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GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

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GRADE 11

ECONOMICS
PAPER 1

MARKING GUIDELINE

17 pages

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

ECONOMICS
(Paper 1)

MARKING GUIDELINE

SECTION A

QUESTION 1

1.1 1.1.1 D (Tertiary)✓✓

1.1.2 A (Coal)✓✓

1.1.3 D (Full employment)✓✓

1.1.4 A (Is the stock of all those goods that have a money value)✓✓

1.1.5 B (Unskilled)✓✓

1.1.6 C (The economy)✓✓

1.1.7 C (Income)✓✓

1.1.8 B (Household)✓✓ (16)

1.2 1.2.1 F (Increases at a rate equal to the rate of increase of the workforce)✓

1.2.2 K (Its aim is to improve the quality of the working life of workers)✓

1.2.3 A (Have an expected lifespan of more than one year)✓

1.2.4 B (Takes the form of social security such as state pensions and disability grants)✓

1.2.5 G (Methods used by countries to allocate their resources)✓

1.2.6 C (Resources are allocated by government)✓

1.2.7 D (Industries of the primary sector)✓

1.2.8 J (The steps that are used in the acquisition of goods and services)✓ (8)

1.3 1.3.1 Economic goods

1.3.2 Learnership

1.3.3 Parastatals or State-Owned Enterprises (**NOT SOE)**

1.3.4 Gross Domestic Product (**NOT GDP**)

1.3.5 Balance of Payment Account (**NOT BOP)**

1.3.6 Mixed Economic System (6)

TOTAL SECTION A [30]

SECTION B

QUESTION 2

2.1 2.1.1 **Name any TWO characteristics of natural resources.**
Natural resources are scarce ✓
Natural resources have a price ✓
Uneven distribution of natural resources
Adding value to natural resources by processing
(Any other correct relevant response) (Any) (2)

2.1.2 **Why is community participation important?**

- Because everyone will have the opportunity to influence decisions on what is produced.✓✓ (1×2) (2)
- It will ensure that the public sector produces the level of public service that citizens demand and that corresponds with their demands and preferences. ✓✓
(Any other correct relevant answer)

2.2 2.2.1 **Name the government expenditure division used in the above table**.
Functional classification✓ (1)

2.2.2 **Indicate the service in which the government allocates most of the resources.**
Learning and culture✓ (1)

2.2.3 **Briefly describe the concept *final consumption expenditure* by the government.**
Indicates how government uses its income to finance goods and services needed by the public sector.✓✓
(2)

2.2.4 **Why does government spend more on education?**

- For skills development✓✓
- Large skilled labour force
- Investing in education leads to an economic boom
(Accept any other correct, relevant response) (Any 1×2) (2)

2.2.5 **Calculate the total health expenditure in the table. Show all calculations.**

District health services	R90.2bn	
+ Central health services	R38.6bn	
+ Provincial health services	R34.3bn	✓✓
+ Other health services	R33.8bn	
+ Facilities management and maintenance	R8.5bn	
Total health expenditure	R205.4bn✓✓	(4)

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

2.3.1 **Identify a possible reason for water restriction in the Western Cape.**
Drought✓ (1)

2.3.2 **What is Day Zero?**
A situation where dams will reach zero percent levels✓ (1)

2.3.3 **Briefly describe the term Gross National Income (GNI**)
Gross National Income can be described as the income of all permanent residents of a country within a particular period of time, usually a year. ✓✓ (2)

2.3.4 **Why is South Africa's economy under threat?**
It means that the South Africa's GDP will decline as the Western Cape contributes to the country's GDP.✓✓
(Accept any other correct relevant answers) (2)

2.3.5 **What role can government play in preventing water shortages in future?**

- Better management of water resources in the Western Cape.✓✓
- Long-term planning, such as the building of more dams✓✓
- The effective use (implementation) of salt water desalination projects.✓✓

(Accept any other correct, relevant answers) (4)

2.4 **Discuss the entrepreneur as a creator of employment and ensuring competition.**

Creates employment

- Many entrepreneurs in the informal sector start their own micro-businesses to create their own employment.✓✓
- These businesses create employment for others.✓✓

Ensures competition

- Entrepreneurs create competition.✓✓
- They challenge those that have profitable businesses. ✓✓
- The supply of entrepreneurs to the market is therefore also dependent on the level of profitability.✓✓
- The higher the level of profitability, the more workers will change into entrepreneurs.✓✓
- This will increase the amount and variety of goods and services available, thus consumers will be in a better position.✓✓

(Any other correct relevant response)

2.5 **How successful has the government been in creating opportunities for previously disadvantaged individuals through empowerment?**

- Two acts in particular create opportunities for the previously disadvantaged individuals to access the mainstream economy. ✓✓

Employment Equity Act (EEA)

- It deals with the prohibition of unfair discrimination and affirmative action.✓✓
- The unfair discrimination part of the act requires employers to remove unfair discriminatory policies and practices.✓✓
- Ensures that present employment policies promote the empowerment of previously disadvantaged individuals.✓✓
- Employed workforce should mirror the economically active profile of the South African population.✓✓ (max 4)

Broad Based Black Economic Empowerment (BBBEE).

- This act provides the foundation for the transformation of the South African economy so that the number of black people that own, manage and control the country's economy can increase significantly and thus decrease (racial) income inequalities substantially.✓✓
- In terms of this Act, government published codes of good practice that serve as a guideline for business and other enterprises to transform.✓✓ (max 4)

(Any other correct relevant response, indicating the government creating opportunities for previously disadvantaged people through empowerment initiatives) (Any (8)

[40]

QUESTION 3

3.1 3.1.1 **Name TWO primary sector operations.**

- Genetic operations✓
- Explorative operations✓ (2×1) (2)

3.1.2 **How effective is local government in promoting the role of community participation?**

- Government has absorbed so many local communities to the economic mainstream through government funding to support SMME. ✓✓
- Through subsidies granted to rural areas to promote entrepreneurship. ✓✓
- NYDA is also used to assist young people who want to venture into business✓✓

(Accept any other correct, relevant response) (Any 1×2) (2)

3.2 **DATA RESPONSE**

3.2.1 **What type of economic system is referred to in the above extract?**

- Centrally planned economy✓ (1)

3.2.2 **Who allocates the resources in the above extract?**

- Government / State✓ (1)

3.2.3 **Briefly describe the term *economic system*.**

- It is the method used by countries to allocate their resources.✓✓

(Accept any other correct, relevant response) (2)

3.2.4 **Explain how service delivery can be improved in South Africa.**

South Africa needs to rapidly improve its economic growth,✓✓ its education and health systems, ✓✓ its management of environmental resources✓✓ and its infrastructure for water, sanitation, telecommunications and transportation.✓✓

(Accept any other correct, relevant response) (Any 1×2) (2)

3.2.5 **Why is South Africa regarded as a mixed economy?**

- The government plays a role in providing collective goods and services and in regulating the market. ✓✓
- South Africa has a dual economy with a highly developed financial and industrial economy. ✓✓
- Consumers have the freedom to decide how to spend their income and what to consume. ✓✓
- The Government uses sufficient monetary and fiscal policy to ensure maximum economic growth and continuous stability of prices. ✓✓
- The government's involvement in the markets entails intervention to control prices to protect consumers and workers. ✓✓ (Any 2×2) (4)

3.3 3.3.1 **Which Government Department is responsible for the determination of petrol prices?**

- Department of Minerals and Energy✓ (1)

3.3.2 **Identify the major cause of petrol hikes in South Africa.**

- Major cause is due to the weaker rand to dollar exchange rate ✓✓
- OR a higher price for Brent Crude Oil ✓✓ (2)

3.3.3 **Briefly explain the effect of petrol hikes on an average South African.**

- It negatively affects South Africans because a hike in the petrol price affects disposable income and that makes an average South African unable to afford much as the price of goods go up. ✓✓
  (Accept any other correct, relevant response) (2)

3.3.4 **Why do Transport costs have an impact on the prices of goods and services?**

- Change in transport costs either, increases or decreases, affects the prices of goods & services. ✓✓
- Increase in transport cost would increase the price of goods and services (vice versa).✓✓
  (Any other correct relevant response) (Any 1×2) (2)

3.3.5 **What can the government do to improve the lives of low-income earners during these difficult times?**

- Government could improve the social grants of beneficiaries.✓✓
- Government could use a zero rated tax system on basic items of food so that low-income earners could benefit✓✓
  (Accept any other correct, relevant response) (2×2) (4)

3.4 **Distinguish between *durable* goods and *non-durable* goods.**

- Durable goods have an expected lifespan of more than one year. ✓✓ They produce a steady stream of satisfaction and their value diminishes relatively slowly through age and use, ✓✓ for example houses, furniture and cars. ✓
- Non- durable goods are consumed or destroyed in the process of being used (used up) ✓✓ It can only be used once ✓✓ - for example food, petrol and gas.✓
  (Accept any other relevant answer) (4×2) (8)

3.5 **Evaluate the success of South Africa's communication infrastructure.**

- Communication is essential particularly for business because they have to:
  - monitor prices to stay ahead of market trends.✓✓
  - check the availability of raw materials and services. ✓✓
  - follow financial changes (for example of interest and foreign exchange rates). ✓✓
  - compare and assess domestic and foreign economic conditions. ✓✓

Knowledge is gained, which helps entrepreneurs to make correct business decisions.✓✓

- Knowledge also helps the consumer to buy the right product to satisfy his or her needs and wants. ✓✓
- This sector also contributes to the Gross Domestic Product (GDP) of the country. ✓✓
- It is a source of employment for all levels of labour. ✓✓
- The SA communication system is successful as it operates flawlessly most of the time, and business and private messages can be sent via reliable electronic systems in place. ✓
- Available snail mail (less reliable), the old postage system that can be used ✓✓ (Any 4×2) (8)

[40]

QUESTION 4

4.1 4.1.1 **Name TWO classifications of capital.**

- Money Capital✓
- Real Capital✓ (2)

4.1.2 **How will an increase in investment spending influence the economy?**

- Expansion in infrastructure development✓✓
- Increased employment, productivity and production✓✓
- Increased economic growth which will positively impact on the economy ✓✓

(Accept any other correct, relevant answer) (Any 1×2) (2)

4.2 **DATA RESPONSE**

4.2.1 **Which sector does the pie charts refer to?**

- Primary Sector✓ (1)

4.2.2 **Which country was the biggest gold producer in the world in the 1970s?** (1)

- South Africa✓

4.2.3 **Briefly describe the term secondary sector.**

Those industries that process natural resources into a form that is suitable for human use.✓✓
(Accept any other correct, relevant response.) (2)

4.2.3 **What happened to South Africa's gold production from 1970 to 2009? Prove your answer with calculations.**
South Africa's gold production declined✓ tremendously from 67.7 % to 7.7% which is a decline of 60%.✓
(Accept any other correct, relevant response) (Any 1×2) (2)

4.2.3 **Analyse the economic impact of this trend on the South African economy since 2009.**

- Decline in economic growth ✓✓
- High unemployment rate ✓✓
- Less revenue for the government ✓ ✓

(Any other correct, relevant response) (Any 2×2) (4)

4.3 4.3.1 **What method of calculation was used in the table to calculate gross domestic product (GDP)?**

- Income method ✓ (1)

4.3.2 **Name the missing item labelled A.**

- GVA (GDP) at basic prices. ✓ (1)

4.3.3 **Describe the concept *net operating surplus*.**

- Net operating surplus is the profit and surpluses of businesses before taxation. ✓✓ (2)

4.3.4 **Briefly explain the importance of measuring national accounts.**

- To determine the economic growth✓✓
- To determine the economic development✓✓
- To compare the living standards✓✓

(Any other correct relevant answer) (1x2) (2)

4.3.5 **Calculate the compensations of employees as a percentage of GDP at market prices in 2017. Show ALL calculations.**

1576 / 3385 x 100✓✓ = 46.55%✓✓ (4)

4.4 **Briefly explain the characteristics of labour as a factor of production.**

- Income as a goal ✓: when people work, their goal is to earn money which they use to buy goods and services that satisfy needs and wants✓✓
- Is part of its owner ✓: it cannot be separated from its owner✓✓
- Not storable, labour cannot be stored or kept ✓: if a worker is unemployed for three years then he or she has lost three years of providing labour✓✓
- Supply cannot suddenly increase ✓: it can often take a long time for people to enter the labour market✓✓
- Labour varies in quality✓: the quality of the work done by identically trained people or even the same person at different times can differ. ✓✓

Any (4×2) (8)

(Max 4 for listing / headings)

4.5 **How effective is the delivery of social 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 spends a large part of the total budget on social services.✓✓

The education and training function to increase literacy e.g. institutions like schools, universities, technical colleges and Technikons receive funding. ✓✓
A government objective is to further increase the number of young adults who have a formal education.✓✓

The housing function which includes the provisioning 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 tax payers. 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 negative and positive responses)

Maximum of 2 for listing / examples
(Any 4×2) (8)
[40]

TOTAL SECTION B [80]

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

- Discuss the economic importance of the tertiary sector. (26)
- Evaluate the growth in the composition of the tertiary sector. (10)

Discuss the economic importance of the tertiary sector.

INTRODUCTION

The tertiary sector is the sector that is involved in facilitating the flow of goods and services from producers to consumers.✓✓
(Any other correct, relevant introduction) Max 2

MAIN PART

Contributes to GDP✓
- It contributes 62% of the overall GDP of South Africa✓✓
- In the current technological environment it is predicted that the growth in the tertiary sector will play an even bigger role in the GDP contribution in future. ✓✓
- The actual numbers of the tertiary sector's contribution to GDP may be understated. ✓✓
- Many essential services are not included, such as the service of homemakers and services rendered by businesses for themselves in the primary and secondary sector✓✓ e.g. computer services, bookkeeping and training. ✓

Contribution to employment✓
- This sector dominates employment, accounting for approximately 60% of total employment. ✓✓
- Job opportunities are created for all levels of labour, including unskilled labourers, ✓✓for example cleaners, semi-skilled workers, such as machine operators ✓ and highly skilled workers such as dentists and teachers. ✓
- Many South African entrepreneurs choose to start their own businesses in the tertiary sector. ✓✓

Contribution to exports✓
- The tertiary sector exports a considerable number of services to foreign countries✓✓ in the form of freight, insurance, transport, travel, royalties, licence fees and services such as communication. ✓✓
- Countries also import services. ✓

Contribution to economic growth✓

- The growth in the tertiary sector was much bigger than that of the primary sector and of the secondary sector. ✓✓
- Over this period, the tertiary sector was the engine of growth that drove the other sectors. ✓✓

Source of income for the state✓

- Companies must pay tax to the South African Receiver of Revenue (SARS) ✓✓
- This money is used to provide basic services to South Africans ✓✓for example, infrastructure (roads, housing, public transport) and welfare services✓
  (Accept any other correct relevant explanations)
  (A maximum of 8 marks may be allocated for the mere listing of facts / examples / headings) Max 26

ADDITIONAL PART

Evaluate the growth in the composition of the tertiary sector.

- Commercial services are growing as new industries are established✓✓
- Transport services – government is investing in our transport infrastructure✓✓
- Storage services – an increase in the availability of storage facilities✓✓
- Communication services – ITC is growing at a faster rate✓✓
- Banking and financial services: more services are offered by financial institutions✓✓
- Personal services: more personal services are available than before✓✓
  (Accept any other correct, relevant response) Max 10

CONCLUSION

The tertiary sector is important for the economy because it includes all the services provided by the government to communities as well as personal services provided by business to individual consumers. ✓✓
(Accept any other correct, relevant conclusion)

Max 2

[40]

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

- Discuss the economic characteristics, advantages and disadvantages of a market economy (26)
- Evaluate the efficiency of the state in addressing the disadvantages of the market system. (10)

Discuss the economic characteristics, advantages and disadvantages of a market economy.

INTRODUCTION

The free-market economy, also known as capitalism, uses supply and demand to respond to the questions of what, how and for whom to produce goods and services. ✓✓ Max 2
(Any other relevant, correct introduction)

MAIN PART

Economic characteristics of a market economy

- The market forces of demand and supply determine what, how and for whom to produce. ✓✓
- Prices act as signals in the free market. This helps to prevent shortages and surpluses. ✓✓
- The individual can act on his or her own initiative and has the freedom of choice with regard to all economic choices. ✓✓
- Individuals can choose their occupation, buy property and start up a business of their choice without being dictated to by government. ✓✓
- Most of the factors of production are privately owned and controlled. ✓✓
- Profit, private ownership and freedom are at the heart of the system. ✓✓
- Business cycle movements, namely upswing phases and downswing phases are characteristics of free market systems. ✓✓
- Under pure capitalism, there is zero government intervention in the market.✓✓

Advantages of the market economy

- Private ownership of land and other factors of production is the backbone of free markets. ✓✓
- The factors of production are managed and organised by the individual as he or she sees fit. ✓✓
- Individuals can use the profits they make to enhance their own personal welfare. ✓✓
- Freedom of entry into markets by new businesses who are attracted to profits results in competition.
- Businesses are not able to dominate markets and exploit consumers. ✓✓
- Huge profits and economic progress are often features of upswing phases in the economy. ✓✓

Disadvantages of a market economy

- The system can lead to high levels of inequality. ✓✓
- The fact that the factors of production are in the hands of individuals gives rise to large class differences, as those that can generate wealth rise above those who cannot. ✓✓
- Everyone within the free market system pursues the greatest possible satisfaction of his or her needs, often to the detriment of others. ✓✓
- Own self-interest weighs more heavily than does the interest of the community.✓✓
- Enterprises produce only those goods and services for which there is a demand. ✓✓
- Alternatively, goods that are harmful to individuals and society in general may be overprovided if they can generate sufficient profit, ✓✓ for example, cigarettes and alcohol. ✓
- Downswing phases in the economic growth rate often result in unemployment and poverty.✓✓

(Accept any other correct relevant explanations.)
(A maximum of 8 marks may be allocated for the mere listing of facts / examples.)

Max 26

ADDITIONAL PART

The state is efficient in addressing the disadvantages of the market system by:

- Distributing the income. The state tries to redistribute income through its programmes such as social grants and old-age pensions✓✓
- Therefore, there could be a much more equal distribution of income and wealth✓✓
- The state takes care of the vulnerable citizens such as orphans, abused women and the elderly ✓✓
- Limiting externalities, conservation and sustainability. Goods that are not good for the community, or goods where there is exploitation of the environment are not produced✓✓ or are heavily taxed to discourage less use by the community such as alcohol and cigarettes ✓✓
- Eliminating the business cycle for income, spending and full control of economic activities✓✓
- Deciding in which sectors capital formation must take place✓✓
- Limiting wastage so that there is no duplication of goods and services ✓✓
  (Accept any other correct, relevant response where government tries to address the disadvantages of the market system.) Any (10)

CONCLUSION

Any economic system used by countries should impact positively on the country's economic growth and economic development.✓✓ (2)
(Accept any other correct, relevant, higher order conclusion)

[40]

TOTAL SECTION C [40]

TOTAL 150