



GAUTENG PROVINCE

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**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
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GRADE 11

**ECONOMICS
PAPER 1**

MEMORANDUM

16 pages

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION**

**ECONOMICS
(Paper 1)**

MEMORANDUM

SECTION A (COMPULSORY)

QUESTION 1

MULTIPLE CHOICE QUESTIONS

- 1.1
- | | | | |
|-------|-----|-------------------------------------|------------|
| 1.1.1 | B√√ | (production) | |
| 1.1.2 | B√√ | (final goods) | |
| 1.1.3 | B√√ | (there is full employment) | |
| 1.1.4 | A√√ | (Real GDP growth rate) | |
| 1.1.5 | B√√ | (Living standard) | |
| 1.1.6 | A√√ | (monetary policy of the SARB) | |
| 1.1.7 | C√√ | (national roads) | |
| 1.1.8 | C√√ | (the Human Development Index / HDI) | (8x2) (16) |

1.2 **MATCHING**

- | | | | |
|-------|----|--|-----------|
| 1.2.1 | C√ | (People who are excluded from the economic activities of the country) | |
| 1.2.2 | E√ | (A measure of standard of living) | |
| 1.2.3 | F√ | (Measures the level of development of countries) | |
| 1.2.4 | H√ | (Free-market economy) | |
| 1.2.5 | B√ | (To be able to prosper in a country without interference by Government) | |
| 1.2.6 | G√ | (Moving backwards to a less-developed country) | |
| 1.2.7 | D√ | (The relationship between input and output) | |
| 1.2.8 | A√ | (A pathway to a qualification that is made up of a structured learning component together with workplace experience) | (8x1) (8) |

1.3 **CONCEPTS**

- | | | | |
|-------|--|--------------------------------------|-----------|
| 1.3.1 | | Parastatals / SOEs√ | |
| 1.3.2 | | Fiscal Policy√ | |
| 1.3.3 | | Durable goods√ | |
| 1.3.4 | | Repo (repurchase) rate √ | |
| 1.3.5 | | Urbanisation √ | |
| 1.3.6 | | Development Bank of Southern Africa√ | (6x1) (6) |

TOTAL SECTION A: [30]

SECTION B

Answer TWO of the three questions from this section.

QUESTION 2 MACROECONOMICS**40 MARKS – 30 MINUTES****2.1 Answer the following questions.**

2.1.1 Name TWO examples of free subsidised basic household services provided by the local government.

- Water supply✓
- Sanitation✓
- Electricity✓
- Refuse removal✓

(Any 2x1) (2)

2.1.2 Explain how consumption stimulates employment.

- If consumption increases firms have to increase production and to do this more people are needed to work in the factories. ✓✓ (1x2)(2)

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

2.2.1 Which other organisation, besides Statistics SA, publishes statistics in SA?

South African Reserve Bank / SARB✓ (1)

2.2.2 Which method to calculate GDP has been used in the above table?

Expenditure method ✓ (1)

2.2.3 Complete the item represented by A in the table.

Gross Domestic Expenditure✓✓ (2)

2.2.4 Explain the concept GDP.

Total value of final goods and services produced within the borders of the country for a given period of time ✓✓ (2)

2.2.5 Calculate expenditure on GDP at market prices (B). (Show all calculations)

$R3\ 571m\ \checkmark + R854m\ \checkmark - R872m\ \checkmark = R3\ 553m\ \checkmark$ (4)

2.3 Read the case study below and answer the questions that follow.

2.3.1 Name the sector that is affected by drought.

Primary sector ✓ (1)

2.3.2 What effect will the drought have on South Africa's agricultural exports?

Exports will decrease ✓ (1)

2.3.3 Explain the impact of the recent interest-rate hike on cash-strapped consumers.

- More debt for overburdened consumers ✓✓
- Consumers who cannot afford to buy food can experience hunger and poverty. ✓✓

(Accept any relevant answer.) (2)

2.3.4 How can the decrease in interest rates influence the consumer?

- Spending increases ✓✓
- Savings will decrease ✓✓
- Borrowing / consumer credit will increase ✓✓
- Investment increases ✓✓
- Exchange rates depreciate ✓✓ (2)

2.3.5 Explain the TWO kinds of primary sector operations with the aid of examples.

- Genetic operations, ✓ which can return to nature what has been taken from it ✓ such as farming or forestry / extractive ✓
- Exploitative operations, ✓ which cannot return to nature what has been taken from it ✓, such as mining and fishing. ✓ (2x2)(4)

2.4 Differentiate between *economic growth* and *economic development*.

ECONOMIC GROWTH	ECONOMIC DEVELOPMENT
<ul style="list-style-type: none"> • An increase in the productive ability of the economy√√ • Is measured by the real GDP over a period of time√√ • Growth must occur in developing countries so that it is possible for people to be employed and to increase their earnings so that they can improve their standard of living√√ • Focus on production √√ 	<ul style="list-style-type: none"> • Concerns the improvement in material quality of life √√ • When development occurs the people will have more goods and services, such as houses, electricity, vehicles, education and healthcare which make their lives easier and more comfortable. √√ • Economic development is an increase in the standard of living of people in a country.√√ • Focus on people √√

(Any 2x2)(4)

(Accept any relevant answers.)

(Any 2x2)(4)

(2x4)(8)

2.5 How effective is the South African government in delivering socio-economic services in South Africa?

Assessing the provision of social services

- Government provides social services to promote individual welfare and enhance the economic prospects of the country. √√
- These include welfare functions, as well as public and merit goods such as education and healthcare. √√
- The state spent more than 50 % of the total budget on social services. √√
- The education and training function, to increase literacy √√
e.g. institutions are schools, universities, technical colleges and technikons. A government objective is to further increase the number of young adults who have a formal education. √√
- The housing function, which includes the provision of housing for the needy √√
- The social security function tries to meet the basic needs of some individuals. e.g. state pensions and disability allowances. Too many claimants are putting too much pressure on too few taxpayers. The state cannot afford to further increase the tax rates being paid by individuals and firms. √√
- The health function, to provide basic health services to the community as a whole e.g. HIV / Aids programmes and ARV treatment free of charge. √√
(Accept the Negative and the Positive.)

(Any 4x2)(8)

[40]

QUESTION 3 ECONOMIC PURSUITS**40 MARKS – 30 MINUTE****3.1 Answer the following questions.****3.1.1 Name TWO member countries of the SADC**

- South Africa✓
- Seychelles✓
- Lesotho✓
- Swaziland✓
- Botswana✓
- Namibia✓
- Zimbabwe✓
- Mozambique✓
- Zambia✓
- Malawi✓
- Angola✓
- Tanzania✓
- Democratic Republic of Congo✓
- Mauritius✓

(Any 2x1)(2)

3.1.2 Explain the role of the South African Reserve Bank with regards to bank failure.

- The SARB intervenes to prevent a loss of confidence in the banking sector.✓✓
- People can lose confidence in the banking system and a negative effect on other banks can lead to more bank failure.✓✓
- The SARB guarantees that depositors will not lose the money that they deposited in a registered bank.✓✓ (1x2)(2)

3.2 Study the graph given below and answer the following questions.**3.2.1 Which international institution provided the data in the extract?**

- The World Bank✓ (1)

3.2.2 When did the income disparities in South Africa increase drastically?

- 2009✓ (1)

3.2.3 Explain why South Africa has one of the highest rates of inequality in the world.

- South Africa's Gini coefficient was quite high due to apartheid. √√
- Inequality has risen within each racial group. √√ (2x2)(4)

3.2.4 What is the relationship between the Gini coefficient and the Lorenz curve?

- The Lorenz curve is a graph that shows how uneven the distribution of income is between households. √√
- The graph shows the proportion of the income going to the poorest people, middle income people and richest people. √√
- The more uneven the income distribution in a country is, the more the Lorenz curve deviates from a straight line. √√
- The Gini coefficient is a statistic that measures the degree of inequality in the distribution of income among households in a country. √√
(Accept any relevant answer.) (2x2)(4)

3.3 Study the extract given below and answer the questions that follow.**3.3.1 Name TWO problems of borrowing money from micro-lenders.**

- High interest rates√
- Use of cruel methods to collect debt√ (2x1)(2)

3.3.2 What are the aims of the regulating authority of micro-lenders?

- To promote the sustainable growth of the money-lending industry√√
- To serve the legitimate needs of borrowers √√
- To ensure that consumer rights are protected √√ (Any 2x2)(4)

3.3.3 Explain TWO reasons for bank failures.

- A poor economic environment makes it difficult for banks to make a profit. √√
- Weak and fraudulent management√√
- Over-exposure to micro-lending and bad debts√√
- Bad management of liquidity√√
- Poor credit control (for example, not ensuring the credibility of borrowers and not monitoring loans and overdrafts carefully enough) √√ (Any 2x2)(4)

3.4 Explain how the South African Government encourages the private sector to invest in wealth creation.

- Research ways to produce something unique√
Countries can benefit from trade if they produce goods or services that no other countries produce. √√
The earnings from trade is used to accumulate assets for production of other goods and services. √√
- Invest in education and training√
South Africa currently spends the largest portion of the budget on education√√
This is essential to develop the skills of the workforce. √√
Education is an investment in human capital. √√
It provides people with a lifelong capacity to earn an income. √√
Despite this, attendance and pass rates are below world averages. √√
- Invest in infrastructure√
Since 2008, the SA government has undertaken to spend 8 % of GDP on transport and communications infrastructure. √√
This should create jobs and provide the necessary environment to do business. √√
The benefits of this are most noticeable in the way that airports and urban roads have been upgraded. √√
- Attract investments√
Local and foreign investments are required for capital formation. √√
In SA there is not enough savings to invest in factories. √√
A large part of production is focused on consumer goods.√√
In this way future production capacity is not increased. √√
(Headings 1 mark each; 4x1)

(4x2)(8)

3.5 What has caused the ongoing energy crisis in South Africa since 2008?

- Eskom is the only provider of electricity in South Africa.√√
- Eskom has not invested enough in new power sources.√√
- The price of electrical power has been too low to provide the needed capital to create new power stations.√√
- It is very costly to build new power stations.√√
- Illegal power connections by households who don't pay for power usage
- The state has been very reluctant to allow privately owned companies to enter the power-generation field.√√
- The use of renewable sources of power, especially solar power, has not been emphasised,√√
- Large power users have been given specially low rates by Eskom. √√
(Accept any relevant answers.)

(4x2)(8)

[40]

QUESTION 4 MACROECONOMICS & ECONOMIC PURSUITS 40 MARKS – 30 MINUTES**4.1 Answer the following questions.****4.1.1 Name TWO economic indicators used to compare economic activities across different countries.**

- Population size√
- Infrastructure (electricity supply and water services) √
- Production√
- Consumption, poverty and wealth√
- Government finances√
- Foreign trade√
- Economic freedom and competitiveness√ (Any 2x1)(2)

4.1.2 Why does South Africa need to increase its economic growth rate?

- Growth of the economy is important because the population is getting larger. √√
 - More people have to be employed.√√
 - More people to be provided with goods and services to improve their welfare. √√
- (Accept any relevant answer.) (Any 1x2)(2)

4.2 Study the cartoon below and answer the questions that follow.**4.2.1 Describe the economic message in the cartoon?**

- Unemployment √√
- (Accept any relevant answer.) (2)

4.2.2 What is the age group of the economically active population in South Africa?

- 15 – 65 years√ (1)

4.2.3 What, do you think, is the greatest threat to labour in SA?

- An unproductive workforce due to illness e.g. HIV / Aids √ (1)
- (Accept any relevant answer.)

4.2.4 Why do developing countries have a large supply of unskilled workers? Substantiate your answer.

- Developing countries are characterised by high levels of illiteracy levels and low levels of education. √√
- Large population growth with lack of education √√ (2)

4.2.5 Distinguish between *nominal wage* and *real wage*.

- Nominal wage – the amount that the worker receives each day, week or at the end of the month. √√
- Real wage – the amount of goods and services that a person can buy with the nominal wage. √√ (2x2)(4)

4.3 DATA RESPONSE**4.3.1 Which organisation promotes economic cooperation and integration among Southern African countries?**

- SADC (South African Development Community) √√ (2)

4.3.2 Name TWO sources of income for the Customs Union.

- indirect taxes √√
- customs √√
- excise duties √√ (2x2)(4)

4.3.3 How will the countries mentioned have to deal with the loss of state income?

- Reduce Government spending √√
- The Government budget will have to be cut in certain areas. √√
(Accept any relevant answer.) (2)

4.3.4 Why has the global crisis had an effect on the income of the Customs Union?

- Imports decreased due to the global economic downturn. √√ (2)

4.4 Discuss labour as an important factor of production.

- Production requires labour (physical and mental effort). √ √
- Economy therefore needs a suitable labour force in order to grow. √√
- The labour force needs to have the right number of skilled and unskilled workers available. √√
- Education is important in developing labour in a country. √√
- The more educated a labour force is, the more productive they are. √√
- Many SA businesses are labour intensive and so labour costs make up a big part of production costs. √√
- Trade unions play an important role, however, in protecting the rights and dignity of workers, protecting their wage and encouraging employers to invest more in adult education and training. √√ (Any 4x2)(8)

4.5 Why is South Africa regarded as a developing economy?

- Low standard of living√
Majority of citizens have a low income per capita / poor housing / low standards of health / high infant mortality rates / high levels of malnutrition / and a lack of education. √√
- Low levels of productivity√
Have low levels of labour productivity compared to industrialised countries because of low education standards / low level of health among workers / investment in physical capital / experienced management / lack of access to technology. √√
- High population growth and dependency burdens√
Have a high population growth rate due to high birth rates. A high population growth rate causes a number of problems such as unemployment, pressure on housing, education and health services. √√
- High levels of unemployment√
Low levels of education and training and entrepreneurial knowledge add to high rates of unemployment. √√
- Dependence on the primary sector√
Mainly dependent on agriculture or other primary sector activities, for example, fishing. A high proportion of people is employed in this sector usually at lower salaries than in other sectors. √√
- Deficiency of infrastructure√
Infrastructure such as roads, power generation facilities, communication systems are often lacking or poorly maintained, resulting in poor access to markets. √√

(Any 4x2) (8)

(Accept any relevant answer.)

(Headings only: (4x1)(4))

[40]

SECTION C

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

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max.2
Body: Main part: Discuss in detail / in-depth discussion / Examine Discuss / Analyse / Compare / Evaluate / Distinguish / Explain Assess / Debate 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. 26 Max. 10
Conclusion: Any relevant higher order conclusion that should include: * A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body * An opinion or valued judgement on the facts discussed * Additional support information to strengthen the discussion / analysis * A contradictory viewpoint with motivation, if so required * Recommendations	Max. 2
TOTAL	40

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

“Many of the entrepreneurs in the informal sector are unemployed, poor people who venture into the world of business purely to survive, often without the means, skills and knowledge to make a success of their businesses.”

- **Discuss the economic importance of entrepreneurship.** (26 marks)
- **How does the government assist the economically marginalised groups in South Africa?** (10 marks)

INTRODUCTION

A lack of entrepreneurship will lead to a shortage of goods and services in the economy, less competition, prices will rise and this will decrease economic growth in South Africa. √√

OR

An entrepreneur is a person who takes the risk of starting and financing a new business to satisfy the needs and wants of consumers by effectively combining the other factors of production to make a profit. √√

(Accept any relevant introduction.)

(Max. 2)

BODY

Entrepreneurship fulfils an extremely important role in the production process for the following reasons:

Combines the other factors of production: √

- The entrepreneur combines the factors of production to produce goods and services to satisfy the needs and wants of consumers. √√
- Entrepreneurs need to source enough capital, natural resources and skilled labour at the right time and place, and in the right quantities. √√
- In doing so, they will try to make the biggest possible profit. √√

Demonstrates initiative: √

- Entrepreneurs take the initiative to start businesses. √√
- They come up with new business ideas to make a profit in the market. √√
- No entrepreneur should start a business unless they have done plenty of research to find out if the business idea will be successful. √√
- The entrepreneur needs to work out the break-even point before starting a business. √√
- The break-even point is the point at which expenses equal income. √√
- Any income after this is the profit. √√

Takes risks: √

- In a market economy, the entrepreneur is the person who takes the risks. √√
- The entrepreneur is responsible for all the losses if the business idea fails or if the business goes bankrupt. √√

Makes decisions: ✓

- Entrepreneurs make decisions on what to produce, where to set up the business and for whom to produce. ✓✓
- They need to decide on issues such as whether to concentrate on quality or quantity, whether to buy land or to lease premises, from whom to buy stock or raw materials and which form of ownership to choose, for example, a sole proprietorship, a partnership, a company etc. ✓✓

The economic significance of entrepreneurship ✓

- Entrepreneurs play a very important role in contributing to growth and progress in any economy. ✓✓
- SA has a very high unemployment rate. ✓✓
- The formal sector cannot provide employment to all of SA's population. ✓✓
- Therefore entrepreneurs in the informal sector who start up small businesses, play an important role in providing income and employment. ✓✓
- Apart from creating jobs, new entrepreneurs introduce new goods and services into markets, increasing competition and reducing inflation, and sell goods at lower prices. ✓✓
- The tax revenue of the government increases as the profits of entrepreneurs are taxed. ✓✓
- This happens at the same time that the state has to spend less on unemployment payments and other social welfare services as wealth becomes more evenly distributed. ✓✓

(Max 26)

ADDITIONAL PART

How does the government assist the economically marginalised groups in South Africa?

- Since 1994, labour policies have been put in place to protect the rights of all employees. ✓✓
 - To help this process we have the Broad-Based Black Economic Empowerment laws and the Employment Equity Act of 1998. ✓✓
 - The National Skills Development Strategy has enabled 3,6 million people to take part in workplace learning and some 50 000 unemployed young people to take part in learnership programmes. ✓✓
 - Sector Education and Training Authorities (SETAs) play an important role in providing the training needed for the skills demanded by industries. ✓✓
 - Affirmative action plays an important part in new appointments in the workplace. ✓✓
 - Land distribution and land restitution ✓✓
- (Accept any relevant answer.)

(Any 5x2)(10)

CONCLUSION

Entrepreneurship helps counter South Africa's high unemployment rates. ✓✓
(Accept any relevant conclusion.)

(Max 2)

[40]

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

“Strategies for development are embodied in the economic and other policies of developing countries.”

- **Critically analyse the following developmental strategies used in support of the development of countries.**
 - Human resources
 - Natural resources
 - Technology (26 marks)
- **Why are Indigenous Knowledge Systems (IKS) important for the economic development of a country?** (10 marks)

INTRODUCTION

Different strategies can be used to fast-track economic development and all strategies depend on improving the quality and utilisation of the available factors of production. √√
(Accept any relevant introduction.) (Max 2)

BODY**Human resources**

- Refers to the labour force of the country √√
- The quality of labour can be improved in different ways. √√
- Education and training contributes to economic growth and development. √√
- Improved literacy levels are essential for training. √√
- Trained workers can use capital equipment effectively and efficiently. √√
- The ability to work depends on the health of the workers. √√
- Healthy people are more productive. √√
- A country has to ensure that its population can be supported by the available natural resources. √√
- Employment can be created through labour intensive development programmes. √√

Natural resources

- An increase in agricultural production leads to an increase in the buying power of the population. √√
- Supply of natural resources cannot be increased. √√
- Fertilizers must be used to increase land productivity. √√
- Secondary industries must be established to process primary products. √√

Technology

- Technological developments can be used to reduce costs and improve competitiveness. √√
- Countries must develop technologies that are good for them. √√
- Technological developments will improve productivity. √√
- Science and Management training is necessary for the use of technology. √√
- Indigenous Knowledge Systems (IKS) can also be used. √√ (Any 13x2)(26)

Additional Part**Why are Indigenous Knowledge Systems (IKS) important for the economic development of a country?**

- The development strategy should be one where people are the agents, means and end of the development process. Self-reliance at household and community levels are important.
- IKS is seen as the key to sustainable social and economic development according to the Development Bank. √√
- Learning from indigenous knowledge can help you to understand local conditions and provide a productive framework for activities aimed to help communities. √√
- Indigenous knowledge offers problem-solving plans or strategies for local communities especially the poor. √√
- It represents an important contribution to global development knowledge. √√
- Indigenous knowledge is an under-utilised resource in the development process. √√
- Indigenous knowledge is passed down from generation to generation. It is based on experience, often tested over years and years of use, adapted to local culture and environment, dynamic and changing.
- The Indigenous Knowledge System Policy was adopted by the cabinet of SA in 2004. It recognises the principle that indigenous knowledge is important for the welfare of the majority of South Africans and as such has to be applied in branches of modern medicine, ecological practices, programmes to reduce poverty.

(Accept any relevant answers.)

(5x2)(10)

CONCLUSION

Development strategies applied in developing countries differ from country to country. √√

(Accept any relevant conclusion.)

(Max 2)

[40]**TOTAL: 150**