

PROVINCIAL EXAMINATION
JUNE 2022
GRADE 10
MARKING GUIDELINES

ECONOMICS (PAPER 1)

13 pages

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

- 1.1.1 C normative ✓✓
- 1.1.2 B production. ✓✓
- 1.1.3 A transfer payments. ✓✓
- 1.1.4 A PAYE. ✓✓
- 1.1.5 B coincidental ✓✓

(5 x 2) (10)

1.2 MATCHING ITEMS

- 1.2.1 G Is determined by the demand and supply of labour ✓
- 1.2.2 A The portion of money that is not spent on goods and services ✓
- 1.2.3 F The factors of production are traded on these markets ✓
- 1.2.4 B The potential benefits an individual missed out on when choosing one alternative over another ✓
- 1.2.5 C Does not command a price in the market ✓
- 1.2.6 D Believes that markets are inherently unstable, and fluctuations are part of the way a market economy operates ✓

(6 x 1) (6)

1.3 GIVE THE TERM

- 1.3.1 resources/factors of production ✓
- 1.3.2 leakages ✓
- 1.3.3 scarcity ✓
- 1.3.4 trough ✓

(4 x 1) (4)

TOTAL SECTION A: 20

SECTION B

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

QUESTION 2: MACROECONOMICS

2.1 Answer the following questions.

2.1.1 **Name TWO primary sector industries.**

Farming ✓, logging ✓, hunting ✓, fishing ✓, forestry ✓ and mining ✓
(Accept any other correct relevant response.) (2 x 1) (2)

2.1.2 **Why might GDP growth not necessarily lead to a higher standard of living for all citizens?**

The GDP in a country does not tell how evenly spread the income earned during production is. ✓✓
(Accept any other correct relevant response.) (1 x 2) (2)

2.2 **DATA RESPONSE**

2.2.1 **Give ONE example of an economic model.**

The Classical Model, the Production Possibility Frontier Model, the Circular Flow Model, et cetera. ✓
(Accept any other correct relevant response.) (1 x 1) (1)

2.2.2 **What method is used by economists to remain as objective as possible?**

The scientific method ✓ (1) (1)

2.2.3 **Briefly describe the term *positive statement*.**

Positive statement is an objective explanation that can be tested to be true or false. ✓✓
(Accept any other correct relevant response.) (2) (2)

2.2.4 **How do economic models assist economists?**

An economic model is used to explain or predict how a set of circumstances will behave if a variable changes. ✓✓
(Accept any other correct relevant response.) (2) (2)

2.2.5 Why is Economics an important subject?

- Economists provide information that aids the making of informed decisions within companies and governments. ✓✓
- Economic issues influence our daily lives. This includes issues such as tax and inflation, interest rates and wealth, inequality and emerging markets, and energy and the environment. ✓✓
- A broad subject, Economics provides answers to a range of health, social and political issues that impact households and wider communities. ✓✓
- Firms of all sizes and industries have to rely on Economics, whether it is for product research and development, pricing strategies or how to advertise. ✓✓

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

2.3 DATA RESPONSE

2.3.1 Identify the industry that recorded the highest growth rate.

Transportation and communication ✓ (1)

2.3.2 What global event contributed to the negative growth rates in construction?

COVID-19 ✓
(Accept any other correct relevant response.) (1)

2.3.3 Briefly describe the term *Gross Domestic Product (GDP)*.

The market value of all the final goods and services that people produce within the borders of a country. ✓✓
(Accept any other correct relevant response.) (2)

2.3.4 How does the local economy benefit from the foreign sector?

Money enters the local economy when goods and services are exported to foreign countries. ✓✓
(Accept any other correct relevant response.) (2)

2.3.5 Why is the *GNP* of a country not the same as its *GDP*?

- GNP measures production by the nationals of a country anywhere in the world. ✓✓
- GDP measures production within a geographical area without looking at nationality. ✓✓

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

2.4 Briefly explain the different approaches to Economics.

- Economists study the world around them and gather the facts and observations about how people behave when they produce, exchange, and consume goods and services. ✓✓
- Economists use what they observe to create theories and principles. ✓✓
- They:
 - Make deductions by drawing up theories and testing them against the facts to see whether a certain theory fits the facts ✓✓
 - Induce theory by processing facts to create a theory ✓✓
 - Use a combination of deduction and induction ✓✓
- Economics studies how people behave regarding money. ✓✓
- The so-called 'laws' in economics are, in fact, more like general statements than laws. ✓✓
- Economists divide the study of Economics into two major areas: Microeconomics and Macroeconomics ✓✓
- Microeconomics is the study of individual consumers, households, companies, and other organisations and some of their decisions and reactions. ✓✓
- Microeconomics looks, for example, at the individual's demand for a certain product at a certain price, or how individuals decide what and when to buy. ✓✓
- Macroeconomics focuses on the economic behaviour of a community. ✓✓
- Examples of Macroeconomics will be the study of inflation or a country's economic growth. ✓
- Macro-economics look at the "bigger picture" – the overall economic behaviour and performance of the economy of a country or the world. ✓✓

(Accept any other correct relevant response.)

(A maximum of 2 marks may be allocated for mere listing of facts/examples.)

(4 x 2) (8)

2.5 How do injections contribute to economic growth?

- Injections occur when new money is added to the economy. ✓✓
- This increases the quantity of money in circulation. ✓✓
- A bigger supply of money makes expenditure on investment(I), government spending(G) and consumer spending(C) possible. ✓✓
- Economic growth is calculated by the percentage increase in GDP. GDP(E) is calculated by adding $G+C+I+(X-M)$. ✓✓
- More injections would thus lead to a bigger GDP and economic growth. ✓✓

(Accept any other correct relevant response.)

(A maximum of 2 marks may be allocated for mere listing of facts/examples.)

(Max. 8) (8)

[40]

QUESTION 3: MACROECONOMICS

3.1 Answer the following questions.

3.1.1 Name TWO types of scarcity.

- Absolute ✓
- Relative ✓

(2 x 1) (2)

3.1.2 How does the level of business activities change during a depression?

Closing of businesses ✓✓
Very low production levels ✓✓
(Accept any other correct relevant response.)

(1 x 2) (2)

3.2 **DATA RESPONSE**

3.2.1 Name the harmful labour practice as illustrated in the pictures.

Child labour ✓

(1)

3.2.2 At what age may one legally start working?

16 years ✓

3.2.3 Briefly describe the term *human rights*.

Human rights are the basic rights and freedoms that belong to every person in the world, from birth until death. ✓✓
(Accept any other correct relevant response.)

(2)

3.2.4 What effect does poverty have on human rights?

- People's standard of living deteriorates because of economic issues like poverty which may lead to crime. ✓✓
- Economically vulnerable people are being excluded from economic participation. ✓✓

(Accept any other correct relevant response.)

(2)

3.2.5 How can government help to protect human rights?

By enforcing the law through courts. ✓✓
Through education and awareness campaigns. ✓✓
(Accept any other correct relevant response.)

(2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 **Name the type of pollution depicted above.**

Land pollution ✓ (1)

3.3.2 **What type of plastic carrier bags may no longer be used by retailers?**

Thin plastic bags **or** plastic bags lower than 30 microns. ✓ (1)

3.3.3 **Briefly describe the term *pollution*.**

Pollution refers to introduction of contaminants (poisons) that damage the natural environment. ✓✓
(Accept any other correct relevant response.) (2)

3.3.4 **How does the use of plastic harm the environment?**

Plastic bags litter the environment/It takes many years to decompose and releases toxic substances into the soil, water, and air. ✓✓
(Accept any other correct relevant response.) (2)

3.3.5 **How can government intervene to help save the environment?**

- Grant property rights to the citizens so that they can take care of the land. ✓✓
 - Charge for the use of the environment e.g. force people to pay levies for waste produced. ✓✓
 - Charge environmental taxes on those who produce goods that generate external environmental costs. ✓✓
 - Provide environmental subsidies to those who introduce new technology that saves the earth. ✓✓
- (Accept any correct relevant response.) (2 x 2) (4)

3.4 **Briefly explain the difference between *economic goods* and *free goods*.**

Free goods	Economic goods
They have no exchange value although most have utility. ✓✓	They have an exchange value as consumers are prepared to pay for them. ✓✓
Most of them are gifts of nature meaning that they are naturally available. ✓✓	They are a produced by households and businesses from scarce resources. ✓✓
e.g., water ✓	e.g., a chair ✓

(Accept any other correct relevant response.)
(Allocate a maximum of 4 marks for the mere listing of facts/examples.) (2 x 4) (8)

3.5 **Why is unemployment higher during a recession?**

- During a recession the demand for goods and services are low. ✓✓
- Due to lower production levels and revenue, companies can no longer afford to employ all their workers. ✓✓
- Since companies can no longer afford all their employees, they will have to reduce their workforce. ✓✓
- This increases the number of unemployed people and the unemployment rate in the country. ✓✓

(Accept any other correct relevant response.)

(Allocate a maximum of 4 marks for the mere listing of facts/examples.)

(2 x 2) (8)
[40]

TOTAL SECTION B: 40

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction:</p> <p>The introduction is a lower-order response.</p> <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body:</p> <p>Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate A maximum of 8 marks may be allocated for headings/examples.</p> <p>Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest A maximum of 2 marks may be allocated for mere listing of facts.</p>	Max. 26
<p>Conclusion:</p> <p>Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations 	Max. 2
TOTAL	40

QUESTION 4: MACROECONOMICS

- **Discuss, in detail, the interrelationship between the four participants in the circular flow.** (26 marks)
- **Evaluate the effect of the COVID-19 pandemic on the GDP aggregates.** (10 marks)

Introduction

Circular flow shows the flow of goods, services, factors of production, income and expenditure, and the relationship between the participants in the economy. ✓
(Accept any other correct relevant introduction.) (Max. 2)

**Body
MAIN PART****Households**

- Households are the major consumers of economic goods and services. ✓✓
- They use their income to buy goods and services from businesses. ✓✓
- Households are the primary economic participants because they are the owners of the four factors of production. ✓✓
- Households sell factors of production in the factor market to businesses. ✓✓
- Households receive a remuneration from the businesses in the form of wages, rent, interest and profit. ✓✓

Business Sector

- Businesses purchase the factors of production from households in the factor market. ✓✓
- Businesses use the factors of production to produce goods and services.
- Businesses sell goods and services to households, government and the foreign sector. ✓✓
- Businesses receive an income from households, government and the foreign sector. ✓✓

Government

- The state provides the households and businesses with public goods and services. ✓✓
- E.g., roads, harbours, electricity, social grants, hospitals, schools, etc. ✓
- Government finances its spending by taxing households and businesses. ✓✓
- The state receives taxes from households, e.g., income tax. ✓✓
- The state receives taxes from the business sector, e.g., company tax. ✓✓
- The state spends money in the economy on goods and services from businesses and salaries and wages for households. ✓✓

Foreign Sector

- Imported goods and services flow from the foreign sector and are paid for by the individual households, businesses and the public sector. ✓✓
- These imports can be seen as expenditure by individual households, businesses and the public sector. ✓✓
- There is also a flow of exported goods and services to the foreign sector from businesses. ✓✓
- These exports will result in income for individual households, businesses and the public sector. ✓✓

(Accept any other correct relevant response.)

(Max. 26)

ADDITIONAL PART

- GDP is the total value of final goods and services produced within the geographic boundaries of a country during a specified period. ✓✓
- The COVID-19 pandemic has caused direct impacts on national income due to premature death, workplace absenteeism, and reduction in productivity. ✓✓
- COVID-19 has created a negative supply shock, with manufacturing production activity slowing due to global supply chain disruptions and closure of factories. ✓✓
- Consumption spending decreased as households changed their spending behaviour due to decreased income and due to the fear and panic that accompanies the epidemic. ✓✓
- Service industries such as tourism, restaurants, hospitality, hotel, and transportation, suffered significant losses due to reduction in travel both locally and internationally. ✓✓
- Company closures caused huge unemployment in the country. ✓✓
- International travel restrictions hindered global economic growth as migrant workers made an important contribution to the labour markets. ✓✓
- A decline in aggregate demand of goods and services reduced local production and company profits. ✓✓
- GDP declined drastically because of the COVID-19 pandemic.

(Accept any other correct relevant answer.)

(Max. 10)

Conclusion

The COVID-19 pandemic is likely to continue disrupting economic activities and negatively impacting the manufacturing and service industries in developing countries. ✓✓

(Accept any other correct relevant conclusion.)

(Max. 2)

[40]

QUESTION 5: MACROECONOMICS

- **Discuss, in detail, the different phases in a business cycle. (26 marks)**
- **How can the central government influence business activity? (10 marks)**

Introduction

- Business cycles refer to continuous periods of expansion and contraction of economic activity. ✓✓ (Max. 2)
(Any other relevant introduction.)

Body**MAIN PART****Prosperity phase**

- The prosperity phase is characterised by increased economic activities within a country. ✓✓
- Economic output, employment and wages tend to rise during this phase of the business cycle. ✓✓
- People's standard of living tends to improve. ✓✓
- Consumption increases since consumers have more disposable income. ✓✓
- Business tends to be more profitable because there is an increase in demand. This attracts more entrepreneurs to enter the market, and output increases. ✓✓
- Businesses increase their investment during this phase. ✓✓
- New businesses buy, build, or rent new buildings. Businesses may also add new branches in other areas. ✓✓
- New and existing businesses buy more machines and equipment to produce larger quantities of goods and services. ✓✓
- During the prosperity phase, there is an increase in inventories (stock) to satisfy increased demand. ✓✓
- The increase in demand for goods creates an increase in the demand for labour. More workers are employed. Unemployed people may get jobs. ✓✓
- The prosperity phase ends when the cycle reaches its peak. ✓✓

Recession

- During a recession economic growth decreases. This is also called negative economic growth. ✓✓
- Businesses become pessimistic and reduce output. ✓✓
- The employment rate decreases as some workers are laid off. This results in a reduction in income. ✓✓
- Consumption: People have less money in their pockets. As a result, they consume less. Therefore, aggregate demand decreases. ✓✓
- Real GDP: The quantity of goods and services produced decreases because of the fall in demand. With the decrease in output, real GDP and economic growth decreases/declines. ✓✓

- Businesses tend to reduce their investments. Less money is spent buying capital goods. ✓✓
- A recession ends with a trough. ✓✓

Depression

- When a recession continues for a long time, it is known as a depression. ✓✓
- A depression is a severe form of recession. ✓✓
- During a depression there is large-scale unemployment and a severe shortage of goods and services. ✓✓
- Depressions are rare because governments take steps to prevent recessions from developing into depressions. ✓✓

Recovery

- During a recovery, the economy starts to grow again. ✓✓
- A recovery usually starts slowly and speeds up over time. ✓✓
- There is a gradual increase in demand and in output that will eventually lead to more prosperity. ✓✓

ADDITIONAL PART

How can the central government influence business activity?

- The fiscal policy of the government may act as a stimulus that can be used to spur economic activity. ✓✓
- This is accomplished by the government through spending, decreasing tax revenue, or a combination of the two. This is known as expansive fiscal policy. ✓✓
- On the other hand, fiscal policy may also act as a disincentive that can lead to a contraction of economic activity. ✓✓
- An increase in the level of taxation tends to slow economic activity by decreasing individuals' disposable income. ✓✓
- This will likely cause consumers to decrease their spending on goods and services and may lead to lower production levels and decrease in economic activity. ✓✓

(Accept any other correct relevant response.)

(Max. 26)

CONCLUSION

- Business cycles are long-term trends and can last from 3 to 5 years or even 10 years and may be affected by government policy. ✓✓

(Accept any other correct relevant response.)

(Max. 2)

TOTAL SECTION C: 40

TOTAL: 100