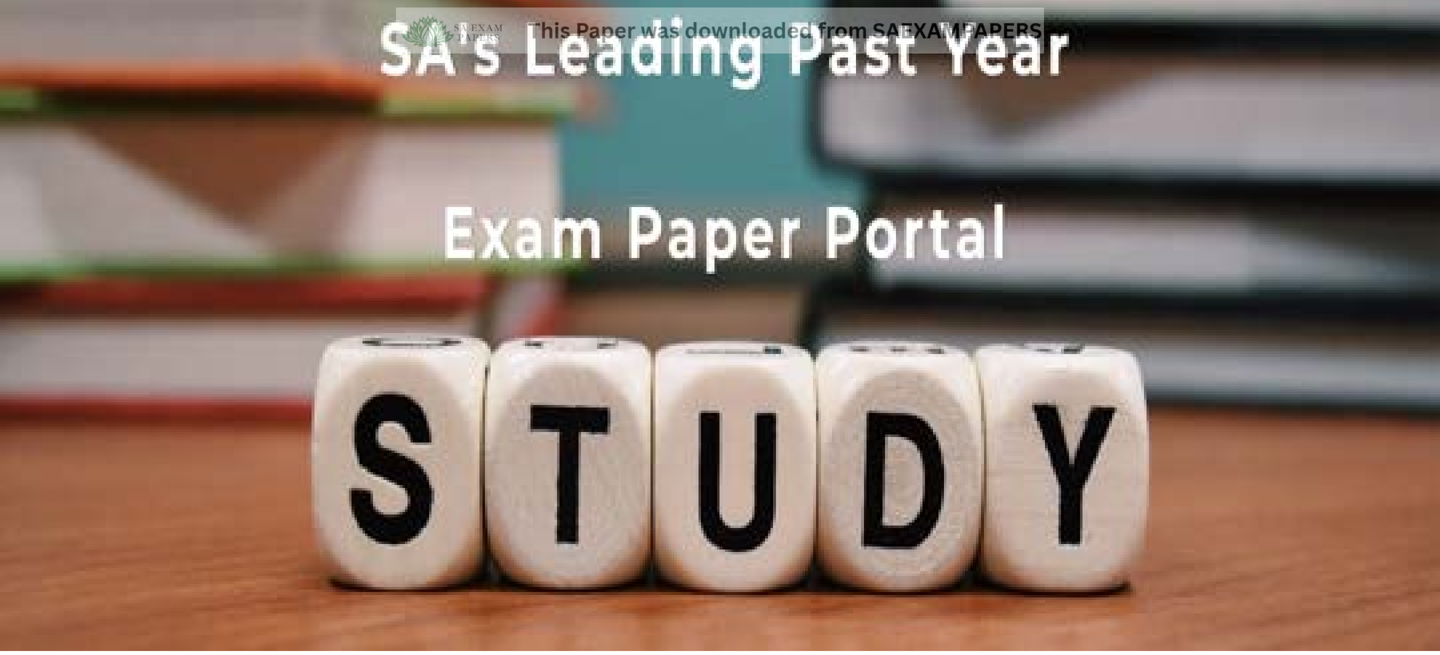
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STUDY

GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

JUNE EXAMINATION
GRADE 12

2026

ECONOMICS

(PAPER 1)

ECONOMICS P1

C2731E

TIME: 2 hours

MARKS: 150

14 pages

X05

INSTRUCTIONS AND INFORMATION

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

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

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

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

4. Write the question number above each answer.

5. Read the questions carefully.

6. Start EACH question on a NEW page.

7. Leave 2 – 3 lines open between subsections of questions.

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

9. Use only black or blue ink.

10. You may use a non-programmable pocket calculator.

11. Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1 **30 MARKS – 20 MINUTES**

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

1.1.1 The method of calculating GDP that takes into account the different sectors of production is known as the ...

A production method.
B income method.
C tertiary sector.
D gross value added at market price.

1.1.2 Spending by consumers that changes with their income level is known as ...

A autonomous consumption.
B induced consumption.
C disposable income.
D marginal prospensity to consume.

1.1.3 The distance between the trend line and the peak or trough is known as the ...

A peak.
B trough.
C recession.
D amplitude.

1.1.4 Which business cycle is associated with change in inventory levels?

A Kuznets
B Juglar
C Kitchin
D Kondratieff

1.1.5 A model that plots the relationship between tax rate and tax revenue is known as the ...

A circular flow.
B phillips curve.
C laffer curve.
D business cycle.

1.1.6 Which of the following is NOT an effect of public sector failure?

A Exchange rate stability
B Economic instability
C Social instability
D Misallocation of resources

1.1.7 A measure by the Reserve Bank to take charge of the foreign exchange market is known as ...

A export promotion.
B import substitution.
C import control.
D change in demand.

1.1.8 An official and deliberate increase in the value of a currency, is known as ...

A appreciation.
B depreciation.
C devaluation.
D revaluation.

(8 x 2) (16)

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

COLUMN A	COLUMN B
1.2.1 Monetary flow	A spending by firms on capital goods
1.2.2 Investment	B affect the business cycle from oustide the market system
1.2.3 Political shocks	C fiscal policy focus on achieving specific objectives for the government
1.2.4 Depression	D represented by payment made in the circular flow
1.2.5 Goal bound	E the exchange rate is allowed to fluctuate within a specific limit
1.2.6 Administrative income	F errors and omissions in the balance of payments
1.2.7 Unrecorded transactions	G distribute income less evenly
1.2.8 Managed floating	H prolonged and continuous decline in economic activities
	I money paid for traffic fines, stamp duties and licences

(8 x 1) (8)

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

1.3.1 The market value of all the final goods and services produced within the borders of a country over a period of time, usually a year

1.3.2 The portion of consumer income that is not spent

1.3.3 An increase in the capacity of the economy to produce more goods and services

1.3.4 A form of financial assistance that the government provides to another entity, usually a business or industry

1.3.5 When the value of a country's currency stays relatively constant against other countries' currencies with minimal fluctuations

1.3.6 The index of export prices expressed as a ratio of the index of import prices (6)

TOTAL SECTION A: 30

SECTION B

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

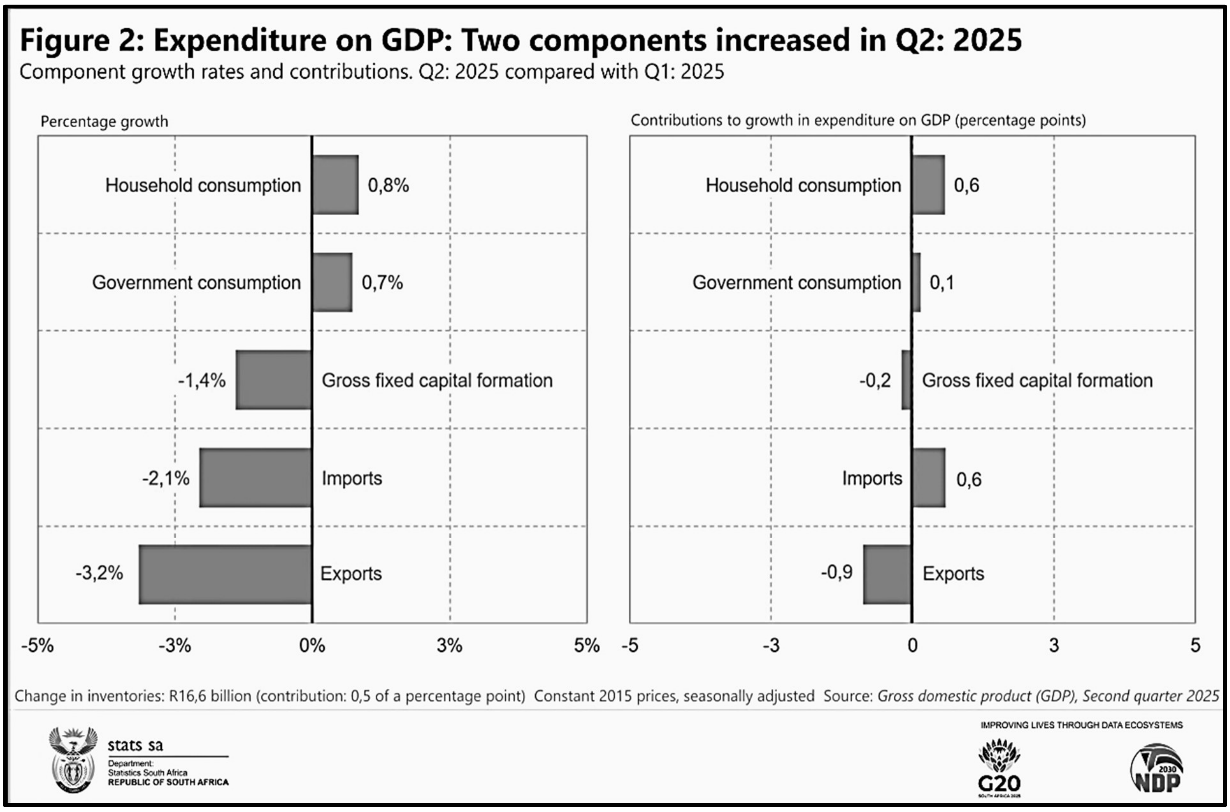
QUESTION 2: MACROECONOMICS **40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO leakages in the circular flow. (2 x 1) (2)

2.1.2 How can natural disasters influence fluctuations in the business cycle? (2)

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



[Source: *https://www.statssa.gov.za/wp-content/uploads/2025/09/second.jpg*]

2.2.1 Identify the method used to calculate the gross domestic product from the graph above. (1)

2.2.2 Name any components that represent spending by the foreign sector. (1)

2.2.3 Briefly describe the term *gross fixed capital formation.* (2)

2.2.4 Why would an increase in household consumption lead to economic growth in South Africa? (2)

2.2.5 Discuss the importance of converting gross domestic product to gross national product. (2 x 2) (4)

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

[Source: *https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.wctrib.com%2Fopinion%2Fcartoons%2Feditorial-cartoon-for-nov-28-2023*]

2.3.1 Identify from the cartoon above any ONE characteristic of the prosperity phase. (1)

2.3.2 Name a monetary policy instrument that is used to reduce inflation. (1)

2.3.3 Briefly describe the term *prime lending rate*. (2)

2.3.4 Explain the importance of using leading indicators in forecasting the economy. (2)

2.3.5 How can fiscal policy be used effectively to address an economic downturn? (2 x 2) (4)

2.4 Discuss the function of the government within the circular flow of the economy. (4 x 2) (8)

2.5 Analyse the importance of maintaining price stability in preventing major fluctuations in the business cycle. (4 x 2) (8)

[40]

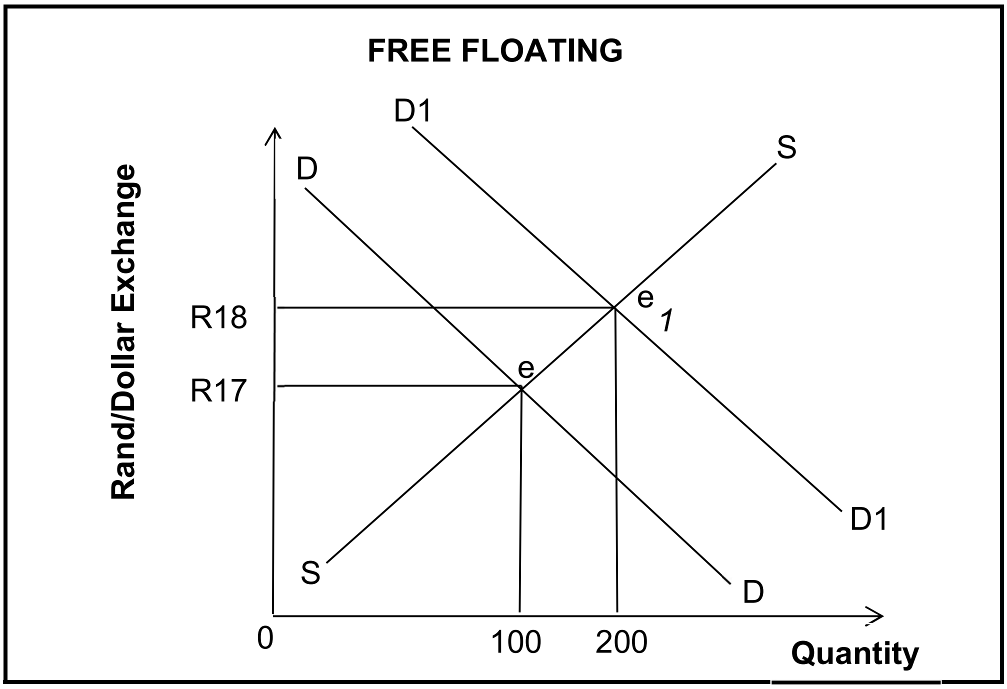
QUESTION 3: MACROECONOMICS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 List any TWO items in the financial account of the balance of payments. (2 x 1) (2)

3.1.2 How can privatisation lead to an increase in economic growth? (1 x 2) (2)

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



3.2.1 What is the original equilibrium exchange rate in the above graph? (1)

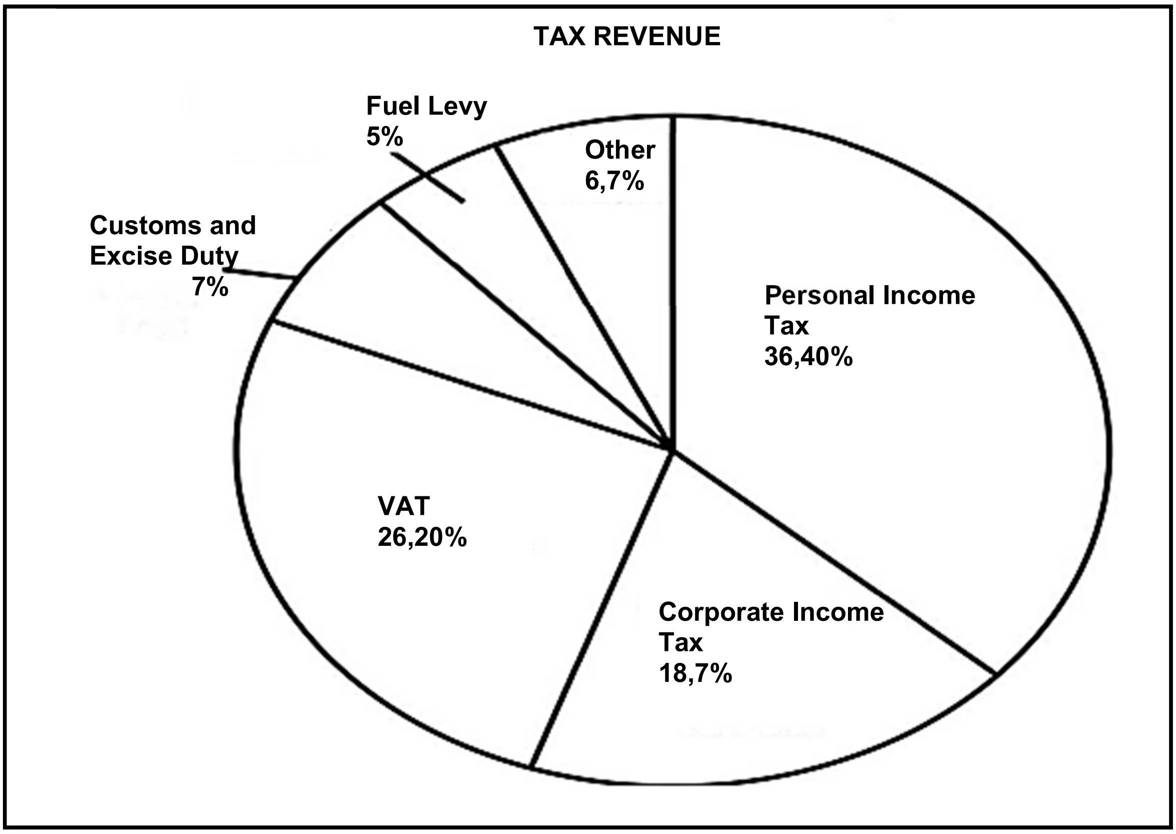
3.2.2 Which exchange rate system is used in South Africa? (1)

3.2.3 Briefly describe the term *foreign exchange market.* (2)

3.2.4 Explain any possible reason for a shift of the demand curve from D to D1. (2)

3.2.5 Explain what happens to the value of the rand when D moves to D1 (4)

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



[Source: <*http://www.jnsfinancialservices.co.za/*>]

3.3.1 According to the graph above, which type of tax contributes the least to the tax revenue? (1)

3.3.2 Identify an indirect tax that brings the most income for the government. (1)

3.3.3 Briefly describe the term *indirect tax.* (2)

3.3.4 What is the main reason for charging excise duty? (2)

3.3.5 Why is VAT classified as a regressive tax? (2 x 2) (4)

3.4 Explain the reasons for public sector failure with reference to *apathy* and *bureaucracy*. (2 x 4) (8)

3.5 Analyse the impact of a stronger currency (rand) on the South African economy. (4 x 2) (8)

[40]

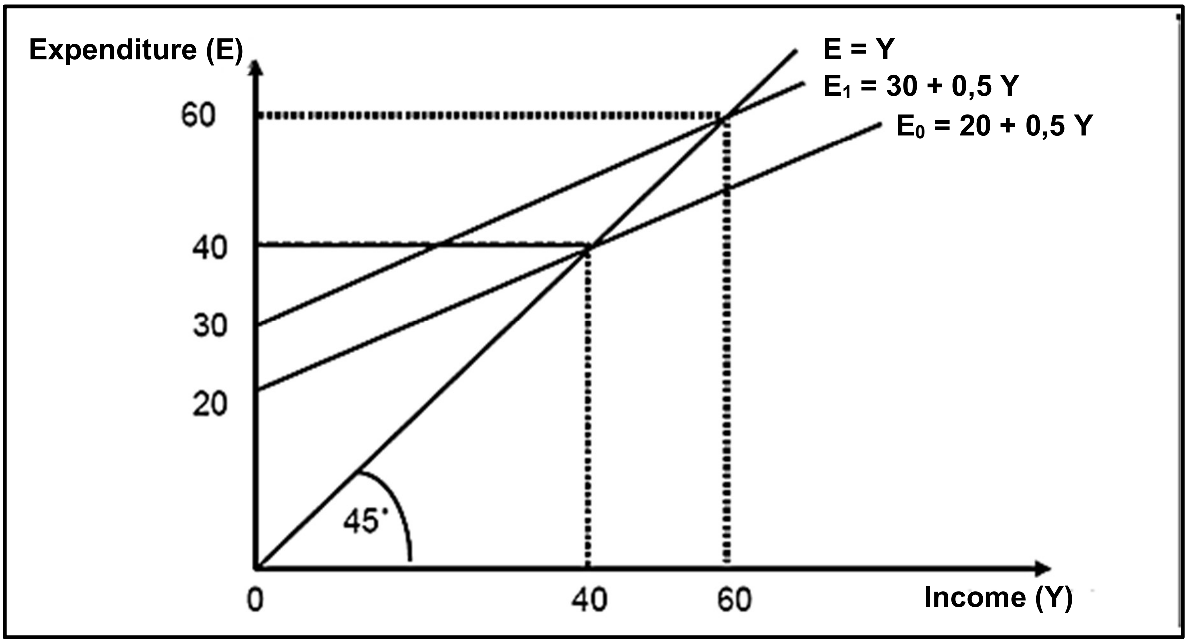
QUESTION 4: MACROECONOMICS **40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name TWO theories used to explain the causes of the business cycle. (2 x 1) (2)

4.1.2 Why is a lack of motivation a reason for public sector failure? (1 x 2) (2)

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



4.2.1 Identify the original consumption function in the above graph. (1)

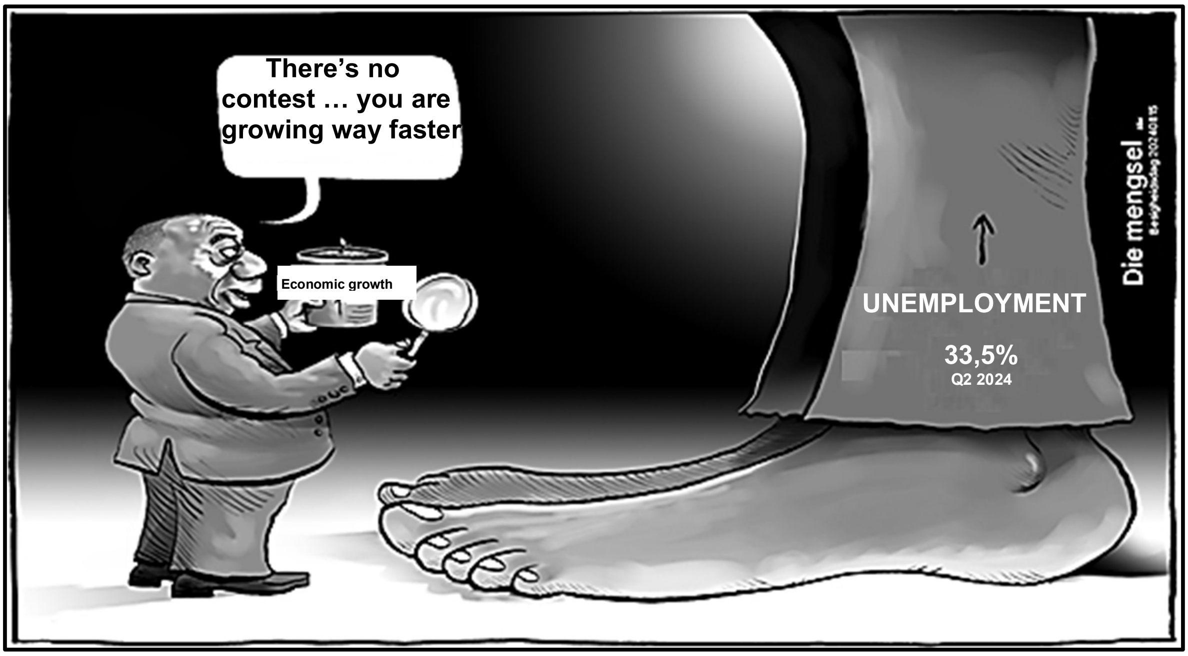
4.2.2 What is the change in national income shown on the graph above? (1)

4.2.3 Briefly describe the term *multiplier*. (2)

4.2.4 How can an increase in income tax affect aggregate spending? (2)

4.2.5 Discuss the possible causes of an increase in autonomous expenditure. (2 x 2) (4)

4.3 Study the cartoon below and answer the questions that follows.



[Source: *Brandanreynolds.com/20240815*]

4.3.1 Identify a socio-economic issue depicted in the cartoon above. (1)

4.3.2 Name the institution that publishes the unemployment statistics in South Africa. (1)

4.3.3 Briefly describe the term *full employment*. (2)

4.3.4 Why do we use the real GDP to measure economic growth? (2)

4.3.5 How does low economic growth lead to unemployment? (4)

4.4 Differentiate between *product market* and *factor market*. (2 x 4) (8)

4.5 Why is it a necessity for the government to supply public goods? (4 x 2) (8)
[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

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

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

- Discuss in detail the new economic paradigm in smoothing out business cycles. (26)
- How has the Keynesian (endogenous) school of thought influenced business cycles? (10)

[40]

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

- Discuss in detail the reasons for international trade. (26)
- Analyse the positive impact of globalisation on the South African economy. (10)

[40]

TOTAL SECTION C: 40

TOTAL: 150

END