

ECONOMICS

Grade 10 | Module 1.3

The Circular Flow

Student Note-Building Framework

*Use this handout alongside the online content to build your own set of notes.
Fill in definitions, examples, and summaries as you work through each section.*

Name:

Class:

Date:

How to Use This Handout

- 1. Read the online content** — Work through each section on the course website before completing the corresponding section here.
- 2. Fill in key terms** — Write definitions in your own words — this helps you remember them better than copying.
- 3. Complete the prompts** — Answer the guiding questions using the lined spaces provided.
- 4. Add your own notes** — Use the margins and blank spaces to add examples, diagrams, or extra details.
- 5. Use the checkboxes** — Tick off items as you complete them to track your progress.
- 6. Reflect** — The reflection boxes at the end of each section help you check your understanding.

1. Introduction

1.1 The Economic Circular Flow

After reading the online content, complete the following:

In your own words, explain what the economic circular flow is and what it shows:

What connects the different participants in the economy to each other?

1.2 How the Economy Functions

Summarise the role of each participant in making the economy function:

How the economy functions	
Households	
Producers	
Government	
Foreign sector	

How is the level of economic activity measured?

When is the economy in equilibrium?

Section 1 — Check Your Understanding

Can you explain in a few sentences how the economy functions as a circular flow?

Can you name the four participants and describe their basic roles?

2. The Participants in the Economy

2.1 Households

Households	
-------------------	--

Describe what households do in the economy, step by step:

1. What do households own?

2. Where do they sell these?

3. What do they do with the income?

2.2 Producers

Producers	
------------------	--

Describe what producers do in the economy:

1. What do producers buy and from where?

2. What do they do with these inputs?

3. What is the aim of producers?

Why are producers and consumers described as “the same people”?

2.3 The Government

Government (public sector)	
-----------------------------------	--

List the key economic roles of the government:

How does the government finance its expenditure?

2.4 The Foreign Sector

Foreign sector	
Imports	
Exports	

What is exported and what is imported, and why?

 **Section 2 — Check Your Understanding**

Can you describe the economic role of each of the four participants?

Can you explain the relationship between households and producers?

3. The Markets in the Economy

Factor markets	Product markets

What is traded on factor markets? Give examples:

What is traded on product markets? Give examples:

 **Section 3 — Check Your Understanding**

Can you explain the difference between factor markets and product markets?

4. The Flows in the Economy

Real flow	Money flow

In which direction does each flow move? Why do they flow in opposite directions?

What role do markets play in facilitating these flows?

4.1 Income and Expenditure (The Money Flow)

For each participant, note their source of income and what they spend it on:

Participant	Source of income	What they spend on
Households		
Producers		
Government		
Foreign sector		

4.2 A Model of the Money Flow

What is the basic money flow in the economy?

How can the money flows of the financial, foreign, and government sectors change the basic money flow?

Explain the difference between flows and stocks in your own words:

Flows	Stocks

Section 4 — Check Your Understanding

Can you describe the real flow and money flow and explain how they relate?

Can you explain the difference between a flow and a stock with an example?

5. Leakages and Injections

In your own words, what are leakages and injections?

5.1 Leakages (Withdrawals)

Define each form of leakage and note what happens to the money:

Leakage	What happens?	Net calculation
Savings (S)		
Taxes (T)		
Imports (M)		

Write the formula for total leakages: $L =$

What is the economic effect of leakages on production, income, and expenditure?

5.2 Injections

Define each form of injection and note where the money comes from:

Injection	What happens?	Source of money
Investment (I)		
Government expenditure (G)		
Exports (X)		

Write the formula for total injections: $J =$

5.3 Relationship Between Injections and Withdrawals

Complete the table to show what happens in each scenario:

Scenario	Effect on the economy	What happens over time?
----------	-----------------------	-------------------------

L > J (withdrawals exceed injections)		
J > L (injections exceed withdrawals)		
J = L (equilibrium)		

How can the government use taxation and spending to influence the money flow?

Section 5 — Check Your Understanding

Can you list the three leakages and three injections with their symbols?

Can you explain what happens when injections exceed withdrawals, and vice versa?

Can you explain how the economy returns to equilibrium after a disturbance?

6. The Circular Flow as a Model

After watching the video, use the space below to draw or describe the circular flow diagram in your own way. Include all four participants, both markets, the real flow, and the money flow.

My circular flow diagram:

7. National Accounting

After reading the online content, complete the following:

Gross Domestic Product (GDP)	
Gross National Income (GNI)	

According to the circular flow, explain why these four values are the same:

The four equal values	
Value of production	
Value of factors used	
Income received	
Income spent	

Explain the difference between “domestic” and “national”:

Domestic	National

8. Composition of GDP and GNI

Note the key facts about how GDP and GNI are measured. Tick each as you understand it:

- ☐ Values are expressed in the currency of the country (e.g. Rand).
- ☐ Production covers one calendar year.
- ☐ Only that year's production is counted.
- ☐ Values are converted to US Dollars for international comparison.
- ☐ Changes from year to year are shown as percentages.
- ☐ Inflation is accounted for — adjusted figures are called “real” figures.
- ☐ Values are rounded to the nearest million Rand and may be adjusted over four years.

9. Calculation of GDP

Why must only the value added in each production phase be included, rather than the total value at each stage?

9.1 Production Method

Explain in your own words how GDP is calculated using the production method:

9.2 Income Method

Complete the table linking each factor of production to the income it receives:

Factor of production	Type of income	Symbol
Natural resources		
Labour		
Capital		
Entrepreneurship		

Write the income formula: $GDP(I) =$

9.3 Expenditure Method

Identify each component of the expenditure equation:

Components of GDP(E)	
C — Consumption expenditure	
I — Investment	
G — Government expenditure	

$(X - M)$ — Net exports

Write the expenditure formula: $GDP(E) =$

Why is the value of imports subtracted?

9.4 Calculation of GNI

Write the formula for GNI and explain each part:

$GNI = GDP +$ _____ $-$ _____

Sections 7–9 — Check Your Understanding

Can you define GDP and GNI without looking at your notes?

Can you write and explain all three GDP calculation methods?

Can you explain why imports are subtracted in the expenditure method?

10. The Importance of GDP and GNI

Summarise each use of GDP and GNI:

Uses of GDP and GNI	
Business cycle stage	
Economic growth rate	
Sector contributions	
Standard of living (per capita income)	
International comparison	

The contribution of different sectors tells us about development. Complete:

Largest sector	Level of development	Example country (optional)
Primary sector		
Secondary sector		
Tertiary sector		

What is per capita income and why is it a good indicator of standard of living?

Why are GDP and GNI figures converted to US Dollars for international comparison?

 Section 10 — Check Your Understanding

Can you list at least four uses of GDP and GNI?

Can you explain what the dominant sector in an economy tells us about its level of development?

Module 1.3 — Summary & Self-Assessment

Tick each item when you are confident you understand it.

- ☐ I can explain what the economic circular flow is and why it is used.
- ☐ I can describe the roles of households, producers, government, and the foreign sector.
- ☐ I can distinguish between factor markets and product markets.
- ☐ I can explain the real flow and the money flow and how they relate.
- ☐ I can describe the income and expenditure of each participant.
- ☐ I can explain the difference between flows and stocks.
- ☐ I can name the three leakages (S, T, M) and three injections (I, G, X) and write their formulas.
- ☐ I can explain what happens when injections exceed withdrawals, and vice versa.
- ☐ I can explain how the economy returns to equilibrium.
- ☐ I can explain how government can influence the money flow.
- ☐ I can draw or describe the circular flow diagram from memory.
- ☐ I can define GDP and GNI.
- ☐ I can explain the difference between “domestic” and “national.”
- ☐ I can explain why only value added is counted in GDP (avoiding double counting).
- ☐ I can write and explain the production, income, and expenditure methods of calculating GDP.
- ☐ I can write the formula for GNI.
- ☐ I can explain at least four uses of GDP and GNI.
- ☐ I can link sector dominance to a country’s level of development.
- ☐ I can explain per capita income and why it matters.

Personal Notes & Questions

Use this space to write down any questions, ideas, or connections you want to explore further: