

1. Explain what a “restrictive open market policy” is, and how it is applied in South Africa. (5)

---

---

---

---

---

---

2. Which macroeconomic objective does government hope to achieve with restrictive monetary policies? (1)

---

3. Distinguish between active and passive money balances and mention the main determinant of each. (5)

---

---

---

---

---

---

4. Briefly explain the difference between the private sector and the public sector. (2)

---

You are given the following information, based on South Africa’s Budget for 2013/ 2014:

Use the tax table below to answer questions 5 to 9, rounding your final answers to two decimal places.

Tax rates for individuals: 2013/2014 tax year		
Taxable income	Basic amount	Marginal rate
0 – 165 600	R0	18% of each R1
165 601 – 258 750	R29 808	+ 25% of the amount above R165 600
258 751 – 358 110	R53 096	+ 30% of the amount above R258 750
358 111 – 500 940	R82 904	+ 35% of the amount above R358 110
500 941 – 638 600	R132 894	+ 38% of the amount above R500 940
638 601 and above	R185 205	+ 40% of the amount above R638 600

5. Jennifer earns an annual salary of R278 000. Calculate how much tax she would pay per year. (3)

---



---



---



---

6. Calculate the average rate of tax paid by Jennifer per year. (1)

---



---

7. Tebogo's total income for the year, including bonuses, is R1 440 000. Calculate how much tax Tebogo must pay on his income. (3)

---



---



---

8. Calculate the average rate of tax paid by Tebogo per year. (1)

---

---

9. Briefly explain the type of tax system which is being applied, using your findings from questions 6 & 7 as evidence. (3)

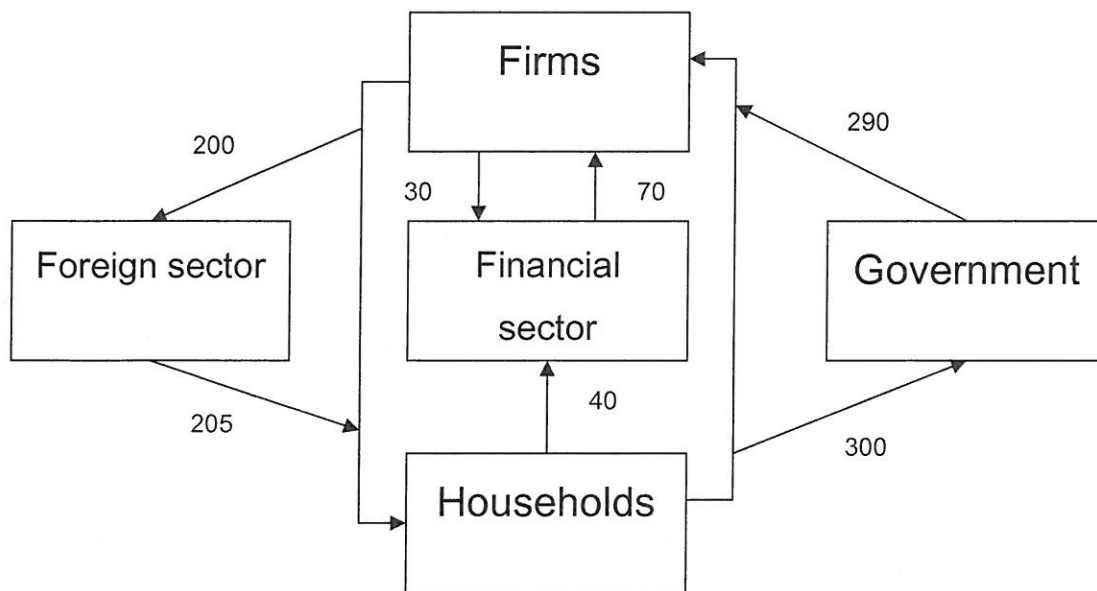
---

---

---

---

10. The diagram below depicts monetary flows in an open economy. Study the diagram and indicate whether the statements are true or false. Provide a reason for 'false' statements. (5)



a. Government's tax revenues amount to R300, while government spending amounts to R290, indicating that there is a budget deficit.

---

b. The total value of leakages amounts to R570.

---

c. Exports amount to R200, while imports amount to R205.

---

d. The deficit on the current account amounts to R5.

---

e. If consumption spending by households amounts to R500, then the value of expenditure on GDP amounts to R865.

---

11. Make use of a diagram to show how the equilibrium in the money market changes if the level of income in the economy increases. (3)



12. Calculate the change in demand deposits if the reserve requirement is 5% and a bank experiences an increase in its reserves of R7 million. (4)

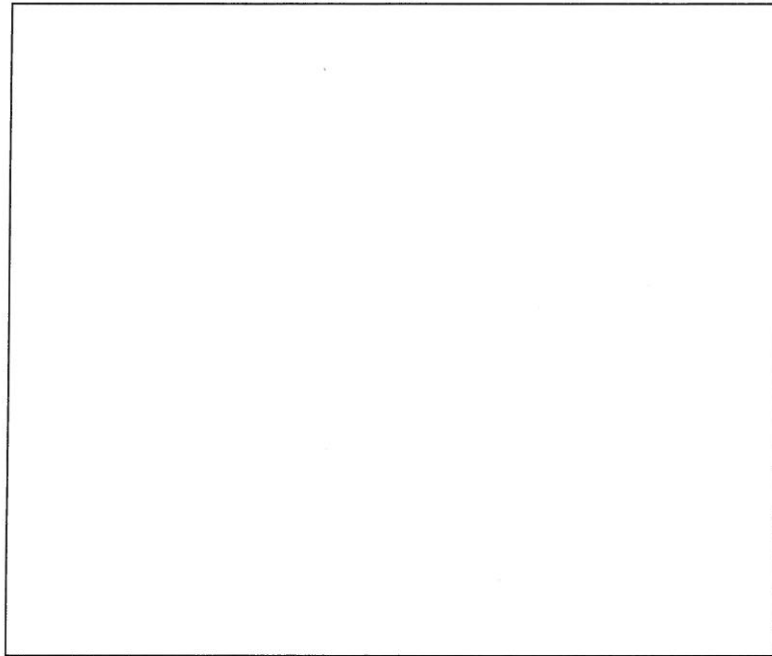
---

---

---

---

13. Among the tax proposals for the 2014/15 budget for Banana Republic is the following: The sin tax levied on the producers of malt beer increases to R3.00 per 340ml can. Illustrate graphically the incidence of the tax and answer the questions that follow. (5)



Underline the correct word in brackets: (4)

- a. The tax is a/an (direct / indirect) tax.
- b. The tax is (progressive / proportional / regressive).
- c. The tax is a (specific / ad valorem) tax.
- d. The tax burden will fall more heavily on the (consumers / producers) of malt beer.

**Total marks: 45**

