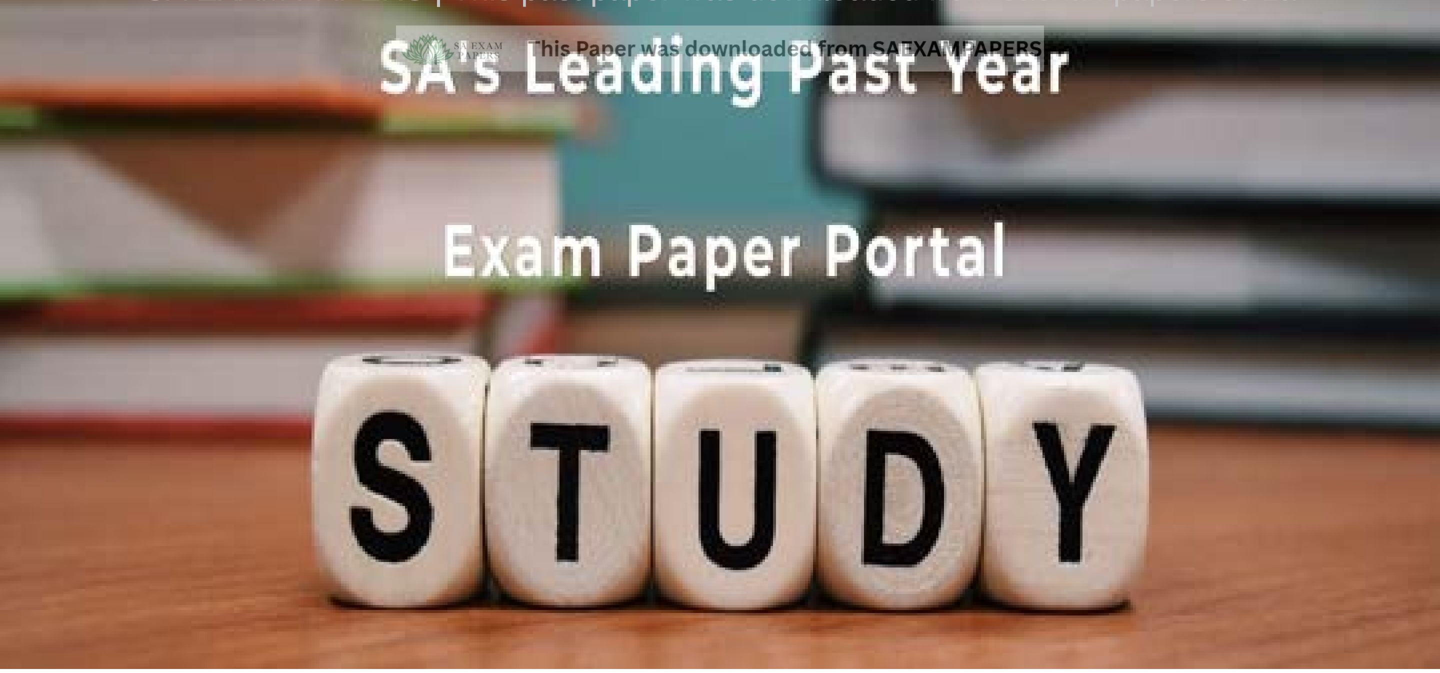
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STUDY

KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 12

ECONOMICS P1

JUNE 2026

MARKS: **150**

TIME: **2 Hours**

This question paper consists of 13 pages.

INSTRUCTIONS AND INFORMATION

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

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

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

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

4. Write the question number above each answer.

5. Read the questions carefully.

6. Start EACH question on a NEW page.

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

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

9. Use only black or blue ink pen.

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

11. Write neatly and legibly.

SECTION A

QUESTION 1 (COMPULSORY) **30 MARKS – 20 MINUTES**

1.1. Various options are provided as possible answers to the following questions. Choose the correct answer and write ONLY the letter (A – C) next to the question number (1.1.1 – 1.1.5) in the ANSWER BOOK. e.g. 1.1.6 D.

1.1.1 The total value of all spending by households on goods and services known is as … spending.

A. government
B. investment
C. export
D. consumption

1.1.2 The method that is used to calculate GDP at market price by adding the final values of all final goods and services produced is called …

A. Production.
B. Income.
C. Expenditure.
D. Consumption.

1.1.3 Business cycles that are caused by the changes in net investments by businesses are called … cycles.

A. Kitchin
B. Kuznets
C. Juglar
D. Kondratieff

1.1.4 Indicators that change at the same time and in the same direction as the economy changes are known as … indicators.

A. leading
B. lagging
C. composite
D. co-incident

1.1.5 Tax that is levied on luxury items such as alcohol is called ...

A. wealth tax.
B. value-added tax.
C. excise duty.
D. fuel levy.

1.1.6 The level of government that is responsible for the overall running of the country is called ... government.

A. provincial
B. national
C. local
D. public

1.1.7 The interaction of economies with trade as an important element is known as …

A. globalisation.
B. privatisation.
C. entrepreneurship.
D. export promotion.

1.1.8 The difference between the value of imports and exports of goods is referred to as …

A. net service.
B. trade balance.
C. reserve account.
D. financial account.

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

COLUMN A		COLUMN B
1.2.1 Moral suasion	A	Shows income and expenditure estimates for a three-year period
1.2.2 Nationalisation	B	Movement of income and expenditure between participants in the economy
1.2.3 Double counting	C	A comprehensive and systematic record of all transactions between one country and all other countries.
1.2.4 Exogenous approach	D	When government takes-over businesses that were previously owned by private sector
1.2.5 Money flows	E	Addition of intermediate goods and including the same value more than once when calculating GDP
1.2.6 Terms of trade	F	Independent factors that influence business cycles and originate outside the economy
1.2.7 Balance of payments	G	Persuasion of banks by the South African Reserve Bank (SARB) to grant credit responsibly.
1.2.8 Medium term expenditure framework	H	Estimate figures or trends in future from facts that are known
	I	A comparison of country's export prices compared to its import prices
		(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) Abbreviations, acronyms and examples will not be accepted.

1.3.1 An economy that does not engage in international trade.

1.3.2 Money paid by the government to a person without any service rendered.

1.3.3 A continuous flow of goods, services, and factors of production in the circular flow.

1.3.4 Goods that are supplied by the state because it is believed that they would be under-supplied.

1.3.5 The investment made by a company from one country into a business in another country.

1.3.6 An increase in the price of a currency in terms of another currency due to market forces.

SECTION B

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

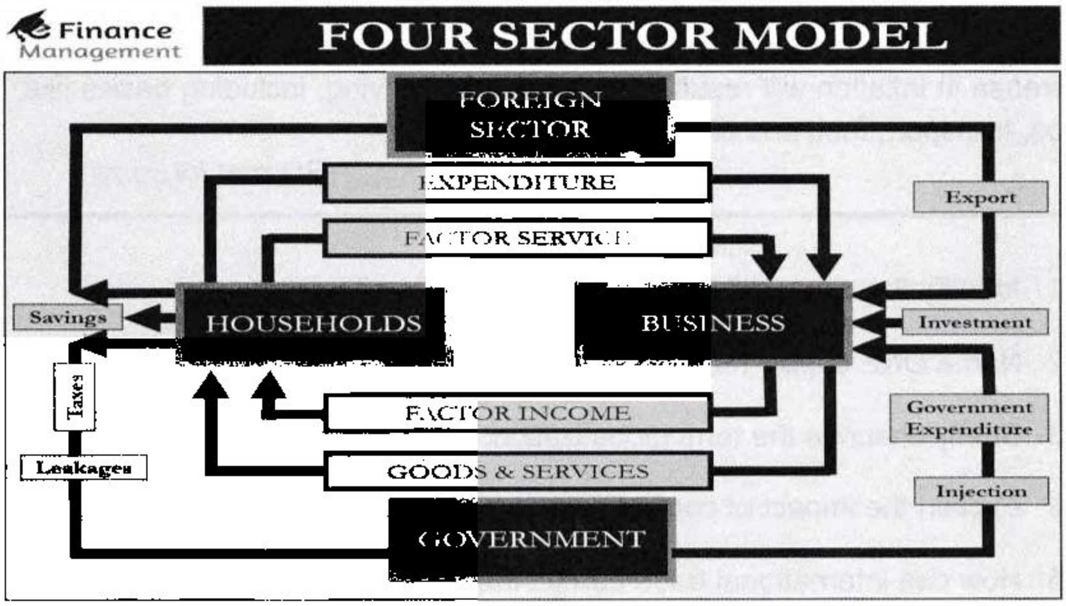
QUESTION TWO: MACRO-ECONOMICS 40 MARKS – 30 MINUTES

2.1 Answer the following questions

2.1.1 Name any TWO categories of consumer goods. (1 x 2) (2)

2.1.2 Why are unrecorded transactions important in the balance of payment? (2)

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



Source: bingimages.com

2.2.1 Identify the participant regarded as the owner of the factors of production. (1)

2.2.2 Name ONE injection on the diagram above. (1)

2.2.3 Briefly describe the term *real flows*. (2)

2.2.4 Explain the importance of the foreign sector in the economy. (2)

2.2.5 Why businesses are important economic participants in the circular flow? (4)

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

WORLD TRADE ON BRINK OF TOTAL DISSASTER

The on-going war between the U.S.-Israel and Iran has caused a major spike in oil and gas prices, mainly due to disruptions in the Strait of Hormuz, which handles about 20% of global oil trade. The supply interruptions and attacks on energy infrastructure, especially oil and gas, have reduced output and exports. This has destabilized global energy markets, and everything has become more expensive.

This has resulted in a global inflation surge. The rising oil prices are being directly fed into the inflation worldwide. Even a mere looking 10% rise in oil prices can increase inflation significantly in a stagnant process. Thus, the increase in inflation will result in a higher cost of living, including basics like food, transport, fuel, and electricity.

Source: *iol.co.za*

2.3.1 Identify the expected percentage increase in oil prices (1)

2.3.2 Name ONE supply reason for international trade. (1)

2.3.3 Briefly describe the term globalization. (2)

2.3.4 Explain the impact of conflict between countries on international trade. (2)

2.3.5 How can international trade benefit the economy? (4)

2.4 Distinguish between *real gross domestic product* and *nominal gross domestic product*. (8)

2.5 How can deficit in the balance of payments affect the economy? (8)

QUESTION 3: MACRO-ECONOMICS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO types of the markets in a circular flow. (2)

3.1.2 How does direct investment affect the economy of the country? (2)

3.2 Study the table below and answer the questions that follow

SOUTH AFRICA'S GROSS DOMESTIC PRODUCT (GDP) – 2025

	R million
Compensation of employees Net operating surplus Consumption of fixed capital	1 592 121 1 005 900 760 521
Gross value added at factor cost	3 358 542
Other taxes on production Other subsidies on production	61 440 7 450
Gross value added at basic prices	**A**
Taxation on products Subsidies on products	337 500 11 505
Gross domestic product at market prices	**3 738 527**

[Adapted from the South African Reserve Bank Quarterly Bulletin, June 2025]

3.2.1 Identify the method of calculating national accounts used on the table above. (1)

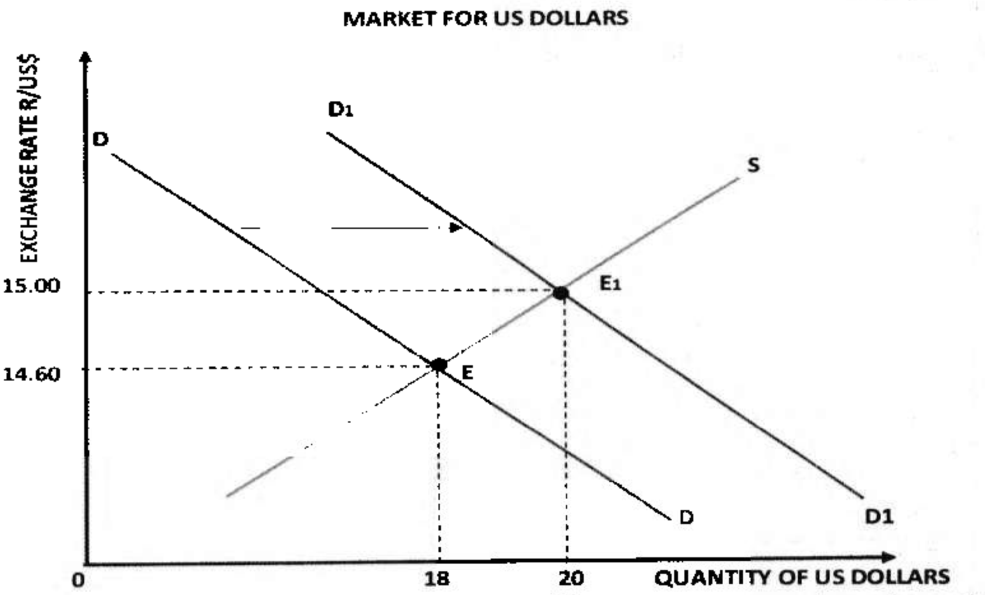
3.2.2 Name the item that records salaries and wages on the table above. (1)

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

3.2.4 Explain the impact of subsidies on production to producers. (2)

3.2.5 Use the information in the table above to calculate the gross value added at basic prices (**A**). (Show all calculations). (4)

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



[Source: www.economicgraphs.com]

3.3.1 Identify the new exchange rate on the graph above. (1)

3.3.2 Name the exchange rate system used in South Africa. (1)

3.3.3 Briefly describe the term *revaluation*. (2)

3.3.4 Explain the effect of an increase in demand for foreign exchange on the exchange rate. (2)

3.3.5 Why would the reserve bank intervene in the foreign exchange market? (4)

3.4 Distinguish between *injections* and *leakages* in the circular flow. (8)

3.5 How can the depreciation of the rand impact the South Africa economy? (8)

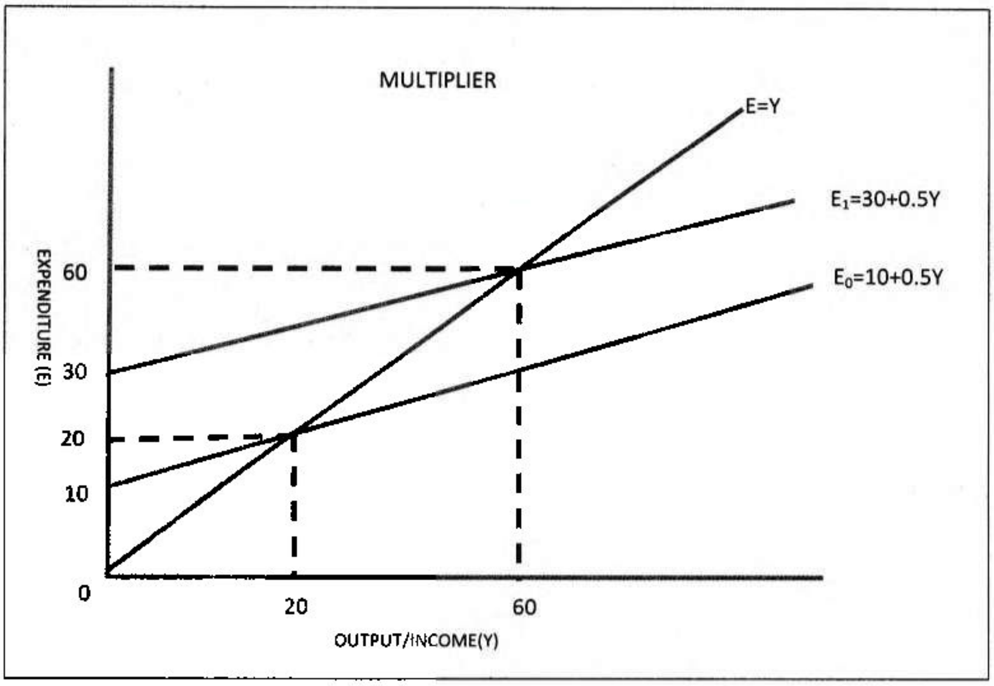
QUESTION 4: MACROECONOMICS 40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO effects of international trade. (2)

4.1.2 Why is it important that a country prepares national accounts? (2)

4.2 Study the graph below and answer the questions that follow



4.2.1 Identify the value of induced consumption on the graph above. (1)

4.2.2 Give the original consumption function on the graph. (1)

4.2.3 Briefly describe the term *autonomous consumption*. (2)

4.2.4 Explain the effect of an increase in government spending on the Multiplier. (2)

4.2.5 Use the above graph to calculate the multiplier using the formula= k= $\Delta Y/\Delta J$. (Show all calculations) (4)

4.3 Study the table below and answer the questions that follows

SOUTH AFRICA'S TERMS OF TRADE 2021-2025

Year	Export price index	Import price index	Terms of trade
2021	102	98	104
2022	94	100	94
2023	62	99	93
2024	105	103	102
2025	110	100	**A**

Source: Statistics South Africa

4.3.1 Identify the base year used by South African Reserve Bank to compile the terms of trade. (1)

4.3.2 Name ONE example of current transfers . (1)

4.3.3 Briefly describe the term *special drawing rights*. (2)

4.3.4 Explain the impact of an increase in import prices on international trade? (2)

4.3.5 Calculate the terms of trade for the year 2025 (A). Show all calculations. (4)

4.4 Briefly discuss *portfolio investment* and *net financial derivatives*. (8)

4.5 How can the financial sector positively affect the economy? (8)

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower –order response. • A good starting point will be to define the main concept related to the 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/Assess/Debate	Max. 26
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	Max. 10
Conclusion: Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned in the body • Any opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

SECTION C

Answer ONE question from this section.

QUESTION 5: MACRO-ECONOMICS **40 MARKS – 40 MINUTES**

- Discuss in detail the new economic paradigm. (26)
- Evaluate the effectiveness of the South African Reserve Bank (SARB) in correcting fluctuations on the economy. (10)

[40]

QUESTION 6: MACRO-ECONOMICS **40 MARKS – 40 MINUTES**

- Discuss in detail the reason(s) for public sector failure (link them to typical problems experienced through public sector provisioning). (26)
- Analyse the effectiveness of the South African government in using the national budget to address inequality in the country. (10)

TOTAL SECTION C: 40 MARKS
GRAND TOTAL: 150 MARKS