

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
JUNE 2018
GRADE 10**

**ECONOMICS
PAPER 1**

MARKING GUIDELINE

GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATIONECONOMICS GRADE 10
(Paper 1)**SECTION A: COMPULSORY****QUESTION 1:****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 B✓✓ Limited means
- 1.1.2 C✓✓ Macroeconomics
- 1.1.3 A✓✓ Gross Domestic Product
- 1.1.4 C✓✓ Leakages
- 1.1.5 D✓✓ Recession

(5x2) (10)

1.2 MATCHING ITEMS

- 1.2.1 E✓ Occurs when we make use of our resources to optimally produce goods and services
- 1.2.2 D✓ Brings buyers and sellers together for exchange
- 1.2.3 B✓ The difference between income and spending
- 1.2.4 C✓ The upper turning point of a business cycle
- 1.2.5 F✓ All people have a basic human right to be free from poverty, ignorance and ownership by other people
- 1.2.6 A✓ Businesses supply goods and services on the goods market to households, the government and foreign sector in the form of exports

(6x1) (6)

1.3 GIVE ONE TERM

- 1.3.1 Microeconomics✓
- 1.3.2 Capital goods✓
- 1.3.3 Income tax.✓
- 1.3.4 Leading indicators✓

(4x1) (4)

TOTAL SECTION A: 20

SECTION B

Answer ONE of the two questions

**QUESTION 2
MACROECONOMICS**

2.1 Answer the following questions.

2.1.1 Name any TWO fields of study that are related to Economics.

- Accounting✓
- Business studies✓
- Commercial law✓
- Mathematics of finance✓ (Any 2x1) (2)

2.1.2 What is the relationship between scarcity and opportunity costs?

- When resources are scarce, consumers must choose to satisfy certain needs over others, in the process giving up their satisfaction of other needs. ✓✓ (Any 1x2) (2)

2.2 Data Response

2.2.1 What is the name of the graph above?

- Business cycles✓ (1)

2.2.2 Which point on the graph may be associated with lowest GDP?

- D✓ (1)

2.2.3 Briefly describe the term *economic growth*.

- It is the increase in the value of goods and services produced over a period of time, measured in terms of real gross domestic product. ✓✓ (2)

2.2.4 Briefly explain the effect of business cycles on economic growth.

- During periods of downswings the economy has a negative growth, while during periods of upswings the economy has a positive growth. ✓✓ (2)

2.2.5 How can government reduce unemployment in an economy?

- The government can invest in job creation initiatives like the Expanded Public Works Programme✓✓
- The government can invest in education and training to address skills shortages in the country✓✓

(Accept any other correct relevant answer) (2x2) (4)

2.3 Data Response

2.3.1 How much is the net profit after tax of the business above?

- R500 000✓ (1)

2.3.2 Identify a statement from the passage above that shows that the business is efficient in its operations.

- ‘During the past year their business has performed well’✓ (1)

2.3.3 What does it mean to “diversify their business operations” in this extract?

- To expand on the line of products from those already supplied ✓✓ (2)

2.3.4 Demonstrate how this extract illustrates the problem of scarcity of resources.

- They cannot decide whether they should use the profits to purchase another tour bus or buy a guesthouse✓✓ This means that their resources cannot allow them to have both a guest house and a bus✓✓ (2)

2.3.5 Briefly discuss the relationship between production, consumption and exchange.

- Production is the process of converting raw materials into finished products✓✓
- Consumption is when households use products that have been produced by businesses✓✓
- For goods and services to be consumed, there must be an exchange of these goods and services between the producer and the consumer✓✓ (4)

2.4 Distinguish between free goods and economic goods.

Free goods	Economic goods
<ul style="list-style-type: none"> • They are freely available to consumers / no price involved ✓✓ • They are available in unlimited quantities✓✓ 	<ul style="list-style-type: none"> • They have a price ✓✓ • They are scarce✓✓

(Accept any other correct relevant answer)

(2x4) (8)

2.5 **Demonstrate how the South African government is addressing the delivery of basic services to economically disadvantaged people to improve their standard of living.**

- All people should have food as a basic need, hence there is a school feeding scheme in public schools✓✓
 - All people must have shelter, hence the housing subsidies and RDP houses for low-income earners✓✓
 - All people must have access to health services. Free medical facilities are provided for those who cannot afford it✓✓
 - All children have a right to education-‘no fee’ education system has been introduced in the country for public schools✓✓
 - All people have a right to running water and sanitation, hence on affordable supply of running water is offered✓✓
 - All people have a right to dignity and better future✓✓
 - All people have a basic human right to be free from poverty, ignorance and slavery, hence the constitution with human rights laws✓✓
- (Accept any other correct relevant answer)

Any (4x2) (8)
[40]

QUESTION 3
MACROECONOMICS

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name TWO types of markets in the circular flow.

- Factor / Resource / Input market ✓
- Product / Goods / Output market ✓
- Money market ✓
- Capital market ✓
- Financial market ✓
- Foreign market ✓

(Any 2x1) (2)

3.1.2 How is the trend line used in business cycles?

- The trend line is a line that indicates the general direction of the country's economic growth over a long period ✓✓

(Accept any other correct relevant answer)

(1x2) (2)

3.2 Data Response

3.2.1 Which factor of production is depicted by the cartoon above?

- Natural resources / land ✓

(1)

3.2.2 Which economic industry would be affected by the above scenario?

- Fishing Industry / Primary Sector ✓

(1)

3.2.3 Briefly describe the term *relative scarcity*.

- When a good or service is available, but one does not have the resources to acquire it ✓✓ / Relative scarcity exists where the demand for a good is greater than the supply of a good ✓✓

(2)

3.2.4 What can the government do to solve the water crisis?

- Build more dams to trap more water ✓✓
- Drill boreholes to utilise underground water ✓✓
- Encourage South Africans to conserve water ✓✓

(Accept any other correct relevant answer)

(Any 1x2) (2)

3.2.5 What effect does the above situation have on the economy?

- There will be a shortage of fish ✓✓
- Increase unemployment rates in the country ✓✓
- Poverty rates may increase ✓✓

(Accept any correct relevant answer)

(2 x 2) (4)

3.3 Data Response

3.3.1 Which method was used to calculate the GDP in the above table?

- Expenditure method✓ (1)

3.3.2 Identify the institution responsible for publishing the data above.

- South African Reserve Bank (SARB)✓ (1)

3.3.3 Briefly describe the term *factor income*.

- This is the total income earned from the sale of factors of production, e.g. salaries and wages earned on labour✓✓ (2)

3.3.4 Name the other TWO methods used to calculate the GDP.

- Production method✓
- Income method✓ (2)

3.3.5 Use figures in the table above to calculate the value of A. Show all calculations.

GDP at market prices	R2425 billion✓
Plus factor income earned abroad by South Africans	R34 billion✓
Minus factor income earned in South Africa by foreigners	R87 billion✓
Gross National Income	R2372 billion✓

(4)

3.4 Differentiate between *leakages* and *injections* in an economy.

Leakages	Injections
When there are leakages of money from circular flow it means that the money is not available to be spent on buying the output produced by the businesses ✓✓	When there is an injection of money into the circular flow, more money is available to be spent on buying the output produced by the businesses ✓✓
Leakages are amount of money that leave the circular flow ✓✓	Injections is the amount of money that enter the circular flow from outside ✓✓
Leakages (L)=S+T+M ✓✓	Injection (J)=I+G+X ✓✓

(Accept any other correct relevant answer)

(2x4) (8)

3.5 How do households contribute towards the growth of the economy?

Households...

- are the owners of the factors of production. They provide these factors to producers so that they can produce goods and services ✓✓
- pay income tax to the government, who in turn use the tax revenue to provide public goods ✓✓
- buy goods and services from business, thereby providing an income to the businesses ✓✓
- save some of their income in financial institutions like banks and these invest this money back into the economy ✓✓
- receive public goods from the state ✓✓

(Accept any correct relevant answer)

(8)

[40]

TOTAL SECTION B: 40

SECTION C

Answer any ONE of the two questions.

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
<p>Introduction The introduction is a lower-order response.</p> <ul style="list-style-type: none"> • A good starting point would be to determine 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 saying in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body Main part: Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Explain / Differentiate</p> <p>Additional part: 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 / Suggest</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion 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 four main economic participants in the Circular Flow Model of an open economy. (26)
 - Describe the relationship between Savings and Investment. (10)
- [40]**

INTRODUCTION

- The four main participants in the circular flow are households, businesses, the government and the foreign sector. These participants combine to form a model of how the economy works✓✓
- The decisions that they make and the way in which they interact with one another✓✓
- The impact they have on the individuals in our society and on the level of economic activity✓✓

(Accept any other correct relevant answer)

(Max 2)

Body**MAIN PART****Households ✓**

- All the people who live together and make joint economic decisions✓✓
- A family is a household sharing income✓✓
- They own factors of production, which are labour, entrepreneurship, land and capital✓✓
- They own businesses through the shares they have in businesses.✓✓
- They also earn an income from factors of production✓✓, e.g. labour earns salaries and wages, interest is paid on capital, rent is paid for land, and profit is the reward for entrepreneurial activities✓
- They use their income to buy goods and services from producers✓✓
- The main aim for consumers is to maximize their satisfaction.✓✓
- Through their income and spending they determine what must be produced, for whom goods and services must be produced, and how it must be produced✓✓
- What households want and can afford (their demand) determines what business will produce✓✓
- Households also save a portion of their income for various reasons for their future✓✓

Business Enterprises✓

- They produce goods and services using factors of production✓✓
- Production in SA is mostly done by the privately owned business✓✓
- Business / Firms are important decision-makers in our economy, they also produce capital goods✓✓
- Capital goods are used in the production of consumer goods✓✓
- Creation of capital goods is called Investment (I)✓✓
- Businesses are responsible for efficient production✓✓
- Businesses pay households wages / salaries for labour, interest for capital, rent for land, profits for entrepreneur as income for their factors of production.✓✓
- They bear the production costs✓✓

Public Sector✓

- They comprise of local, provincial and national government✓✓
- Government purchases factors of production from households in the factor market✓✓
- The state also purchases goods and services from firms in the good markets✓✓
- They also provide households and business enterprises with goods and services, which are not produced by businesses ✓✓
- These public goods include safety, defence, law, roads and other infrastructure✓
- Receive tax from households and businesses, and also receive revenue from state owned enterprises✓✓
- The state spends tax revenue on social services✓✓
- Examples of tax on goods and services paid by consumers include Value Added Tax (VAT), sin tax and fuel levies✓

Foreign Sector✓

- Represents trading with the rest of the world, export / import trade – international trade✓✓
- The world has become a *global village*✓✓
- Changes in one part the village affects many other parts of the village✓✓
- Changes in real flows and financial flows, technology and information occur between countries✓✓
- Globalization means there is higher integration between countries✓✓
- Export earnings are injections, as money is received from other countries✓✓
- Import payments, are leakages since money leaves the country ✓✓

(Accept any other correct relevant answer)

(Max 26)

ADDITIONAL PART

- Savings is the income that participants choose not to spend, and is deposited into financial institutions✓✓
- It is a leakage of money from the circular flow to the financial institutions as it decreases the spending flow✓✓
- Savings reduces the amount of money that people have to spend✓✓
- Savings are the building blocks for investment✓✓
- Investment is the creation of capital goods✓✓
- Business borrows money from the financial institutions, this money comes from savings✓✓
- Business uses this money to buy capital goods e.g. machinery✓✓
- Without savings there can be no investments, meaning less production of goods and services✓✓
- Investment balances out the leakage caused by savings✓✓
- Investment has a major impact on economy✓✓

(Accept any other correct relevant answer)

(Max 10)

CONCLUSION

- The economic participants are dependent on each other. An economy cannot be functional if one of the participants does not play their role.✓✓

(Accept any other correct relevant answer)

(Max 2)

[40]

**QUESTION 5
MACROECONOMICS****40 MARKS – 40 MINUTES**

- Discuss in detail the features of a business cycle. (26)
 - Critically evaluate the effects of the business cycle. (10)
- [40]**

INTRODUCTION

- Business cycles are consecutive periods of increasing and decreasing economic activities✓✓

(Accept any other correct relevant answer)

(Max 2)**Body****MAIN PART****Prosperity phase✓**

- Optimism encourages entrepreneurs to borrow money and to buy new machinery and equipment✓✓
- More people are employed and production increases✓✓
- Prices, wages, interest rates and profits increase✓✓
- Factories work over-time and skilled labour becomes extremely scarce✓✓
- When the boom starts everything seems to go to the extreme✓✓
- Interest rates, salaries and wages increase to even higher levels and there is a much greater demand for raw materials, cost of businesses increases almost beyond control✓✓
- Inflation accelerates beyond previous higher levels✓✓
- Some businesses start to realize that the prosperity phase cannot last forever, but there are no clear disturbances yet✓✓

The recession phase✓

- Businesses start to provide for bad times by producing less and trying to repay the larger part of their loans✓✓
- They selectively lay off workers✓✓
- Spending by households and profits of businesses start to decrease✓✓
- Inflation is high and the central bank reduces the quantity of money and credit in the economy, and increases interest rates✓✓
- In other words, the central bank applies a stricter monetary policy✓✓
- Households find it difficult to afford to buy goods on credit and to pay bonds, and banks insist that business enterprises repay the loans that were granted during the boom✓✓
- Spending on durable consumer goods and capital equipment is greatly reduced and unemployment increases✓✓
- Some businesses start to show losses✓✓

The depression phase✓

- This phase is characterized by general pessimism (expecting the worse) by households and businesses✓✓
- The spending of all sectors in the economy decreases drastically and consists mainly of expenditure on consumer goods✓✓
- Businesses show poor profits, many make losses, and some go bankrupt✓✓
- Households that cannot pay their debts have their furniture, motorcars, and even their houses repossessed✓✓
- Many people find work in the informal sectors✓✓
- The aim of many households is to provide for their basic needs (food, shelter and clothing)✓✓
- Because of reduction in demand, inflation also decreases and interest rates fall✓✓
- At a certain stage businesses start to realize that conditions are going to improve at some time, and they take the first actions that will eventually lead to the recovery✓✓

The recovery phase✓

- Businesses realise that conditions are going to improve and start to service their machinery and improve their equipment✓✓
- They increase their production slightly to provide stock for a possible increase in demand✓✓
- They make better use of their labour and even employ new workers✓✓
- Because businesses purchase more goods and services and employ a greater number of people, there is an increase in income and spending in the economy✓✓
- Because interest rates are low, household bond repayments and other instalments are low, and so households have more money to spend✓✓
- Loans are available but households and business enterprises are still not keen to borrow✓✓
- As soon as sales improve, business profits increase✓✓
- Entrepreneurs become more optimistic✓✓

(Accept any other correct relevant answer)

(Max 26)

ADDITIONAL PART**Changes in aggregate supply and aggregate demand✓**

- During an upswing, domestic firms respond by increasing their production of output (aggregate supply) ✓✓ In a downswing, there is a decrease in total spending (aggregate demand)✓✓

Changes in economic growth✓

- During an upswing an economy will grow positively while during a downswing the economy has a negative growth✓✓

Changes in employment✓

- During an upswing many workers are employed, while during a downswing many workers lose jobs✓✓

Changes in price levels✓

- Inflation normally occurs during the late stages of an upswing as many businesses increase their prices since there is near full employment of workers, while during a recovery prices are usually low✓✓

(Accept any other correct relevant answer)

(Max 10)

Change in exchange rates✓

- During an upswing there is an increase in imports and a decrease in exports because local goods are more expensive than imported goods. ✓✓

Influence on the economically vulnerable✓

- During the upswing prices are usually high and it is difficult for these people to provide for their basic needs such as food, clothing and housing ✓✓

CONCLUSION

- Authorities must always monitor the economic growth patterns, so that upswings may be prolonged and downswings shortened, if not avoided.✓✓

(Accept any other correct relevant answer)

(Max 2)

[40]

TOTAL SECTION C: 40

TOTAL: 100