



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2013

**ECONOMICS P1
MEMORANDUM**

PUNTE: 150

This memorandum consists of 14 pages.

SECTION A**QUESTION 1**

- | | | | | | |
|-----|-------|----------------|---|---------|------|
| 1.1 | 1.1.1 | B ✓✓ | entrepreneur | | |
| | 1.1.2 | B ✓✓ | capital | | |
| | 1.1.3 | A ✓✓ | government | | |
| | 1.1.4 | B ✓✓ | coal | | |
| | 1.1.5 | C ✓✓ | Lorenz | | |
| | 1.1.6 | B ✓✓ | RDP | | |
| | 1.1.7 | A ✓✓ | poverty line | | |
| | 1.1.8 | C ✓✓ | South African Reserve Bank | (8 x 2) | (16) |
| 1.2 | 1.2.1 | G ✓ | Replaced Customs Union Agreement of 1910 | | |
| | 1.2.2 | E ✓ | Total value of final goods produced within the borders of the country | | |
| | 1.2.3 | B ✓ | Free-market economy | | |
| | 1.2.4 | A ✓ | Extraction of raw materials | | |
| | 1.2.5 | F ✓ | Traditional healing and medicine | | |
| | 1.2.6 | C ✓ | Percentage of total population living in poverty | | |
| | 1.2.7 | H ✓ | Bank saving accounts and term deposits | | |
| | 1.2.8 | D ✓ | People with urgent needs that are not addressed by the government | (8 x 1) | (8) |
| 1.3 | 1.3.1 | TRUE ✓ | | | |
| | 1.3.2 | FALSE ✓ | | | |
| | 1.3.3 | TRUE ✓ | | | |
| | 1.3.4 | cheque ✓ | | | |
| | 1.3.5 | developing ✓ | | | |
| | 1.3.6 | entrepreneur ✓ | | (6 x 1) | (6) |

TOTAL SECTION A: 30

SECTION B: (Answer Any TWO questions from this section.)

QUESTION 2

2.1 Name any TWO categories of labour.

- Higher level/Skilled ✓✓
 - Intermediate level/Semiskilled ✓✓
 - Lower level/Unskilled ✓✓
- (Any 2 x 2) (4)

2.2 DATA RESPONSE

- 2.2.1
- Production method ✓✓
 - Income method ✓✓
 - Expenditure method ✓✓
- (Any 2 x 2) (4)

2.2.2 ➤ Intermediate goods

Goods and services that are used by other enterprises as inputs ✓ to produce goods and services or goods that are bought for resale. ✓

➤ Final goods

Goods and services that are not used as inputs by other businesses ✓ but are used by different participants for consumption. ✓ (4)

- 2.2.3 ➤ It is the total expenditure by households and private non-profit institutions on final goods and services. ✓✓ (2)

2.3 DATA RESPONSE

- 2.3.1
- Sustained increase in commodity prices. ✓✓
 - Strong demand from Asian and other emerging economies. ✓✓
- (Any 1 x 2) (2)

- 2.3.2
- Geological challenges ✓✓
 - Increase in cost of production. ✓✓
- (4)

- 2.3.3
- Provides food and minerals ✓✓
 - Earns foreign exchange ✓✓
 - Trains workers and create job opportunities ✓✓
 - Provides raw materials for secondary industries ✓✓
 - It provides electricity ✓✓
 - Stimulates economic growth ✓✓
 - Contribution to GDP ✓✓
 - Increases state income ✓✓

(Any 2 x 2) (4)

2.4 **Briefly explain the advantages of a market economy**

Private ownership ✓✓

- It encourages individuals to be creative in the way in which they utilise their resources. ✓✓

Efficient use of resources ✓✓

- Resources are used efficiently in order to achieve maximum productivity and minimum wastage. ✓✓

Improvement in personal welfare ✓✓

- Individuals are free to accumulate wealth and are able to use them to enhance their welfare. ✓✓

High level of choice ✓✓

- New businesses will enter the market because of profits. ✓✓
- Consumers are put to a wide variety of choices of goods and services. ✓✓

It works automatically ✓✓

- The who, what and for whom problems are automatically solved through the driving force of self-interest. ✓✓

Innovation ✓✓

- Strong incentives to produce quality goods. ✓✓

Economic growth ✓✓

- Very dynamic because of driving force of profit and controlling forces of competition. ✓✓

Distribution of income and wealth ✓✓

- Resources are allocated to those with buying power. ✓✓

Risk ✓✓

- Individuals take out insurance to decrease risks. ✓✓

Any 2 x (2 + 2) (8)

2.5 **Briefly explain the economic importance of 'energy' as part of South Africa's infrastructure.**

- Energy is crucial to the functioning of the modern society. ✓✓
- Large amounts of energy are consumed by industries and households / industries cannot operate without power. ✓✓
- The loss of power for a short time can lead to huge losses of revenue to the businesses in all sectors. ✓✓
- Using technology to generate electricity from renewable sources is one of the growth sectors. ✓✓
- Energy sector employs a large number of labour force. ✓✓
- It also earns foreign exchange by selling electricity to other countries. ✓✓
- Reliable transport or communication is not possible without electricity. ✓✓

(Any 4 x 2) (8)

[40]

QUESTION 3

- 3.1
- Development through trade in agricultural products / Natural resources ✓✓
 - Development through labour intensive development programme. ✓✓
 - Development through educational reform. ✓✓
 - Developing the quality of human resources / Human development ✓✓
 - Development through industrialisation of the economy. ✓✓
 - Entrepreneurship. ✓✓
 - Diversification of the rural economy. ✓✓
 - Development through foreign investments, loans and aid. / Capital ✓✓
 - Development by accessing modern technology / Technology ✓✓
 - Development of infrastructure. ✓✓
 - Providing a stable macro-economic environment. ✓✓ (Any 2 x 2) (4)

3.2 **DATA RESPONSE**

3.2.1 It is the number of people living in poverty in a country or region. ✓✓ (2)

3.2.2 47,09% ✓✓ (2)

3.2.3 Absolute poverty
Refers to a situation where people are not able to meet their basic needs. ✓✓

Relative poverty

Refers to a situation where people are considered poor in comparison to others in the community. ✓✓ (4)

3.2.4 Gauteng ✓✓ (2)

3.3 DATA RESPONSE

3.3.1 It is the interest rate at which banks borrow funds from the Reserve Bank. ✓✓ (2)

3.3.2 ➤ Improved inflation figures ✓✓
➤ Continuation of eurozone crisis. ✓✓ (4)

3.3.3 ➤ This is a low-cost national bank account. ✓✓
➤ It aims to extend banking services to low-income earners. ✓✓
➤ To those living beyond the reach of banking services. ✓✓
➤ It is an initiative by major banks to put full-service banking within 15 km of all South Africans. ✓✓ (Any 2 x 2) (4)

3.4 Briefly explain the role of SADC in Southern Africa.

- To facilitate development and economic growth throughout the region. / Strive for economic cooperation and integration amongst member countries. ✓✓
- To achieve harmonisation of policies. ✓✓
- SDI's are promoted. ✓✓
- To create a free trade area. ✓✓
- Offer good trade and investment opportunities. ✓✓
- Socio-economic development that will ensure poverty alleviation and eradication ✓✓
- Promote common political values and systems. / Promote common market and monetary unit. ✓✓
- Consolidation and maintenance of democracy, peace and security. ✓✓ (Any 4 x 2) (8)

3.5 Discuss 'low levels of productivity' as one of the characteristics of developing countries.

- Developing countries are characterised by low levels of labour productivity. ✓✓
- Low standards of education and training. ✓✓
- Lack of physical capital such as machinery and technology. ✓✓
- Malnutrition leads to poor human development. ✓✓
- Poor management of factors of production. ✓✓
- Lack of good public services such as drinking water, sanitation, waste disposal etc. ✓✓
- High incidence of water-borne and environmental diseases. ✓✓ (Any 4 x 2) (8)

[40]

QUESTION 4

- 4.1
- Child Support Grant ✓✓
 - Care Dependency Grant ✓✓
 - War veteran's Grant ✓✓
 - Foster Care grant ✓✓
 - Old Age Pension ✓✓
 - Disability Grant ✓✓
- (Any 2 x 2) (4)

4.2 DATA RESPONSE

- 4.2.1 South Africa ✓✓ (2)

4.2.2 Trade surplus
Refers to a situation where a country's total exports are more than its imports. ✓✓✓

Trade deficit

Refers to a situation where a country's imports are more than its exports. ✓✓✓ (6)

- 4.2.3 These are goods and services that are produced locally and sold to other countries. ✓✓ (2)

4.3 DATA RESPONSE

- 4.3.1 A living wage. ✓✓ (2)

4.3.2 Nominal wages
The amount of money that the worker receives at the end of the period. ✓✓

Real wage

The value of goods and services that a worker can buy with the nominal wage. ✓✓ (4)

- 4.3.3
- Aim is to earn an income. ✓✓
 - It is part of the owner. / Cannot be separated from the worker ✓✓
 - It cannot be stored. ✓✓
 - It differs in quality. ✓✓
 - Supply cannot be increased suddenly. ✓✓
- (Any 2 x 2) (4)

4.4 Briefly explain final consumption expenditure by government.

- Indicates how government uses its income. ✓✓
- Financing of goods and services needed by the public sector. ✓✓
- Spending of all departments of central, provincial and local authorities. ✓✓
- Consumption expenditure on services rendered to the communities. ✓✓

- Consists of:
 - Wages and salaries to workers, ✓✓
 - Purchases of goods and services of a non-capital nature and ✓✓
 - The added value of capital consumption (depreciation) ✓✓
 - Minus net receipts from sales ✓✓
- Government expenditure is classified as functional, administrative and financial. ✓✓ (Any 4 x 2) (8)

4.5 Briefly explain any TWO functions of money

Medium of exchange ✓✓

- It is generally accepted as a means of payment. ✓✓
- Goods, services and labour are exchanged for money. ✓✓

Store of value ✓✓

- Money has value and it should be retain for a long time. ✓✓
- Money can be saved and accumulate wealth. ✓✓

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. ✓✓

Advantages:

- Trade is simplified. ✓✓
- Relative values of goods and services are expressed. ✓✓

Standard of future payment ✓✓

- It allows us to buy on credit and settle in future. ✓✓
- Economy can come to standstill if future payments are not allowed anymore. ✓✓
- Money is a unit in terms of which future payments can be made e.g. a pension. ✓✓

Any 2 x (2 + 2)

(8)
[40]

SECTION C (Answer any ONE question from this section.)**QUESTION 5**

Fully explain the characteristics of capital. In addition briefly explain the economic importance of capital.

INTRODUCTION

- Capital is a man-made resource and includes all goods used to satisfy future needs. ✓✓✓
- Capital refers to the money invested in machines and equipment that will be used in production process. ✓✓✓

(Any other relevant definition is acceptable.)

Max. (1 x 3)

(3)

BODY

Capital goods are made by people ✓✓

- As a factor of production it is manufactured or made by people. ✓✓

Depreciation ✓✓

- Machines are subjected to wear and tear or breakdowns. ✓✓
- It loses value over time which is known as depreciation. ✓✓
- Businesses need to replace capital goods in order to continue production. ✓✓

Money capital can be changed ✓✓

- Money capital can be changed to any other type of asset the business wants to buy. ✓✓
- It is also easy to move from place to place to use it for various purposes. ✓✓

Difficult to change real capital ✓✓

- Real capital is relatively immobile. ✓✓
- Most of them are occupationally mobile but geographically immobile. ✓✓

Capital is expensive ✓✓

- Buying machinery and other capital goods are expensive. ✓✓

Capital is possessed ✓✓

- It belongs to someone. ✓✓
- Businesses, consumers, producers or government possess capital. ✓✓
- Capital goods such as roads, schools, etc. are owned by government. ✓✓

Capital is consumed ✓✓

- This happens in the production process. ✓✓
- Intermediary goods are used in one process. ✓✓
- Buildings for example are used over many years. ✓✓
- Fixed capital excludes stock of raw materials, intermediary and final goods. ✓✓

Capital formation requires a sacrifice ✓✓

- Production of capital goods (capital formation) is denoted by I. ✓✓
- $I = S = Y - C$ ✓✓

Capital increases production efficiency ✓✓

- Machines make specialisation possible. ✓✓
- Production processes consisting of manual labour and machine labour is much more efficient than manual labour only. ✓✓
- Efficiency helps to stretch resources. ✓✓

(Any 10 x 2) (20)

Economic importance of capital

- Economic growth is a direct result an increase in capital. ✓✓
- For growth to take place, the total capital in the economy must grow at a rate at least equal to or greater than the increase in the labour force. ✓✓
- It increases financial institutions' ability to lend more money. ✓✓
- It increases job opportunities and decreases unemployment. ✓✓
- Capital improves the standard of living by increasing the variety and choice of goods and services. ✓✓
- Availability of capital increases exports and reduces the dependence on imports. ✓✓
- *Capital widening* ✓✓
- When a country's capital increases at a rate equal to the rate of increase of the workforce. ✓✓ / Existing labour-capital ratio must be maintained as the number of workers increase. ✓✓
- *Capital deepening* ✓✓
- Occurs when the labour-capital ratio increases. ✓✓
- This must happen at a rate that is higher than the growth rate of the population. ✓✓

(Any 5 x 2) (10)

CONCLUSION

- Capital goods play an important role in creating production capacity. ✓✓
- Capital consists of private and public assets. ✓✓

(Any appropriate conclusion can be credited.)

(2)

Use the following assessment grid together with the above to assess the discussion.

MARKS	INTERPRETATION OF TOPIC
0	Candidate has shown no understanding of the topic.
1	Candidate has shown some understanding of topic but missed important aspects of topic. (1 – 15 marks)
3	Candidate has interpreted topic correctly but has not linked facts to topic. (16 – 24 marks)
5	Candidate has interpreted topic correctly and has linked facts to topic. (25 – 35 marks)

(5)

[40]

QUESTION 6

**Write an essay on the reasons for/causes of poverty.
Briefly explain the effects/consequences of poverty.**

INTRODUCTION

Poverty refers to a situation where people are unable to satisfy their basic needs. ✓✓✓ (Any appropriate introduction is acceptable.)

(3)

BODYHigh population growth ✓✓

- Large number of people with not enough resources, jobs and food. ✓✓
- Overpopulation can lead to the deterioration of natural environment, water, soil etc. ✓✓

Lack of infrastructure ✓✓

- Inadequate transport system and communication networks and a lack of energy supply result in costs and risks increasing. ✓✓
- High concentration of population and vastness of rural areas make it unaffordable. ✓✓

Unemployment ✓✓

- Most important reason for poverty. ✓✓
- The result of people's incapability to find or create a job. ✓✓
- Unemployed people do not have enough money to satisfy their basic needs. ✓✓
- In developing countries people making a living from agriculture. ✓✓

The cycle of poverty ✓✓

- Poor people are trapped in a situation of poverty from one generation to the next. ✓✓
- Some kinds of interventions are necessary to break the cycle of poverty. ✓✓

Welfare dependency ✓✓

- Social grants may act as a deterrent to people working or looking for employment. ✓✓
- Some people prefer to live on grants which meet their basic needs. ✓✓

Urbanisation and forced resettlements ✓✓

- Migration within a country sometimes leads to poverty. ✓✓
- Forced or voluntary movements of people often end up living in informal settlements. ✓✓

Lack of social infrastructure ✓✓**Lack of health care:** ✓✓

- Sickness and disease are also a cause of poverty. ✓✓
- Many poor communities have no access to health services. ✓✓
- When the income earner dies or becomes too sick to work, the whole family is without an income. ✓✓
- In poor countries primary health care and additional factors (sufficient food, literacy, good medical staff, etc.) are inadequate. ✓✓
Therefore diseases like HIV/Aids cannot be combated. ✓✓

Lack of education: ✓✓

- Lack of education and training are the main causes of unemployment. ✓✓
- Many poor countries cannot afford to provide education. ✓✓
- Economic growth and development rely heavily on quantity and quality of education. ✓✓

Bad governance and policies ✓✓

- It leads to corruption, nepotism, poor tax collection and poverty alleviation programmes. ✓✓
- Functions of legislator, judiciary and executive are not kept separate. ✓✓
- Budgets, procedures and protocols are not respected. ✓✓

Lack of resources ✓✓

- Total resources in developing countries are not enough for all. ✓✓
- Collective poverty occurs in many countries across the world – Asia, South America, etc. ✓✓

Investment and debt ✓✓

- Countries are poor because there is no money for investment and no money for investment because they are poor. ✓✓
- Investment is essential for development and growth. ✓✓
- An excessive debt-to-GDP ratio can be detrimental to development and growth. ✓✓

Lack of technological progress ✓✓

- Developing countries have not kept up with latest technological processes. ✓✓

Violence and war ✓✓

- Loss of money that could have been used for education, health, etc. ✓✓
- It destroys human lives, capital and equipment. ✓✓

(Any 10 x 2) (20)

EFFECTS/CONSEQUENCES OF POVERTY

- Lack of clean water, sanitation or basic health facilities can lead to people becoming sick. ✓✓
- Mortality rate increases because of malnutrition and lack of medical services. ✓✓
- Demoralising psychological effect on people. ✓✓
- Unfair treatment and discrimination of poor people can lead to the loss of self-respect and dignity. ✓✓
- Since large amount is budgeted for social grants, there is less money to provide for other developmental needs of the country. ✓✓
- Low standards of living and quality of life. / Low rate of development. ✓✓
- Increase in crime rate, civil unrest and domestic violence. ✓✓
- Poor families experience much more stress than average income families. ✓✓
- Impacts negatively on natural resources. ✓✓
- Decrease in demand. ✓✓
- Increase in population numbers. ✓✓
- Decline in productivity. ✓✓
- Rural-urban migration. ✓✓
- Degradation of the environment like dumping in open spaces, deforestation and pollution. ✓✓

(Any 5 x 2) (10)

CONCLUSION

Poverty causes enormous damage on individuals and causes many problems to people and communities. ✓✓

(Any appropriate conclusion is acceptable.)

(2)

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(5)

[40]**TOTAL SECTION C: 40****GRAND TOTAL: 150**

