

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

**ECONOMICS
PAPER 1**

MARKING GUIDELINES

GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION

ECONOMICS

(Paper 1)

SECTION: (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

1.1.1 B✓ limited means

1.1.2 A✓ scarcity of resources

1.1.3 D✓ households

1.1.4 C✓ lagging indicator

1.1.5 B✓ modern money

1.1.6 D✓ skilled labour

1.1.7 C✓ manageable

1.1.8 A✓ immigration

(8 x 1) (8)

1.2 MATCHING ITEMS

1.2.1 E✓ Exists because we have limited resources with which to satisfy unlimited needs and wants

1.2.2 F✓ A group of people that live together and make economic decisions

1.2.3 A✓ All people have a basic human right to be free from poverty, ignorance and ownership by another

1.2.4 G✓ A period in which there is a decline in economic activity with rising unemployment

1.2.5 D✓ The use of tools and advanced methods to produce goods and services in the economy

1.2.6 C✓ The combination of two different goods that could be produced when using all available resources to the full and efficiently

1.2.7 I✓ Is the amount of money offered or asked for something that is bought or sold

1.2.8 B✓ The movement of people across international boundaries from one country to the other

(8 x 2) (16)

1.3 GIVE ONE TERM

1.3.1 Public Sector Economics✓

1.3.2 Savings✓

1.3.3 Barter✓

1.3.4 Communal property✓

1.3.5 Banks✓

1.3.6 Unemployed✓

(6 x 1) (6)

TOTAL FOR SECTION A: 30

SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS**2.1 Answer the following questions.****2.1.1 Name any TWO factors of production.**

- Land ✓
- Labour ✓
- Capital ✓
- Entrepreneurship ✓

(Any 2 x 1) (2)

2.1.2 Why do consumers have to make choices about what they buy?

- They have scarce resources so they have to choose how to use these resources to gain maximum satisfaction ✓✓
(Accept any other correct relevant response.)

(1 x 2) (2)

2.2 DATA RESPONSE**2.2.1 Give examples of real flow from the diagram above.**

- Goods and services ✓
- Factors of production ✓

(2 x 1) (2)

2.2.2 Briefly describe the term *circular flow*.

- The movement of goods and services, factors of production, and money (income and expenditure) in an economy ✓✓

(2)

2.2.3 Describe the role of the factor market in the circular flow.

- Factor market or resource market is where the services of the factors of production are traded. ✓✓
- For example labour is hired, capital is borrowed, property is rented and entrepreneurs offer their services ✓✓
- These factors of production earn wages, interest, rent and profits. ✓✓
(Accept any other correct relevant response.)

(2)

2.2.4 What are the problems with international comparisons?

- Some figures need to be estimated because they may be unavailable✓✓
- Social wages may be high in some countries compared to others leading to higher GDP figures in those countries✓✓
- Climate conditions are different from country to country and that makes it difficult to compare outputs of countries with different climates✓✓
- Unreliability of exchange rates may affect the GDP figures✓✓
(Accept any other correct relevant response.) (4)

2.3 DATA RESPONSE

2.3.1 Provide the above diagram with an appropriate heading.

- Business cycle✓ (1)

2.3.2 Name the lowest point, C, in the diagram above.

- Trough ✓ (1)

2.3.3 Briefly describe the term *trend line*.

- This is a line showing the general direction of economic activity✓✓
(Accept any other correct relevant response.) (2)

2.3.4 Describe the effect of a depression on employment levels.

- During a depression many companies scale down on their production and ultimately many workers are retrenched causing massive unemployment✓✓
(Accept any other correct relevant response.) (2)

**2.3.5 How is the economy affected during the prosperity phase?
The economy is affected due to:**

- This is a time of general optimism and consumer spending✓✓
- Output and economic activity increase and entrepreneurs expand their businesses✓✓
- Employ more people and buy equipment.✓✓
- Profits increase as well as wages and prices✓✓
- Consumer demand rises which stimulates greater production✓✓
(Accept any other correct relevant response.) (2 x 2) (4)

2.4 Differentiate between economic goods and free goods.

Economic goods	Free goods
<ul style="list-style-type: none"> • They are scarce in relation to their demand✓✓ 	<ul style="list-style-type: none"> • They are not scarce, available without limit✓✓
<ul style="list-style-type: none"> • People are prepared to pay for them, they have a price✓✓ 	<ul style="list-style-type: none"> • People are not prepared to pay for them, they have no price✓✓
<ul style="list-style-type: none"> • They can be sold on markets and accumulated as wealth✓✓ 	<ul style="list-style-type: none"> • They cannot be counted as wealth✓✓

(Accept any other correct relevant response)

(2 x 4) (8)

**2.5 How does the state contribute towards the growth of the economy?
The state contributes towards the growth of the economy because:**

- The state manages the economy through various policies ✓✓
 - Public goods, which consumers do not want to pay for, are provided to households by the state✓✓
 - Basic infrastructure like roads, electricity supply and bridges necessary for the growth of the economy is provided by the government ✓✓
 - The government provides rules and regulations to protect businesses and also to protect consumers from unfair practices✓✓
 - National laws that influence the economy such as the national budget are the responsibility of the state✓✓
- (Accept any other correct relevant response.)

(8)
[40]

QUESTION 3: ECONOMIC PURSUITS

3.1 Answer the following questions.

3.1.1 Give any TWO types of taxes paid to the government.

- Value added tax (VAT)✓
- Income tax✓
- Company tax✓
- Wealth tax✓
- Capitalgains-tax✓

(Any 2 x 1) (2)

3.1.2 How does economic growth lead to economic development?

- A country that produces more goods and services has a population that has a better standard of living because they use those goods to improve their lifestyle✓✓
- (Accept any other correct relevant response.)

(1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 Which of the African countries in the table had the lowest level of urbanisation in 2010?

- Uganda (13%) ✓ (1)

3.2.2 Who is responsible for the publication of the above information?

- The World Factbook ✓ (1)

3.2.3 Briefly explain the term *urbanisation*.

- This is the gradual increase in the number of people staying in urban areas, leading to the growth of towns and cities ✓✓ (2)

3.2.4 What is the relationship between poverty and migration?

- When people are poor they are more likely to move to areas where poverty is low so that they can find ways of reducing their poverty ✓✓ (Accept any other correct relevant response.) (2)

3.2.5 Why is urbanisation a problem especially to government?

- Problem of infrastructure, ✓ Migration leads to densely populated informal settlements ✓✓ or slums necessitating a massive demand for housing and infrastructure such as land, roads, health clinics ✓✓ problem of service delivery, problem of electricity ✓✓
- Cities are now unable to absorb labour especially the unskilled ones ✓✓
- Unemployment is rife in towns and cities leading to crimes, such as violence, robbery, theft etc ✓✓
- Government is faced with an uncontrollable influx of people leading to housing, water problems etc. ✓✓ (Accept any other correct relevant response.) (Any 2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 To which part of the labour force does this extract refer?

- Unemployed youth ✓ (1)

3.3.2 To what proportion of the population does this extract refer?

- 80% ✓ (1)

3.3.3 Briefly explain the term *labour force*.

- The labour force of the country is made up of the economically active population ✓✓
- Economically active population consists of people between the ages of 15 and 64 years of age who are unemployed or working for themselves ✓✓ (2)

3.3.4 Describe any social effect of unemployment.

- Unemployed youth can cause possible riots / violence. ✓✓
- The largest group 80% is youth that can cause or engage in crime as a result of frustration ✓✓
- Youth may become the leaders of violent public protests as they are still full of energy ✓✓
(Accept any other correct relevant response.) (1 x 2) (2)

3.3.5 Suggest possible solutions to unemployment.

- The solution is to create jobs and training particularly for those who have fewer than 12 years of schooling ✓✓
- Apprenticeships, learnerships, mentorships, skills development and training should be offered to the unemployed youths ✓✓
- The government can be involved in job creation programmes like Expanded Public Works Programmes ✓✓
(Accept any other correct relevant response.) (2 x 2) (4)

3.4 Discuss the main characteristics of money as a means of payment.

- Generally accepted by all as a means of payment ✓ Source currencies have more value than the others ✓✓ e.g. US dollar is accepted internationally rather than the Zimbabwean dollar ✓
- Must be durable and not easily counterfeited or easily rust or decay over time ✓ also cannot be easily counterfeited ✓✓
- Money must be scarce and valuable ✓ that is why money must not be printed in large amounts because it will lose value ✓✓ (scarcity) by becoming too plentiful, thus becoming worthless ✓✓
- Money must be manageable ✓ in that it must be easy to carry it around because of its size and weight ✓✓
- Must be the same ✓ and easy to get change when different payments are made ✓✓

(Accept any other correct relevant response.) (4 x 2) (8)

3.5 How did industrialisation lead to the development of transport and communication?

Transport

- Railway lines are built to facilitate transportation of bulk products ✓✓
- Roads were improved ✓✓
- Bulk volumes of goods could be transported and delivered in shorter times ✓✓
- Harbours were built for sea transportation ✓✓
- Imports and exports possible ✓✓
- Development of shipping ✓✓

(max 4)

Communication

- Improved communication networks led to improved distribution of information ✓✓
- Business and consumers easily contacted for sales ✓✓
- Exports and imports businesses flourished as a result of easy contacts with international counterparts ✓✓
- Money transfers became easy through internet banking ✓✓
- Insurance and investments improved ✓✓

(Accept any other correct relevant response.)

(max 4)

(2 x 4) (8)
[40]

QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 Answer the following questions.

4.1.1 Name any TWO approaches to studying Economics.

- Microeconomics✓
- Macroeconomics✓ (2 x 1) (2)

4.1.2 How were nomadic societies organised?

- Societies were organised in small family groups, moving from one area to the other as resources were depleted ✓✓ (1 x 2) (2)

4.2 DATA RESPONSE

4.2.1 Identify the sector that contributed most to the GDP.

- Tertiary sector ✓ (1)

4.2.2 Comment on the trend of the contribution of the tertiary sector.

- The tertiary sector contributes more income to the middle and higher income earners✓ (1)

4.2.3 Briefly describe the term *primary sector*.

- The sector is involved in the extraction of raw materials, for example agriculture, mining and fishing✓✓
(Accept any other correct relevant response.) (2)

4.2.4 What could be the cause for the decline in the contribution of the primary sector?

- Many South Africans prefer to work in other sectors like the service sector rather than in the primary sector✓✓ since more are now skilled and their skills are not needed much in the primary sector✓✓
(Accept any other correct relevant response.) (2)

4.2.5 How can economic human rights be addressed in South Africa?

- The government has a responsibility to protect consumers from exploitation by producers ✓✓
- The state could impose heavy penalties on those producers and businesses who infringe on human rights ✓✓
- Has a responsibility to ensure that consumer rights are enforced ✓✓
- It can be achieved through educating consumers about their rights and referral to the organisations set up to deal with these issues ✓✓
- Investigate consumer complaints and consumer rights violations ✓✓
(Accept any other correct relevant response.) (Any 2 x 2) (4)

4.3 DATA RESPONSE

4.3.1 Identify which food items are being produced in the picture above.

- Maize ✓
- Milk ✓ (2 x 1) (2)

4.3.2 Which stage of economic development is depicted in the above picture? Provide a reason for your response?

- Animal husbandry and agriculture ✓ commercial crop farming and dairy farming is evident ✓ (2)

4.3.3 Briefly describe the term *Secondary Sector*.

- Manufacturing or processing of raw material from Primary Sector ✓✓
- Deals with the changing of raw material into finished goods and resources ✓✓
(Accept any other correct relevant response.) (2)

4.3.4 Which factors promoted the development of mining activities in South Africa?

- Foreign investment in the mining activities increased ✓✓
- Relatively cheap labour was available from neighboring countries ✓✓
- Transport in the country improved ✓✓
- Demand for gold as an international means of payment was high ✓✓
(Accept any other correct relevant response.) (2 x 2) (4)

4.4 **Differentiate between Gross Domestic Product and Gross National Income.**

Gross Domestic Product	Gross National Income
<ul style="list-style-type: none"> Is a good measure of how well the economy is doing✓✓ 	<ul style="list-style-type: none"> Is a good measure of the material standard of living enjoyed by the people of a country✓✓
<ul style="list-style-type: none"> Figures can be used to compare one country with another at a particular point in time✓✓ 	<ul style="list-style-type: none"> Figures can be used to compare the material standard of living of citizens in different countries✓✓
<ul style="list-style-type: none"> Determine which economies have produced the most output✓✓ 	<ul style="list-style-type: none"> Also provides economic activities over time✓✓
<ul style="list-style-type: none"> GDP figures are also used to construct the business cycle✓✓ (max 4) 	<ul style="list-style-type: none"> To measure GNI two adjustments must be made to the value of GDP ✓✓ (max 4)

(Accept any other correct relevant response.)

(8)

4.5 **How do stokvels contribute towards a better form of saving for members?
Stokvels contribute towards a better form of saving because:**

- Stokvels are sociable, members have common values and understand one another✓✓
- They impose self-discipline and commitment on people✓✓
- No one wants to let their friends down when it comes to paying✓✓
- There is social prestige in belonging to a stokvel✓✓
- You must be invited to join✓✓

(Accept any other correct relevant response.)

(8)

TOTAL FOR SECTION B: 40

SECTION C

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

QUESTION 5: MACROECONOMICS

- Discuss in detail the **FOUR** participants in an economy and the inter-relationships between them. (26 marks)
- Briefly describe the methods used to determine Gross Domestic Product. (10 marks) [40]

INTRODUCTION

- There are four main participants in an open economy, namely the households, businesses, the government and the foreign sector that are interlinked and therefore have a relationship with each other. ✓✓
- The decisions that they take and their interactions with each other. ✓✓
- The influence this has on individuals in the community and the influence on the level of economic activities. ✓✓
(Accept any other correct relevant response.) (Max 2)

BODY: MAIN PART

Households ✓

- They are also known as consumers because they use goods and services ✓✓
- Households are the primary economic participants because they own, directly and indirectly, the factors of production (land, labour, capital and entrepreneurship) ✓✓
- Consumers have needs which are satisfied through the consumption of goods and services which they purchase from the firms ✓✓
- Consumers demand for goods and services stimulate economic activity by encouraging firms and the state to produce goods and services ✓✓
- Consumers sell their factors of production to firms in return for remuneration (wages, rent, interest and profit) ✓✓

Firms✓

- They are also known as businesses or producers✓✓
- They purchase the factors of production from the households in the factor market✓✓
- They use the factors of production to produce goods and services, which they then sell on the goods market to households✓✓
- Firms are motivated to produce goods and services by the profit motive✓✓

Government✓

- Governments act to provide goods and services, which cannot be provided by firms✓✓
- The state also has certain functions and roles to play in the economy. For example, protection services, social services and economic services✓✓
- Governments receive revenue from firms and households in the form of taxes and revenue from state-owned property and state-owned enterprises✓✓

Foreign sector✓

- The foreign sector supplies goods and services that are imported by households and businesses and buys goods and services that are exported✓✓
- The foreign sector pays for the exports and receives money for the imports our country makes with the rest of the world✓✓
- The foreign sector also supplies factors of production that are imported and buys factors of production that are exported✓✓
- They receive remuneration for factors that they import to us and pay for the factors that we export to them✓✓

(Accept any other correct relevant response.)

(Max 26)

ADDITIONAL PART

Briefly describe the methods used to determine Gross Domestic Product.

- There are three different ways in which Gross Domestic Product can be determined. Each way is an indication of the composition of the Gross Domestic Product ✓✓

Production method✓

- Using this method, GDP is determined by calculating the sum of the value added at each stage of the production process (primary, secondary and tertiary stages)✓✓
- This method yields GDP at basic prices✓

Income method✓

- Using this method, GDP is determined by calculating the income earned by the factors of production within the borders of the country✓✓
- This method yields GDP at factor cost✓✓

Expenditure method✓

- Using this method, GDP is determined by calculating the total expenditure on all final goods and services produced within the borders of the country
($C + I + G + X - M$)✓✓
- This method yields GDP at market prices✓✓
(Accept any other correct relevant response.) (Max 10)

CONCLUSION

- The economic participants are reliant on each other. An economy cannot function if one participant does not contribute fully.
(Accept any other correct relevant higher-order response.) (Max 2)

OR

- Efficient utilisation of factors of production by producers is important so that there is an increase in the value of goods and services produced in an economy.✓✓
(Accept any other correct relevant higher-order response.) (Max 2)

[40]

QUESTION 6: ECONOMIC PURSUITS

- Discuss the roles and functions of Commercial Banks in the development of the economy of South Africa (26 marks)
- Critically evaluate the South African Reserve Bank (SARB) as the monetary authority, controlling all money-related issues of the country. (10 marks) [40]

INTRODUCTION

- Modern banking is characterized by the constant improvements in its functions✓✓
- Banks brought about the present economic development throughout the world✓✓
- Highly economically developed countries are where they are because of a well developed banking infrastructure✓✓
- Banks are the link to all economic activity ✓✓
(Accept any other correct relevant response.) (Max 2)

BODY: MAIN PART

- Banks are the intermediary, bringing together lenders (depositors) and borrowers of money✓✓
- Banks are the safe keepers of money✓✓
- Provide facilities where people can store money in the safe place✓✓
- Banks accept and store deposits on which interest is paid✓✓
- They keep foreign currency reserves✓✓
- Fees can be transferred from one account to the other✓✓
- Lend money in the form of loans and overdrafts at the risk of the banks✓✓
- Banks charge interest for loanable funds✓✓
- Banks make profit from two sources namely: earning interest on loans and overdrafts✓✓
- They charge service fees for the services rendered✓✓
- Banks contribute to the growth of the economy through efficient allocation of resources✓✓
- Help with new business ventures by loaning money✓✓
- They lend money to business who want to expand their businesses✓✓
- Improves the standard of living of the people by providing loans to the individuals who want to buy assets such as houses✓✓
- Address the socio-economic issues of the public by providing financial education✓✓
- Banks also grant study loans and enable people to acquire further education and training✓✓
- Increase the possibility for better opportunities through bursaries and loans✓✓
- Banks are involved in community development projects e.g. sport, art etc. ✓✓
(Accept any other correct relevant response.) (Max 26)

ADDITIONAL PART

- The South African Reserve Bank is a central bank that controls other banks✓✓
 - It was established in 1920✓✓
 - It has the sole right to issue bank notes and coins✓✓
 - South African Reserve Bank is the bank to other banks, they borrow money from it✓✓
 - It is also a government bank hence it applies the monetary policies✓✓
 - It is responsible for formulating the monetary policies✓✓
 - The South African Reserve Bank is the custodian of gold and foreign reserves✓✓
 - It oversees the activities of commercial banks✓✓
 - The Financial Service Board oversees the other financial institutions such as insurance and investment companies✓✓
- (Accept any other correct relevant response.) (Max 10)

CONCLUSION

- Without banking, there would have been no economic development as it is today✓✓
 - Through activities such as internet banking we have access to globalisation✓✓
 - Countries trade internationally because of the banks bringing together the buyer and the seller✓✓
- (Accept any other correct relevant higher order response.) (Max 2)

[40]

TOTAL FOR SECTION C: 40

TOTAL: 150