GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

NOVEMBER 2019

GRADE 11

ECONOMICS
PAPER 1

MARKING GUIDELINES

15 pages

Copyright reserved

SECTION A (COMPULSORY)

QUESTION 1 30 MARKS - 20 MINUTES

1.1. MULTIPLE-CHOICE QUESTIONS

1.1.1 C √√ natural resources
1.1.2 A √√ economic aggregates
1.1.3 D √√ government
1.1.4 C √√ mineral resources
1.1.5 A √√ 0 and 1
1.1.6 B √√ Economic growth rate
1.1.7 D √√ free trade area
1.1.8 C √√ eradicate poverty

(8 x 2) (16)

1.2. MATCHING ITEMS

1.2.1 C √ (Occurs when labour-capital ratio increases)

1.2.2 I √ (Mineral resources and fossil fuels are exhausted when they are mined)

1.2.3 D √ (Means of production are controlled by private owners)

1.2.4 E √ (Production of capital goods)

1.2.5 F √ (Ratio of output to input)

1.2.6 B √ (The practice of passing on wealth from one generation to the next)

1.2.7 A √ (Trade agreement between a group of emerging markets)

1.2.8 G √ (Bank saving accounts and term deposits)

(8 x 1) (8)

1.3. GIVE THE TERM

1.3.1 Depreciation √
1.3.2 Economic goods √
1.3.3 Parastatals √ / Public corporations √
1.3.4 Fiscal policy √
1.3.5 Human development index √
1.3.6 Cash reserve requirement √

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS 40 MARKS – 30 MINUTES

2.1 **Answer the following questions**

2.1.1 **Mention any TWO kinds of capital**

- Physical capital √
- Financial capital √
- Fixed capital √
- Human capital √
- Social capital √
- Capital stock √
- Working capital √ (2 × 1) (2)

2.1.2 **Why is the supply of land fixed?**

- The resources are not man-made √√
- These resources are scarce in relation to the demand for them √√
- The availability of non-renewable resources cannot be increased if more resources are required √√

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

2.2

2.2.1 **Name the industry of the primary sector presented in the above picture**

- Forestry √√ (2)

2.2.2 **What is the relationship between the primary and secondary sector?**

- The primary sector provides raw materials for further processing. √√
- The secondary industries process or manufacture the raw material into more useful products for use by all of the sectors. √√

(Any relevant correct information) (1 × 2) (2)

2.2.3 **Briefly explain why minimum wage was introduced in the agricultural sector in South Africa**

Minimum wage was introduced to create a minimum standard of living for farm workers. √√ (Accept any other correct relevant response.) (2)

2.2.4 **Why is the contribution to GDP important in the primary sector?**

- Primary sector decreased in terms of the direct value it added √√
- The relative decline represents a structural change √√
- It means a country becomes less dependent on the primary sector and more dependent on the secondary and tertiary sectors √√
- Industry has a very important role because it provides food to the domestic population √√
- Contributes greatly to employment and export earnings √√

(2 × 2) (4)

2.3

2.3.1 **Which method was used in the calculation of the gross domestic product above?**

- Production √ / GDP(P) √ (1)

2.3.2 **Which year is currently used as the base year by the SARB?**

- 2010 √ (1)

2.3.3 **Briefly explain the concept Gross Value Added.**

- Measure of the value of goods and services produced in each stage of production √√ (2)

2.3.4 **Briefly describe the term Gross National Product (GNP).**

- Total market value of goods and services produced by permanent residents of a country during a given period √√ (2)

2.3.5 **Calculate the percentage contribution of the secondary sector to the Gross Value Added at basic prices. Show all your calculations.**

$\frac{833\ 994}{3\ 974\ 873} \times \frac{100}{1}$ √√

= 20,98 % √√ or 21% √√ (4)

2.4 **Discuss the economic importance of the tertiary sector in the economy**

Contribution to GDP √

- The tertiary sector currently makes the greatest contribution to South Africa's GDP. √√
- The contribution has increased from 51% of GDP in 1960 to 67% in 2010. √√
- This shows that our economy is becoming more developed as products from the other sectors are traded on formal markets. √√

Contribution to employment and training √

- The tertiary sector is the largest employer in economy. √√
- It employed 71% of the workforce in 2010√√
- It provides jobs for highly skilled as well as semi-skilled and unskilled workers. √√
- Opportunities for training are provided by most of the businesses in this sector, both state and privately owned. √√

Contribution to economic growth √

- The growth of the tertiary sector has been greater than that in any of the other sectors. √√
- The growth in the tertiary sector for the seven years from 2003 to 2010 was much higher than that of the primary and of the secondary sectors. √√
- Over this period the tertiary sector was the "engine of growth" that pulled the other sectors. √√

Contribution to exports √

- Countries export services when they sell services, such as insurance and port facilities, to foreigners. √√
- Countries also import services. √√
- The growth of the tertiary sector has been greater than that in any of the other sectors. √√

(A maximum of 4 marks should be allocated for headings / listing of facts and examples.) (Any 2 x 4) (8)

2.5 **How can procurement benefit the marginalised people in South Africa?**

- It addresses past discriminatory policies and practices √√
- It redistributes wealth by channeling funds to businesses belonging to previously disadvantaged groups √√
- It achieves anti-discrimination objectives in the workplace √√
- It directs investment funds into underdeveloped and disadvantaged rural communities by means of conventional constructional projects √√
- Encourages the participation of SMME's in providing goods and services for government procurement √√ (8)

[40]

QUESTION 3: ECONOMIC PURSUITS 40 MARKS – 30 MINUTES

3.1

3.1.1 **Name any TWO examples of social grants**

- Child support grant √
- Foster care grant √
- Old age pension grant √
- Disability grant √ (2 x 1) (2)

3.1.2 **What is income inequality?**

Extreme concentration of income among few participants in the economy √√ / Income distribution that is not in proportion to the number of persons in the population. √√

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

3.2

3.2.1 **List TWO member countries of SADC**

- Angola√
- Botswana√
- DRC √
- Lesotho √
- Malawi √
- Mauritius √
- Mozambique √
- Namibia √
- RSA √
- Seychelles √
- Swaziland √
- Tanzania √
- Zambia √
- Zimbabwe √
- Madagascar √ (2 x 1) (2)

3.2.2 **What does the abbreviation SADC stand for?**

- South African Development Community √√ (2)

3.2.3 **Name ONE economic goal of SADC.** (2)

- Economic well-being √√

3.2.4 **Briefly discuss South Africa's importance in Africa**

- It sets an example – it has solved its internal political problems in a peaceful manner, not by means of 'the barrel of a gun' √√
- It is an independent facilitator – South Africa has played a role in facilitating acceptance of Nepad by the most developed nations √√
- It is involved – Former President Thabo Mbeki was one of the main architects of Nepad, a policy which focuses very much on the economic development of African countries. √√ (4)

3.3

3.3.1 **Name the curve that represents the *Lorenz curve*.**

- Curve C √√ (2)

3.3.2 **Briefly explain the term *Lorenz curve*.**

- It is a method of measuring the degree of inequality of income and wealth distribution between households.√√ (2)

3.3.3 **What happens when the *Lorenz curve* is away from the line of equality?**

- There will be a greater degree of inequality. √√ **(2)**

3.3.4 **Why is income and wealth in a country such as South Africa so unequally distributed?**

- South Africa does not have a saving culture √√– means that poor and middle income families are unlikely to gain wealth √√ as they are not saving money and investing but rather spending everything they earn. √√
- Poor families tend to have larger families than wealthy people √√ – they are unlikely to have any money left at the end of the month to save and generate wealth. √√
- The education system in South Africa is still producing huge numbers of students that do not qualify to study at tertiary institutions √√ – this means that the skills shortage in this country is not being addressed. √√
- Skilled workers will thus continue to command higher wages than the unskilled workers. √√ With these higher wages the skilled workers are able to save and generate wealth. √√ (4)

3.4 **How does regional economic integration remove trade barriers between member countries?**

- Free trade area √
  Two or more countries agree to trade with each other by eliminating tariffs and other barriers to trade amongst the members. √√
  Each country still has its own tariffs on imports from non-member countries. √√

- Common monetary union √
  Countries situated near each other agree to use one single currency as a legal tender. √√
  South Africa has such an agreement with Swaziland and Lesotho. √√

- Customs union √
  Countries agree on a single external tariff amongst member countries e.g. SACU. √√

- Common market √
  Includes all the features of a customs union but also permits the free movement of capital and labour beyond the borders of member countries. √√

- Monetary union √
  Member countries use a single currency to trade as with a CMA. √√
  In an economic union there is free movement of labour and capital. √√
  Economic policies are synchronised amongst member countries. √√
  [If only listed, max 4 marks] (8)

3.5 **Explain low life expectancy and lack of education as the characteristics of developing country.**

- Low life expectancy
  Developing countries have a low life expectancy, on average 51 years, compared to 75 years for developed countries. √√
  This means that a smaller portion of a developing country's population is available as an efficient labour force. √√
  They are fighting an endless battle against diseases, ill health and malnutrition. √√

  (Any 2 × 2) (4)

- Low standard of living
  Low living standards are also related to low levels of education. √√
  The level and effectiveness of education is expressed by the adult literacy rate. √√
  This is a percentage of people aged 15 years and above who can read, write and speak. √√
  Literacy rates in developing countries are low compared to those in developed countries. √√
  Education deficiencies and the apartheid legacy have caused severe skills shortages in South Africa. √√
  The most important way of escaping poverty for individuals is education. √√
  An improved education system is necessary to grow the economy as a whole. √ √ (Any 2 × 2) (4)

(8)

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

40 MARKS – 30 MINUTES

4.1

4.1.1 **List two methods of determining GDP**
Income √
Production √
Expenditure √ (2)

4.1.2 **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. √√ (1 × 2) (2)

4.2

4.2.1 **What type of economic system is referred to in the above extract?**
- Command √ / centrally planned √ / command √ (1)

4.2.2 **Who allocates the resources in the above extract?**
- Government √ (1)

4.2.3 **Briefly describe the term economic system.**
- Methods used by countries to allocate their resources √√ (2)

4.2.4 **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 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. √ √

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

4.3

4.3.1 **Name TWO risks that banks face**

- Liquidity risk √
- Credit risk √
- Interest rate risk √
- Investment risk √
- Capital risk √ (2 x 1) (2)

4.3.2 **How does the South Africa Reserve Bank deal with bank failure?**

The South African reserve bank ensures that banks are managed in terms of the Banks Act, and that depositors are not exposed to unnecessary risk √√
(Accept any other correct relevant response) (2)

4.3.3 **Who are the victims of bank failure?**

- Depositors √
- Shareholders √ (2)

4.3.4 **Briefly explain medium of exchange and measure of value as functions of money.**

- Medium of exchange
  It is generally accepted as a means of payment. √√
  Goods, services and labour are exchanged for money. √√
- Measure of value
  Money provides a measure that enables us to put a value on goods and services. √√
  If a price is allocated to something, money serves as a measure of value. √√ (4)

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

Economic growth	Economic development
Is an increase in the productive capacity of the economy √√	Is an increase in the standard of living of people in a country √√
Is measured as a percentage change in real GDP √√	Deals with issues such as education literacy, heath care, unemployment and environmental sustainability √√
Concerned with goods and services √√	Concerned with people and human development √√
Is necessary input for economic development √√ (2 x 2) (4)	Growth should lead to development √√ (2 x 2) (4)

(8)

4.5 **Discuss reasons for the unequal distribution of income.**

- Unequal holdings of wealth – As wealth generates income in the form of profits, interest and dividends, differentials in wealth cause differences in income. √√
- Differences in the composition of households – Some households are big and others are small. √√
- Differences in skills and qualifications – Those with advanced skills and qualifications are likely to earn high incomes. √√
- Discrimination – The income of some groups is adversely effected by discrimination in terms of employment opportunities, pay and promotion chances. √√ (2 x 4) (8)

SECTION C

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

QUESTION 5: MACROECONOMICS 40 MARKS – 40 MINUTES

- **Discuss in detail South Africa's infrastructure. (26 marks)**
- **In your opinion what has caused the ongoing energy crisis in South Africa since 2008? (10 marks) [40]**

INTRODUCTION

Infrastructure refers to country's social capital. It is the pedestal that carries the economic structure of a country √√ (max. 2)

MAIN PART

Communication √

An efficient communication infrastructure is essential, particularly for business because they have to:

- Watch prices √√
- Check the availability of raw materials and services √√
- Follow financial changes √√
- Compare and assess domestic and foreign economic conditions

Telephones √

Telephones operate with cable connections or signal connection. √√

- Fixed -line telephones. The fixed-line system used in South Africa are owned and managed by Telkom SA. The fixed landline system is essential also provides for the following essential communication elements √√
  - Email: Personal computers can communicate with one another by means of modems. Email messages and other type of correspondence are transmitted from one computer to another. √√
  - Facsimile services: This machine makes it possible to send messages and images by telephone line. √√
  - Internet: PCs with modems can access one another's database and other information storage areas. All kinds of information can be obtained or distributed within seconds worldwide. Buying and selling over the internet is called e-commerce. √√
  - Cellular phones: These phones operate on airwave signals. Communication can be set anywhere where signals are available when travelling or when stationary. SMS-function performs a short message function. √√

- Postal services √
  - Mail by land or air is the most common and basic means by which messages can be communicated and goods delivered.
  - The speed at which globalisation takes place depends on a fast and reliable communication system. √√

- Media √
  - The print, such as magazines and newspapers communicate with the public by providing both general and specific information.
  - Electronic media includes radio, television and internet.

Transport √

- Road transport √
  - South Africa has a modern road transport system. √√
  - Private motor vehicles are the most important form of road transport. √√
  - Mini-bus taxis provide an important service to nearly half of South Africa's daily commuters. √√

- Rail transport √
  - Spoornet manages the national railway network of South Africa. √√
  - Most of Spoornet's rolling stock is produced in South Africa. √√
  - Spoornet provides railway transport to mainly for goods containers. √√
  - South Africa's railway network is the largest in Africa. √√

- Ports and marine transport. √
  - Portnet manages all harbours. √√
  - South Africa does not have a national sealine, however has a large commercial fleet that is privately owned. √√

- Air transport √
  - South African Airways (SAA) is South Africa's national air carrier and provides extensive network of flights between all major centres within South Africa, and between South Africa and some neighbouring countries and major overseas cities. √√

Energy √

South Africa has a well-developed energy infrastructure, which provides an almost uninterrupted supply without major shortages. √√
It is exceeds the norm compared to other developing countries

- Electricity √
  - Electricity is supplied by cables and transmitted by means of power lines. √√
  - Eskom is the national provider. √√
  - Electricity in South Africa comes from three major sources: coal, water and nuclear power. √√

- Liquid fuel √
  - Crude oil, petrol, diesel, paraffin and aviation fuel are the most important fuels used in South Africa. √√
  - Retail distribution of all fuel is affected by means of hundreds of fuel stations that belong to private firms. √√

- Gas √
  - Natural gas is produced from a source in Mossel Bay and it is used by Petro SA. √√
  - Coal gas is processed and distributed by Sasol. √√

- Renewable sources √
  - Apart from water used for hydro-electrical power, the only other source of energy that is used on a significant scale in South Africa is firewood. √√
  - In some areas it is completely depleted and in other areas they are under heavy pressure. √√
  - The alternative is to use coal. √√
  - Solar, wind and tidal energy are at experimental levels, although at different stages. √√
    (A maximum of 8 marks for headings and examples) (max. 26)

ADDITIONAL PART

- 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 required 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 especially low rates by Eskom. √√
  (Accept any correct relevant answers.) (max. 10)

CONCLUSION

Infrastructure has a vital role in the country, as it is an enabler for economic growth and economic development. √√ (Accept any other correct relevant 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)**
  - **Bankers' 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. √√ (Any appropriate introduction is acceptable.) (max. 2)

BODY

- **Government as banker**
  - The Reserve bank is the main banker of the state. √√
  - It renders services to the government which are similar to those 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. √√
  - Also provides monetary advice to the government √√ (max. 8)

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

- **Bankers' bank**
  - SARB declares and keeps the minimum cash reserves that all banks are required to hold to stay solvent. √√
  - SARB acts as a clearing bank by settling inter-bank obligations. √√
  - The banks do not have to repay the various cheques to one another, but 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)

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 of the country by:

- increasing the supply of money by adding money to the economy √√
- or decreasing the supply of money by withdrawing money from the economy √√
- contraction of economic activities will happen 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 repo rate using interest rates and banks will decrease interest rates √√
- influencing the supply of money by changing the percentage of deposits that banks must keep as cash reserve √√
- limiting the supply of money by selling securities to the banks or the opposite when it wants to increase the supply of money √√
- convincing moral persuasion to ask banks to be more careful with the granting of loans or to encourage loans √√

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

CONCLUSION

The mission of the SARB is to protect the internal and external value of the rand; it has control over all money-related issues in South Africa. √√
(Accept any other correct relevant conclusion)

(Max. 2)
[40]

TOTAL SECTION C: 40

GRAND TOTAL: 150

Copyright reserved