



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION  
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GRADE 11**

**ECONOMICS  
PAPER 1**

**MEMORANDUM**

**19 pages**

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PROVINCIAL EXAMINATION**

**ECONOMICS  
Paper 1**

**MEMORANDUM**

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**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 B (goods that command a price) ✓✓
- 1.1.2 C (declining in importance as part of GDP) ✓✓
- 1.1.3 C (lack of free education) ✓✓
- 1.1.4 C (rent) ✓✓
- 1.1.5 A (development) ✓✓
- 1.1.6 A (coin deposits) ✓✓
- 1.1.7 B (the monetary policy of the SARB) ✓✓
- 1.1.8 B (M3) ✓✓ (8x2) (16)

**1.2 Choose a description from COLUMN B that matches an item in COLUMN A**

- 1.2.1 E ✓ (The movement of factors of production from one location to another)
- 1.2.2 A ✓ (Machines and equipment replace people in the production process)
- 1.2.3 F ✓ (How quickly money can be converted into cash)
- 1.2.4 B ✓ (Budgetary spending exceeds income)
- 1.2.5 D ✓ (A group of two or more countries that use the same currency)
- 1.2.6 G ✓ (Part of ownership in a company that entitles the owner to a proportional division of profits when dividends are declared)
- 1.2.7 I ✓ (Unique practices of locals in a given culture or society)
- 1.2.8 H ✓ (The change in the number of people in a country over time) (8x1) (8)

**1.3 IDENTIFY THE CONCEPT**

1.3.1 Microeconomics ✓

1.3.2 Wealth ✓

1.3.3 Prime ✓

1.3.4 Gross value added ✓

1.3.5 Scarcity ✓

1.3.6 Land restitution ✓

(6x1) (6)

**TOTAL SECTION A: 30**

## SECTION B

## QUESTION 2 MACROECONOMICS

- 2.1 2.1.1 **Name TWO categories of natural resources.**
- renewable resources ✓
  - non-renewable resources ✓ (2x1) (2)
- 2.1.2 **Why do people with scarce skills receive higher wages?**
- People with scarce skills are more valuable to a firm and they, therefore receive a higher wage ✓✓ (1x2) (2)
- 2.2 2.2.1 **During which years were inflation levels higher than salary levels?**
- 2002✓ and 2008✓ (1x2) (2)
- 2.2.2 **What is *labour-productivity gap*?**
- This refers to salary increases and the level of inflation. ✓✓
  - Workers demand higher salaries, but productivity decreases. ✓✓ (Accept any other relevant answer) (2)
- 2.2.3 **State a reason why salary increases were higher than inflation between 2009 and 2011.**
- Cost of living increase. ✓✓
  - Increase in electricity/fuel, etc. ✓✓ (Accept any other relevant answer) (2)

- 2.2.4 **In your opinion, what are the consequences when salary levels increase faster than inflation levels?**
- Increase in demand for goods and services. ✓✓
  - Inflation increase ✓✓
  - Unemployment increase. ✓✓
- (Accept any other relevant answer) (2x2) (4)
- 2.3 2.3.1 **Which economic system is illustrated in the extract?**
- Market economy/Free economy ✓ (1)
- 2.3.2 **List any other economic system**
- Centrally planned economy / communist economy ✓
  - mixed economy ✓ (1)
- 2.3.3 **What is meant by *centralised direction*?**
- Government makes all decisions in a central place. ✓✓
  - Government controls all factors of production ✓✓
  - Government decides on how, what and where to produce. ✓✓
- (Accept any other relevant answer) (2x2) (4)
- 2.3.4 **Why does Adam Smith describe the economic process as an “invisible hand”?**
- Production takes place without a master plan. ✓✓
  - The “What” “For Whom” and “Why” are solved by an invisible force. ✓✓
  - Market forces automatically adjust ✓✓
- (Accept any other relevant answer) (2x2) (4)
- 2.4 **Distinguish between *real investment* and *financial investment*.**
- **Real investment** or gross fixed capital formation is spending on additions to the capital stock ✓✓
    - e.g. machinery, structures and inventories ✓✓
    - it is undertaken with the aim of making profits in the future ✓✓
  - **Financial investment** is investment in shares and other financial instruments ✓✓
    - it is an asset that you put money into with the hope that it will grow or appreciate into a larger sum of money. ✓✓ (2x4) (8)

2.5 Discuss the main reasons for privatization.

- Increased competition ✓✓
- Greater efficiency in the use of scarce resources and lower costs in production ✓✓
- Competition gives consumers a greater choice of goods ✓✓
- No political intervention in the running of the company ✓✓
- Private companies are accountable to shareholders and are therefore motivated to make profits ✓✓
- Profits from private companies can be taxed, which increases state revenue ✓✓

(Accept any other relevant answer)

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

**QUESTION 3**

3.1 3.1.1 **Name TWO sources of wealth.**

- Savings ✓
- Inheritances ✓
- Gifts ✓
- Appreciation of assets ✓

Any (2x1) (2)

3.1.2 **How will the money supply be affected if the SARB buys government bonds in the open market?**

**Money supply** will decrease/reduce ✓✓  
(Accept any other relevant answer)

(1x2) (2)

3.2 3.2.1 **Define the concept Lorenz curve.**

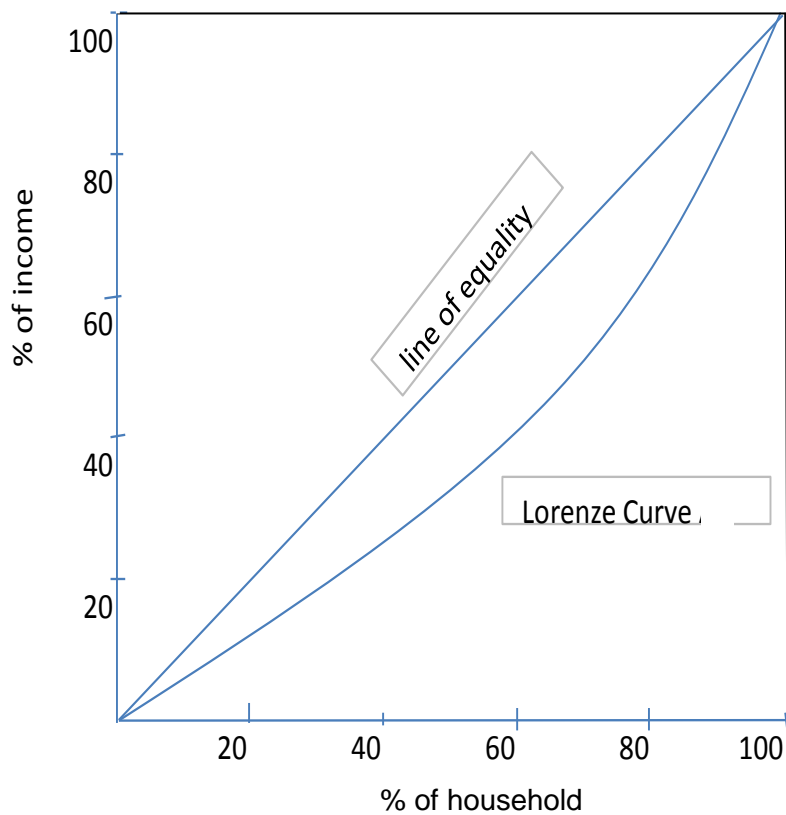
- It is a graphic representation of the cumulative distribution of a country's wealth. ✓✓
- The Lorenz curve is a curve which shows how unequal the distribution of income between households can be. ✓✓ (1x2) (2)

3.2.2 **What are the ranges of the Gini coefficient?**

(0✓ – 1✓)

(2)

## 3.2.3 Use the information from the table to plot the Lorenz curve



## Mark allocation

- 1 mark for labelling on the axis
- 1 mark for labelling of the axis
- 2 marks for line of equality
- 2 marks for the Lorenz curve

(6)



- 3.3 3.3.1 **What does the abbreviation SADC stand for?**
- Southern African Development Community. ✓✓ (2)
- 3.3.2 **List any TWO member countries of SADC.**
- Mauritius ✓  
Seychelles ✓  
Lesotho ✓  
Swaziland ✓  
Botswana ✓  
Namibia ✓  
Zimbabwe ✓  
Mozambique ✓  
Zambia ✓  
Malawi ✓  
Angola ✓  
Tanzania ✓  
Democratic Republic of Congo ✓  
South Africa ✓ (2x1) (2)
- 3.3.3 **According to the extract, how can a country under SADC improve its industrial base?**
- The production of value-added goods. ✓✓  
– More exports of quality goods. ✓✓  
(Accept any other relevant answer) (2x2) (4)
- 3.3.4 **Why can industrial development be seen as the main driver of regional development?**
- Industrial development creates work in regions. ✓✓  
– Industrial development can lead to economic growth and development ✓✓  
– Industrial development can lead to increased exports / foreign exchange can be earned. ✓✓ (2x2) (4)

3.4 **Differentiate between a *developing economy* and a *developed economy***

- **A developing economy** would be an economy where all citizens do not yet have the resources available to live free, healthy and safe lives ✓✓
  - The gap between the rich and the poor is very large in the developing countries ✓✓
  - These countries are in the southern hemisphere ✓✓
  - **A developed economy** would be an economy where all citizens enjoy a standard of living that enables them to live free, healthy and safe lives ✓✓
  - These countries are in the northern hemisphere ✓✓
- (Accept any other relevant answer) (2x4) (8)

3.5 **Evaluate *free subsidised basic household services* provided by the local government.**

- Water supply: a public standpipe supply or point source supply is provided free of charge ✓✓
  - Sanitation: basic sanitation services provided free of charge with additional payment for properties of higher value ✓✓
  - Electricity: consumption-based tariff, with the first 50 kwh per month provided free of charge ✓✓
  - Refuse removal: targeting based on property value, with additional service- level payments is provided for those requiring more than the basic service. ✓✓
  - However, not all communities receive these free services. ✓✓
  - Communities are constantly demonstrating their dissatisfaction by marches, pickets, etc. ✓✓
  - They are not always satisfied with these services. ✓✓
  - It seems that there is a lack of services in many communities. ✓✓
- (Accept any other relevant answer) (4x2) (8)

**[40]**

## QUESTION 4

- 4.1 4.1.1 **List TWO groups of people that are marginalised in South Africa**
- Non-whites ✓
  - Women ✓
  - Immigrants/Refugees ✓
  - Disabled people ✓ (2x1) (2)
- 4.1.2 **How will the price of a product impact on the profits of the entrepreneur?**
- The higher the price of the product, the higher the profits. ✓✓
  - Cost increases can negatively influence the profit margin ✓✓  
(Accept any other relevant answer) (1x2) (2)
- 4.2 4.2.1 **Define *durable goods*.**
- Involves those goods that lasts for more than one year/ Goods that lasts for a long period of time. ✓✓ (2)
- 4.2.2 **On which category of durable goods do households spend most of their income in 2014?**
- Personal transport equipment ✓✓ (2)
- 4.2.3 **Explain what “at constant prices” mean.**
- The value of household expenditure before inflation/  
The unadjusted value of household consumption expenditure. ✓✓  
(2x1) (2)
- 4.2.4 **What is the tendency in the clothing and footwear category since 2012? Motivate your answer.**
- The expenditure in this category increased over the years. ✓✓
- Reasons:**
- The population has increased over the years. ✓✓
  - The prices of goods for these categories has increased. ✓✓
  - The inflation levels have increased. ✓✓ (2x2) (4)

- 4.3 4.3.1 **List TWO reasons, according to the cartoon, why Africa is raved by poverty.**
- HIV/AIDS ✓
  - Hunger ✓
  - Corruption ✓
  - High debt levels ✓ (1x2) (2)
- 4.3.2 **Define the concept *poverty*.**
- It is the inability of people to attain a minimum standard of living. ✓✓ (2)
- 4.3.3 **What is a *poverty gap*?**
- The difference between the income of the poor and the poverty limit. ✓✓ (2)
- 4.3.4 **Explain how social grants are used to alleviate poverty in South Africa.**
- Old age pensions are paid to satisfy people's basic needs. ✓✓
  - Child grants provide in the underprivileged children's needs. ✓✓
  - Foster care grants provide for the needs of the homeless. ✓✓
  - (Accept any other relevant answer) (2x2) (4)
- 4.4 **Distinguish between banks and micro-lenders.**
- Banks:**
- Provide small and large amounts of credit to individuals, small and medium businesses and large corporations ✓ ✓
  - Provide loans to less risky customers ✓ ✓
  - Provide a wide array of financial services ✓ ✓
  - Regulated by the banks act ✓ ✓
- Micro-lenders**
- Provide small amounts of credit to individuals for different purposes ✓ ✓
  - Provide loans to more risky customers ✓ ✓
  - Provide a limited range of financial services, mostly loans and insurance ✓ ✓
  - Regulated by the national credit act ✓ ✓
  - (Accept any other relevant answer) Any (2x4) (8)

4.5 **Discuss the objectives of GEAR.**

- To increase exports drastically for economic growth ✓✓
  - To reduce the fiscal deficit to 3% of the GDP ✓✓
  - Budget reforms, aimed at strengthening the distribution effect. ✓✓
  - Tax reforms and other incentives to promote job creation. ✓✓
  - Expanding on infrastructure and increased government expenditure ✓✓
  - To control inflation between the target area. ✓✓
  - Expansion of infrastructure and increase in government investments. ✓✓
- (Accept any other relevant answer)

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

**TOTAL SECTION B: 80**

**SECTION C**

Answer ONE question from this section in the ANSWER BOOK.

<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/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Differentiate/Explain/Assess/Debate <b>Addition 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	Max. 26  Max. 10
<b>Conclusion</b> Any higher-order conclusion should include: <ul style="list-style-type: none"> <li>– A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>– Any opinion or valued judgment on the facts discussed</li> <li>– Additional support information to strengthen the discussion/analysis</li> <li>– A contradictory viewpoint with motivation, if required</li> </ul> Recommendations	Max. 2
<b>TOTAL</b>	<b>40</b>

## QUESTION 5 MACRO ECONOMICS

40 MARKS – 40 MINUTES

*Infrastructure plays an important role in the development of the economy.*

- Discuss the following aspects of South Africa's infrastructure:
    - Communications
    - Transport
- (26 marks)
- Briefly explain how the cellphone industry assists in reducing the exclusion of the poor from telecommunications. (10 marks)

[40]

**Introduction:**

The economic infrastructure of a country are the internal facilities that make business activity possible such as communication, transportation and distribution networks, financial institutions and energy supply systems.√√  
(Accept any other relevant answer)

(2)

**Body:****Main Part****1. COMMUNICATIONS**

It is the movement of information throughout the world.√√ These include the following:

- **Postal services** √  
This is controlled by the SA Post Office, a state-owned agency.√√  
Many courier companies provide the only competition for the post office in the fast delivery of goods.√√
- **Telecommunications** √  
Telkom is the primary landline service provider.√√  
Communications by means of cellular phone networks has grown more rapidly than landlines.√√  
Messages and images can be sent via the telephone, cellphone and computers.√√
- **Internet and e-mail**√  
There are two national hubs that connect internet service providers to a single network, the Johannesburg and Cape Town internet exchange√√

1

Wider access to broadband, ADSL and 3G has boosted internet connectivity.√√

- **Radio** ✓  
The South African Broadcasting Corporation (SABC) is the state-funded public broadcaster. ✓✓
- **Television** ✓  
The SABC operates the national television network with three full-spectrum free-to-air Channels and on a satellite pay-tv channel beamed mainly to audiences in Africa. ✓✓
- **Print media** ✓  
South Africa is served by eight national, several regional and mainly local community newspapers. ✓✓

## 2 TRANSPORT ✓

- A well-developed and reliable transport network is essential for an efficient economy. ✓✓
- It has three subsidiary companies: Spoornet; Metrorail and Transport; National Ports Authority (ports) ✓✓
- **Road network** ✓  
The transport of goods by road has greatly increased in recent years and the SA National Roads Limited (SANRAL) is responsible for improving and maintaining the national roads. ✓✓
- **Rail network** ✓  
Controlled by Spoornet and is mainly concerned with the transportation of goods but there are also long distance passenger services and Metrorail transports commuters in the cities. ✓✓
- **Airways** ✓  
State-owned SA Airways and its subsidiaries SA Express, SA Airlink and Mango provide services internally and internationally. ✓✓
- **Ports:** ✓  
Ports are divided into fishing and commercial ports ✓✓  
The Transnet-National Ports authority controls the commercial ports ✓✓



- **Pipelines:** ✓  
Transnet provides a pipelines between Durban and Gauteng to transport liquid gas. ✓✓
- Gas is transported from Secunda in Mpumalanga to Durban and from Mozambique to Sasolburg. ✓✓  
(Accept any other relevant answer) **Max.** (26)

**Additional Part:**

**Briefly explain how the cellphone industry assists in reducing the exclusion of the poor from telecommunications:**

- Cellphones are readily available ✓✓
- Cheap to run ✓✓
- Cellphones can be used even if you don't have a fixed residential address ✓✓
- No waiting for landline connections. ✓✓
- No expensive monthly charges. ✓✓  
(Accept any other relevant answer) **MAX.** (10)

**Conclusion:**

Communication and transport has to be fast and efficient so that business can compete internationally and also includes information, services and people. ✓✓  
(Accept any other relevant answer) **MAX.** (2)

**[40]**

## QUESTION 6

## ECONOMIC PURSUITS

40 MARKS – 40 MINUTES

Money has evolved or developed substantially over time. It is hardly recognized in its traditional form.

- Discuss all the money-associated instruments. (26 marks)
- How effective is the SARB control over the activities of commercial banks in South Africa? (10 marks)

**Introduction:**

Money associated instruments are means by which payments can be made or money can be transferred other than as notes and coins. √√  
(Accept any other relevant answer)

Max. (2)

**Body:****Main part****Cheques** √

- A completed cheque is an instruction to a bank to pay a sum of money out in cash or to an individual. √√

**Bank transaction cards** √

- Used at ATMs which replace human bank tellers in performing basic banking functions such as deposits, withdrawals and account enquiries. √√
- The advantage of transactional cards include 24-hour availability, no labour costs and convenience of location. √√

**Debit cards** √

- Used to withdraw funds electronically directly from the card holder's account or to pay for goods or service at businesses. √√
- Most debit cards require a PIN (personal Identification number) to be used to verify the transaction. √√

**Credit cards** √

- Used to borrow money to pay for goods and services on credit. √√
- Card holders normally must pay for these credit card purchases within 30 days of purchase to avoid paying interest. √√
- They usually have a credit limit. √√

**Internet banking** ✓

- The process of completing financial transactions from home as opposed to having to go into the bank. ✓✓
- It can include making account enquiries ✓✓, transferring money ✓✓, paying accounts ✓✓ and applying for loans. ✓✓

**Mobile banking services** ✓

- A mobile device such as a cell phone or a PDA (personal digital assistant) is used to perform balance checks, ✓✓account transactions, ✓✓payments, ✓✓ credit applications, ✓✓ and other transactions. ✓✓

**Max.** (26)**Additional Part:****How effective is the SARB control over the activities of commercial banks in South Africa?**

- The SARB determines the interest rate of the commercial banks in South Africa. ✓✓
- Money supply is controlled through the occurrence of open-market transactions ✓✓
- The required cash reserves are maintained by the banks. ✓✓
- The SARB determines the credit limits of commercial banks. ✓✓
- The SARB determines loan amounts through a system of credit ratings ✓✓
- Disciplinary measures such as the denial of further loans are implemented. ✓✓
- The SARB implements moral persuasion on commercial banks ✓✓

**Max** (10)**Conclusion**

The Bank Act is responsible for the regulation of the banking sector in South Africa. ✓✓

(Accept any other relevant answer)

**Max** (2)  
**(40)****TOTAL SECTION C: 40****GRAND TOTAL: 150**