

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
JUNE 2017
GRADE 10**

**ECONOMICS
PAPER 1**

MEMORANDUM

14 pages

GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATIONECONOMICS
(Paper 1)**SECTION A (COMPULSORY)****QUESTION 1: MULTIPLE-CHOICE ITEMS**

1.1

1.1.1 A Limited means✓✓

1.1.2 C Scarcity problem✓✓

1.1.3 C Leakages✓✓

1.1.4 B trough✓✓

1.1.5 C individuals✓✓

(5 x 2)

(10)

1.2 MATCHING ITEMS

COLUMN A	COLUMN B
1.2.1 Economic efficiency	F When we make the best use of our resources to produce goods and services✓
1.2.2 A market	A The process whereby products move from the producer to the consumer✓
1.2.3 Savings	G The difference between income and spending✓
1.2.4 Leading indicators	B Show us what might happen to economic activity in the future✓
1.2.5 Free goods	C Producing more than what is required✓
1.2.6 Gross Domestic Product	E When we make the best use of our resources to produce goods and services✓

(6 x 1)

(6)

1.3 TERMINOLOGY

1.3.1 Micro-economics✓

1.3.2 Capital / Intermediate goods✓

1.3.3 Household✓

1.3.4 Exogenous factors✓

(4 x 1)

(4)

TOTAL SECTION A: [20]

SECTION B**QUESTION 2: MACRO-ECONOMICS**

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 or Finance ✓

(Accept any other relevant response.) (2 x 1) (2)

2.1.2 How can scarcity of resources be a problem to a society?

Because we cannot produce and consume everything we want.✓✓ (1 x 2) (2)

2.2 Data response

2.2.1 According to the graph, what was the highest growth rate experienced by the country represented above?

5% ✓ (1)

2.2.2 Name the institution that publishes information regarding South Africa's economy.

Statistics South Africa✓ (1)

2.2.3 Write down any **TWO** reasons why GDP calculations are important.

- Provides information relating to the level of economic activity in a country.✓✓
- By comparing with the real GDP we can tell if a country is producing more or fewer goods and services.✓✓
- It shows whether economic growth is taking place.✓✓
- We can compare the economic performance of different countries.✓✓
- Level of the standard of living and the economic welfare of the population✓✓

(2 x 2) (4)

2.2.4 Differentiate between *real flow* and the *money flow* in a circular flow model.
Real Flows

- Starts from the factor of production being sold in the Factor Markets ✓✓
- Sold to businesses to produce finished goods and services ✓✓
- Delivered to the goods markets ✓✓
- These are sold to the households. ✓✓
- This movement from factors to finished goods and services is called Real flow. ✓✓
- The physical tangible items ✓✓
- Transport plays a major role. ✓✓

Money flows

- Opposite direction to goods ✓✓
 - Households spend money on goods. ✓✓
 - These goods are produced by business and sold to households in goods markets. ✓✓
 - Households get money by selling their factors of production to the business at factor markets. ✓✓
 - This is how they earn income. ✓✓
 - Money flows between business and the households. ✓✓
 - Banks play a bigger role than money markets. ✓✓
 - Foreign trade flows of money, goods and services. ✓✓
- (Accept any other relevant response.) (2 x 2) (4)

2.3 **Data response**

2.3.1 **Which is the depression that is referred to as a major depression in the passage?**

Great Depression 1929 ✓ (1)

2.3.2 **Explain the term *depression*.**

The prolonged recession caused by a downturn in the economy ✓ (1)

(Accept any other relevant response.)

2.3.3 **Briefly discuss any TWO characteristics of depression and recession.**

- A drop in production for a long time ✓✓
- Unemployment and bankruptcy rises. ✓✓
- Reduced demand for goods and services ✓✓
- Prices and profits dropping to low levels ✓✓
- Closure of businesses ✓✓

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

2.3.4 Briefly describe the characteristics of a boom or prosperity phase.

- High level of spending by households✓✓
 - More income for households✓✓
 - Reduction in unemployment✓✓
 - New business springs up✓✓
 - More production for services✓✓
 - Profits and prices rising ✓✓
 - Interest rates rising up to combat rampant inflation✓✓
- (Accept any other relevant response.)

(2 x 2) (4)

2.4 Differentiate between *Micro-economics* and *Macro-economics*.**Micro-economics**

- Microeconomics deals with a small section of the economy.✓✓
- Deals with individual consumers and businesses✓✓
- Deals with how they make decisions about which resources to use and which to buy✓✓
- What to produce at what price and in what quantity✓✓
- Focuses on individual markets✓✓
- Looks at the behaviour of the units of an economy✓✓

Macroeconomics

- 'Macro' means the whole or the large.✓✓
 - Looks at the behaviour of the economy as a whole✓✓
 - Focuses on unemployment rate✓✓
 - Focuses on inflation rate of economy✓✓
 - Not concerned with what the individual units are doing✓✓
 - Looks at imports and exports✓✓
 - The National budget is a Macroeconomic document.✓✓
 - HIV / AIDS is a macroeconomic problem.✓✓
- (Accept any other relevant response.)

(2 x 4) (8)

2.5 “Economic development is based upon fundamental human rights.”

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

- All people have food as a basic need hence school feeding schemes.✓✓
- All people must have shelter hence the housing subsidies.✓✓
- All people must have access to health services – free medical facilities for those who cannot afford private medical care.✓✓
- All children have a right to education – no fee quintile education system.✓✓
- All people have a right to running water and sanitation hence an affordable supply of running water.✓✓
- All people have a right to dignity and a better future.✓✓
- All people have a basic human right to be free from poverty, ignorance and ownership by another (slavery) hence the constitution with human rights laws✓✓.

(Accept any other relevant response.)

(Any 4 x 2) (8)

[40]

QUESTION 3: MACRO-ECONOMICS

3.1 Answer the following questions.

3.1.1 List any TWO participants in a closed economic circular flow.

- Household / consumer✓
- Business / Firms/Producer✓
- Government / state✓

(2 x 1) (2)

3.1.2 Explain how an upswing will affect economic growth rate of a country.

- During an upswing, businesses produce more goods to match the rising demand so this increases the GDP of the country which translates to economic growth. ✓✓

(1 x 2) (2)

3.2 Data response

3.2.1 Identify the method used in the table above to calculate the GDP.

- Expenditure method✓✓

(1)

3.2.2 Name ONE other method used to calculate the GDP.

- Income method✓
- Production method✓

(1)

3.2.3 Define the term *Gross Domestic Product*.

- Total value of final goods and services produced within the borders of the country for a specific period e.g. one year. ✓✓ (2)

3.2.4 Give the model equation for calculating GDP

- $GDP = C + I + G + (X - M)$ ✓✓ (2)

3.2.5 Calculate the gross domestic product (A).

$$GDP = C + I + G + (X - M)$$

$$= 1\,473 + 468 + 505 + (657 - 678) \checkmark$$

$$= 2446 - 21 \checkmark$$

$$= 2425 \checkmark \quad (3)$$

3.3 Data response**3.3.1 Define the concept *consumption*.**

It is the final use of goods and services to satisfy needs and wants. ✓✓ (2)

3.3.2 Name TWO examples of non-durable goods.

- Furniture ✓
 - Motor cars ✓
 - Electrical equipment ✓
 - Musical instruments ✓
- (Any other relevant answer) (2)

3.3.3 Why do people have to make a choice?

- Because of the scarcity problem/ Because of the shortage of resources to satisfy wants and needs ✓✓ (2)

3.3.4 Explain the relationship between scarcity, choice and opportunity cost.

- Resources are not enough to cover all the needs and wants of households so they end up choosing to satisfy some needs and not others ✓✓ and when they choose they must give up satisfying some needs and thus incur opportunity costs ✓✓ (4)

3.4 Differentiate between *free goods* and *economic 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 produced by households and businesses from scarce resources. ✓✓
e.g. water ✓✓	e.g. a chair ✓✓

(Accept any other relevant answer)

(Any 2 x 4) (8)

3.5 How do business cycle fluctuations affect employment in the economy?

- Like a depression, a recession leads to joblessness, reduced production, reduced incomes, and lower living standards. ✓✓
- Employment is the total number of people currently working for pay, and unemployment is the total number of people who are actively looking for work but aren't currently employed. ✓✓
- A country's labour force is the sum of employment and unemployment. ✓✓
- The unemployment rate, which is the percentage of the labour force that is unemployed, is usually a good indicator of what conditions are like in the job market. ✓✓
- A high unemployment rate signals a poor job market in which jobs are hard to find. ✓✓
- A low unemployment rate indicates a good job market in which jobs are relatively easy to find. ✓✓
- In general, during recessions the unemployment rate rises, and during expansions it falls. ✓✓

(Accept any other relevant answer.)

(Any 2 x 4) (8)

[40]**TOTAL SECTION B: 40**

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF THE 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 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 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 / Distinguish / Evaluate / Differentiate / Explain /Assess / Debate</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>	Max. 26
<p>Conclusion</p> <p>Any relevant higher order conclusion that should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned in the body • Any opinion or value-judgment on the facts discussed • Additional support information to strengthen the discussion / analysis • A contradictory viewpoint with motivation, if so required • Recommendations 	Max. 2
TOTAL	40

QUESTION 4: MACRO-ECONOMICS**40 MARKS – 40 MINUTES**

“When you are shopping for groceries you become part of the circular flow of the economy.”

- Discuss the main economic participants in the open Circular Flow Model. (26)
- Describe the relationship between Savings and Investments. (10)

[40]**Introduction**

- The four main participants are households, businesses, government, and foreign sectors. 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 is referred to as interactions. ✓✓
- The impact they make on the individuals in our society and on the level of economic activity is important. ✓✓

(Accept any other relevant answer.)

(Max.2)**Body****MAIN PART****The main participants****Households ✓**

- All the people who live together and make joint economic decisions ✓✓
- A family is a household – they may share income. ✓✓
- They own factors of production – labour, entrepreneurship, land and capital. ✓✓
- They own businesses through the shares they have in business. ✓✓
- They also earn income for their factors of production, labour as workers – wages / salaries, ✓✓ Interest on capital ✓, Rent for land ✓ and Profit for entrepreneur in activities. ✓
- They use their income to buy goods and services. ✓✓
- Their main aim is to maximize the satisfaction they gain from the use of their income. ✓✓
- Through their income and spending they determine what must be produced, for whom goods and services must be produced and what households want and can afford (their demand) determines what business will produce. ✓✓
- Households also save their income for various reasons and use those savings in the future. ✓✓

Business Enterprises✓

- Produce goods and services ✓✓
- 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 known as Investment (I). ✓✓
- They are responsible for efficient production of goods and services. ✓✓
- Businesses are responsible for employment of the factors of production. ✓✓
- Business pay households income in the form of wages / salaries, interest for capital, rent for land, profits for entrepreneurs. ✓✓
- They bear the production costs. ✓✓

Public Sector✓

- Is comprised of the local, provincial and national government ✓✓
- Government purchases factors of production from households in the factor market ✓✓
- Purchase goods and services from firms in the goods markets ✓✓
- Also provide households and business enterprises with goods and services ✓✓ which are not produced by business enterprises. These are known as public goods, ✓✓ safety, defence, law, roads, street lights, etc. ✓
- The government spends money on social services like education and healthcare. ✓✓
- The public sector receives tax from households and businesses. ✓✓
- They also receive revenue from state owned enterprises ✓✓ like Eskom, Post Office. ✓
- Taxes on goods and services are paid by consumers ✓✓ e.g. Value Added Tax (VAT). ✓

Foreign Sector✓

- This represents trading with the rest of the world. ✓✓
- This is known as Export / Import trade – international trade. ✓✓
- The world has become a global village. ✓✓
- Changes in one part of the village affects many other parts of the village. ✓✓
- Changes in real flows and financial flows between countries take place. ✓✓
- Exchange of technology and information from other countries into our country takes place. ✓✓
- There is globalization which means that there is now a higher measure of integration between countries. ✓✓
- Exports are injections, money is received from other countries. ✓✓
- Import payments are leakages, money leaves the country. ✓✓

(Accept any other relevant answer.)

(Max. 26)

ADDITIONAL PART

Describe the relationship between savings and investments.

Savings

- Savings is a term referring to the income that participants choose not to spend. ✓✓
- This part of income is deposited into financial institutions. ✓✓
- It is a leakage of money from the circular flow to the financial institutions. ✓✓
- It decreases the spending flow. ✓✓
- Savings are a building block for investments. ✓✓

Investments

- 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 the economy. ✓✓

(Accept any other relevant answers.)

(Max.10)

Conclusion

- Markets play a major role by providing a platform for the above participants to interact. ✓✓
- Money, goods, services and factors of production flow between the various participants in the economy. ✓✓

(Accept any other relevant answers.)

(Max.2)

[40]

QUESTION 5: MACRO-ECONOMICS

40 MARKS – 40 MINUTES

“Production and consumption as basic economic process are linked together by markets.”

- Discuss various types of markets where exchange takes place. (26)
- Highlight the various measures that can be taken to reduce environmental problems. (10)

Introduction

- A market is a place/ platform where buyers and sellers of goods and services meet for exchange. ✓✓
- Exchange is an economic process where goods or services have to be consumed and therefore a platform must exist so that producers may get an income for the goods while consumers get the goods/services. ✓✓

(Accept any other relevant answers.)

(Max.2)

Body**MAIN PART****Various types of markets**

Market for goods and services ✓

- This is where members of the economy go to purchase goods and services. ✓✓
- All the products of the production process and those that consumers look for to satisfy their needs and wants are found in this market. ✓✓

Wholesalers ✓

- They buy in bulk from producers. ✓✓
- They buy manufactured goods and fresh produce for resale to retailers. ✓✓

Retailers ✓

- Most households buy products from retailers. ✓✓
- Pick 'n Pay, Shoprite are examples of retailers. ✓

Services market ✓

- All services like education, health care, insurance are obtained in the services market. ✓✓

International market✓

- In today's world there is a large market for goods and services internationally.✓✓
- When South Africans want products from America✓ or China these products are traded on the international market. ✓✓

Factor market✓

- Factors of production are needed for the production of goods and services.✓✓
- This market is an imaginary place where the owners of factors of production (households) meet with the buyers of factors of production (firms). ✓✓
- An example of a factor market could be the internet. ✓
(Accept any other relevant answers.)

(Max. 26)

ADDITIONAL PART

Measures that can be taken to reduce environmental problems

- **Green tax**✓ – Can be charged on the production of goods and services which pollute the environment✓✓.
- Companies that pollute will have to reduce their pollution to keep their costs down.✓✓
- **Government action**✓ – Where measures to stop pollution or reduce pollution in particular countries are being prioritised. ✓✓
- **Public action**✓ – Many people have become aware of environmental problems like global warming and pollution so they are taking part in programmes to restore the damage to the environment or improve the environments around them. ✓✓
- **New technology**✓ Cleaner and safer technology is being developed with the environment in mind. ✓✓
- Many countries and companies now use renewable sources of energy and there is the decreased reliance on fossil fuels. ✓✓

(Accept any other relevant answers.)

(Max. 10)

Conclusion

- In a market there must be those willing to provide a product at a certain price and those willing and able to buy that product at a particular price. ✓✓
- Without a market, goods that have been produced will never reach the consumers.✓✓
(Accept any other relevant answers.)

(Max. 2)

[40]

TOTAL SECTION C: 40

TOTAL: 100