GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

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GRADE 11

MARKING GUIDELINES

ECONOMICS (PAPER 1)

18 pages

SECTION A (COMPULSORY)

QUESTION 1 **30 MARKS – 20 MINUTES**

1.1 **MULTIPLE-CHOICE QUESTIONS**

1.1.1 A – market economy ✓✓

1.1.2 D – declining in importance as part of GDP. ✓✓

1.1.3 A – there is full employment. ✓✓

1.1.4 C – availability and pricing of some food crops. ✓✓

1.1.5 B – progressive. ✓✓

1.1.6 B – repo rate ✓✓

1.1.7 A – level of per capita income ✓✓

1.1.8 D – National Development Plan ✓✓ (16)

1.2 **MATCHING ITEMS**

1.2.1 B – free gifts from nature ✓

1.2.2 F – the best possible outcome within a given set of circumstances ✓

1.2.3 E – relationship between input and output ✓

1.2.4 I – formal and specific activities that will improve the ability of all individuals to reach their full potential ✓

1.2.5 K – measures taken by the SARB to influence the supply of money ✓

1.2.6 A – meeting current needs without damaging future generations' demands ✓

1.2.7 C – represents spending on capital stock ✓

1.2.8 G – enhances the standard and quality of the lives of the people of Southern Africa ✓ (8 x 1) (8)

1.3 **TERMINOLOGY**

1.3.1 Production method ✓

1.3.2 Non-durable goods ✓

1.3.3 Privatisation ✓

1.3.4 Monetary union ✓

1.3.5 Foreign aid ✓

1.3.6 Manufacturing ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

QUESTION 2: MACROECONOMICS 40 MARKS – 30 MINUTES

2.1 2.1.1 **Name any TWO factors that influence the price of natural resources.**

- Supply and demand ✓
- Climate ✓
- Location ✓
- Quality of resources ✓
- Technology ✓ (Any 2 x 1) (2)

2.1.2 **Why are imports not included in domestic expenditure?**

- It is because they do not form part of domestic production. ✓✓
- The income from their purchases is spent in other countries and not locally. ✓✓

(Accept any other correct relevant response.) (Any 1 x 2) (2)

2.2 **DATA RESPONSE**

2.2.1 **Name any ONE form of transport.**

- Rail transport ✓
- Air transport ✓
- Water transport ✓ (Any 1 x 1) (1)

2.2.2 **Which agency is responsible for constructing and maintaining national roads in South Africa?**

- South African National Roads Agency (SANRAL) ✓ (1)

2.2.3 **Briefly describe the term *infrastructure.***

- Infrastructure is the basic facilities, services and installations needed for the functioning of an economy, such as buildings, roads and power supply that enable productivity.✓✓

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

2.2.4 **Explain the economic importance of transport to the economy**.

- Transport brings the consumer and the manufacturer together. ✓✓
- It makes a valuable contribution to the gross domestic product of the country. ✓✓
- It helps with employment in the tourism industry. ✓✓

(Accept any other correct relevant response.) (Any 1 x 2) (2)

2.2.5 **How can the South African government improve the functioning of public transport in the country?**

The government can improve public transport by:

- Making it easy to use public transport by improving public vehicle design and using off-vehicle fare. ✓✓
- Encouraging municipalities to work closely with minibus taxis and information systems to manage operations better. ✓✓
- Working with companies developing innovative apps to offer shuttle type solutions to large companies instead of them providing traditional parking for employees. ✓✓
- Reduce traffic congestion by providing dedicated lanes for public transport. ✓✓
- Regulating public transport fares. ✓✓

(Accept any other correct relevant response.) (Any 2 x 2) (4)

2.3 **DATA RESPONSE**

2.3.1 **Which economic system is depicted by the image above?**

- Central Planning/Command Economy ✓ (1)

2.3.2 **Who allocates the resources in the system depicted above?**

- Government ✓ (1)

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

- It is a means by which countries and governments distribute resources and how trade of goods and services take place. ✓✓

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

2.3.4 **Explain ONE advantage of the economic system depicted in the image above.**

- Efficient use of resources: Government decides the way in which they utilise their resources. ✓✓
- Improvement in personal welfare: Resources are used efficiently in order to achieve maximum productivity and minimum wastage. ✓✓

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

2.3.5 **How does self- interest benefit an economy?**

Self-interest is one of the main driving forces in a market economy as:

- Businesses are driven to produce goods and services at a minimum cost to achieve maximum profits and consumers buy goods at lower prices. ✓✓
- They are also driven to use scarce resources to produce only the goods and services that society wants most, to achieve allocative efficiency. ✓✓
- Businesses try to maximise profits or minimise losses and this leads to economic growth. ✓✓

(Accept any other correct relevant response.) (2 x 2) (4)

2.4 **Discuss the role of households in an open circular flow.**

- Households are the major consumers of economic goods and services – they use their income to buy goods and services from firms. ✓✓
- Households are the primary economic participants because they are the owners of the four factors of production. ✓✓
- Households sell factors of production in the factor market to firms. ✓✓
- Households receive a remuneration from the firms in the form of wages, rent, interest and profit. ✓✓

(Accept any other correct relevant response.) (4 x 2) (8)

2.5 **How has the war in the Ukraine affected environmental deterioration?**

- Increased pollution levels due to the high number of tanks and other military equipment emitting carbon monoxide. ✓✓
- Air quality has suffered due to ongoing fires of buildings due to air strikes and other explosive methods. ✓✓
- Radiation levels have increased due to damage to nuclear facilities in and around Ukraine. ✓✓
- These radiation levels have already affected the quality of soil around the targeted areas. ✓✓
- Noise pollution has also increased due to aircrafts flying over and air strikes. ✓✓

(Accept any other correct relevant response.) (4 x 2) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

3.1 3.1.1 **Name any TWO functions of the Central Bank.**

- It is a banker to commercial banks. ✓✓
- A banker to the government. ✓✓
- A custodian of gold and foreign exchange reserves. ✓✓
- Provides economic and statistical services. ✓✓ (Any 2 x 1) (2)

3.1.2 **Why was money introduced as a medium of exchange?**

- To simplify trade. ✓✓
- To overcome the shortcomings of the barter system. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

3.2 **DATA RESPONSE**

3.2.1 **From the graph above, identify a country with the most unequal distribution.**

Country B ✓ (1)

3.2.2 **What does the *Gini coefficient of zero* mean?**

It means equal distribution of income/perfect equality. ✓ (1)

3.2.3 **Briefly describe the term *Lorenz curve.***

A graph showing the distribution of income (or wealth) within an economy. ✓✓
(Accept any other correct relevant response.) (2)

3.2.4 **Explain the relationship between the Lorenz curve and the Gini coefficient**.

- The more unequal a country's income distribution, the further its Lorenz curve is from the 45 degree line and the higher its Gini coefficient. ✓✓
- If there is perfect equality, the Lorenz curve will be the same as the 45 degree line and the Gini coefficient will be zero. ✓✓

(Accept any other correct relevant response.) (Any 1 x 2) (2)

3.2.5 **Suppose the area between Country A and the line of equality is 20 and the total area (C + D) below the line of equality is 100, calculate the Gini coefficient. Show all calculations.**

Gini co-efficient = C/C + D
= 20 ✓ /100 ✓
= 0,2 ✓✓ (4)

3.3 DATA RESPONSE

3.3.1 Name any ONE characteristic of developing countries.

- Low standard of living ✓
- Low per capita income ✓
- Unequal distribution of income ✓
- Low life expectancy ✓
- Lack of education ✓

(Accept any other correct relevant response.) (Any 1 x 1) (1)

3.3.2 Which indicator is used when measuring HDI?

- Life expectancy ✓
- Education ✓
- GDP per capita ✓

(Accept any other correct relevant response.) (Any 1 x 1) (1)

3.3.3 Briefly describe the term *economic development.*

- It is an improvement in the standard of living of the people of a country. ✓✓

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

3.3.4 Explain the use of per capita figures.

- To measure standard of living in a country. ✓✓
- To compare prosperity levels of different countries. ✓✓

(Accept any other correct relevant response.) (Any 1 x 2) (2)

3.3.5 How can the South African government improve the quality of human resources?

The government can:

- Invest in the quality of education ✓✓
- Provide in-service training ✓✓ (2 x 2) (4)

3.4 **Briefly discuss the importance of indigenous knowledge systems.**

- IKS are seen as the key to sustainable social and economic development. ✓✓
- Provide a productive framework for activities aimed at helping communities. ✓✓
- Offer problem-solving plans or strategies for local communities, especially the poor. ✓✓
- Represent an important contribution to global development knowledge. ✓✓

(4 x 2) (8)

3.5 **Evaluate the Reconstruction and Development Programme as a development strategy in South Africa**.

Positive aspects:

- Was a labour-intensive public works programme ✓✓
- Assisted in the reduction of poverty by providing more employment ✓✓
- It was a socio-economic policy framework that went through as a golden thread in every government plan ✓✓
- Assisted in the development of human resources, one of the most important resources that the economy needs for development ✓✓
- Assisted in the increase of infrastructure development ✓✓
- Promoted the implementation of land reform ✓✓
- Helped in the provisioning of houses, water, electricity and primary health care ✓✓

Negative:

- Unemployment rate kept rising ✓✓
- Poverty and service delivery were never improved ✓✓

(Accept any other correct relevant response.) (8)

[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1 4.1.1 **Name any TWO methods used to calculate Gross Domestic Product.**

- Production method ✓
- Income method ✓
- Expenditure method ✓ (Any 2 x 1) (2)

4.1.2 **Why is wealth more important than income?**

- Wealth is more important for understanding social inequality as it generates income, hence income inequality depends in part on wealth inequality. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 **Give ONE example of taxes on products.**

- Vat ✓
- Excise duties ✓ (1)

4.2.2 **Name ONE form of compensation for employees.**

Salaries and wages ✓ (1)

4.2.3 **Briefly describe the term *current prices*.**

- Current prices measure GDP using the actual prices in the economy. ✓
- Current prices make no adjustment for inflation. ✓

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

4.2.4 **Explain the purpose of subsidies on production.**

- Subsidies on production reduce the production costs for the manufacturer and encourage production of essential products. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

4.2.5 **Calculate the consumption of fixed capital as a percentage of the GVA at factor cost for 2019. Show ALL calculations.**

713 078 ✓/4 428 317 ✓ × 100
16,1% ✓✓ (4)

4.3 **DATA RESPONSE**

4.3.1 **What is the main aim of the NDP?**

- To eliminate poverty and inequality. ✓

(Accept any other correct relevant response.) (1)

4.3.2 **In which year does the NDP aim to achieve its main objective?**

2030 ✓ (1)

4.3.3 **Briefly explain the term *economic growth*.**

- It is an increase in the production capacity of a country. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

4.3.4 **Explain the negative effect the NDP can have on taxpayers.**

- For implementation of the NDP the state will increasingly need more revenue – more and higher taxation will be needed. ✓✓
- Reduces disposable income of individuals. ✓✓
- Higher levels of fraud and corruption affecting services to the poor. ✓✓

(Accept any other correct relevant response.) (Any 1 x 2) (2)

4.3.5 **How will the South African economy benefit from the implementation of the NDP?**

The South African economy will benefit through:

- Reduction of youth unemployment ✓✓
- Providing young people with broader opportunities ✓✓
- An increase the competitive capacity of the economy ✓✓
- Improving the standard of living of the people ✓✓
- Increasing the pace of industrialisation ✓✓

(Accept any other correct relevant response.) (Any 2 x 2) (4)

4.4 **Discuss the economic importance of the tertiary sector.**

- The tertiary sector contributes to the value of South Africa's GDP. ✓✓
- Creates job opportunities in the tertiary sector since this sector involves service delivery. ✓✓
- The tertiary sector is a source of income for the state. ✓✓
- Creates a market for consumer products ✓✓
- Contributes to South Africa's exports ✓✓

(Accept any other correct relevant response.) (Any 4 x 2) (8)

4.5 **Analyse South Africa's constraints in relation to economic growth.**

- The overvaluation and volatility of South Africa's currency. ✓✓
- An inadequate national infrastructure to promote economic growth. ✓✓
- A shortage of skilled labour. ✓✓
- Barriers to entry to the market, limits to competition and minimal new investment opportunities. ✓✓
- Deficiencies in state organisation, capacity and leadership. ✓✓

(Accept any other correct relevant response.) (8)

[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction: The introduction is a low-order response. • A good starting point would be to define or explain a concept or key word that appears in the question. • Do NOT include any part of the question in your introduction. • Do NOT repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body.	Max. 2
Body: **Main part**: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Differentiate/ Explain/Assess/Draw a graph and explain/Use the graph given and explain/ Complete the graph given/Debate **A maximum of 8 marks can be awarded for headings/examples.** **Additional part**: Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Calculate/Deduce/Compare/Explain/Distinguish/ Interpret/Briefly explain/How?/Suggest/Analyse/Evaluate **A maximum of 2 marks can be awarded for merely listing of facts.**	Max. 26 Max. 10
Conclusion: Any higher order conclusion must include the following: • A wrap-up of the discussion of the topic without repetition of facts already mentioned • An own opinion or value judgement of the points discussed,with examples to support your discussion • Additional, supporting information that strengthens your discussion/analysis • A contradictory viewpoint with motivation, if requested. • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MACROECONOMICS 40 MARKS– 40 MINUTES

- **Discuss, in detail, the importance of entrepreneurial skills.** (26 marks)

- **How can the government assist entrepreneurs of small businesses that have been negatively affected by the COVID-19 pandemic?** (10 marks) **[40]**

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 other correct relevant response.) (Max. 2)

MAIN PART

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 enough 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 made after the break-even point is the profit. ✓✓

Takes risks: ✓

- In a market economy, the role of the entrepreneur is to accept or take 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 who 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 who 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 does not have the capacity to 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 positive effect happens at the same time and the state spends less on unemployment payments and other social welfare services as wealth becomes more evenly distributed. ✓✓ (Max. 26 marks)

ADDITIONAL PART

How can the government assist entrepreneurs of small business that have been negatively affected by the COVID-19 pandemic?

- Grant tax relief to small businesses for a specific period. ✓✓
- For small and medium businesses that are negatively affected, directly or indirectly by the Coronavirus pandemic, the state can grant debt relief facility. This soft-loan facility could assist entrepreneurs of small businesses to keep them afloat during the COVID-19 pandemic. ✓✓
- For entrepreneurs in small businesses who locally manufacture or supply hygiene and medical products, and food items which are in demand to curb and manage the spread of the COVID-19 virus, grant such businesses resilience facilities such as working capital, stock, bridging finance, order finance and equipment finance. ✓✓

- Facilitate bulk buying opportunities for spaza shops so that they will realise the potential to serve as a market for locally manufactured goods. ✓✓
- Establish a support fund for smallholder and communal farmers. ✓✓

(Accept any other correct relevant response.) (Max. 10)

CONCLUSION

South Africa has an abundance of natural resources, and if utilised productively and developed to its full potential, our country could become a sustainable, thriving economy. ✓✓

(Accept any other relevant correct conclusion.) (Max. 2) **[40]**

QUESTION 6: ECONOMIC PURSUITS 40 MARKS – 40 MINUTES

- **Discuss the functions of the South African Reserve Bank under the following headings:**
  - **Government's banker (8)**
  - **Bank of issue (8)**
  - **Banker's bank (10)** (26 marks)
- **How will the Governor of the Reserve Bank use monetary policy to influence the quantity of money of the country?** (10 marks) **[40]**

INTRODUCTION

The central bank is the monetary authority of a country. South Africa's central bank was established in 1920. The main function of the SARB is to be the monetary authority. ✓✓

(Accept any other correct relevant introduction.) (Max. 2)

MAIN PART

Government's banker:

- The Reserve bank is the main banker of the state. ✓✓
- It renders services to the government which are similar to those that commercial banks render to their clients. ✓✓
- Government departments deposit their funds with the Reserve Bank and draw cheques on their accounts. ✓✓
- The Reserve Bank also provides loans, foreign exchange and financial advice to the government. ✓✓
- It also provides monetary advice to the government. ✓✓ (Max. 8)

Bank of issue:

- The SARB has the sole right to issue bank notes and coins. ✓✓
- The South African Mint Company mints South Africa's coins. ✓✓
- Both these companies are subsidiaries of the SARB. ✓✓
- In the issuing of bank notes and coins, the bank (SARB) is guided by the needs of the economy. ✓✓ (Max. 8)

Banker's bank:

- The SARB declares and keeps the minimum cash reserves that all banks are required to hold to stay solvent. ✓✓
- The SARB acts as a clearing bank by settling inter-bank obligations. ✓✓
- The commercial banks do not have to repay the various cheques to one another, because the SARB will settle the balances between the banks. ✓✓
- The SARB is the lender of last resort. ✓✓
- It grants loans to the commercial banks when these banks have a liquidity problem. ✓✓
- The SARB oversees the commercial banks. ✓✓
- It ensures that the banks are operating in accordance with the Banks Act. ✓✓
- The SARB makes sure that all the banks implement monetary policy. ✓✓

(Max. 10)
(Max. 26 marks)

ADDITIONAL PART

How will the government of the Reserve Bank use monetary policy to influence the quantity of money of the country?

The SARB can influence the quantity of money stock of the country by:

- Increasing the supply of money by adding money to the economy ✓✓
- Decreasing the supply of money by withdrawing money from the economy ✓✓
- Contracting economic activities in times of recession and depression ✓✓
- Stimulating the economy by increasing the supply of money ✓✓
- Cooling down the economy by reducing the supply of money during inflation ✓✓
- Stimulating the economy by decreasing the repo rate using interest rates and by banks decreasing interest rates ✓✓
- Influencing the supply of money by changing percentage of deposits that banks must keep as cash reserve ✓✓
- Limiting the supply of money by selling securities to the banks or can do the opposite when it wants to increase the supply of money ✓✓
- Convincing moral persuasion by asking banks to be more careful with the granting of loans or by encouraging loans ✓✓

(Accept any other correct relevant response.) (Max. 10 marks)

CONCLUSION

The South African Reserve Bank can improve and promote economic growth and development through the correct design and implementation of monetary policy. ✓✓
(Accept any other correct relevant conclusion.) (Max. 2) **[40]**

TOTAL SECTION C: 40

TOTAL: 150