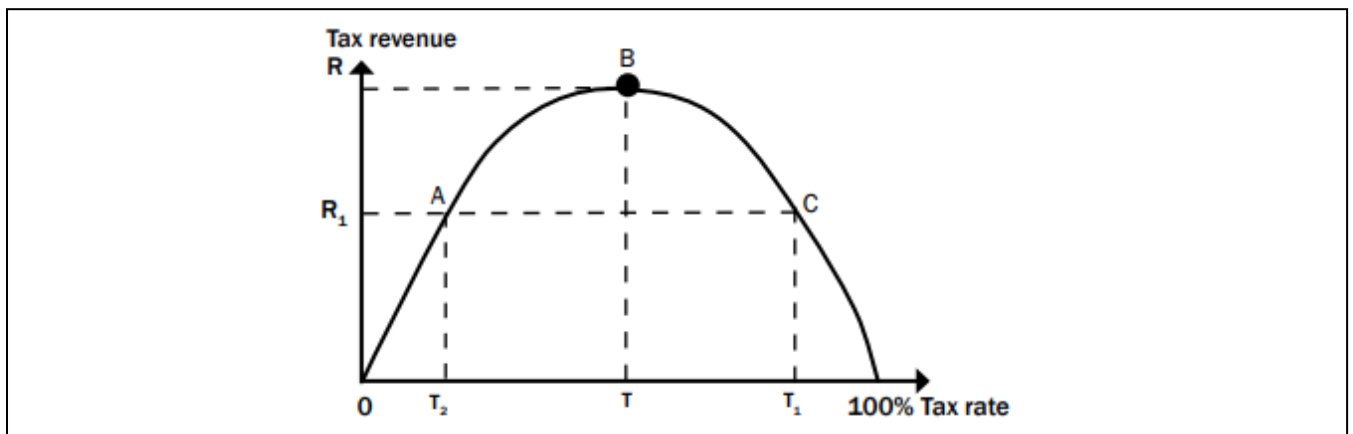
South Africans watched, transfixed, as video from a hidden mobile phone camera was broadcast on TV. It showed a group of men, in corporate uniforms, walking into a vault – where one of them counts out bundles of banknotes: “One, two, three, four, five ... bloody Monopoly money,” he laughs through heavy breaths, “must be a million.”

Source :<https://www.theguardian.com/news/2019/jul/11/state-capture-corruption-investigation-that-has-shaken-south-africa>

- 5.1 Name the reason for public sector failure above (1)
- 5.2 List any ONE effect of public sector failure. (1)
- 5.3 Briefly describe the term *public sector failure* (2)
- 5.4 Why is it important for information to be accurate in the public sector? (2)
- 5.5 How does corruption affect service delivery? (2x2) (4)

**QUESTION 6:**

Study the information and answer the questions that follow



- 6.1 Which letter represents maximum tax revenue for the state? (1)
- 6.2 Name the source of government revenue illustrated in Laffer curve (1)

- 6.3 Briefly describe the term *Laffer curve* (2)
- 6.4 Explain the tax revenue when the tax on a good increase gradually (2)
- 6.5 How can the South African government avoid public-sector failure? (2x2) (4)

**QUESTION 7:**

Study the information and answer the questions that follow

## A SEA OF SUPPORT FOR DURBAN BEACH CLEAN-UP



Over 100 people flocked to Durban's beaches on Saturday-not for fun in the sun but for a mass clean-up following the devastating floods which hit KwaZulu-Natal week ago. "the biggest problem is not the plastic and waste on the beaches, it's what builds up in river systems owing to consumer behaviour and service delivery inland, along poorly designed packaging

Source: <https://www.news24.com/news24/southafrica/news/a-sea-of-support-for-durban-beach-clean-up-20190427>

- 7.1 Name the example of collective good above. (1)
- 7.2 List any ONE negative externalities from the extract? (1)
- 7.3 Briefly describe the term *free riding*. (2)
- 7.4 Why do externalities cause inefficiency? (2)
- 7.5 Distinguish between merit and demerit goods? (2x2) (4)

**QUESTION 8**

**Paragraph type of questions**

**Middle order**

- 8.1 Distinguish between economic growth and full employment as macroeconomic objectives (8)
- 8.2 Discuss lack of accountability as a cause of poor public sector provisioning (8)
- 8.3 Discuss the reasons for the existence of a public sector (8)
- 8.4 Discuss composition of public sector (8)
- 8.5 Discuss expenditure and taxation as composition of the fiscal policy (8)

**QUESTION 9**

**Paragraph type of questions**

**Higher cognitive**

- 8.1 How can the Reserve Bank accelerate the recovery of the economy through the use of monetary policy (8)
- 8.2 How would the budget successfully address economic inequity? (8)
- 8.3 Evaluate the provisioning of public goods and services in South Africa.? (8)
- 8.4 How can the South African government going about to achieve a more equitable income distribution? (8)
- 8.5 How successful has the South African government been in reaching its macroeconomic objectives? (8)

**SECTION C**

**HINT:** All section C questions have TWO questions 5 & 6 NOT 9 & 10 like in this document. In the examination you will need to answer only one.

**ESSAY STRUCTURE**

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

<b>STRUCTURE OF ESSAY:</b>	<b>MARK ALLO- CATION:</b>
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to the main concept related to the question topic</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid saying in the introduction what you are going to discuss in the body</li> </ul>	<p>Max 2</p>



<p><b>Body:</b>  <b>Main part:</b> Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate  <b>Additional part:</b> Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest</p>	<p>Max 26</p> <p>Max 10</p>
<p><b>Conclusion</b>                  Any Higher or conclusion include:  <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> </ul>                 Recommendations</p>	<p>Max 2</p>
<p><b>TOTAL</b></p>	<p><b>40</b></p>

**QUESTION 10**

- Discuss in detail macroeconomic objectives (26 marks)
- Evaluate the impact Social rights have that are promoted through the national budget? (10 marks)



SESSION 4:           MACROECONOMICS: FOREIGN EXCHANGE- PART 1

SECTION A: TYPICAL EXAM QUESTIONS

QUESTION 1:                                   Section A – Short Questions

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write **TWO** options.

1.1       Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) of your choice next to the question number in the ANSWER BOOK.

1.1.1     The current balance of payment has...amount(s)

- A   Two
- B   One
- C   Three
- D   Four

1.1.2     If country A is able to produce both maize and tea at a cheaper cost than countries B and C, it is said to have a/an ... advantage

- A   Absolute
- B   Best
- C   Restrictive
- D   Comparative

1.1.3     The account that shows records of investments by South Africans in other countries and foreigners to South Africa is known as the...account.

- A   Capital transfer
- B   Current
- C   Reserve
- D   Financial

1.1.4     A market where a currency can be exchanged for another country's currency

- A   Currency market
- B   Foreign market
- C   Foreign exchange market
- D   Capital market

1.1.5 An international organisation which lend money to countries with continuous balance of payments problems.

- A World bank
- B United Nations
- C International Monetary Fund
- D Foreign exchange market

1.1.6 If the exchange rate changes from \$1 = R6 to \$1 = R8, due to market forces (demand and supply), we can conclude that ...

- A \$ depreciated against the R
- B R depreciated against the \$
- C R devalued against the \$
- D \$ devalued against the R

1.1.7 Which country has an absolute advantage in producing apples?

	APPLES	BEEF
COUNTRY 1	1600 kg	64 kg
COUNTRY 2	9 000 kg	300kg

- A Neither country 1 nor country 2
- B Both country 1 and country 2
- C Country 1
- D Country 2



1.1.8 What does it mean when there is a surplus on a country's current account?

- A The value of a country's assets is more than the value of its liabilities.
- B The value of a country's liabilities is more than the value of its assets
- C The value of a country's exports is more than the value of its imports
- D The value of a country's imports is more than the value of its exports

1.1.9 In what account in of a country's balance of payments will export of diamonds be recorded?

- A The current account
- B The financial account
- C Unrecorded transactions
- D A change in gold and foreign reserves

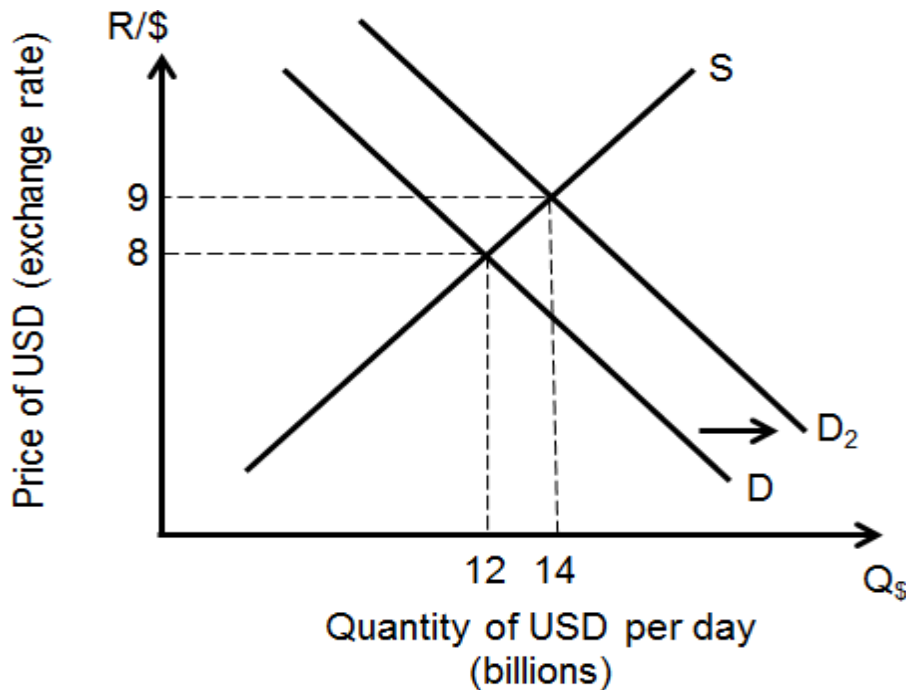
1.1.10 The rand price of the US dollar (USD) increased to R12,02 in March 2015 from R11,53 in February 2015. This means that the South African rand ... against the dollar and the dollar ... against the rand.

- A appreciated; appreciated
- B appreciated; depreciated
- C depreciated; appreciated
- D depreciated; depreciated

1.1.11 Which change in the rand-dollar foreign exchange market will cause the ZAR (rand) to appreciate and the amount of USD traded daily to increase?

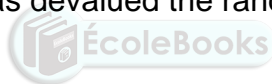
- A A shift of the supply of the USD curve to the left
- B A shift of the supply of the USD curve to the right
- C A shift of the demand for the USD to the left
- D A shift of the demand for the USD to the right

1.1.12 What type of event must happen for the exchange rate to change from R8:\$1 to R9:\$1 and the amount of USD traded daily to increase, as illustrated in the following graph?



- A China starts producing cheaper goods than the United States
- B The gold price increase
- C More South African tourists visit the United States
- D After a crime wave, American tourists cancel their plans to visit South Africa.

- 1.1.13 A country's balance of payments...
- A Records all the economic activities which take place within the boundaries of the country
  - B Will show a deficit on the current account if the value of exports exceeds the value of imports
  - C Can afford a deficit on the current account if there is a positive balance on the financial account
  - D Records all the transactions in the rest of world
- 1.1.14 An increase in the supply of dollars in the South African foreign exchange market can be caused by
- A More south African firms purchasing capital goods from the United states
  - B An increase in the gold price
  - C A decrease in economic activity in the United States
  - D More South African tourists visiting the United States
- 1.1.15 If the exchange rate changes from R9,60 = \$1,00 to R8,50 = \$1,00, then
- A The rand has depreciated against the dollar
  - B The rand has weakened against the dollar
  - C The rand has appreciated against the dollar
  - D Government has devalued the rand
- 1.1.16 If Zimbabwe can produce more tobacco than South Africa, with the same number of employees, we can conclude that\_\_\_\_\_ in the production of tobacco.
- A Zimbabwe has an absolute advantage
  - B South Africa has an absolute advantage
  - C Zimbabwe has relative advantage
  - D South Africa has relative advantage
- 1.1.17 The financial account records a c country's
- A Sales and purchases of goods and services to the rest of the world.
  - B Inflows and outflows of funds from sales and purchases of assets.
  - C Income earned by households and firms in the rest of the world
  - D Gold and foreign exchange reserves



1.1.18 The balance on the current account is....billion

Merchandise exports	1 176
Net gold exports	72
Services receipts	210
Primary income receipts	97
Secondary income (current transfers) receipts	25
Merchandise imports	1 223
Services payments	218
Primary income payments	251
Secondary income (current transfers) payments	61
Current account balance	

- A 1 753
- B -1 753
- C 173
- D -173

1.1.19 The trade balance is the difference between ...

- A The value of goods exported and goods imported
- B The value of goods and services exported and goods and services imported
- C The current account and financial account
- D Direct investment and portfolio investment

1.1.20 If foreign investors purchase Sasol shares from the Johannesburg Stock Exchange (JSE), this will be recorded as \_\_\_\_\_ in the balance of payments.

- A Net direct investments
- B Net portfolio investments
- C Net other investments
- D Net financial derivatives

1.1.21 The exchange rate between the rand and the US dollar(\$) is R15 per dollar. If a South African tourist in New York purchase a good valued at 20 dollars, then in South Africa it would cost....

- A R300.00
- B R35.00
- C R5.00
- D R1.33

- 1.1.22 Currently South Africa has a.....on the fiscal budget and a....on the current account
- A Surplus, deficit
  - B Surplus, surplus
  - C Deficit, surplus
  - D Deficit, deficit
- 1.1.23 If Derick buys a new Samsung laptop, which is manufactured in South Korea, the transaction will be recorded as a/an
- A withdrawal in the current account.
  - B addition in the current account.
  - C withdrawal in the financial account.
  - D addition in the financial account.
- 1.1.24 If the financial account is in surplus, then
- A The value of imports exceeds the value of exports
  - B The value of exports exceeds the value of imports
  - C There has been a net flow of foreign capital into the country
  - D Capital outflows exceed capital inflows
- 1.1.25 The terms of trade measure
- A The income of one country compared to another
  - B The quantity of exports of one country compared to another
  - C Exports prices relative to import prices
  - D The difference between the value of exports and that of imports
- 1.1.27 Under system of floating exchange rates
- A The currencies of countries with a relatively high inflation rate tend to appreciate
  - B The currencies of countries with a relatively high inflation rate tend to depreciate.
  - C The currencies of countries with a relatively low inflation rate tend to depreciate.
  - D Exchange rates are insensitive to difference in the rate of inflation between countries.
- 1.1.28 An increase in the rand price of a foreign currency usually
- A Benefits South African importers
  - B Benefits South Africa exporters
  - C Benefits both importers and exporter in South Africa
  - D Harmful to both importers and exporter in South Africa

1.1.29 The foreign exchange is the rate at which

- A One country's goods trade for those of another country
- B The currency of one country trades for the goods of another country
- C The services of one country trade for the currency of another country
- D Currencies of different countries are exchanged

1.2 Choose a description from COLUMN B that matches the item in COLUMN. Write only the letter (A-H) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.

1.2(A)

COLUMN A	COLUMN B
1.2.1 Capital transfer account	A . exchange rate system
1.2.2 Depreciation	B. The value of exports minus imports
1.2.3 Free floating	C. subaccount in the balance of payment
1.2.4 Transfer payment	D. where one country can produce goods or services cheaper than others
1.2.5 Special Drawings Rights	E. the weakening of a currency as a result of government intervention
1.2.6 Absolute advantage	F. the weakening of a currency as a result of market forces
1.2.7 Trade balance	G. money received without any productive service rendered
1.2.8 Devaluation	H. A financial instrument distributed among members countries of the IMF to access funds

(8 x 1)

1.2 (B)

COLUMN A	COLUMN B
1.2.1 Foreign reserves	A Price of one country's currency in terms of another country's currency
1.2.2 Terms of trade	B. The exchange of goods or services across international borders
1.2.3 World Bank	C. When consumers and producers are free to buy goods and services anywhere in the world without any restrictions
1.2.4 Exchange rate	D. All currencies of other countries in the possession of the South African Reserve Bank
1.2.5 Portfolio investment	E. A statement of a country's transactions with the rest of the world
1.2.6 Balance of payments	F. Buying and selling equities/shares
1.2.7 International trade	G. The international institution that promotes economic recovery and development
1.2.8 Free trade	H. the ratio between export prices and import prices

1.3 Give the economic term/concept for each of the following descriptions. Write only the term/concept next to the question number. *No abbreviations, acronyms and examples will be accepted.*



- 1.3.1 The cost of an alternative that must be forgone in order to pursue a certain action
- 1.3.2 Record of imports and exports of merchandise (physical goods)
- 1.3.3 When foreign countries invest money in South Africa resulting in an inflow of capital in the country
- 1.3.4 Reclassification of non-monetary gold to monetary gold
- 1.3.5 A form of credit which can be used when balance of payments difficulties are experienced
- 1.3.6 Reclassification of monetary gold to non-monetary
- 1.3.7 The price of one national currency in terms of another currency
- 1.3.8 Various forms of controls imposed by a government on the purchase/sale of foreign currencies by private household
- 1.3.9 Markets in which one currency can be exchanged for another
- 1.3.10 When debit and credit entries on the balance of payments are not in balance
- 1.3.11 To fix the exchange rate at a lower level
- 1.3.12 To fix the exchange rate at a higher level
- 1.3.13 The price where demand of currency equals the supply
- 1.3.14 An exchange rate system where there is less uncertainty about international trade transactions
- 1.3.15 The sub-account of the balance of payments where salaries, interest from investments and profits that flow between countries are recorded
- 1.3.16 The institution that publishes the manual to standardise the balance of payments accounting process.
- 1.3.17 The ration between the imports and exports
- 1.3.18 Buying and selling equities and debt securities
- 1.3.19 Money received without any productive service rendered e.g. gifts
- 1.3.20 The worldwide interaction of economies with trade as a key element

(20x1)

**SECTION B**

**QUESTION 2:**

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

2.1	Name TWO types of exchange rate systems	(2X1)	2
2.2	List any TWO reasons for changes in the exchange rate	(2X1)	2
2.3	Name TWO polices that could be used to reduce large deficits	(2X1)	2
2.4	List any TWO examples of investments in financial account	(2X1)	2
2.5	Name TWO sub-accounts of current account	(2X1)	2
2.6	List any TWO composition of the balance of payment	(2X1)	2
2.7	Name TWO demand reasons for international trade	(2X1)	2
2.8	List any TWO effects of international trade	(2X1)	2
2.9	Name TWO supply reasons for international trade	(2X1)	2
2.10	List any TWO measures to correct balance of payments	(2X1)	2
2.11	Name TWO items that are subtracted in current account	(2X1)	2
2.12	List any TWO demand factors for foreign exchange	(2X1)	2
2.13	Name TWO supply factors of foreign exchange	(2X1)	2
2.14	List any TWO example of service receipts in balance of payment	(2X1)	2

**QUESTION 3:**

**HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2

3.1	How can world trade improve through specialisation	(1x2)	2
3.2	How can the appreciation of the rand affect the exports of goods and services?	(1x2)	2

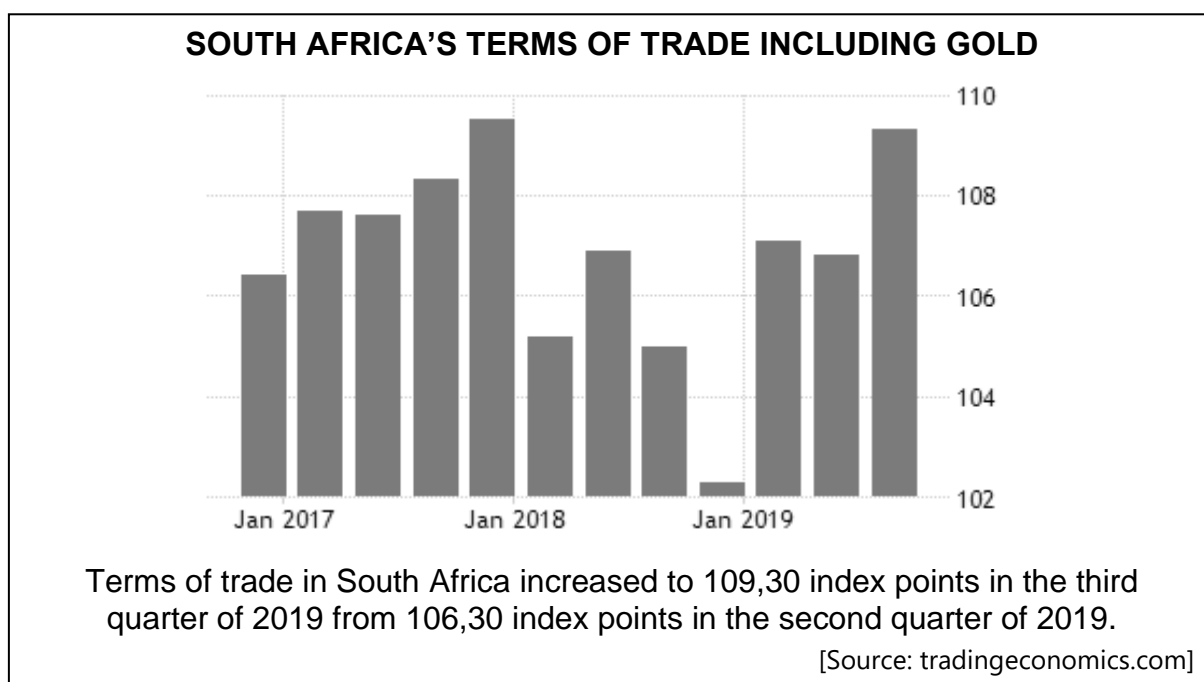
- |     |  |       |   |
|-----|--|-------|---|
| 3.3 | What effect will the depreciation of the Rand have on the demand for foreign goods?                          | (1x2) | 2 |
| 3.4 | Why is gold listed separately in the balance of payments   | (1x2) | 2 |
| 3.5 | How can the increase in repurchase rate affect the direct investment by domestic businesses in South Africa? | (1x2) | 2 |

### Data Response

**HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document

### QUESTION 4:

Study the table below and answer the questions that follow.



- |     |   |     |
|-----|---|-----|
| 4.1 | How much has the terms of trade increased in the last two quarters of 2019            | (1) |
| 4.2 | What caused an increase in South Africa's terms of trade in the third quarter of 2019 | (1) |
| 4.3 | Briefly describe the <i>terms of trade</i>  | (2) |
| 4.4 | Explain the effect of an improvement in terms of trade on the economy                 | (2) |

- 4.5 How does the current account deficit(negative balance of trade) affect terms of trade? (4)  
(2x2)

### QUESTION 5

Study the graph below and answer the questions that follow.



- 5.1 Which main economic concept is illustrated in the picture above? (1)
- 5.2 Give the currency used in South Africa before the introduction of the rand (1)
- 5.3 Briefly describe the term *appreciation* (2)
- 5.4 What impact will more demand for foreign exchange have on the South African rand? (2)
- 5.5 How effective are the changes in the prices of imports and exports on the terms of trade? (4)  
(2x2)

**QUESTION 6**

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

BALANCE OF PAYMENT(BOP)	March 2019 (R million)
Current Account	
Merchandise exports	1 175 547
Net gold exports	71 678
Service receipts	210 415
Income receipts	96 507
Less: Merchandise imports	1 222 944
Less : Payments for services	217 939
Less :Income payments	250 552
Current transfers	-35 674
Balance on current account	-172 962
Memo item: Trade balance	A

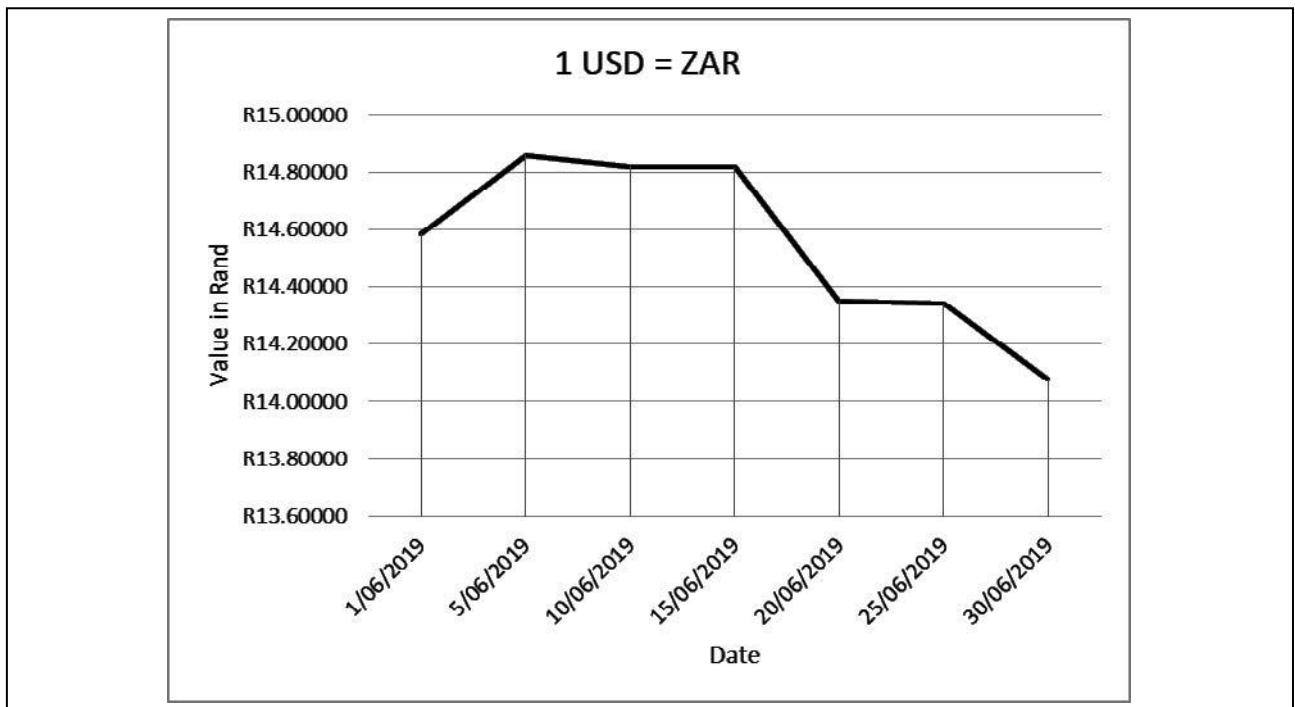
- 6.1.1 Name any ONE example of service receipts (1)
- 6.1.2 Give a reason for the deficit on the current account of the BOP (1)
- 6.1.3 Briefly describe the term *portfolio investments* (2)
- 6.1.4 Calculate the trade balance (A) for March 2019 in the above table (2)
- 6.1.5 One way for a country to correct its deficit on the BOP is through borrowing from other countries. How can a country correct its deficit on the balance of payments, other than the measure mentioned above? (2x2) (4)

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

SOUTH AFRICA : TERMS OF TRADE			
YEAR	INDEX OF IMPORT PRICES	INDEX OF EXPORT PRICES	Terms of trade
2016	141	171	121.3
2017	153	191	124,8
2018	163	200	A
2019	179	214	119.6

- 6.2.1 Identify index of export prices of 2017 from the graph above (1)
- 6.2.2 What is the trend in the index of import prices? (1)
- 6.2.3 Briefly describe the term 'of terms trade' (2)
- 6.2.4 Explain why an increase in the terms of trade will have a positive effect on the welfare of the country (2)
- 6.2.5 Calculate the terms of trade for 2018(A). Show ALL calculations. Round off your answer to ONE decimal place. (2x2) (4)

**QUESTION 7**



- 7.1 On which date was the rand the strongest against the dollar (1)
- 7.2 Which type of exchange rate is depicted in the graph (1)
- 7.3 Briefly describe the concept exchange rate. (2)
- 7.4 Why is it important for a country to have a stable exchange rate? (2)
- 7.5 How will an appreciation of the rand against other currencies affect consumers? (2x2) (4)

**QUESTION 8**

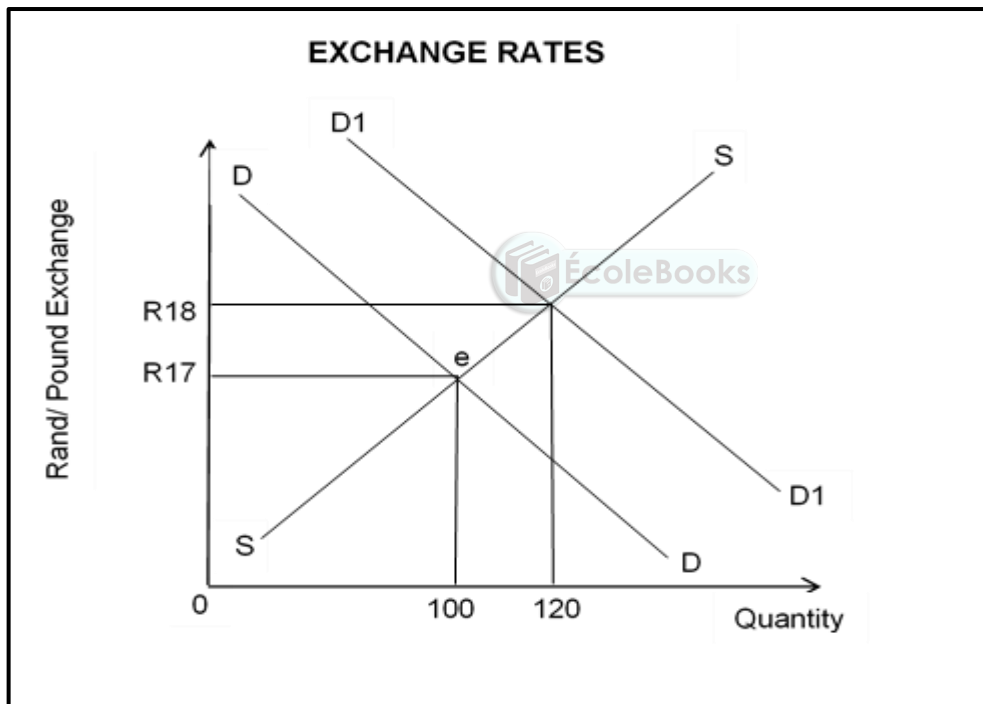
Study the extract below and answer the questions that follow.

<i>EXTRACT FROM BALANCE OF PAYMENT-JUNE 2020</i>	
	<i>R million (2019)</i>
<b>Current account</b>	
Goods/Merchandise exports	1235 964
Net gold exports	67 181
Service receipts	212 721
Income receipts	116 781
Less: Goods/Merchandise imports	1 263 824
Payments for services	226 494
Income payments	259 944
Current transfers(net receipts)	-35 561
<b>Balance on current account</b>	<b>-153 176</b>
Memo: Trade balance	39 321
<b>Capital transfer account(net receipts +)</b>	<b>244</b>
<b>Financial account</b>	
Net direct investment	21 756
Net incurrence of liabilities	66 816
Net acquisition of financial assets	-45 060
Net portfolio investment	131 062
Net financial derivatives	-4 177
Net other investment	-4 814
Reserve assets(increase)(-)/decrease(+)	-25 370
<b>Balance on financial account</b>	<b>118 457</b>
<i>Memo item: Balance on financial account excluding re-serve assets</i>	<i>143 827</i>
<b>Unrecorded transactions</b>	<b>34 474</b>
<i>Memo item: Balance on financial account excluding re-serve assets including unrecorded transactions</i>	<i>178 302</i>

- 8.1 Identify the subaccount in which assurance receipt or payment is classified under. (1)
- 8.2 Which account/component in the balance of payment reflects the figures of the trade balance (1)
- 8.3 Briefly describe the term capital transfer account (2)
- 8.4 Why are unrecorded transactions included in the balance of payment (2)
- 8.5 How can the south African Reserve Bank work to correct the disequilibrium in the balance of payment? (4)  
(2x2)

### QUESTION 9

Study the graph and answer all questions that follow



- 9.1 Identify the original equilibrium exchange rate in the above graph (1)
- 9.2 What exchange rate system does South Africa currently use? (1)
- 9.3 Briefly describe the *term exchange rate*. (2)
- 9.4 What will be the effect of an undervalued rand on the economy? (2)
- 9.5 Use the graph to illustrate a depreciation of the rand against the US dollar (4)  
(2x2)



### QUESTION 10

Study the picture and answer the questions that follow



- 10.1 Name the factor of foreign exchange illustrated above (1)
- 10.2 List any measure to correct the balance of payments (1)
- 10.3 Briefly describe the term *balance of payment deficit* (2)
- 10.4 Explain causes of higher imports into a country (2)
- 10.5 How do imports affect exchange rate (2x2) (4)

**QUESTION 11**

Study the extract below and answer the questions that follow

**ROBOTIC WELDING AT AN AUTOMOBILE PLANT.**



In the final assembly line one can see clearly how machinery and human effort in assembly are divided into many specialized skills. The special tooling and machinery developed to handle assembly parts and to aid operators in their tasks can also be observed.

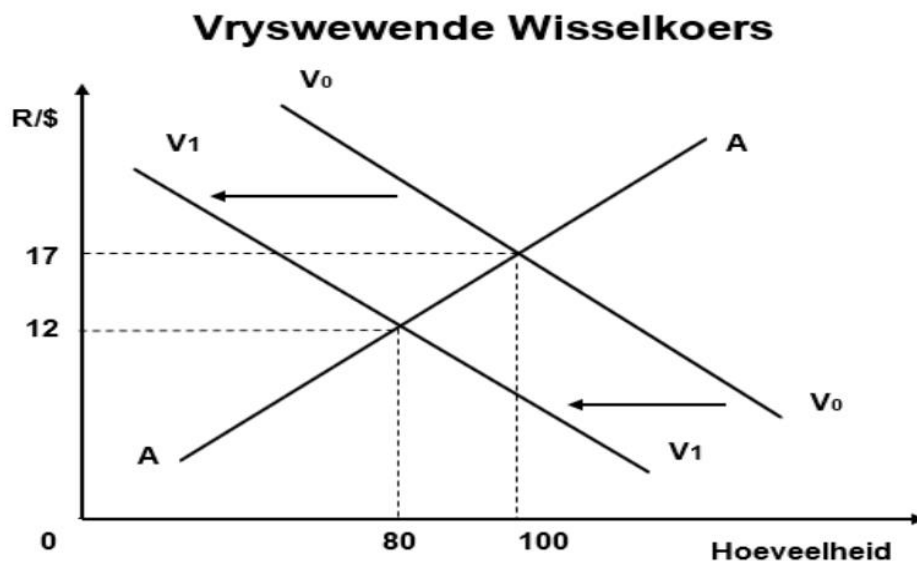
- 11.1 Name the effect of international trade depicted above (1)
- 11.2 List one supply reason for international trade illustrated above (1)
- 11.3 Briefly describe the term *international trade* (2)
- 11.4 Why are robots used in industry (2)
- 11.5 How is globalisation more efficient (2x2) (4)

**QUESTION 12**

**Paragraph type of questions**

**Middle order**

- 12.1 Distinguish between appreciation and depreciation using numerical (8)
- 12.2 Differentiate between devaluation and appreciation of a country (8)
- 12.3 Distinguish between the current account and the financial account of the balance of payments (8)
- 12.4 With reference to the graph below, explain the effects of the coronavirus (Covid-19) on the value of the Rand. (8)



- 12.5 Discuss import substitution and export promotion as a measure to correct the balance of payment (8)
- 12.6 Explain the difference free floating and managed floating exchange rate systems (8)
- 12.7 Differentiate between a stable (fixed) but adjustable rate of exchange and a controlled floating exchange rate. (8)
- 12.8 Distinguish between income levels and the difference in consumption patterns as demand reasons for international trade. (8)

**QUESTION 13**                      **Paragraph type of questions**                      **Higher cognitive**

- 13.1 How does a deficit in the balance of payments affect the economy of a country? (8)
- 13.2 How can the South African economy benefit from international trade? (8)
- 13.3 How can the Reserve Bank reduce the deficit on the balance of payments? (8)
- 13.4 Evaluate the effectiveness of the methods used to correct the balance of payments disequilibria (8)

## SECTION C

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### ESSAY STRUCTURE

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<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to the main concept related to the question topic</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid saying in the introduction what you are going to discuss in the body</li> </ul>	Max 2
<p><b>Body:</b> <b>Main part:</b> Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate <b>Additional part:</b> Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest</p>	Max 26  Max 10
<p><b>Conclusion</b> Any Higher or conclusion include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> </ul> <p>Recommendations</p>	Max 2
<b>TOTAL</b>	<b>40</b>

### QUESTION 14

- Discuss in detail the demand reasons for international trade (26 Marks)
- Evaluate the effects of a currency in an economy (10 Marks)

**SESSION 5:           MACROECONOMICS: FOREIGN EXCHANGE- PART 2****SECTION A: TYPICAL EXAM QUESTIONS**

**HINT:** When answering Section, A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct, and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write **TWO** options.

**QUESTION 1**

**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 number.**

- 1.1.1       The law of absolute advantage states that
- A   Nations trade because of similarities in exchange rates
  - B   Two countries can benefit from trade even if one country is more efficient at producing
  - C   Countries can only benefit from trade if the opportunity costs among the trading countries are the same
  - D   Absolute advantage is a prerequisite for international trade
- 1.1.2       In South Africa, a deficit balance in the current account implies that ...
- A   exports exceeds imports.
  - B   income exceeds spending.
  - C   spending exceeds income.
  - D   Imports exceeds exports
- 1.1.3       Suppose that a Chinese firm imports South African metals. The transaction will be recorded ...
- A   On neither country's balance of payment accounts
  - B   As a negative item on the Chinese balance of payments
  - C   As a negative item on the South African balance of payments
  - D   As a positive item on the Chinese balance of payments
- 1.1.4       If there is a short-term capital outflow from South Africa into Lesotho, the outflow will appear as ...
- A   A negative record on South Africa's current account
  - B   A negative record on Lesotho's financial account
  - C   A positive record on South Africa's financial account
  - D   A negative record on South Africa's financial account

- 1.1.5 Depreciation of South African rand against the United States(US) dollar implies that...
- A The rand has gained value against dollar
  - B You need fewer relatively Rands to buy one dollar
  - C The dollar has lost value against the rand
  - D South Africa’s exports to the US will be relatively cheaper

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 number (1.2.1 – 1.2.6) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Exchange rate	A Decrease in the price of a currency
1.2.2 Depreciation	B Receipts of the country exceed its payments due to low imports
1.2.3 BOP surplus	C Credit may be used to correct deficit of balance of payments
1.2.4 Special drawing rights	D Injection in South Africa resulting in an inflow of capital in the country
1.2.5 Foreign direct investment	E Markets in which one currency can be exchanged

(6 × 1) (6)

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

- 1.3.1 Forms imposed by a government on the purchase of foreign currencies
- 1.3.2 Record of imports and exports of merchandise
- 1.3.3 A systematic record of all transactions between one country and other countries
- 1.3.4 Increase in the price of a currency in terms of another currency due to market forces
- 1.3.5 When a country fixes its currency to a quantity of gold

## SECTION B QUESTION 2

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This MUST be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- 2.1 Name any TWO types of investment in the financial account
- 2.2 List any TWO effects of international trade
- 2.3 Name TWO key items of terms of trade

## QUESTION 3

**HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2

- 3.1 How does exchange rate fluctuations affect the profitability of companies
- 3.2 How would a scarcity of natural resources affect the supply of goods to a market
- 3.3 Why do fixed exchange rate promote trade?

### Data response



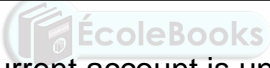
**HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document

**QUESTION 4**

Study the extract below and answer the questions that follow

BALANCE OF PAYMENTS 2018 (R MILLIONS)	
Current account	2018
Merchandise exports	1 175 547
Net gold exports	71 678
Service receipts	210 415
Income receipts	96 507
Less :Merchandise imports	1 222 944
Less: Payments for services	217 939
Less income payments	250 552
(A)	-35 674
Balance on the current account	-172 062
2.capital transfer account	236
Net lending to(+) borrowing from(-) rest of world	-172 726

[Adapted from SARB quarterly bulletin ,March 2019]

- 
- 4.1 Which item in the current account is unique to South Africa (1)
  - 4.2 Name the item (A) missing from the current account in the table above. (1)
  - 4.3 Briefly describe the term Capital Transfer Account (2)
  - 4.4 Explain ONE factor that would influence demand to reduce the deficit in the balance of payments. (2)
  - 4.5 Determine the value of the trade balance. Show ALL calculations (4)



**QUESTION 5**

**SOUTH AFRICA COULD BE THE NEXT EXPORTER OF OIL**

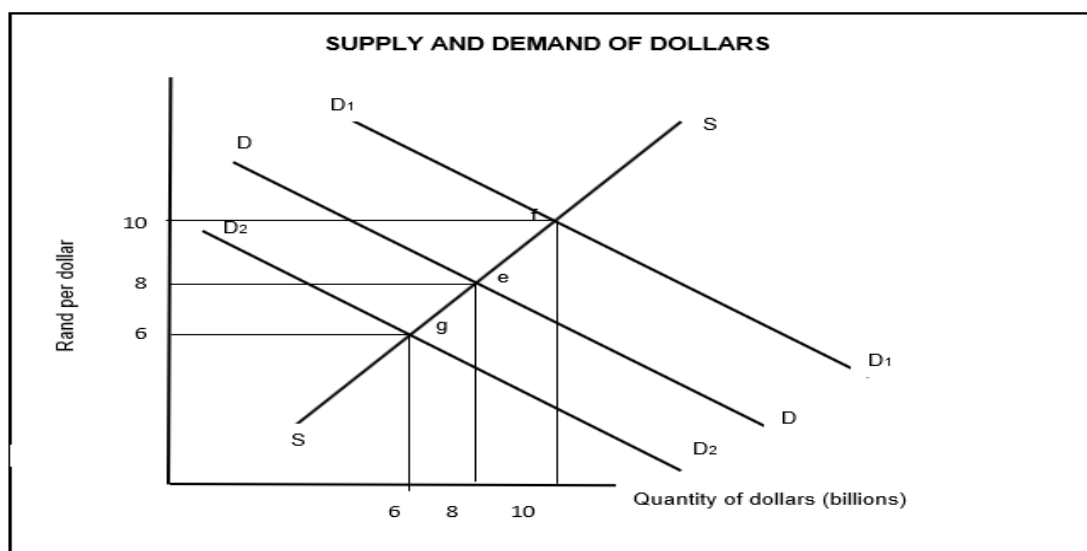
French oil and gas company Total announced that it has made a significant oil discovery after drilling deep sea waters, 175 kilometers off the southern coast of South Africa. The country's president also welcomed the discovery of this State of the Nation address on the 7<sup>th</sup> February 2019, saying government was extremely encouraged by the find and that it could be a game changer for the country's energy sector and participation in the international trade.

It's expected to benefit in the longer term. This means the country could in future be one of the exporters of oil and gas.

- 5.1 Which cause (reason) for international trade is natural resources such as oil an example of? (1)
- 5.2 Name the account of Balance of Payment in which money earned from exporting oil can be recorded (1)
- 5.3 Briefly describe the term international trade (2)
- 5.4 Why is oil regarded as an important factor of production (2)
- 5.5 How can the exportation of oil benefit the economy (4)

**QUESTION 6**

Study the graph below and answer the questions that follow



- 6.1 Identify the demand curve that indicates a decrease in the demand for dollars? (1)
- 6.2 What type of exchange rate system is currently used in South Africa? (1)
- 6.3 Briefly describe the term *devaluation*. (2)
- 6.4 Explain ONE factor that can influence the demand for the dollar. (2)
- 6.5 What is the effect on the rand when there is a decrease in the demand for dollars? (4)

### QUESTION 7

Study the information below and answer the questions that follow.



- 7.1 Name the currency of South Africa (1)
- 7.2 What cause the South Africa currency to fall? (1)
- 7.3 Briefly describe the term *foreign exchange controls* (2)
- 7.4 Explain the policy options available to stabilise a currency under a floating exchange rate system. (2)
- 7.5 What can the monetary authorities do to counteract the change in the rand/dollar exchange rate. (4)

**Question 8**

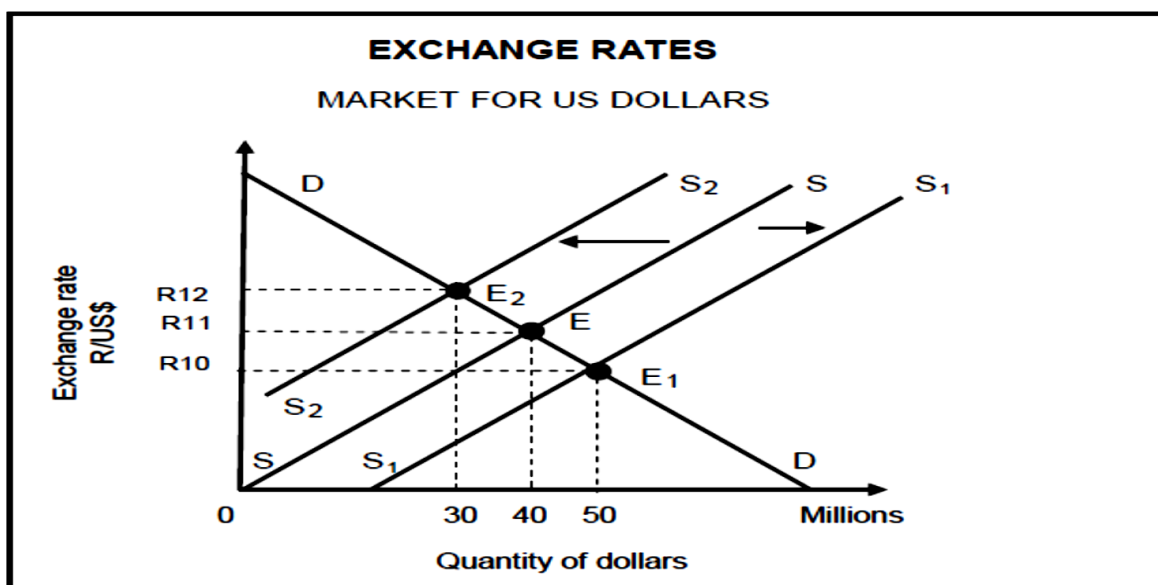
Study the table below and answer the questions that follow

Component	June 2018	June 2019
Imports	R42 000	R35 000
Exports	R32 000	R50 000
Income from services	R10 000	R5 000
Payments for services	R3 000	R5 000
Foreign direct investment	-R10 000	+245 000
Foreign portfolio investment	+R120 000	-R100 000

- 8.1 Name ONE commodity found in the current account (1)
- 8.2 Identify an account that captures the effect of a foreigner purchasing shares on the Johannesburg securities exchange (1)
- 8.3 Briefly describe the term current account (2)
- 8.4 Explain the use of unrecorded transactions in the balance of payments (2)
- 8.5 Calculate the current account balance in 2019. (4)

**Question 9**

Study the graph below and answer the questions that follow



- 9.1 Identify the foreign currency used in the market above (1)
- 9.2 What kind of an exchange rate system in the graph above (1)

- 9.3 Briefly describe the term foreign exchange market. (2)
- 9.4 What effect does globalisation have on international trade? (2)
- 9.5 Use the above graph to explain the effect of the increase in the supply of US dollars on the R/US\$ exchange rate. (4)

### QUESTION 10

Study the extra below and answer the questions that follow.

#### SA'S CURRENT ACCOUNT DEFICIT WIDENS

The country's trade balance moved from a surplus in the fourth quarter of 2017 to a deficit in the first segment of 2018, causing the current account deficit to widen to 4.8% of the GDP.

According to the South African Reserve Bank, it was 2.9% in the previous segment. The deficit is the highest since the 4.9 % seen in the first quarter of 2016.

South Africa's Q1 Current Account deficit prints at -4.8% of GDP, which is worse than the expected -3.9%. The rand reacted

Source: Mail & Guardian, May 2019

- 10.1 According to the extract, what was current account deficit in 2018? (1)
- 10.2 What negative impact did the deficit on current account have on the value of the rand? (1)
- 10.3 Briefly describe the term *balance of payments*. (2)
- 10.4 Explain the significance of the balance on the current account. (2)
- 10.5 How can a surplus on the balance of payments affect the South African economy positively? (2x2) (4)

**HINT:** All section B questions have TWO 8 marks questions, numbered according to questions not like in this document.

**QUESTION 11**

**Paragraph type questions-Middle cognitive**

- 11.1 Distinguish labour and technological resources as a supply reason for international trade (8)
- 11.2 Use a graph to explain the appreciation of the rand against dollar (8)
- 11.3 Explain free floating exchange rate system (8)
- 11.4 Discuss interest rates and change in exchange rates as measures to correct the balance of payment (8)
- 11.5 Explain factors affecting demand of foreign exchange markets (8)
- 11.6 Discuss capital transfer account in the balance of payments (8)

**QUESTION 12**



**Paragraph type questions-Higher cognitive**

- 12.1 Evaluate the elasticities approach of deterring exchange rate in the short run. (8)
- 12.2 How can climate changes influence international trade? (8)
- 12.3 What effect does the terms of trade have on the balance of the current account? (8)
- 12.4 Assess how an increase in import prices and an increase in export prices (terms of trade) will affect the South African economy. (8)

## SECTION C

**HINT:** All section C questions have TWO questions 5 & 6 NOT 9 & 10 like in this document. In the examination you will need to answer only one.

### ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

STRUCTURE OF ESSAY:	MARK ALLO- CATION:
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to the main concept related to the question topic</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid saying in the introduction what you are going to discuss in the body</li> </ul>	Max 2
<p><b>Body:</b> <b>Main part:</b> Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate <b>Additional part:</b> Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest</p>	Max 26  Max 10
<p><b>Conclusion</b> Any Higher or conclusion include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> </ul> <p>Recommendations</p>	Max 2
<b>TOTAL</b>	<b>40</b>

### QUESTION 13

- Discuss the following supply reasons for international trade (26)
    - natural resources
    - climatic conditions
    - Labour resources
    - Specialisation
    - Capital
  - How can South Africa ensure a net inflow of capital? (10)
- [40]

## SESSION 6: MACROECONOMICS: FREE TRADE AND PROTECTIONISM- PART 1

### SECTION A: TYPICAL EXAM QUESTIONS

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 number.

1.1.1 When there are no restrictions to trade such as taxes on goods or bans on imports, it is called ...

- A. dumping
- B. protectionism
- C. free trade
- D. diversification

1.1.2. Interfacing and interaction of economies, with trade as a key element, is known as ...

- A. free trade.
- B. communication.
- C. industrialisation.
- D. globalisation.

1.1.3 An argument in favour of the protection of local industries is...

- A. unstable wage levels.
- B. economies of scale
- C. the prevention of dumping
- D. fewer job opportunities

1.1.4 An advantage of import substitution is ... in the domestic economy

- A. less competition
- B. more diversification
- C. less protection
- D. fewer job opportunities

1.1.5 The use of tariffs by government to discourage imports is known as ...

- A. protectionism.
- B. import substitution.
- C. export promotion.
- D. globalisation.

- 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 number (1.2.1 – 1.2.5) in the ANSWER BOOK, for example 1.2.9 J.**

<b>Column A</b>	<b>Column B</b>
1.2.1 trade liberalisation 1.2.2 Specific import duties 1.2.3 Ad valorem 1.2.4 Excise duties 1.2.5 Import control	A. A tariff as percentage of the value of imported goods B. Calculated as a certain amount per unit, mass or size of a good C. A deliberate government policy to protect domestic industries against foreign competition D. Custom duties and quotas E. The removal of trade barriers  (5 x 1) (5)

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

- 1.3.1 Government policy of encouraging domestic producers by means of incentives and facilities to increase their output
- 1.3.2 Total percentage reduction in the total tax payable rebates
- 1.3.3 Money paid to businesses to decrease their cost of production
- 1.3.4 A ban on the import of goods or services
- 1.3.5 Charging very low prices that are below the cost of production
- 1.3.6 Increased output at lower cost
- 1.3.7 Trade agreements that lay down the rules governing the level of trade
- 1.3.8 The organisation that replaced GATT and promotes the reduction of all trade barriers



**SECTION B:****QUESTION 2**

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- |     |  |         |     |
|-----|--|---------|-----|
| 2.1 | Name any TWO reasons for export promotion            | (2 x 1) | (2) |
| 2.2 | List any TWO reasons for import substitution         | (2 x 1) | (2) |
| 2.3 | Name TWO South Africa’s international trade policies | (2 x 1) | (2) |
| 2.4 | Name TWO arguments in favour of protectionism        | (2 x 1) | (2) |
| 2.5 | List any TWO arguments for free trade                | (2 x 1) | (2) |

**QUESTION 3**

- |     |   |         |     |
|-----|---|---------|-----|
| 3.1 | How are wages of local workers negatively affected by dumping?                                | (1 x 2) | (2) |
| 3.2 | What effect will quotas have on imports?  | (1 x 2) | (2) |
| 3.3 | How can a country protect itself from dumping?  | (1 x 2) | (2) |
| 3.4 | How is ad valorem tariff applied?   | (1 x 2) | (2) |
| 3.5 | Why it is unlikely that a free international trade policy will be successful in South Africa? | (1 x 2) | (2) |

**QUESTION 4:**

Study the information and answer the questions that follow



Producers and consumers are free to buy goods and services from anywhere in the world, without the interference of government. Regionalisation, in the form of trade blocs, makes use of free trade and protection with one another. Member countries pursue free trade with one another but apply trade restrictions outside their bloc e.g. NAFTA and Mercosur.

Source: *Linkedin.com*

- 4.1 Which trade policy is referred to in the above cartoon? (1)
- 4.2 Name any member country of the Mercosur trade bloc. (1)
- 4.3 Briefly describe the term *free trade*. (2)
- 4.4 Explain innovation as an argument in favour of free trade. (2)
- 4.5 How will protection of natural resources favour local industries? (2x2) (4)

**QUESTION 5:**

Study the information and answer the questions that follow

**BUY LOCAL AND BOOST THE SOUTH AFRICAN ECONOMY**

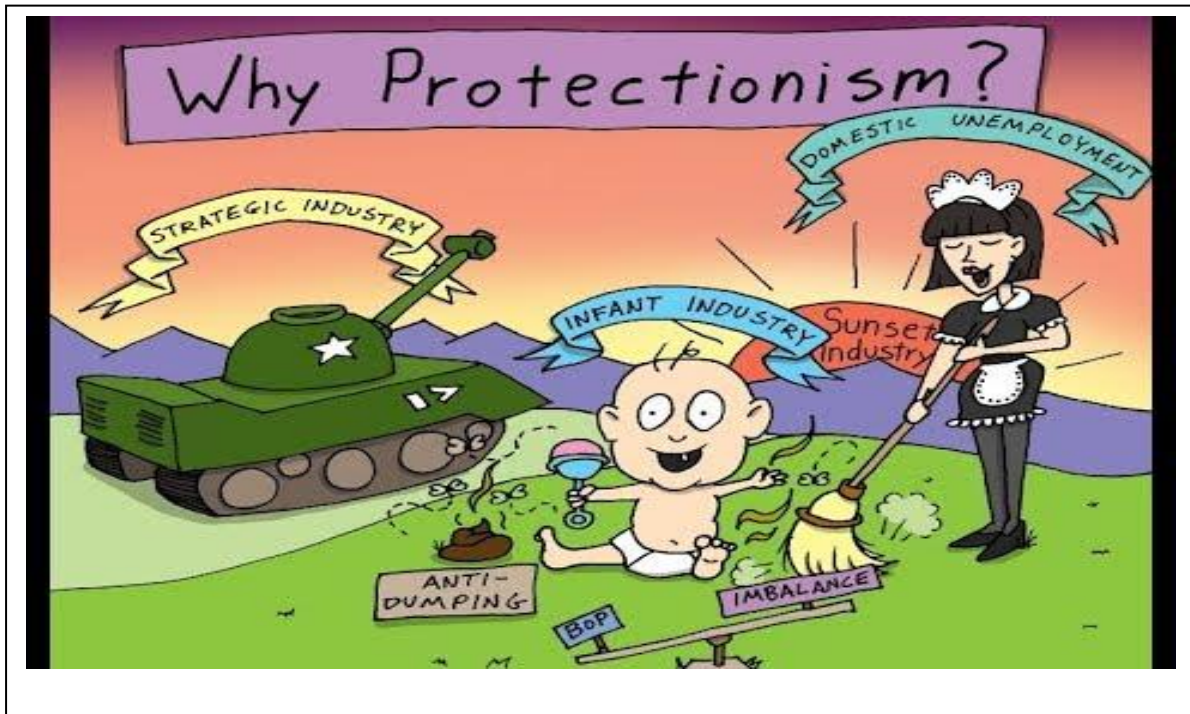
The Proudly South African campaign requested the support of all South African producers. South Africa currently faces the challenge of competing in an unfair global economy. All South Africans buy home-grown products and contribute to job creation. Our own industries need protection until they establish a base. Korea's giant brands like Samsung and Hyundai are not only big in their own country; they are also global giants and major providers of jobs.

[Adapted from *Fin week*, 12 October 2015]

- 5.1 Name ONE brand from the extract which is imported from Korea (1)
- 5.2 Identify the challenge faced by South Africa to succeed in the international markets from the extract. (1)
- 5.3 Briefly describe the term *protectionism* (2)
- 5.4 What measures can government take to ensure that local industries are protected? (2)
- 5.5 In your opinion, how can local support boost the South African economy? (2x2) (4)

**QUESTION 6**

Study the article below and answer the questions that follow.



- 6.1 List ONE argument in favour of protectionism (1)
- 6.2 What is the name of the international organisation that was created to monitor and liberalise international trade? (1)
- 6.3 Briefly describe the protectionism (2)
- 6.4 What is the impact of dumping on the RSA's economy? (2)
- 6.5 How successful has protectionism as a trade policy protected industries against foreign competition (2 x 2) (4)

## QUESTION 7

Study the table below and answer the questions that follow.

### SA, NIGERIA HOLD OFF ON FREE TRADE

The free trade agreement tabled in Kigali remains unsigned by the two continental giants, South Africa and Nigeria. The agreement on the African Continental Free Trade

Area (ACFTA) is seen as a new beginning for the continent, that will catapult African countries and companies to higher levels of growth.

The agreement commits countries to remove tariffs on 90% of goods.

[Source: *The New Age Business*, 22 March 2018]

- 7.1 Name ONE other trade agreement that South Africa is part of with other African countries (1)
- 7.2 Give ONE benefit South Africa would have from trading with Nigeria (1)
- 7.3 Briefly describe the term *free trade area* (2)
- 7.4 Explain the impact of free trade on the prices of goods? (2)
- 7.5 How would imposing tariffs on imported goods benefit South Africa? (4)



Question 8

Study the table below and answer the questions that follow.

### AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)



The AfCFTA is a framework agreement covering trade in goods and services including the following protocols: Trade in Goods, Trade in Services, Intellectual Property Rights, Competition Policy, Investment and Dispute Settlement.

The AfCFTA agreement aims to progressively reduce and eventually eliminate customs duties and non-tariff barriers on goods and allow free provision of services in priority sectors. Concerning trade in goods, the goal is set for 90% of products at zero duty across the continent

Source : <https://africa-eu-partnership.org/en/afcfta>

- 8.1 Who does south Africa have free trade agreements within Southern Customs Union (SACU) (1)
- 8.2 How many countries have ratified the African Continental Free Trade Agreement? (1)
- 8.3 Briefly describe the term *new partnership for African development* (NePad) (2)
- 8.4 What are the challenges with implementing the AfCFTA? (2)
- 8.5 Explain the relationship between AfCFTA and tariffs? (4)

**QUESTION 9**

**Paragraph type questions-Middle cognitive**

- 9.1 Explain specialisation and economies of scale as arguments in favour of free trade. (8)
- 9.2 Explain tariffs as a method for import substitution. (8)
- 10.3 Discuss the advantages of import substitution (8)
- 10.4 Discuss the different forms of economic integration (8)

**QUESTION 11**

**Paragraph type questions-Higher cognitive**

- 11.1 How is the South African economy influenced by the effects of international trade? (8)
- 11.2 Evaluate the effectiveness of export promotion policy in South Africa. (8)
- 11.3 How successful are the methods implemented by South Africa to promote exports of goods and services? (8)
- 11.4 Why is it important for government to keep on protecting their key strategic industries against industrial take-overs? (8)
- 11.5 How has South Africa attempted to encourage the export of its products to foreign markets? (8)

## SECTION C

**HINT:** All section C questions have TWO questions 5 & 6 NOT 9 & 10 like in this document. In the examination you will need to answer only one.

## ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

STRUCTURE OF ESSAY:	MARK ALLO- CATION:
<b>Introduction</b> The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to the main concept related to the question topic</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid saying in the introduction what you are going to discuss in the body</li> </ul>	<b>Max 2</b>
<b>Body:</b> Main part: Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate Additional part: Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest	<b>Max 26</b>  <b>Max 10</b>
<b>Conclusion</b> Any Higher or conclusion include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> </ul> <b>Recommendations</b>	<b>Max 2</b>
<b>TOTAL</b>	<b>40</b>

## QUESTION 12

- Discuss import substitution as part of South Africa's international trade policy. (26 marks)
- Advise the Minister of Trade, Industry and Competition on whether the South African government should adopt a policy of free trade. (10 marks)



## SESSION 7: MACROECONOMICS: FREE TRADE AND PROTECTIONISM- PART 2

## SECTION A: TYPICAL EXAM QUESTIONS

## QUESTION 1

**HINT:** When answering Section A – short question, it is important not to rush but to read the questions carefully and to make sure you understand what the question is asking. Always remember one alternative is completely wrong, one is nearly correct and one is totally correct. It is easy to eliminate the completely wrong answer, but if you do not read the question carefully the nearly correct answer will also appear correct. The answer will **NEVER** be two options. Only **ONE** option is correct. Your answer will immediately be marked incorrect if you write **TWO** options.

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A – D) of your choice next to the question number in the ANSWER BOOK.
- 1.1.1 When there are no restrictions to trade such as taxes on goods or bans on imports, it is called ...
- A Dumping
  - B Protectionism
  - C Free trade
  - D Diversification
- 1.1.2 Interfacing and interaction of economies, with trade as a key element, is known as...
- A Free trade
  - B Communication
  - C Industrialisation
  - D Globalisation
- 1.1.3 As from 1995, General Agreement on Tariffs and Trade was replaced by the...
- A Southern African Customs Union
  - B Free Trade Area
  - C World trade organisation
  - D Nepad
- 1.1.4 To reap the benefits of efficient markets, countries rely on the principle of...advantage.
- A Nominal
  - B Competitive
  - C Relative
  - D Comparative

1.1.5 An advantage of import substitution is...in the domestic economy

- A Less competition
- B More diversified
- C Less protection
- D Fewer job opportunities

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 number (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Surety	A Reduced cost of production associated with producing a large quantity of output
1.2.2 Economies of scale	B Producing of a wide variety of products in an industry
1.2.3 Boycott	C Charging below the cost of production
1.2.4 Diversification	D Third party guarantees that a loan agreement will be repaid by signing the contract
1.2.5 Predatory pricing	E Ban on the import goods or service
1.2.6 Globalisation	F Increased economic integration leading to cultural and economy harmony

(6 × 1) (6)

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

1.3.1 A trade policy whereby the state discourages the importing of certain goods and services in order to protect local industries against unequal competition from abroad.

1.3.2 The worldwide interaction of economies, with trade as a key element

- 1.3.3 Goods that were previously imported are replaced with locally produced goods.
- 1.3.4 Selling goods in a foreign country at prices that are below the cost of production in the country of origin.
- 1.3.5 A penalty applied by one or more countries on another country

## SECTION B

### QUESTION 2:

**HINT:** When the question requires you to “list” or “name”, you need not write a sentence but merely one or two words. This **MUST** be done in bullet form. This types of questions are applicable for 2.1.1, 3.1.1 and 4.1.1

- 2.1 Name any TWO arguments in favour of free trade (2 x 1) (2)
- 2.2 List any TWO members of Southern African Custom Union (2 x 1) (2)
- 2.3 Name TWO reasons for import substitution (2 x 1) (2)
- 2.4 List any TWO benefits of free trade (2 x 1) (2)
- 2.5 Name TWO main operating principles of the world trade organisation (2 x 1) (2)

**QUESTION 3**

**HINT:** This types of questions are applicable for 2.1.2, 3.1.2 and 4.1.2

- 3.1 What effect will Ad Valorem tariffs have on the import of luxury items? (1)
- 3.2 How does a decrease in import prices affect the terms of trade (1)
- 3.3 How SADC countries can reduce problems of export markets? (1)
- 3.4 How does trade cause income inequality (1)
- 3.5 Why is dumping a problem? (1)

**Data Response**

**HINT:** All section B questions have TWO data interpretation questions – each total 10 marks. Section B consist of Questions 2-4 not as numbered in this document

**QUESTION 4:**

Study the table below and answer the questions that follow.

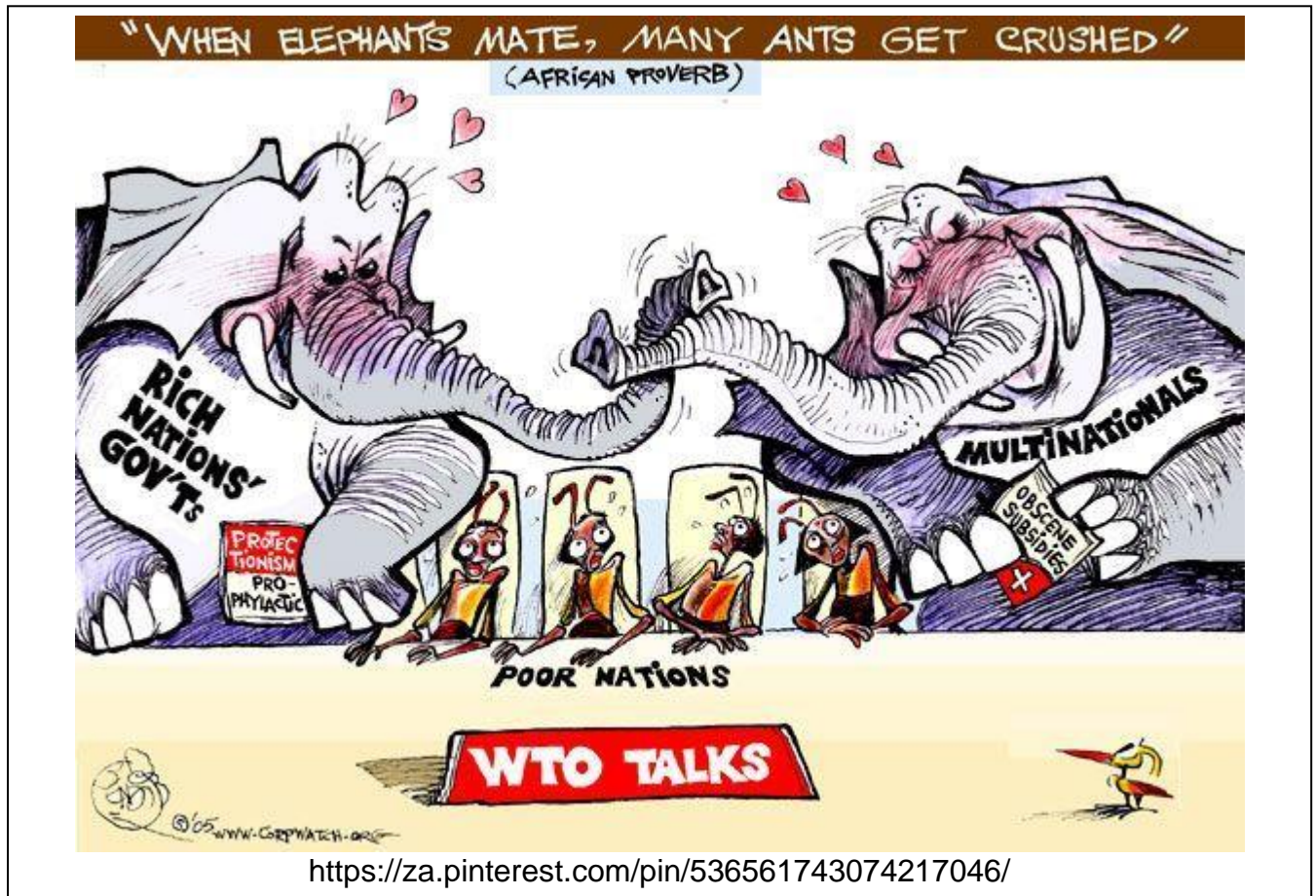
**CHINA SEEN AS A GROWING U.S. RIVAL**

More than two-thirds of respondents say China plays a more important role in the world than it did a decade ago, according to a 2018 survey conducted across 25 countries. However, the majority still call the United States the world's leading economic power and a substantial majority prefers U.S. leadership.

[Source: Richard Wike et al.]

- 4.1 Which economic concept best describes the above situation (1)
- 4.2 Give the trade protocol that China along with South Africa belongs to? (1)
- 4.3 Briefly describe the *term free trade* (2)
- 4.4 Why would countries of the world see international trade differently? (2)
- 4.5 How can governments effectively promote exports in international markets? (4)

QUESTION 5: Study the cartoon below and answer the questions that follow.



- 5.1 Name any ONE South Africa's trade protocols (1)
- 5.2 Identify type of protectionism form on the cartoon (1)
- 5.3 Briefly describe the term *predatory pricing* (2)
- 5.4 Explain the role of world trade organisation (WTO) in developing countries? (1X2) (2)
- 5.5 Discuss advantages of protectionism on poor(developing) nations (2X2) (4)

**QUESTION 6**

Study the table below and answer the questions that follow.

**FEATHERS FLY IN POULTRY STANDOFF**

The SA Poultry Association has lobbied the International Trade Commission of South Africa to increase import tariffs on chicken from Brazil to a staggering 82%. Obviously, offshore associations are opposed to the plan, but the sentiment is also shared by local importers and exporters.

“Increasing the tariffs to 82% from the current 37% and 12% will close the market to imports, as it will render most imports unfeasible. Most critically, an 82% tariff will allow the local chicken industry, already dominated by a few large conglomerates, to further consolidate the domestic market, thereby decreasing competition and leading to further price increases.”

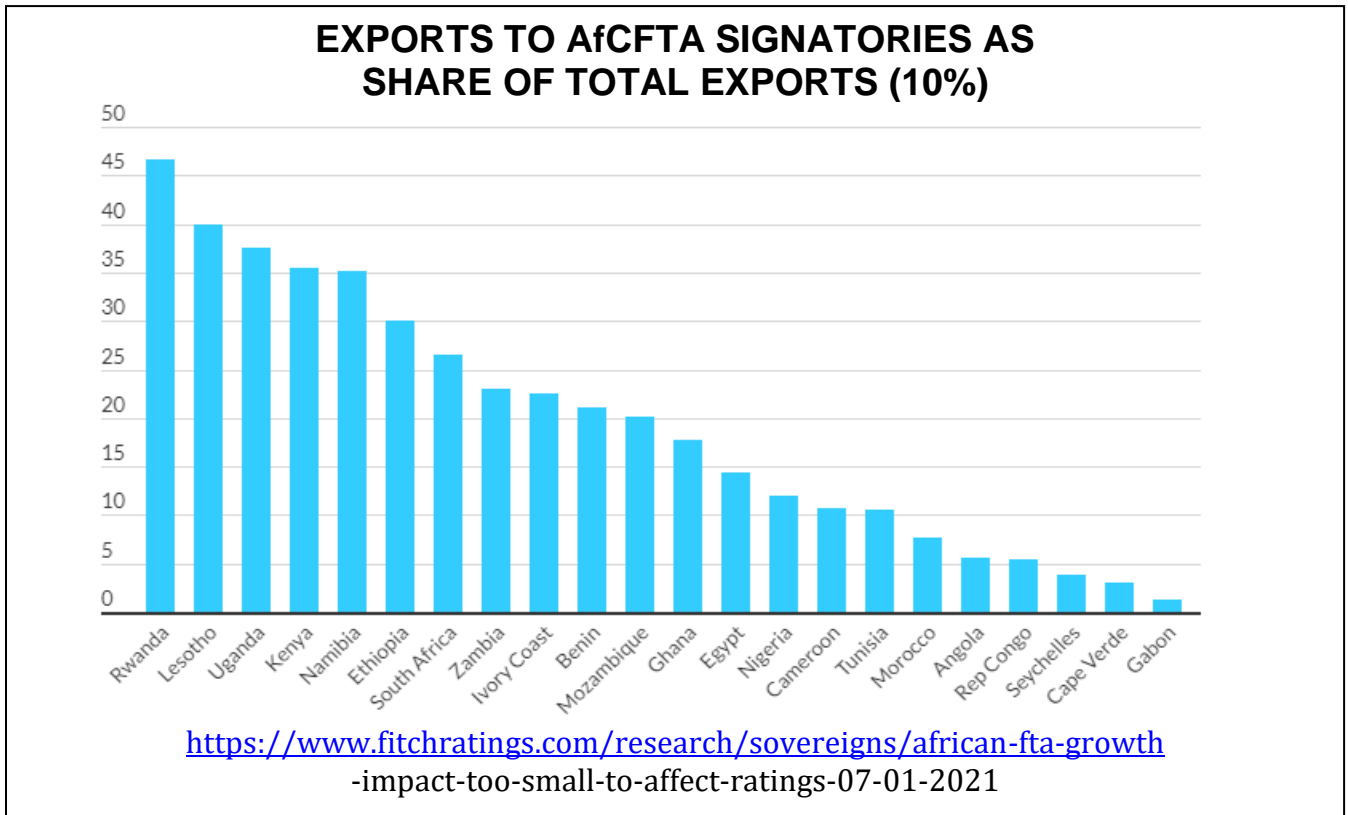
Brazil is not dumping chicken in South Africa, it is supplying quality, un-brined chicken, sold at a price comparable to that of South Africa’s, and helping to meet local demand. This ensures that healthy competition is maintained, to the benefit of South African consumers, Matthew states.

<https://www.dailymaverick.co.za/article/2019-08-27-feathers-fly-in-poultry-tariff-standoff/>

- |     |  |           |
|-----|--|-----------|
| 6.1 | Name any ONE method of import substitution                                 | (1)       |
| 6.2 | What is the main reason for import by developing countries                 | (1)       |
| 6.3 | Briefly describe the term <i>dumping</i>                                   | (2)       |
| 6.4 | Why would an increase in import tariffs benefit the South African economy? | (1X2) (2) |
| 6.5 | Discuss sceptical reasons for import substitution.                         | (2X2) (4) |

**QUESTION 7**

Study the table below and answer the questions that follow.



- 71 Identify the country which is part of Southern African Customs Union (SACU) (1)
- 7.2 Name any ONE disadvantage of export promotion (1)
- 7.3 Briefly describe the term *export promotion* (2)
- 7.4 Why is trade so difficult in Africa? (2)
- 7.5 How can exports be promoted in Southern African Development Community? (4)

**QUESTION 7**

**Paragraph type of questions**

**Middle order**

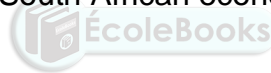
- |     |  |         |     |
|-----|--|---------|-----|
| 7.1 | Discuss the reasons for export promotion                     | (4 x 2) | (8) |
| 7.2 | Explain quotas and tariffs as methods of import substitution | (4 x 2) | (8) |
| 7.3 | Discuss methods to promote exports                           | (4 x 2) | (8) |
| 7.4 | Explain economies of scale as argument in favour of trade.   | (4 x 2) | (8) |
| 7.5 | Distinguish between free trade and protectionism             | (4 x 2) | (8) |

**QUESTION 8**

**Paragraph type of questions**

**Higher cognitive**

- |     |  |         |     |
|-----|--|---------|-----|
| 8.1 | Why should developing countries ensure survival of labour-intensive industries in a global economy?                              | (4 x 2) | (8) |
| 8.2 | How harmful can protectionism become if implemented wrongly?   | (4 x 2) | (8) |
| 8.3 | How can governments effectively promote exports in international markets   | (4 x 2) | (8) |
| 8.4 | Assess how an increase in import prices and an increase in export prices (terms of trade) will affect the South African economy. | (4 x 2) | (8) |





## SECTION C

**HINT:** All section C questions have TWO questions 5 & 6 NOT 9 & 10 like in this document. In the examination you will need to answer only one.

### ESSAY STRUCTURE

**HINT:** Section C – the long question, must be answered in FOUR sections: Introduction (definition), Body (headings and full sentences in bullets) additional part and conclusion (summarising). The mark allocations for Section C is as follows:

STRUCTURE OF ESSAY:	MARK ALLO- CATION:
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to the main concept related to the question topic</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid saying in the introduction what you are going to discuss in the body</li> </ul>	Max 2
<p><b>Body:</b> <b>Main part:</b> Discuss in detail/ In-depth discussion/ Examine/ Critically discuss/ Analyse / Compare/ Distinguish/ Differentiate/ Explain/ Evaluate <b>Additional part:</b> Give own opinion/ Critically discuss/ Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/ Calculate/ Deduce/ Compare/ Explain Distinguish / Interpret/ Briefly debate/ How/ Suggest</p>	Max 26  Max 10
<p><b>Conclusion</b> Any Higher or conclusion include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> </ul> <p>Recommendations</p>	Max 2
<b>TOTAL</b>	<b>40</b>

- Discuss in detail export promotion.
  - Reasons (4)
  - Methods (6)
  - Advantages (8)
  - Disadvantages (8) (26 marks)
  
- Evaluate the success of South African trade policy in protecting the local textile industry against foreign competition. (10 marks)