

2023 SUBJECT WORKBOOK

Grade 10



A joint initiative between the Western Cape Education Department and Stellenbosch University.



BROADCAST SESSIONS

GRADE 10

ECONOMICS

Session	Date	Time	Topic
Ekonomie	02/05/2023	16h00-17h00	Ekonomiese Kringloop
Economics	08/05/2023	16h00-17h00	Circular Flow
Economics	01/11/2023	15h00-16h00	Business Cycles
Ekonomie	02/11/2023	15h00-16h00	Sakesiklusse



INTRODUCTION AND TOPICS

INTRODUCTION

Welcome to Economics Grade 10 learners. In this workbook, we will be looking at the most important concepts you will need for the study of Economics.

For Term 1, we will be revising The Circular Flow and Business Cycles which forms the basis for all Economics understanding.

In Term 2, we will be focusing on Demand, Supply and Price formation which is the basis for Microeconomics. May I just warn you at this juncture that this is a section which most Economics learners find challenging.

Important to remember to always learn all concepts given at the start of each topic as this will help with both Section A and Section B questions in a test or examination.

Please bear in mind that Economics is not only a subject to score marks but a subject which tries to give you a better understanding of how the world around you operates and to equip you with being able to be a productive citizen in our economy.

Enjoy and have fun!

Term	Description
Circular Flow	Flow of goods and services, factors of production and money in an economy
Business Cycle	Fluctuations within an economy
Demand	Willingness of consumers to buy
Supply	Willingness of producers to supply
Price Formation	Setting of prices by demand and supply



TERMINOLOGY FOR CIRCULAR FLOW

Term	Description
CLOSED ECONOMY	an economy that has no foreign sector
OPEN ECONOMY	an economy that trades with the foreign sector
GROSS DOMESTIC PRODUCT (GDP)	the total value of all final goods and services produced within the borders of a country for a specific period, normally a year
GROSS NATIONAL PRODUCT (GNP)	the total value of all final goods and services produced by the permanent residents of the country for a specific period, normally a year
REAL FLOW	the flow of goods and services and factors of production between the participants
MONEY / MONETARY FLOW	the flow of income and expenditure between the participants



TERMINOLOGY FOR CIRCULAR FLOW

Term	Definition
EXPORTS (X)	goods and services produced locally and sold outside the borders of the country
IMPORTS (M)	goods and services produced in other countries and purchased by local firms and households
INJECTIONS (J)	introduction of additional money into the economy by investment (I), government spending (G) and export income received (X)
INVESTMENT (I)	spending by firms on capital goods
GOVERNMENT (G)	expenditure of the government sector
LEAKAGES (L)	money withdrawn from the circular flow, e.g. Savings (S), Taxes (T) and Import expenditure (M)



TERMINOLOGY FOR CIRCULAR FLOW

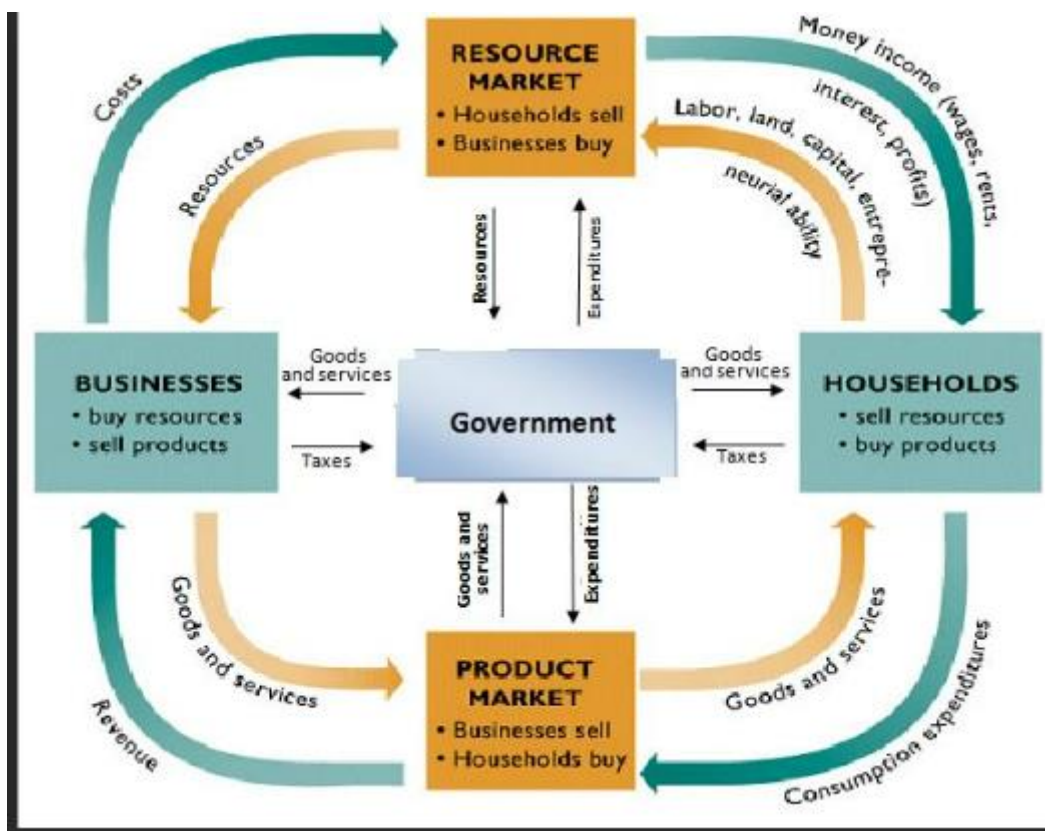
Term	Definition
SAVINGS (S)	income that is not spent
TAXES (T)	compulsory payment made by private individuals and firms to the government with no direct benefit
FACTOR MARKET	market where factors of production are traded
GOODS/PRODUCT MARKET	market where goods and services are traded
FINANCIAL MARKET	the market where both short term and long term assets are traded
FOREIGN EXCHANGE MARKET	the market in which one currency can be traded for another



TAKE NOTE



CIRCULAR FLOW DIAGRAM





SESSION 1 | CIRCULAR FLOW



SUMMARY

WHAT YOU SHOULD KNOW

The difference between an open and closed economy.

The role of the participants in the circular flow.

OPEN ECONOMY

An open economy has FOUR participants:

- Households
- Firms
- Government
- Foreign sector

CLOSED ECONOMY

A closed economy has THREE participants:

- Households
- Firms
- Government

ROLE OF PARTICIPANTS:

HOUSEHOLDS / CONSUMERS:

- major consumers of economic goods and services
- primary economic participants – own factors of production
- sell factors of production
- receive remuneration in the form of wages, rent, interest and profit

FIRMS / BUSINESSES:

- purchase factors of production from households
- use factors of production to produce goods and services
- goods and services sold to households, government and foreign sector

STATE:

- local, regional and national government
- receives tax from households and firms
- supply public goods and services

FOREIGN SECTOR:

- imports seen as a leakage
- exports seen as an injection

**SESSION 1 | CIRCULAR FLOW****WORKSHEET**

TOPIC: CIRCULAR FLOW

Question 01

What is the formula to calculate GDP? (2 marks)

Answer 01

Question 02

Explain the difference between GDP and GNP.
(4 marks)

Answer 02

Question 03

Discuss the role of the households in the circular flow. (8 marks)

Answer 03



TERMINOLOGY FOR BUSINESS CYCLES

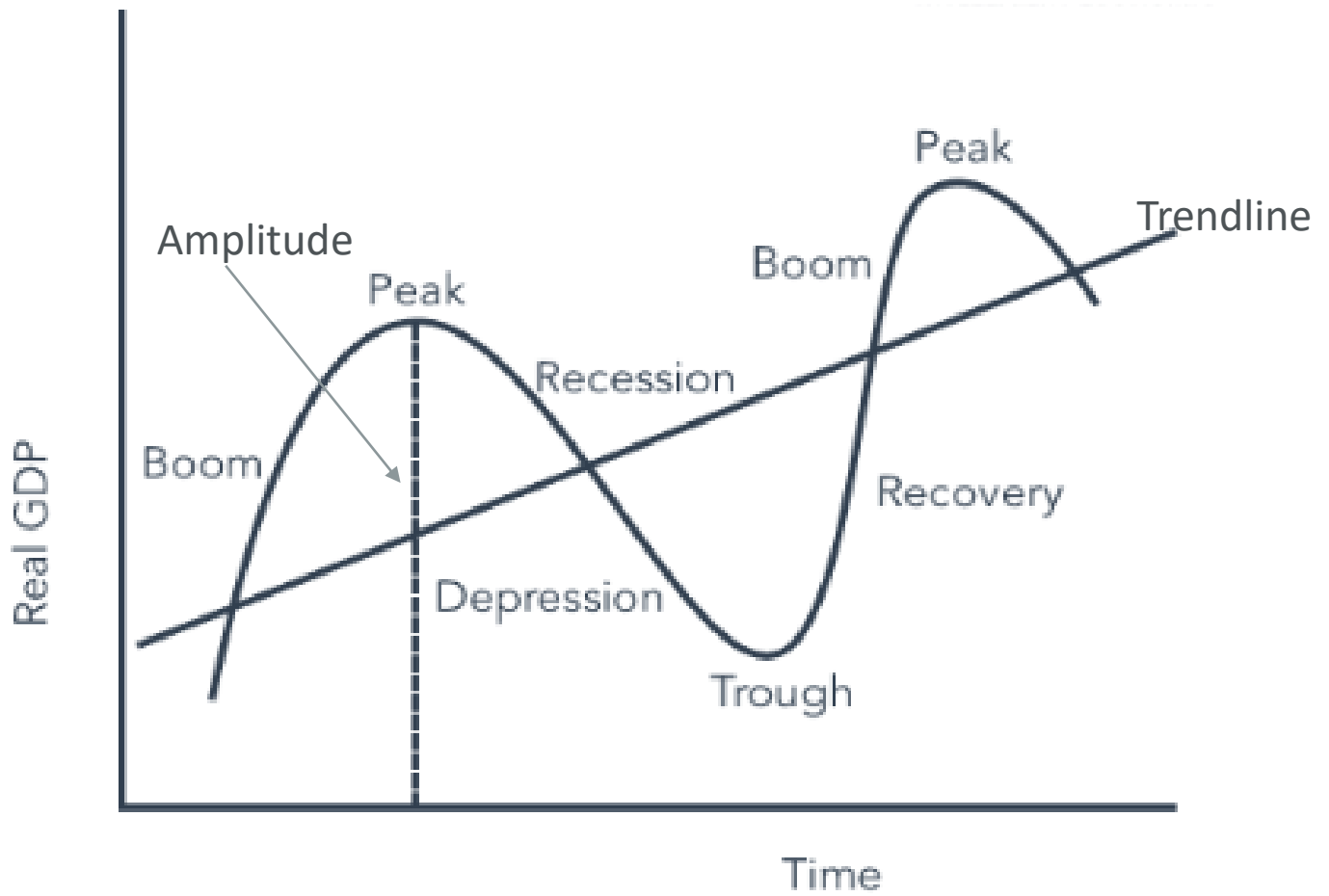
Term	Definition
BUSINESS CYCLE	successive periods of growth and decline in economic activities
DEPRESSION	economic activity is at its lowest
RECESSION	Negative economic growth for two consecutive quarters
PEAK	uppermost turning point where economic expansion is at its highest
TROUGH	lowest turning point where economic contraction is at its lowest
ECONOMIC INDICATOR	used to measure trends in the economy



TAKE NOTE



BUSINESS CYCLE DIAGRAM





SESSION 1 | CIRCULAR FLOW



SUMMARY

WHAT YOU SHOULD KNOW

Discuss the phases of the Business Cycle.

Explain the reasons/causes for business cycles.

PHASES OF BUSINESS CYCLE

Recovery

- time of renewed economic growth
- more jobs
- production increase

Prosperity

- great degree of optimism in the economy
- entrepreneurs borrow more money to buy machines and equipment
- employment levels rise
- can lead to inflation

Recession

- there is negative economic growth for TWO consecutive quarters
- jobs are being lost and a feeling of pessimism

Depression

- no ONE country can go into depression, this is a world event
- money in short supply, leads to decline in spending
- negative impact on investment spending

PLEASE NOTE: trough and peak are turning points and not phases!

REASONS/CAUSES

MONETARIST APPROACH/EXOGENOUS FACTORS

- Believe markets are inherently stable
- Disequilibrium caused by weather conditions and market shocks
- Market forces will keep economy in equilibrium
- Governments should not intervene in the markets

KEYNESIAN APPROACH/ENDOGENOUS FACTORS

- Believe markets are inherently unstable
- Prices are not flexible enough
- Indirect links or mismatches between demand and supply are normal features of the economy
- Government intervention in the markets is needed



SESSION 1 | MACROECONOMICS



CLASS DISCUSSIONS

TOPIC: MACROECONOMICS

Problem 01

How can an injection benefit the South African economy?

- An injection occurs when money is added to the circular flow.
- This consists of exports, government expenditure and investment. Does not answer the how?
- Investment includes buying of capital goods, equipment and machinery, and the use thereof lead to more jobs being created.
- Improvement in the standard of living of people in the economy.
- Both exports and investments will lead to more money flowing into SA, or more production in SA thereby benefitting the SA economy.
- Payment for exported goods and services flow into the country and are injected into the circular flow.

Problem 02

Why would a recession negatively affect the economically vulnerable?

- They lack knowledge of schemes or relief services to assist them.
- Have poor level of literacy to access and interpret information
- Their isolation (such as rural areas) result in them not knowing about, or finding it difficult to access, facilities or services.
- They are unable to organise themselves, so they lack collective efforts.
- The high cost of medical aid, unemployment insurance and pension fund contributions leave them with reduced security.
- Elderly people's incomes reduce when falling interest rates and high inflation reduces the purchasing power of their pension funds.

Problem 03

How can economic indicators be used for the prediction of business cycles?

- Showing the performance of the economy, e.g. if retail sales increase, expansion of the economy is suggested and vice versa.
- By using the leading indicator, the future performance of the economy will be predicted.
- By using the coincident indicator, the current state of the economy will be known.



RECAP OF TODAY'S CLASS

Summary 01

Circular flow is a simplification of how the economy works

Summary 02

There are FOUR participants in an open economy. South Africa has an open economy because we trade with other countries. Our biggest trading partner is China.

Summary 03

Business Cycle refers to the phenomenon of periods of increasing and decreasing economic activity

Summary 04

The longer business cycle is, the stronger the economy. Every economy wants an upswing because it means jobs could be created. A downswing is bad news because people lose their jobs and that leads to poverty.





ACTIVITY

MACROECONOMICS

Fill in the missing word/words:

1. The withdrawal of money from the circular flow, is referred to as _____.
2. Goods that are not scarce and have no price, are called _____ goods.
3. The length of a business cycle is measured from _____ to _____.
4. Goods bought from other countries, are called _____.
5. The _____ policy deals with taxation and government spending.

Answer the following questions:

1. Name TWO methods used to calculate GDP.
2. Briefly describe the term *product market*.
3. Why is the trendline regarded as an indicator of the business cycle?
4. Differentiate between Macroeconomics and Microeconomics.
5. Explain the Monetarist approach to business cycles.
6. Discuss the role of businesses in the circular flow.
7. Explain the Recovery phase of the business cycle.
8. Briefly explain the business cycle indicators.
9. Differentiate between GDP and GNP.
10. Draw a fully labelled Business Cycle.

TRY AND LEARN

ACTIVITY

Use this activity to ensure you have understood the concepts discussed today. Use your notes if you are unsure.

This is a revision activity which you can do in your own time.



INTRODUCTION

During this session the following topics will be discussed:

- Demand
- Supply
- Price Formation

TERMINOLOGY FOR DEMAND AND SUPPLY

Term	Description
DEMAND	It is the quantity of goods or services that consumers are willing and able to purchase at a given price over a given period.
SUPPLY	It is the quantity of goods or services that producers are willing and able to supply at a given price over a given period.
LAW OF DEMAND	The law of demand state that there is an inverse relationship between the price and the quantity demanded. This means, when the price is high the quantity demanded will be low, and vice versa.
LAW OF SUPPLY	The law of supply state that there is a direct relationship between the price and the quantity supplied. This means, when the price is high the quantity supplied will be high, and vice versa.
SUBSTITUTE GOODS	Is a good that can be used in place of another good to satisfy a want, e.g. Coke and Pepsi.
COMPLEMENTARY GOODS	Is a good that is consumed together with another good in order to satisfy a want, e.g., tea and milk.



TAKE NOTE



DEMAND SCHEDULE AND DEMAND CURVE

The demand curve has a negative gradient; it slopes downward from top left to bottom right.

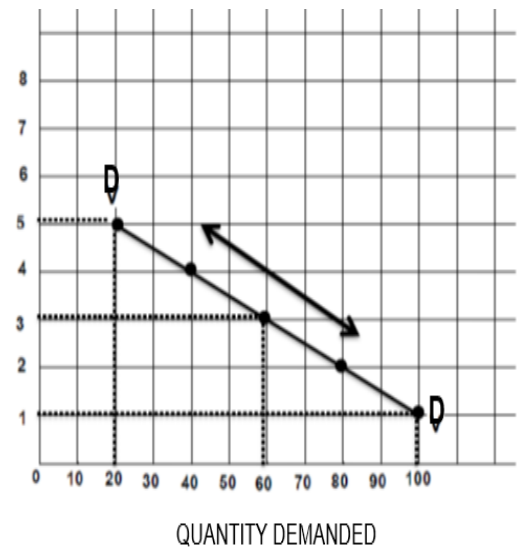
FACTORS THAT INFLUENCE DEMAND

- Price of the product
- Price of related products
- Income of the consumer
- Tastes and preferences of the consumer
- Size of households
- Weather conditions

DEMAND SCHEDULE

PRICE	QUANTITY DEMANDED
5	20
3	60
1	100

DEMAND CURVE




TAKE NOTE

SUPPLY SCHEDULE AND SUPPLY CURVE

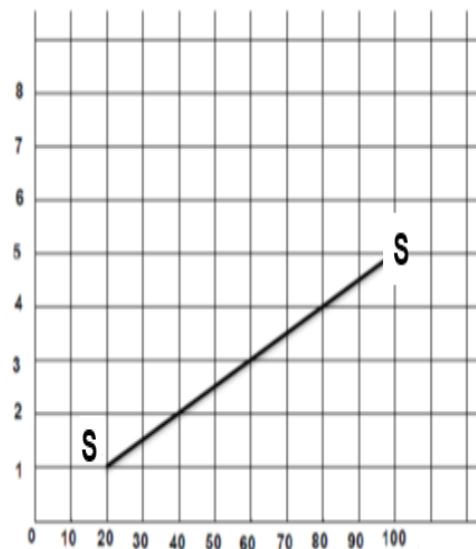
The supply curve has a positive gradient.

FACTORS THAT INFLUENCE QUANTITY SUPPLIED

- Price of goods or services
- Price of alternative goods and services
- Price of factors of production
- State of the technology

SUPPLY SCHEDULE

PRICE	QUANTITY SUPPLIED
1	20
2	40
3	60
4	80
5	100

SUPPLY CURVE




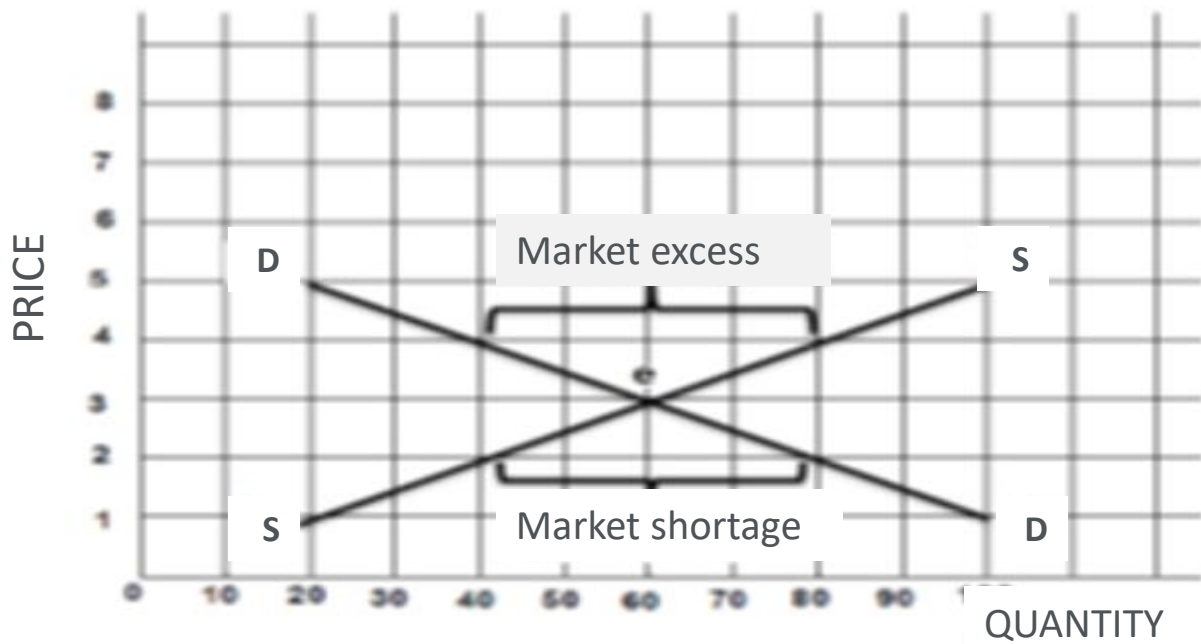
TAKE NOTE



PRICE FORMATION

- Prices are formed through the interaction of DEMAND and SUPPLY
- Prices are normally formed in a market
- A market can be any place or situation
- A market consists of buyers (demand) and sellers (supply)

PRICE	QUANTITY DEMANDED	QUANTITY SUPPLIED
5	20	100
4	40	80
3	60	60
2	80	40
1	100	20





SESSION 2 | DEMAND AND SUPPLY



SUMMARY

WHAT YOU SHOULD KNOW

Law of Demand

Drawing the demand curve,
using a demand schedule

Factors affecting demand

Law of Supply

Drawing the supply curve,
using a supply schedule

Factors affecting supply

LAW OF DEMAND

When prices are high, quantity demanded decreases and when prices are low, there is an increase in the quantity demanded.

Use the following demand schedule to draw the demand curve.

PRICE IN RAND	QUANTITY DEMANDED
1	100
2	80
3	50
4	30
5	10

Law of Supply

More is supplied at higher prices and less at lower prices.

Use the following supply schedule to draw the supply curve.

PRICE IN RAND	QUANTITY SUPPLIED
10	100
20	300
30	500
40	700
50	1000



SESSION 2 | PRICE FORMATION



SUMMARY

WHAT YOU SHOULD KNOW

From the table:

- identify the market equilibrium price and quantity
- Excess demand
- Excess supply

Use the demand and supply schedules below and draw both the demand and supply curves on the same axes.

PRICE IN RAND	QUANTITY DEMANDED	QUANTITY SUPPLIED
12	200	1100
10	300	800
8	400	700
4	500	500
2	600	300

CHANGES IN DEMAND AND SUPPLY

The factors that cause an increase in the demand for a product are represented by a rightward shift of the demand curve. A rightward shift of the demand curve implies that at each and every price, a high quantity of a product is demanded than before.

These factors are:

- An increase in the price of a substitute product.
- A decrease in the price of a complement product.

The factors that cause an increase in the supply of a product are represented by a rightward shift of the supply curve. A rightward shift of the supply curve means that at each and every price, a higher quantity of a product is supplied than before.

These factors are:

- A decrease in the price of inputs.
- A decrease in the price of an alternative product.
- Improved technology.
- Improved weather conditions.



RECAP OF TODAY'S CLASS

Summary 01

Demand plays an important role in solving the economic problems of what and for whom to produce.

Summary 02

Supply plays an important role in solving the economic problems of what and how to produce.

Summary 03

The forces of demand and supply play a major role in determining the price of a product. Price is determined where demand and supply meet also known as market equilibrium.

Summary 04

Changes in demand and supply affect the price of products. Changes in the prices of products play an important role in solving the economic problem of what, how and for whom to produce.

