



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

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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**

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**SECTION A**

**QUESTION 1**

**1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 A ✓✓ (women and physically challenged persons)  
1.1.2 C ✓✓ (land)  
1.1.3 C ✓✓ (15-64)  
1.1.4 C ✓✓ (added)  
1.1.5 D ✓✓ (Minister of Finance)  
1.1.6 A ✓✓ (Development)  
1.1.7 D ✓✓ (Parastatals)  
1.1.8 C ✓✓ (circular flow)

**1.2 MATCHING COLUMNS**

- 1.2.1 D✓ (The government owns all the factors of production)  
1.2.2 F ✓ (Goods that are used to produce other goods)  
1.2.3 A✓ (Resources like minerals and land)  
1.2.4 B ✓ (GDP (I) @ basic prices)  
1.2.5 G✓ (Publishes the GDP figures)  
1.2.6 H✓ (Process raw materials into final products)  
1.2.7 C ✓ (C+I+G)  
1.2.8 E✓ (Communication, transport and energy) (8x1) (8)

### **1.3 CONCEPTS**

1.3.1 Factor Cost✓

1.3.2 Production / Value added✓

1.3.3 Market prices✓

1.3.4 Social welfare / welfare✓

1.3.5 Intermediate goods✓

1.3.6 Nationalisation✓

(6x1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

Answer TWO of the three questions from this section in the ANSWER BOOK.

**QUESTION 2 MACROECONOMICS****40 MARKS – 30 MINUTES**

2.1 Answer the following questions:

2.1.1 **List TWO categories of natural resources** (2x1) (2)

- renewable resources ✓
- non-renewable resources ✓

2.1.2 **How is GNI calculated?** (1x2) (2)

- By subtracting income from the rest of the world and add income to the rest of the world. ✓✓

**2.2 DATA RESPONSE**

2.2.1 **Which economic system can be linked to capitalism?** (1)

- Free market economy ✓

2.2.2 **Describe the economic system named in Question 2.2.1** (1x2) (2)

- Is one where prices and quantities are determined by the market forces of demand and supply. ✓✓ /
- The decisions of what, how and for whom to produce are taken by the businesses. ✓✓

2.2.3 **Explain why Samuelson says that the market economy is a “great thing”.** (1)

- Economic life proceeds without direct government intervention ✓

2.2.4 **Explain THREE disadvantages of non-governmental intervention.** (3x2) (6)

- More unemployment/more poverty/no economic growth
  - Lack in infrastructure ✓✓
  - Transport lacking (no roads and no ports) to distribute goods or to do business. ✓✓
- (Accept any relevant answer.)

## 2.3 DATA RESPONSE

2.3.1 Identify the planned expenditure on health in 2016 / 2017. (1)

- R168.4b✓

2.3.2 The total government spending in 2016/17 will amount to R1 463.3 billion. Calculate the percentage of the budget that has been allocated to basic education in 2016/17. (1x2) (2)

- $(228.8 / R1463.3 \times 100 = 15,6\%)✓✓$

2.3.3 In his 2016 budget speech, the Minister of Finance said that “personnel spending has been curtailed and cost containment measures are reinforced.” (1x3) (3)

**Provide evidence to support the Minister’s statement.**

- Government is making an effort to implement budget cuts✓ – spending on general public services will decrease from R97.5b (2015) ✓ to R73.7b (2016) ✓

2.3.4 Name the category in the table that would include the amount spent on old-age pensions. (1x2) (2)

- Social protection✓✓

2.3.5 What deductions can be made about debt-servicing costs? (1x2) (2)

- Debt-service costs✓✓

2.4 Briefly discuss efficiency in the delivery of social services in South Africa. (8)

- Education and training✓
    - Education is the single largest item of expenditure in the budget. ✓✓
    - It includes basic education in schools, FET colleges and universities, to increase literacy✓✓
  - Healthcare✓
    - To provide basic health services to the community as a whole
    - demand for healthcare is likely to increase as more patients have to receive treatment for HIV/Aids and TB✓✓
  - The housing function✓
    - Includes the provision of housing for the needy✓✓
  - Social security✓
    - Tries to meet the basic needs of some individuals✓✓
    - It also protects and promotes the rights of vulnerable groups such as children, older persons, woman and people with disabilities. ✓✓
  - Public order and safety✓
    - Physical protection includes the defence, police, and criminal justice system and prison services. ✓✓
    - They are collective services. ✓✓
- The quality and efficiency of these services make societies and individuals feel safe or unsafe, and secure or insecure. ✓✓

2.5 **How are entrepreneurs rewarded for their contribution to the economy?** (4x2) (8)

- Profit: The reward an entrepreneur will earn for taking risks √√
- Profit = Sales – Cost of Production or the amount that is left after all the costs in terms of the use of the other factors of production is paid. √√
- Profit can vary from one year to another. √√
- Profits are not guaranteed. √√
- Profits depend on the ability and skills of the entrepreneur. √√
- Profits depend on the condition of the economy of the country. √√
- Profits depend on the demand for goods and services. √√
- Profits depend on the competition from other enterprises. √√
- Profits can be used in three ways:
  - It can be reinvested to replace capital or to add to existing capital √√
  - A part can be paid to the government as tax √√
  - A part must be paid to shareholders as dividends. √√

[40]

**QUESTION 3 MACROECONOMICS**

**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 **List any TWO examples of social services.**

(2x1) (2)

- education√
  - health√
  - housing and community services√
  - social protection
  - public order and safety
- (Accept any 2 relevant answer.)

3.1.2 **Why is the payment made for an import, called a “leakage”?**

(1x2) (2)

- When a payment is made for an import, money goes to a foreign country and so leaves the circular flow of the domestic economy √√
- (Accept any relevant answer)

3.2 **DATA RESPONSE**

3.2.1 **List TWO main sectors in South Africa that add value to the GDP of South Africa.**

(2x1) (2)

- Primary sector√
  - Secondary sector√
  - Tertiary sector√
- (Any TWO)

3.2.2 **What is meant by international competitiveness?**

(2)

- International competitiveness is the ability of firms in an economy to match the price and quality of the output of other countries. √√

- 3.2.3 **What should be done to “revive” the manufacturing sector?** (2x2) (4)
- There needs to be a substantial refocus by government, business and education and a roadmap drawn that alleviates current challenges. √√
  - Builds on competitive advantages √√
  - Expanding the manufacturing sector √√

- 3.2.4 **Why is the secondary sector so important for a country’s economy?** (1x2) (2)
- Makes a significant contribution to the GDP √√ (Value add / Production)
  - Creates job opportunities √√
  - Ensures economic independence √√
  - Earns foreign exchange √√ (export earnings)
  - Is an important area for investment √√ (revenue generation)
  - Ensures strategic importance in Africa (lifts an economy) √√

**3.3 DATA RESPONSE**

- 3.3.1 **Which method is used in the above table to calculate GDP?** (1)
- Production method / Value added √√

- 3.3.2 **Give ONE example of taxes on products.**
- VAT √
  - Excise duties √
  - Sin tax √
- (Any ONE) (1)

- 3.3.3 **Calculate gross domestic product at market prices. Show all calculations.** (4)
- $3\,454\,141 \sqrt{+} 404\,939 \sqrt{-} 12\,972 \sqrt{=} 3\,846\,108 \sqrt{}$
- GDP @ Basic Prices + Taxes on products – subsidies on products  
= GDP @ market prices

- 3.3.4 **Why is there such a wide difference between the primary income from the rest of the world to primary income to the rest of the world?** (2x2) (4)
- South Africa uses far more foreign factors of production than other countries use. √√
  - South Africa has less sophisticated factors such as labour / shortage of skilled or professional labour √√
  - Many foreign firms operate in South Africa. √√  
(Accept any relevant answer.)

3.4 Explain the difference between *money capital* and *real capital*. (2x4) (8)

- **Money capital**

- Money to buy capital goods is called money capital√√
- Money is capital only when it is used to buy capital goods in order to make further production possible. √√

- **Real capital**

- The actual tools and machinery bought with money capital to use in the production process to manufacture useful goods and services √√
- Real capital can be divided into two main groups: fixed capital and working or floating capital. √√
- Fixed capital includes land and buildings, vehicles, equipment and furniture. √√
- Economists call these goods durable capital goods, because they are used more than once in the production process. √√
- Working or floating capital are assets that are movable, including cash and day-to-day operations. √√
- It is used only once in the production process and consists of items like raw materials and semi-finished goods. √√
- These goods are therefore classified as non-durable capital goods. √√

3.5 How does the cell phone industry help the poor to gain access to communication? (4x2) (8)

- Cellphones are readily available√√
  - Cheap / affordable to anyone√√
  - Cellphones can be used even if you don't have a fixed residential address√√
  - No waiting for landline connections√√
  - No expensive monthly charges√√
  - The cell phone industry caters for rich and poor, variety of phones available√√
- (Accept any relevant answer.)

[40]



**QUESTION 4 MACROECONOMICS**

**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 **List TWO markets in the circular flow diagram.** (2x1) (2)

- product market / goods and services market ✓
- factor market / labour market ✓

4.1.2 **Why will a business pay a salary or wage to a member of a household?** (1x2) (2)

- Households offer labour that a business needs to apply in producing goods and services.
- Households are then paid in the form of a salary or wage for the work that has been done. ✓✓

4.2 **DATA RESPONSE**

4.2.1 **Which factor of production is linked to productivity?** (1)

- Labour ✓

4.2.2 **What is the remuneration for this factor mentioned in Question 4.2.1?** (1)

- Wages & Salaries ✓

4.2.3 **“Rising labour productivity leads to higher employment, income and profits.” What impact will this have on the economy of South Africa?** ✓✓ (2x2) (4)

- It will lead to prosperity / expansion. / It will lead to economic growth / economic development.  
(Accept any relevant answer.)

4.2.4 **Why is it impossible for South Africa to become a rich country?** (1x2) (2)

- Inflation grows faster than wages. / ✓✓
- Productivity growth has performed very poorly. (slow) ✓✓

4.2.5 **List any TWO factors which determine the quality of a labour force.** (2x1) (2)

- School education ✓
- Work related training ✓
- Health ✓

(Any TWO)

## 4.3 DATA RESPONSE

4.3.1 **What do you observe about the percentage of consumer expenditure in the 4<sup>th</sup> quarter compared to previous quarters?** (2x1) (2)

- There is a decrease in consumer expenditure on durable goods, semi durable goods, and non-durable goods. ✓
- There is a slight increase in consumer expenditure on services. ✓

4.3.2 **How do we calculate final consumption expenditure by households? Explain the components in full.** (4x1) (4)

- Durable goods ✓
- Plus semi-durable goods ✓
- Plus non-durable goods ✓
- Plus services ✓

4.3.3 **Why do poorer households spend a greater proportion of income on food than high income households?** (1x2) (2)

- Everyone has to eat and if the income is low then almost all the income has to be spent on food. ✓✓  
(Accept any relevant answer.)

4.3.4 **Explain how consumption stimulates employment.** (1x2) (2)

- If consumption increases, firms have to increase production and to do this more people are needed to produce goods and services.

4.4 **Distinguish between *nominal wages* and *real wages*.** (2x4) (8)

- **Nominal wages**
  - The amount that the worker receives each day, week or at the end of the month ✓✓ e.g. fringe benefits like a company car or clothes allowance ✓✓
- **Real wages**
  - The amount of goods and services that a person can buy with a nominal wage. ✓✓
  - This is known as the buying power of the nominal wage. ✓✓

4.5 **Why are capital goods and services important for producers of goods and services?** (4x2) (8)

- These goods help to manufacture other goods and are not directly used up. ✓✓
- Examples are machinery and tools that help to produce. ✓
- These goods are bought by manufacturers of goods and services. ✓✓
- Capital goods are also called intermediate goods. ✓✓
- It also includes goods and services that are not fully finished or have to reach the final stage for it to be consumed. ✓✓
- Still requires other processing to make it a final product. ✓✓

[40]

**SECTION C**

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

Your answer will be assessed as follows:

<b>STRUCTURE OF ESSAY</b>	<b>MARK ALLOCATION</b>
<b>Introduction</b>	Max.2
<b>Body:</b> <b>Main part:</b> Discuss in detail / In-depth discussion / Examine / Discuss / Analyse / Compare / Evaluate / Distinguish / Explain / Assess / Debate.  <b>Additional part:</b> 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 / How? / Suggestions	 Max. 26  Max. 10
<b>Conclusion:</b> Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body</li> <li>• An opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion / analysis.</li> <li>• A contradictory viewpoint with motivation, if so required</li> <li>• Recommendations</li> </ul>	 Max. 2
<b>Total</b>	<b>40</b>

**QUESTION 5**

**“As an economic resource, land encompasses all the natural resources used to produce goods and services.”**

- **Discuss the characteristics and importance of this factor of production.** (26)
- **Briefly outline the effect of drought on the primary, secondary and tertiary sectors of South Africa.** (10)

**[40]****INTRODUCTION**

Natural resources are elements that occur naturally within an environment and are used by humans to create wealth (goods and services). √√ (1x2) (2)

**OR**

Natural resources are the free gifts of nature that include elements above the earth, sun, atmosphere, climate, weather. On the surface of the earth, water, plants, ground. Beneath the surface of the earth minerals, √√ water, gas, steam, oil. (Accept any relevant introduction.)

**CONTENT****MAIN PART**

1. Resources are fossil fuels or replenishable.√
  - Natural resources must be used sparingly and effectively. √√
  - Natural resources should be managed in a sustainable way to ensure that the needs of future generations will be met. √√
2. Resources can be renewable or non-renewable.√
  - Natural resources are divided into two types according to their ability to renew themselves. √√

**Renewable**

- Are those that are replaced by natural processes √√
- Reproduce and replenish naturally without intervention **within** a short/ medium time span √√
- e.g. weather, sunlight, rain, plants and animals√

**Non-renewable**

- Cannot replenish itself or takes a very, very long time√√
- e.g. coal, oil, minerals, gas√

3. Resources are scarce.√
  - We use more resources than the planet reproduces or can replenish in time. √√
4. Resources are not spread fairly.√√
  - Some countries have more than others.√√
5. Resources are needed to produce goods and services.√√
  - Resources are used as inputs in production of intermediate and final goods. √√
6. Natural resources have a price.√√
  - For people to use natural resources, they have to pay for them. √√
  - The payment for natural resources is rent. √√
  - The rent will be determined by the quality and quantity of the natural resource. √√
  - If natural resources are scarce the rent will be higher, and if the quality is low, then the rent will be lower. √√

#### REMUNERATION FROM NATURAL RESOURCES

- Natural resources provide food and shelter. √√
- Natural resources are used as inputs for economical activities.√√
- Natural resources create employment opportunities and allow for economic development. √√
- Natural resources lead to international trade as much importing and exporting of commodities occurs. √√

(MAX 26)

**(Max 8 marks for heading and examples)**

#### ADDITIONAL PART

- The drought will have the most impact on agricultural output in the primary sector. √√
- A decrease in output could cause some farmers to go out of business. √√
- The decrease in output will cause job losses in the primary sector. √√
- Drought will result in the loss of livestock√√
- This will place pressure on food prices, especially all foods from maize, grains to meat, poultry and dairy products. √√
- The secondary sector (manufacturing / production) activity will decrease and people will lose their jobs. √√
- South Africa will have to import agricultural products at a high cost. √√
- Decreased output √√
- Less agricultural exports
- Low economic growth in the primary sector will have a negative impact on SA's economic growth.√√

(Accept any relevant answer.)

(Max 10)

#### CONCLUSION

Prices of agricultural goods will be high and many poor people will suffer as a result of poverty and hunger. √√

(Accept any other higher order conclusion.)

**[40]**

## QUESTION 6

“South Africa is one of many countries in the world with a mixed economy.”

- Discuss the characteristics, advantages and disadvantages of a country having a mixed economy. (26)
- Analyse the problems that South Africa is facing with too much government involvement in the economy. (10)

[40]

### INTRODUCTION

- South Africa’s mixed economy is a mixture of a market and a centrally planned (command) economy. This economic system combines the advantages of both economic systems. √√ (1x2)

### BODY: MAIN PART

#### CHARACTERISTICS

1. Motivation: √  
 In the private sector of the mixed economy, consumers and producers are assumed to be motivated by self-interest. √√  
 In the public sector it is assumed to be motivated by the necessity to satisfy the social needs of the community. √√
2. Ownership: √  
 Consumers, producers and organisations own most of the factors of production. √√ The state own enterprises such as Transnet, Telkom, The Post Office, Denel, the SABC and the Rand Water Board √√
3. Competition: √  
 In the private sector competition is maintained and produces a variety of goods and services which are produced. √√
  - In SA, rivalry in the private sector is maintained and promoted by the Competitions Act. √√
  - The public sector provides protection, healthcare, education, social welfare and economic services. √√
  - Government’s enterprises are monopolies. √√

4. State intervention: ✓  
Governments interfere in order to realize social and welfare objectives and to improve the functioning of markets. ✓✓

### ADVANTAGES

1. The private sector: ✓  
Private ownership, the profit motive and competition are the forces that ensure the production of a great variety of goods and services. ✓✓  
- Imports supplement domestic variety and choice. ✓✓  
- Exports create employment and contribute to economic growth. ✓✓
2. The public sector: ✓  
Protection, education, healthcare, social benefits and opportunities for the poor are provided. ✓✓  
- The public sector handles the market failures by providing infrastructure and the creation of a solid economic framework. ✓✓  
(laws, courts, economic rights, banks and central banking) ✓
3. Optimum mix: ✓  
The optimum mix would ensure an optimum standard of living for all citizens. ✓✓  
- Government allows sufficient room for the private sector to pursue its market objectives. ✓✓
4. The environment and human rights: ✓  
Mixed economies have better environment and human rights records than either centrally planned or market economies. ✓✓
5. Attract foreign direct investment ✓✓

### DISADVANTAGES

1. Creating poverty ✓ – because the private sector has control over land and capital it may be able and inclined to exploit workers. ✓✓  
- Through imperfect markets the private sector can rob consumers and worsen the inequality of incomes and wealth. ✓✓  
- The environment and human rights are abused. ✓✓  
- Poverty grows. ✓✓
2. Crowding out the private sector ✓ because the public sector has control over the legislature process. ✓✓  
- The scale of taxation and public sector enterprises become so extensive that private sector businesses are crowded out, and this leads to a decrease in economic growth and employment creation. ✓✓
3. Unemployment, inflation and fluctuating business cycles ✓✓

4. The distribution of income not fair√√
5. Higher taxes on a few workers√√
6. Centralisation / concentration of growth in cities√√

(MAX HEADINGS: MINIMUM of 8 HEADINGS and (8x1) (8)  
 CONTENT: (18)  
 (MAX 26) examples (1 mark each)

**ADDITIONAL PART**

- High levels of poverty require more government support to the poor. √√
- Many service delivery protests have highlighted the need for more effort from government to address the basic needs of communities. √√
- Crime levels and general lawlessness (e.g. disobedience of road rules) requires more policing. √√
- Maintenance and expansion of existing infrastructure (e.g. electricity and public transport) require extensive government intervention. √√
- Inequality should be addressed by government effort through education, housing provision and redistribution programmes √√ (e.g. land) √  
 (Accept any relevant answer.) (5x2) (10)

**CONCLUSION**

In South Africa the state intervenes in the production process as entrepreneur, organiser and lawmaker. √√ (MAX 2)  
 (Accept any relevant higher order conclusion.)

**TOTAL SECTION C: [40]**

**TOTAL: 150**