

**GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION  
NOVEMBER 2017**

**GRADE 10**

**ECONOMICS  
PAPER 1**

**MARKING GUIDELINE**

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

- 1.1.1 **A**✓✓ limited means  
1.1.2 **C**✓✓ scarcity  
1.1.3 **D**✓✓ households  
1.1.4 **B**✓✓ leading indicator  
1.1.5 **D**✓✓ self sufficiency  
1.1.6 **A**✓✓ khoisan  
1.1.7 **C**✓✓ currency money  
1.1.8 **A**✓✓ wages

(8x2) (16)

**1.2 MATCHING ITEMS**

- 1.2.1 **I**✓ It deals with our quality of life, poverty and wealth  
1.2.2 **A**✓ Raw materials and natural resources are extracted, cultivated and harvested  
1.2.3 **H**✓ Is the difference between income and spending  
1.2.4 **G**✓ A period in which there is a decline in economic activity and prosperity  
1.2.5 **B**✓ The amount of money offered or asked for something that is bought or sold  
1.2.6 **C**✓ A factor that hampered the economic development of South Africa in the early stages of development  
1.2.7 **E**✓ Anything that is generally accepted as payment for goods and services or as a form of storage of wealth  
1.2.8 **D**✓ The movement of people who cross boundaries to settle somewhere else

(8x1) (8)

**1.3 GIVE ONE TERM**

- 1.3.1 Macro-Economics✓  
1.3.2 Households✓  
1.3.4 Barter✓  
1.3.4 Manufacturing / secondary✓  
1.3.5 Banks✓  
1.3.6 Unemployed✓

(6x1) (6)

**TOTAL SECTION A: [30]**

**SECTION B:**

Answer any TWO of the three questions.

**QUESTION 2: MACRO-ECONOMICS****2.1 Answer the following questions.****2.1.1 Name any TWO factors of production for a business.**

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

(Any 2x1) (2)

**2.1.2 Why do economists use models in the study of Economics?**

- Explain or understand the relationship between different aspects✓✓
- Predict what will happen when or if something changes✓✓
- Draw conclusions that can be developed into economic policy✓✓

(Any 1x2) (2)

**2.2 Data response****2.2.1 Name ONE main participant in the circular flow model.**

- Businesses✓
- Households✓
- State✓
- Financial institutions✓
- Foreign sector✓

(1)

**2.2.2 Does the above diagram represent a closed or an open economy?**

- Closed economy✓

(1)

**2.2.3 Briefly describe the term *markets* in the circular flow.**

- A market is a place/platform where buyers and sellers meet for exchange✓✓

(2)

**2.2.4 Why is it important that the government and other South Africans buy local products?**

- Local producers will have buyers of their products so they can earn an income that they use to produce even more goods and services which leads to economic growth ✓✓ (2)

**2.2.5 Differentiate briefly between GDP and GNI**

- Gross domestic product – Total value of goods and services produced within the borders of a country for a specific period one year ✓✓
- Gross national product – the total compensation paid to the owners of the production factors which form part of the production process within a given period of time usually one year ✓✓ (4)

**2.3 Data response****2.3.1 Identify how much was spent on foreign goods.**

R3 700 ✓✓ (2x1) (2)

**2.3.2 Give the equation used to calculate GDP in an open economy when using the expenditure method.**

$GDP = C + I + G + (X-M)$  ✓✓ (2)

**2.3.3 Explain the situation when the economy is in equilibrium.**

Leakages = Injections ✓✓ /  $L = J$  ✓✓ (2)

**2.3.4 Calculate the total leakages in the above table. Show ALL the calculations.**

$L = S + T + M$  ✓  
 $= R4\ 000 + R5\ 000$  ✓ +  $R3\ 700$  ✓  
 $= R12\ 700$  ✓ (4)

## 2.4 Differentiate between economic goods and free goods.

Free goods	Economic goods
<ul style="list-style-type: none"> <li>• Available in unlimited quantity for example sunlight, air✓✓</li> <li>• Do not obtain a price – nobody will pay for them ✓✓</li> <li>• Have utility but not exchange value ✓✓</li> <li>• The supply is beyond human capital✓✓</li> <li>• Possession and use of free goods does not determine how wealthy people are✓✓</li> </ul>	<ul style="list-style-type: none"> <li>• Available in limited quantity, often not enough to meet demand for example oil, coal✓✓</li> <li>• Command a price, consumers must pay for them✓✓</li> <li>• Have utility and exchange value, piling up stocks benefits the owner✓✓</li> <li>• We can control the supply✓✓</li> <li>• The prosperity of people (how wealthy they are) is measured in terms of the quantity of economic goods in their possession✓✓</li> </ul>

(2x4) (8)

## 2.5 How are positive statements related to normative statements?

**Positive statements**

- These statements describe facts without making any value judgments about whether the facts are good or bad✓✓
- Positive statements are facts✓✓
- An example of a positive statement: the soccer world cup was held in South Africa in 2010✓

**Normative statement**

- These include value judgements or opinions of economists✓✓
  - These statements cannot be proven✓✓
- Normative statements deal with economic behaviour and they judge the following:
- Is behaviour good or bad?✓✓
  - Can the behaviour be proved?✓✓
  - Examples: Government should not tax poor people✓
  - The South African inflation rate is too high✓

(Accept any other correct relevant answer)

(8)

**[40]**

**QUESTION 3: ECONOMIC PURSUITS****40 MARKS-30 MINUTES****3.1 Answer the following questions.****3.1.1 Name any TWO banking institutions in South Africa.**

- First National Bank (FNB) ✓
- Standard Bank ✓
- Capitec ✓
- Nedbank ✓
- ABSA Bank ✓

(Any 2x1) (2)

**3.1.2 How does an increase in income lead to development of industries?**

- An increase in income leads to an expansion of economic activities because better pay for workers in the factories increases both the demand and supply of goods and services which leads to an increase in GDP resulting in economic growth ✓✓

(1x2) (2)

**3.2 Data response****3.2.1 Briefly explain the term *urban migration*?**

- It is a movement of people from rural areas to urban areas ✓

(1)

**3.2.2 What could be a reason for this urbanization?**

- They may be searching for better economic opportunities ✓ / better livelihoods ✓ such as employment ✓, education (search for greener pastures) ✓

(Accept any other correct relevant answer)

(1)

**3.2.3 Explain briefly how the policy of apartheid affected the rate of urbanization in South Africa.**

- Apartheid delayed urbanization as the pass laws controlled the influx of people, labourers were forced to go back to their homelands and not stay in the cities so the population in the cities grew slowly ✓✓

(Accept any other correct relevant answer)

(2)

**3.2.4 Why is rapid urban migration a problem, particularly to government?**

- Migration leads to densely populated informal settlements✓✓ / slums necessitating a massive demand for housing and infrastructure such as land, roads, health clinics✓✓
- Uncontrolled migration leads to service delivery problems where the demand for electricity, water supply and other services puts a lot of pressure on the government ✓✓

(Accept any other correct relevant answer)

(2)

**3.2.5 Describe the relationship between urbanisation and industrialisation.**

- The increase in the population in cities increases labour which is needed in industries✓✓
- Houses must be built for the increasing population in cities✓✓
- Innovation and entrepreneurship increases as urban populations increase so industries will increase✓✓

(Accept any other correct relevant answer)

(2x2) (4)

**3.3 Data response****3.3.1 According to the table, which education level has the highest percentage of unemployment?**

- Incomplete secondary schooling✓ (1)

**3.3.2 Briefly explain the term *labour*.**

- Labour is the mental and physical effort of workers in the production process✓
- Households provide the labour that is needed by businesses✓

(Accept any other correct relevant answer)

(1)

**3.3.3 How can a country benefit from the growing size of its population?**

- The labour force would increase the production of goods and services hence the increase in the real GDP✓✓
- This increase in GDP leads to economic growth which ultimately leads to economic development and better living standards✓✓

(Accept any other correct relevant answer)

(2)

**3.3.4 Describe the link between lack of education and unemployment.**

- People who lack education normally do not have the qualifications and skills of performing certain jobs so they also find it difficult to get jobs so they remain unemployed ✓✓ (2)

**3.3.5 In your opinion what could be solution to unemployment?**

- Skills development must be intensified through education training of workers on the job while the unemployed should be given learnerships ✓✓
- Small business development should be prioritized through funding of small black business as this will encourage self-employment ✓✓
- Workers must be encouraged to venture into fields that are not fully-explored like science and technology where opportunities still exist ✓✓

(Accept any other correct relevant answer)

(2x2) (4)

**3.4 How does industrialisation lead to the development of transport and communication networks?****Transport**

- Railway lines are built so that industries can transport raw materials ✓✓
- Road networks are expanded and improved to serve industries ✓✓
- Bulk volumes of goods can be transported and delivered in shorter times using the transport networks ✓✓
- Harbours are built to make imports and exports possible ✓✓

**Communication**

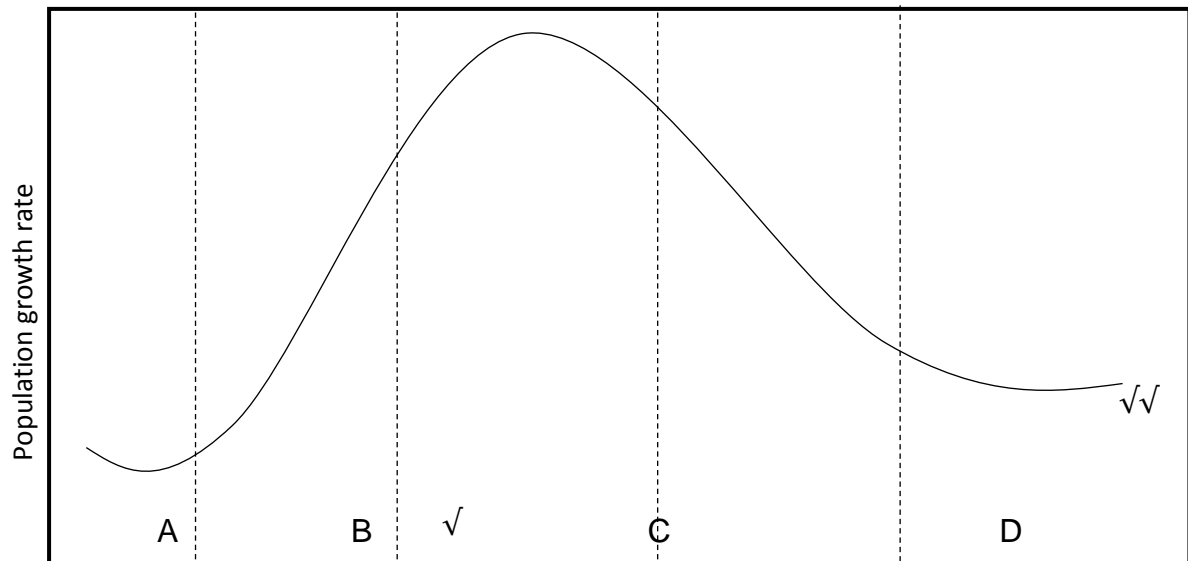
- Improved communication networks lead to improved distribution of information ✓✓
- Business develops communication so that their consumers are easily contacted for sales ✓✓
- Exports and imports businesses flourish as a result of increased international communication systems ✓✓
- Money transfers become easy through internet banking and cellphone banking ✓✓

(Accept any other correct relevant answer)

(Any 2x4) (8)

3.5 Discuss the Demographic Cycle with the aid of a diagram.

### DEMOGRAPHIC CYCLE



Heading = 1 mark

Shape of the graph = 2 marks

Separation of phases = 1 mark

Labelling of axis = 1 mark

- Natural population growth is expressed as a Natural growth rate ✓✓
- The natural growth rate of any population shows a long term cyclical pattern ✓✓
- This cyclical pattern is known as the population cycle or the demographic cycle ✓✓
- During phase A, the natural population growth rate is low. ✓✓
- During phase B, the population increases fast because of an increase in the growth rate. ✓✓
- During phase C, the population growth rate is at its maximum. ✓✓ This could be because of improvements in the standard of living ✓✓

(Any 4x2) (8)

[40]

**QUESTION 4: MACRO-ECONOMICS AND ECONOMIC PURSUITS****4.1 Answer the following questions.****4.1.1 Name any TWO questions economists seek to answer.**

- What to produce?✓
- How to produce?✓
- For whom to produce?✓

(Any 2x1) (2)

**4.1.2 Why does the government collect taxes from businesses and households?**

- Governments collect taxes so that they can raise a revenue that they use to provide public goods and services to the poor as a way of redistributing income and wealth ✓✓

(2)

**4.2 Data response****4.2.1 Which measure is used by economists to make growth forecasts from the extract?**

- GDP✓ (1)

**4.2.2 What does the treasury forecast the consolidated budget deficit to be in 2019/20?**

- -2.6% of the GDP✓ (1)

**4.2.3 Which branch of Economics does a budget relate to?**

- Macro-economics✓✓ (2)

**4.2.4 Quote one positive and one normative statement in the extract.**

- Positive statement- There were no surprises in Budget 2017 relative to pre-Budget expectations ✓
- Normative statement- Government revenue is projected to exceed non interest spending on the main budget by 2018/19✓ (2)

**4.2.5 Distinguish between a *command* and a *traditional* economy.**

- A command economy is one in which the state determines what to produce, for whom to produce and how to produce since the state owns most of the factors of production ✓✓
- A traditional economy is one in which the hierarchy in the society determines how the resources are allocated, for example the chief or king determines how land is used to produce goods and services ✓✓ (2x2) (4)

**4.3 Data response****4.3.1 What message is depicted in the picture above?**

- Mining and construction use huge and expensive machines ✓ (1)

**4.3.2 Where were diamonds discovered in South Africa?**

- Kimberly area ✓ (1)

**4.3.3 Which factors hampered development of mining activities in South Africa?**

- Mining equipment had to be imported ✓✓
  - There was a lack of infrastructure such as transport, water and power in mining areas ✓✓
  - Deep- shaft mining processes were difficult to execute ✓✓
  - The start-up costs of mining like buying equipment were too high ✓✓
- (Accept any correct relevant answer) (2)

**4.3.4 Explain briefly the link between the purchasing power of the population and economic growth.**

- If the purchasing power of consumers is high consumers will demand more goods and so businesses will have to produce more goods and services which increases GDP and leads to economic growth ✓✓ (2)

**4.3.5 Explain the consequences of the mining industry to the development of South Africa.**

- Many people moved to towns and cities and so the urban population grew ✓✓
- Infrastructure like roads and water supply developed rapidly ✓✓
- State income increased since many mines were developing ✓✓ (2x2) (4)

**4.4 Distinguish between *leakages* and *injections* in the circular flow.**

**Leakages**

- They occur when money leaves the circular flow between the participants in the economy ✓✓
- Leakages reduce the money that is available in the economy ✓✓
- Saving, Taxes and Imports are leakages in the circular flow ✓

**Injections**

- These occur when money enters the circular flow between the participants in an economy ✓✓
- Injections increase the money in circulation in the circular flow ✓✓
- Exports, Investment income and Government spending are injections ✓  
(Accept any other correct relevant answer) (2x4) (8)

**4.5 How does HIV/AIDS affect the labour force of South Africa?**

- Sick workers have to spend more time out of work ✓✓
- Workers who are sick are not as productive as healthy workers ✓✓
- Workers discriminate against the sick workers in the workplace so they feel alienated ✓✓
- The labour force is greatly reduced when skilled and experienced workers are lost when they succumb to HIV/AIDS ✓✓  
(Accept any other correct relevant answer) (8)

**TOTAL SECTION B: [40]  
80**

**SECTION C**

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

Your answer will be assessed as follows:

<b>STRUCTURE OF THE ESSAY</b>	<b>MARK ALLOCATION</b>
<p><b>Introduction</b></p> <p>The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to determine the main concept related to the question topic</li> <li>• Do not include any part of the question in your introduction</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid saying in the introduction what you are going to discuss in the body</li> </ul>	Max. 2
<p><b>Body</b></p> <p><b>Main part:</b> Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Explain</p> <p><b>Additional 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 / How? / Suggest</p>	Max. 26  Max. 10
<p><b>Conclusion</b></p> <p>Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion / analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5: MACRO-ECONOMICS**

Economists have found that there is a more or less continuous pattern in which an economy grows.

- Discuss in detail the phases of business cycles. (26)
- Highlight the effects of business cycles to the economy. (10)

[40]

**INTRODUCTION**

- Business cycles are alternating periods of expansion and contraction in economic activity over a period of time, normally a year✓✓

(Accept any other correct relevant answer)

(Max 2)

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

- This is a time of general optimism and increased consumer spending✓✓
- Output and economic activity increases, and entrepreneurs expand their businesses, employ more people and buy equipment✓✓
- Profits increase as well as wages, and the prices of goods and services✓✓
- Consumer demand rises which stimulates greater production and increased demand for raw materials✓✓
- This can also be called the economic boom period✓✓
- People spend freely using all the credit available to them✓✓
- Inflation begins to increase and the central bank increases interest rates so as to reduce the demand for credit by consumers and firms✓✓
- The increase in inflation and interest rates gradually causes a decrease in consumer and investment spending✓✓
- The boom is ultimately over✓✓

**Recession phase✓**

- Businesses reduce production as consumer spending drops✓✓
- Some firms start to lay off workers and so produce less✓✓
- This causes the downswing to accelerate further✓✓
- This makes it difficult for consumers and business to pay off their loans✓✓
- Unemployment increases as businesses, especially those producing durable goods and capital equipment struggle to survive the drop in demand✓✓
- This was especially obvious in the decline in the sales of new motor vehicles in the recession of 2007-2009 in South Africa ✓✓

**Depression phase✓**

- If the output continues to fall for over a year, we say the economy is in a depression which is a time of general pessimism✓✓
- There is widespread unemployment as profits drop, businesses reduce production and many firms close✓✓
- Households are unable to pay their debts and houses, motor cars and furniture are repossessed by banks✓✓
- Many people try to create their own jobs in the informal sector✓✓
- The rate of inflation drops as firms try to encourage sales with lower prices✓✓
- The central bank continues to reduce interest rates in an effort to stimulate expenditure by households and firms✓✓

**Recovery phase✓**

- Eventually firms and households begin to replace worn-out capital and consumer goods and slowly the economy begins to recover✓✓
- Businesses take advantage of the low interest rates and start to buy more equipment and increase production✓✓
- Also the government may cut taxes and increase its expenditure so as to encourage an increase in the demand for the country's output✓✓
- Employment increases and consumer demand picks up with the rise in incomes✓✓
- Prices and interest rates remain low and this encourages consumer spending to rise✓✓

- Gradually a feeling of optimism returns as the economy moves towards prosperity again✓✓

(Accept any other correct relevant answer)

**(Max 26)**

(Allocate a maximum of 8 marks for headings, sub-headings or examples)

### ADDITIONAL PART

- Aggregate supply increases during a boom and decreases during a recession while an aggregate demand also changes between these phases✓✓
- Economic growth increases during an expansion and decreases during a recession✓✓
- Employment increases during an upswing and decreases during a downswing✓✓
- Prices increase as the economy expands and decrease as the economy contracts as businesses are aware of the buying power of consumers✓✓
- Exchange rates improve as the economy grows and deteriorate as the economy stagnates✓✓

(Accept any other correct relevant answer)

**(Max 10)**

### CONCLUSION

The length of business cycles can vary over time and it is measured in years. South Africa's business cycles have lasted much longer since the first democratic elections in 1994✓✓

(Accept any other correct relevant answer)

**(Max 2)**

**[40]**

**QUESTION 6: ECONOMIC PURSUITS**

By the beginning of 2010, four major banks dominated South African banking. They were ABSA Bank, First National Bank (FNB), Nedcor Bank and Standard Bank.

- Discuss in detail the roles and functions of Commercial Banks in the development of the economy of South Africa. (26)
  - Critically evaluate the importance of the South African Reserve Bank (SARB) in our country. (10)
- [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 a link to all economic activities✓✓  
(Accept any other correct relevant answer) (max 2)

**Body****MAIN PART**

- Banks are an intermediary bringing together lenders (depositors) and borrowers of money✓✓
- Banks are the safe-keepers of money✓✓
- Banks provide facilities where people can store money in a safe place✓✓
- Banks accept and store deposits on which interest is paid✓✓
- They keep foreign currency reserves✓✓
- Payments can be transferred from one bank account another✓✓
- They lend money in the form of loans and overdrafts at the risk of the banks✓✓
- Banks make profits from two sources namely: earning interest on loans and overdrafts✓✓
- They charge service fees for services rendered to their customers✓✓
- Banks contribute to the growth of the economy through efficient allocation of resources✓✓

- They help with new business ventures by loaning money to entrepreneurs✓✓
  - Banks lend money to businesses who want to expand✓✓
  - Improve the standard of living of the people by providing loans to the individuals who want to buy assets such as houses✓✓
  - They 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✓✓
  - Banks increase the possibility for better opportunities through bursaries and loans✓✓
  - Banks are involved in community development projects e.g. sports and arts etc.✓✓
- (Accept any other correct relevant answer) **(Max 26)**

### ADDITIONAL PART

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

### CONCLUSION

- Without banking, there would have been no economic development as it is today✓✓
  - Through activities like internet banking we now have globalisation✓✓
  - Countries trade internationally because of the banks bringing together the buyer and the seller✓✓
- (Accept any other correct relevant answer) **(Max 2)**

**[40]**

**TOTAL: 150**