



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
2015
GRADE 10**

**ECONOMICS
PAPER 1**

MEMORANDUM

18 pages

GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION

ECONOMICS
Paper 1

MEMORANDUM

SECTION A (COMPULSORY)

QUESTION 1

30 MARKS

- 1.1 1.1.1 B ✓✓ applying statistics in economics
- 1.1.2 B ✓✓ scarcity
- 1.1.3 B ✓✓ consumption
- 1.1.4 C ✓✓ the trend line
- 1.1.5 B ✓✓ globalisation
- 1.1.6 A ✓✓ highly concentrated
- 1.1.7 C ✓✓ modern money
- 1.1.8 C ✓✓ census
- (8x2) (16)
- 1.2 1.2.1 D ✓ Statements that are based on facts which can be proven
- 1.2.2 G ✓ The value of the next best alternative that was not chosen when a choice was made in favour of certain goods
- 1.2.3 F ✓ Of the incomes received by consumers, only part will be spent on goods and services of domestic businesses
- 1.2.4 A ✓ Show us what has happened to the economy
- 1.2.5 C ✓ A way of life where people migrate with herds to find better grazing and water sources
- 1.2.6 B ✓ Expansion of power and influence by taking control of weaker countries, thereby enriching the mother country
- 1.2.7 E ✓ First bank established in the Cape
- 1.2.8 I ✓ A person moving to another area or another country in search of work
- (8x1) (8)

- 1.3 1.3.1 Microeconomics ✓
- 1.3.2 Market economy ✓
- 1.3.3 Income tax ✓
- 1.3.4 Peak ✓
- 1.3.5 Urbanisation ✓
- 1.3.6 Emigrants ✓

(6x1) (6)

TOTAL SECTION A: 30

SECTION B

Mark ONLY the first TWO questions from this section.

QUESTION 2: MACROECONOMICS**40 MARKS****2.1 2.1.1 Name TWO examples of injections in the circular flow.**

- Investments ✓
- Government Spending ✓
- Exports ✓

(2x1) (2)**2.1.2 ... are goods bought by producers to consume in the production process in order to produce more goods and services.**

Capital goods ✓ or intermediate goods ✓

(1x2) (2)**2.2 Study the article below and answer the questions that follow.****2.2.1 Name TWO other sciences that Economics is linked to.**

- Statistics ✓
- Mathematics ✓
- Information Technology ✓
- Law ✓
- Geography ✓
- Not Politics or Sociology already mentioned in article

(2x1) (2)**2.2.2 “The economy causes / lies at the root of most social problems”. Is this a positive or normative statement? Substantiate your answer.**

Normative ✓✓

Look at the outcomes of economic behaviour. Makes judgments.

Asks if it is good or bad. ✓✓

(2x2) (4)**2.2.3 Do you think the “limited resources” referred to in article above refer to the factors of production? Substantiate your answer.**

Yes ✓

(1)

- The factors of production are the inputs of the production process. ✓✓
- No production can take place without factors of production. ✓✓
- Production is limited to the amount of production factors available. ✓✓
- Any relevant answer

(1 x 2) (2)

2.3 2.3.1 Define the concept *Economics*.

- Economics is the study of the way individuals, business and other organizations make choices ✓ about how to produce goods and services from scarce resources ✓ and how these goods and services are distributed to consumers to satisfy their needs and wants. ✓ (Oxford Successful Economics)
- The study of the efficient use or management of limited productive resources to achieve maximum satisfaction of human material wants. ✓✓ (Fast Track Economics)
- Economics is a social science that studies the daily choices people make and how to satisfy their unlimited needs and wants with the limited means at their disposal in such a way that they achieve the maximum satisfaction. ✓✓ (Focus Economics)
- Economics can be defined as the study of how individuals, businesses, governments and other organizations in our society choose to use scarce resources to satisfy needs and wants in a manner that is efficient and equitable. ✓✓ (Solution for all Economics) (3)

2.3.2 Scarcity forces us to make ...

- Choices ✓✓ (2)

2.3.3 “Scarcity is everywhere”. Is that also true for rich people? Explain your answer.

- Yes, Resources like water, food and electricity are scarce ✓✓. Must motivate answer.
- Even if they have money to buy goods to satisfy all their needs and wants the resources are scarce. ✓✓
- There are insufficient resources to produce all the goods and services that could be consumed. ✓✓
- People have many wants, but the resources needed to satisfy them are limited. ✓✓
- Any relevant answer. (1x2) (2)

2.3.4 Explain the term *relative scarcity*.

- The production of goods and services has increased over the past few years, but goods relative to demand are still scarce. ✓✓
- There are just not enough productive resources to produce sufficient quantities of everything people want. ✓✓
- Scarcity is a relative concept. It only means something in connection to wants. ✓✓
- The supply of resources for the goods and services that we use are inadequate. ✓✓
- Only a small part of the goods and services that people desire can be produced. ✓✓
- Some resources are scarcer than others. ✓✓
- Producers need to determine the best combination of the resources to satisfy as many possible needs. ✓✓ (2x2) (4)

2.4 Explain the relationship between the participants in a simplified two sector economic circular flow.

- The two participants are households and businesses. ✓✓
- Households own the factors of production and sell this to the business. ✓✓
- Households own the capital, labour, land and entrepreneurship and sell it to business. ✓✓
- The business buys the factors of production from the households. ✓✓
- Households receive rent, interest, profit and salaries or wages from the business. ✓✓
- The business sells final goods and services to the households. ✓✓
- Households spend money on final goods and services and business receives this as income. ✓✓
- The households buy the final goods and services from the business. ✓✓
- Any relevant answer

(4x2) (8)

2.5 Discuss the difference as well as the importance of GDP and GNI.

GDP

- Gross domestic product: The total value of the production of final goods and services inside the borders of South Africa within one year. ✓✓
- GDP is the most important measure of the output produced by an economy ✓✓ (Oxford Successful Economics)
- GDP gives a measure of what happens to production in a country, no matter who produces it. ✓✓ (Solution for all Economics) (Max.4)

GNI

- Gross National Income: The total value of the output of finished goods produced by the factors of production owned by the citizens of a country during a period of time, usually one year. ✓✓
- GNI is used to measure the standard of living of the citizens of a country. ✓✓ (Oxford Successful Economics)
- Is the remuneration for the use of or selling of the factors of production, i.e. salaries and wages + rent + profit + interest. ✓✓
- The constituent elements of the national income are therefore the compensation paid to each production factor for its part in the production of goods and services. ✓✓ (Focus Economics)
- GNI provides us with a measure of the income earned by South Africa and elsewhere in the world. ✓✓ (Solution for all Economics) (Max.4)

(2x4) (8)

[40]

QUESTION 3: ECONOMIC PURSUITS**40 MARKS****3.1 3.1.1 Name TWO types of infrastructure in a country.**

- Transport & communication ✓
- Water and power ✓
- Social infrastructure ✓
- Financial infrastructure ✓ (Oxford Successful Economics)
- No examples

(2x1) (2)**3.1.2 The original aim of the VOC settlement at the Cape was to ...**

- Produce fresh fruit, vegetables and meat to passing ships.

(1x2) (2)**3.2 3.2.1 Give the definition of *money*.**

Money is anything that is generally accepted as payment for goods and services or anything that is accepted as a form of storage of wealth. ✓✓
(Solutions for all Economics)

Any relevant definition

(2)**3.2.2 In your opinion is the stokvel an important part of South Africa's financial system? Explain your answer by using the information in the article.**

- Yes ✓ Must say yes/no to get 1 mark and must explain
- R44 bn is invested in stokvels ✓
- 11,4 m people belong to stokvel ✓
- 811 830 stokvels ✓ (Quoting from article stats only 1 mark each and maximum 2 marks)
- Own opinion – people are saving ✓✓
- Previously disadvantaged people that were denied access to traditional saving instruments at financial institutions saved and provided for their families ✓✓
- Any relevant answer

(4)

3.2.3 Name TWO reasons that a person would choose to belong to a stokvel rather than having a savings account at a commercial bank.

- No minimum amount to belong to a stokvel, banks must have a minimum amount. ✓✓
 - No banking charges with a stokvel where a bank charges banking fees. ✓✓
 - Stokvels are traditional and were the only way for the majority of the population to save in the apartheid years. Banks denied access to banking facilities during the apartheid years. ✓✓
 - People trust the member belonging to the stokvel, do not trust banks. ✓✓
 - People in rural areas do not have easy access to banks, but the community members can start a stokvel. ✓✓
 - No paper work, only trust, to start a stokvel. Banks must have ID and proof of residential address to open account. ✓✓
- Any relevant answer (2x2) (4)

3.3 3.3.1 Define the concept *population growth rate*.

- Population growth rate measures the change in the population of a country. ✓✓ (Solutions for all Economics)
 - Percentage change in the size of the population as compared to the previous year. ✓✓ (Oxford Successful Economics)
- Any relevant definition (2)

3.3.2 Calculate the percentage increase in the population from 2006 to 2015.

13.35% or 13% ✓✓ $\left(\frac{54-47.64}{47.64} \times \frac{100}{1}\right)$ (2)

3.3.3 Name TWO factors that could influence the population growth rate.

- Fertility rate (birth rate) ✓
 - Mortality rate (death rate) ✓
 - Net migration ✓
- (2x1) (2)

3.3.4 In your opinion why is it important for the Government to know what the population growth rate is?

- In order for the government to conduct planning on resources that citizens will require in the future. ✓✓
- Resources like infrastructure, education and health projects. ✓✓
- Any relevant answer (2x2) (4)

3.4 Compare bartering with the use of real money in the exchange for goods.

Bartering	Real money
1. Goods are exchanged for goods. ✓✓ 2. Parties have to negotiate how many of one good is exchanged for how many of another good. ✓✓ 3. Parties can exchange goods only if both parties need the good. ✓✓ Must compare with real money – if not, max 2 marks Max 4 marks	1. Goods are exchanged for money. ✓✓ 2. The value of a good is expressed as a price. ✓✓ 3. There is only the need of the one party for a good while the other party is satisfied with the money to be used for any purpose. ✓✓ Must compare with bartering – if not, max 2 marks Max 4 marks

(2x4) (8)

3.5 Describe any TWO factors that promoted economic development during the agriculture and mining stage.

- (i) **Gold standard** ✓✓
- The discovery of gold in South Africa took place at a time when silver was no longer highly regarded as a standard for international currency systems. ✓✓
 - The change to a gold standard increased the demand for gold dramatically. ✓✓
- (ii) **Cheap labour** ✓✓
- Local labour was unskilled and relatively scarce, but willing to work for low wages. ✓✓
- (iii) **Availability of diamonds and gold** ✓✓
- Because only a small amount of these precious stones and metal was so valuable, export was easy. ✓✓
 - In all the important countries there was a huge demand for gold and diamonds and a solid trading market existed. ✓✓

(2x4) (8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS 40 MARKS**4.1.1 Name any TWO factors that you need to consider when choosing a career.**

- Financial implications ✓
- Risk ✓
- Interests and skills ✓
- Any relevant answer (2x1) (2)

4.1.2 Who signs the bank notes in South Africa?

- The governor of the South African Reserve Bank ✓✓
- Lesetja Kganyago ✓✓ (1x2) (2)

4.2 4.2.1 Define the term *Exports*.

- Exports are goods and services we produce and sell to the rest of the World ✓✓ (Solutions for all Economics)
- Exports are goods and services that are produced locally and then sold to the foreign sector ✓✓ (Focus Economics)
- Any relevant definition (2)

4.2.2 Calculate the GDP of 2014 using the expenditure method. Show all calculations.

$$\begin{aligned}
 \text{GDP(E)} &= C + I + G + (X - M) \quad \checkmark\checkmark \\
 &= 2\,299\,426 + 772\,808 + 771\,641 + (1\,186\,640 - 1\,257\,292) \quad \checkmark\checkmark \\
 &= 3\,773\,223 \quad \checkmark\checkmark
 \end{aligned}$$

(6)

4.2.3 Give TWO other methods to calculate the GDP.

- Income Method ✓
- Production/value added method ✓ (2)

4.3 4.3.1 Define the term *Feudalism*.

Feudalism was a social, political, and military system that dominated medieval life in Western Europe. ✓✓ (Solutions for all Economics)
 A manorial system whereby a large proportion of the society worked as peasants for the landlords (owners) of the manor. ✓✓ (Focus Economics)
 Any relevant definition (2)

4.3.2 Select one of the words to identify Pictures A – D.

- Picture A – Mercantilism ✓
- Picture B – Feudalism ✓
- Picture C – Communism ✓
- Picture D – Capitalism ✓ (4x1) (4)

4.3.3 Who is known as the father of Communism?

Karl Marx ✓✓

(2)**4.3.4 Capitalism is often criticized. Why?**

- For its persistent business cycles ✓✓
 - Waves of unemployment ✓✓
 - Exploitation of labour ✓✓
 - Gap between rich and poor ✓✓
- Any relevant answer

(1x2) (2)**4.4 Analyse the fundamental human rights which South African citizens enjoy.**

Economic development is based upon three core human rights, namely:

- Basic Needs – all people have a basic need for food, shelter and health. Without these, they cannot live. The main purpose of all economic activity must therefore be to provide as many people as possible with the means to meet these basic survival needs. ✓✓
- Self-esteem – all people have the right to respect, recognition, dignity and a future. ✓✓
- Freedom – All people have a basic, human right to be free from poverty, ignorance and ownership by another (slavery) (Solutions for all Economics)
- With the adoption of our constitution, South Africans gained rights that had previously been withheld from them. ✓✓
- The right to fair labour practices. We may not be unfairly dismissed or unfairly discriminated against in the workplace. ✓✓
- The right to an education. All South Africans have the right to a basic education and the right to learn skills and obtain training, which will help them to get jobs and become productive members of the economy. ✓✓
- The right to health care and safe living conditions. We have the right to safe living conditions, a good police force and a safe and unpolluted living environment. ✓✓
- Access to a basic standard of living. Our government has committed itself to improving the living conditions and standard of living of all its citizens and is trying to provide houses, pensions, food and health care for all. (Focus Economics) ✓✓

Human rights are the basic rights that are held by all human beings.

They include:

- Political rights, the right of all adults to vote in free elections and to belong to any political party. ✓✓
- Civil rights, which include the right to be treated fairly and equally and to freedom of speech. ✓✓
- Economic rights, such as the right to work and to own fixed property. ✓✓ (Oxford Successful Economics)

Naming rights maximum 4 marks.

(4x2) (8)

4.5 Use the demographic cycle to explain where South Africa currently is in this cycle. (You do not have to draw the cycle, only explain the phase we are in.)

- South Africa is between the second part of the 3rd and 4th phase of the demographic cycle. ✓✓
- During the second part of Phase 3, a decrease in the natural population growth occurs. ✓✓
- This decrease is the result of a lower birth rate compared to the death rate. ✓✓
- This is what we find in societies that are in the process of urbanization and modernization. ✓✓
- During the 4th phase, the birth rate decreases more rapidly than the death rate and consequently the natural population growth rate declines. ✓✓
- This rapid decline in the birth rate is the result of the realization that fewer children imply an increase in living standards and the acceptance of family planning and birth control by a large part of the population. ✓✓
- The decline in the death rate is due to better access to medical care and more affordable health care. ✓✓

**(4x2) (8)
[40]**

TOTAL SECTION B: 80

SECTION C

Mark only the FIRST question answered from this section.

MARK ALLOCATION FOR ESSAY RESPONSES

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max 2
Body: Main part: For example - Discuss/Distinguish/Differentiate/Explain/Analyse/Evaluate/Assess	Max 26
Additional part: For example - Draw a graph/Deduce/Outline/Briefly explain/Expand on/Your own opinion/Support	Max 10
Conclusion	Max 2
TOTAL	40

QUESTION 5: MACROECONOMICS**40 MARKS**

Economies constantly change. The economy of any country has periods of fast economic growth and periods of slow or no economic growth.

- Discuss the phases and reasons, of business cycles. (26 marks)
- What effect do you think business cycles have on the economy? (10 marks)

[40]**INTRODUCTION**

Business cycles refer to the ups and downs of economic activity in an economy. ✓✓
(Solutions for all Economics)

OR Business cycles are indications of fluctuations in economic activities. ✓✓ (Focus Economics)

(Max 2)**BODY****1. Phases of Business Cycles****1.1 Period of Recession ✓**

- During a recession, *jobs are lost* and there is a feeling of *pessimism* ✓✓
- *Employment levels drop*, and there is a decrease in *economic activity*, and the economy *slows down* ✓✓

1.2 Period of Depression ✓

- During a depression *money is in short supply* leading to a further *decline in spending* ✓✓
- There is a negative impact on *investment* spending ✓✓
- When economic activity is at its lowest it is called a *trough* ✓✓
- There is *competition for jobs* and the *cost of production* decreases ✓✓
- This *encourages foreign trade* and leads to a *recovery* ✓✓

1.3 Period of Recovery ✓

- During a recovery, *production increases* and *more jobs* are created ✓✓
- *Business confidence* rises and there is *increased spending* by firms ✓✓
- There is increased economic activity and the country enters a period of *prosperity* ✓✓

1.4 Period of Expansion ✓

- During a period of expansion there is a great degree of *optimism* ✓✓
- Employment levels rise, salaries and wages rise and spending increases ✓✓
- A *peak* is reached ✓✓
- A larger amount of money is in circulation and this leads to an *inflationary* situation ✓✓

2. Reasons for Business Cycles**2.1 Exogenous factors ✓**

- Factors that originate from outside the economic system and act as trigger mechanisms for contractions and expansions. ✓✓
- *Examples:*
 - Technology shocks ✓
 - Weather patterns ✓
 - Governments through spending, taxation and regulations ✓
 - Change in fashion and consumer tastes and preferences ✓
(Solution for all Economics)
 - Droughts ✓
 - Famine ✓
 - War ✓
 - Other natural disasters ✓ (Focus Economics)
 - Structural changes in the economy ✓ (Oxford Successful Economics)
- Structural changes cause economic resources to become unneeded in one sector and moves to another sector. ✓✓
- Money supply refers to government either increasing or decreasing the money supply which alters equilibrium in the markets. ✓✓

2.2 Endogenous factors ✓

- They are factors that are part of the economic system. ✓✓
- The expansion phase also contains mechanisms that eventually cause a contraction of economic activity. ✓✓
- As the level of economic activity increases total spending in the economy increases as well. ✓✓
- This causes an increase in imports which negatively affects the balance of payments and leads to a depreciation of the exchange rate. ✓✓
- Increase in interest rates due to increased borrowing (negative effect on the economy). ✓✓
- Positive perceptions of the economy will lead to an increase in spending and *vice versa*. ✓✓

**Headings & examples – Max 8 single marks
(Max 26)**

ADDITIONAL PART**3. What effect do business cycles have on the economy?****3.1 Changes in aggregate (total) supply and demand ✓**

- In a recovery period people will demand more. ✓✓
- This may lead to shortages of goods and services to meet the demand. ✓✓
- Business will then produce more. ✓✓
- In a recession there will be a decrease in demand for goods and services. ✓✓
- Businesses will have a surplus and reduce production. ✓✓

3.2 Changes in economic growth ✓

- In a downswing there will be less economic growth, businesses will produce less. ✓✓
- In an upswing there will be economic growth, businesses will produce more to meet the growing demand for goods and services. ✓✓

3.3 Changes in employment ✓

- In a downswing businesses will produce less and the result will be people will lose their jobs, unemployment will increase. ✓✓
- In an upswing businesses will produce more goods and services and employ more people, unemployment will decrease. ✓✓

3.4 Changes in price levels ✓

- In the early stages of a downturn of the economy, prices are usually quite high and may even increase a bit. ✓✓
- People cannot afford the goods and services anymore and will buy fewer goods and services. ✓✓
- This will lead to a total downswing. ✓✓
- In the early stages of an upswing prices will be low and people will buy more goods and services. ✓✓

3.5 Changes in the exchange rate ✓

- In the early stages of a downturn of the economy there is a decreased demand for a country's goods and services and a decrease in exports. ✓✓
- They would demand less of that country's currency and this leads to depreciation or a weakening of the currency. ✓✓
- In an upswing in the economy there is an increased demand for a country's currency. More people are buying the country's goods and services. This leads to an appreciation of the currency. ✓✓

3.6 Impact on the economically vulnerable ✓

- Downswing will deprive people of satisfying their basic needs of food, shelter and clothing. ✓✓
- An upswing in the economy will result in higher income and spending on luxury items. ✓✓

(Max 10 marks)

CONCLUSION

Business cycles are *long term trends* and can last from 3 to 5 years or even 10 years. ✓✓
(Any other relevant conclusion)

(Max 2) [40]

QUESTION 6: ECONOMIC PURSUITS**40 MARKS**

The pressure of competition forced many banks to close. Today, the banking sector in South Africa comprises a few large, financially strong banks.

- Discuss the history of banking in South Africa, highlighting early development, private banks and imperial banks. (26 marks)
- In your opinion, how did technology reduce the traditional banking activities of commercial banks? (10 marks) [40]

INTRODUCTION

The evolution of money made it necessary for institutions to be established to handle financial transactions. ✓✓ Any other relevant definition. (Max 2)

BODY**1. Early Development**

- The goldsmiths were the first financial institutions they kept the gold for safe-keeping. ✓✓
- The first bank was the Lombard that was established in 1793 and it was owned and controlled by the government. ✓✓
- Its purpose was to provide money in time of serious shortages. ✓✓
- This bank received money from the DEIC. ✓✓
- They only lent to those who could provide sufficient security. ✓✓ e.g. land ✓/gold ✓
- This bank opened district branches to provide for the demand in savings and loans in rural areas. ✓✓
- It was closed in 1942. ✓✓

2. Private Banks

- The first private bank was established in 1836 in Cape Town. ✓✓
- More banks were established in the Cape Colony, Natal and Orange Free State. ✓✓
- They were private district banks that were owned and managed by the local people. ✓✓
- The main function of the banks was to receive savings, ✓ issue bank notes ✓ and provide credit to the clients. ✓✓
- By 1861 there were already 27 private banks. ✓✓
- Most of these banks failed because credit was far too easily extended ✓✓/ money was lent to family and friends who could not repay. ✓✓
- There was no limit on the issuing of notes. ✓✓
- They were not compelled to issue bank statements. ✓✓

3. Imperial banks

- They were known as imperial banks because they had head offices internationally. ✓✓
- Most private banks were taken over by imperial banks, ✓✓ because of the capitalistic nature of the South African economy. ✓✓
- Many branches were opened in South Africa. ✓✓
- The London Bank of South Africa opened in 1861. ✓✓
- The Standard Bank of British South Africa opened in 1862. ✓✓
- These banks were branches of successful foreign banks. ✓✓
- They had large amounts of capital and their operations were conducted properly. ✓✓
- By 1892 nearly all private banks were taken over by imperial banks. ✓✓
- In 1927 only 4 different banks were left - Standard Bank, ✓ Barclays Bank, ✓ Nederlands Bank (Nedcor) ✓ and the Stellenbosch District Bank. ✓

Examples – Max 8 (single mark)

(Max 26)

ADDITIONAL PART**4. How has technology reduced the traditional activities of commercial banks?**

- With technology, electronic banking (e-banking) has made it convenient to conduct banking transactions. ✓✓
- It started with the use of ATMs and now includes telephone banking ✓✓/ direct account payments ✓✓/ Electronic Funds Transfer ✓✓/ cell phone banking ✓✓ and online banking. ✓✓
- E-banking allows bank clients to conduct business via the internet. ✓✓
- The bank is no longer the most important building you visit first. ✓✓
- Electronic banking has removed the necessity of banking personnel who facilitate transactions. ✓✓
- Banking can now be done 24 hours a day. ✓✓ (Internet) ✓✓

(Max 10)

CONCLUSION

Today banks are consolidating, especially to gain international capital power, ✓✓ e.g. the takeover of ABSA by Barclays.

Any relevant conclusion.

(Max 2)

[40]

TOTAL SECTION C: 40

GRAND TOTAL: 150