

**GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION  
NOVEMBER 2016**

**GRADE 10**

**ECONOMICS**

**PAPER 2**

**MEMORANDUM**

**19 pages**

GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION

ECONOMICS  
(Paper 2)

MEMORANDUM

---

---

SECTION A (COMPULSORY)

QUESTION 1

30 MARKS – 20 MINUTES

1.1 MULTIPLE-CHOICE QUESTIONS

- 1.1.1 B ✓✓ as the price increases the quantity supplied increases
- 1.1.2 C ✓✓ maximum price
- 1.1.3 B ✓✓ easy entry and exit into the market
- 1.1.4 A ✓✓ Statistics South Africa
- 1.1.5 C ✓✓ affirmative action
- 1.1.6 A ✓✓ inflation
- 1.1.7 A ✓✓ Productivity of labour
- 1.1.8 B ✓✓ government subsidies

(8x2) (16)

1.2 MATCHING ITEMS

- 1.2.1 B - Method used for dealing with the relationship between workers and employers ✓
- 1.2.2 E - Everything else stays the same. ✓
- 1.2.3 A - As consumption increases, the satisfaction for the product decreases ✓
- 1.2.4 F - Bill of Rights ✓
- 1.2.5 C - A government system for protecting workers who are retrenched ✓
- 1.2.6 I - Sector Education and Training Authority ✓
- 1.2.7 D - People who have high level of skills, but are working in low paying jobs or they are working fewer hours than they would like to ✓
- 1.2.8 G - Small, Medium and Micro-enterprises ✓

(8x1) (8)

**1.3 TERMINOLOGY**

1.3.1 Broad Based Black Economic Empowerment Act No. 53 of 2003 ✓

1.3.2 Budget line ✓

1.3.3 Perfect market ✓

1.3.4 Minimum wages ✓

1.3.5 Development Bank of Southern Africa (DBSA) ✓

1.3.6 Externalities ✓

**(6x1) (6)**

**TOTAL SECTION A: 30**

**SECTION B**

Answer any **TWO** questions from this section in the **ANSWER BOOK**.

**QUESTION 2 [MICRO-ECONOMICS]****40 MARKS – 30 MINUTES****2.1****2.1.1 Name TWO factors that determine the value of a product.**

- Utility ✓
- Demand ✓
- Supply ✓
- Natural cyclical fluctuations ✓

Any (2x1)(2)

**2.1.2 What does the marginal rate of substitution (MRS) state?**

The downward sloping curve of the indifference curve indicates the rate at which the consumer is prepared to sacrifice a small quantity of one good for a little more of the other good – this rate is called the MRS. ✓✓ As we move downward from left to right along an indifference curve, the MRS decreases. (1x2)(2)

**2.2 Data response****2.2.1 Explain the concept production possibility curve.**

A graph that shows what combinations of two different goods could be produced at a given point in time, given the available resources and technology ✓✓ (2)

**2.2.2 What takes place at point B compared to point A?**

At point A, production is not efficient (not all resource available are utilized) ✓✓ and at point B, more of oranges than bread will be bought (all resources available are utilized). ✓✓ (4)

**2.2.3 Which TWO conditions should a business meet to achieve productive efficiency?**

Lowest cost ✓✓ and similar marginal costs ✓✓ (4)

**2.3 Study the extract below and answer questions that follow.****2.3.1 Supply the extract with an appropriate heading.**

Providing South Africa's future food demand ✓

(Accept any other relevant response.)

(1)

**2.3.2 Give any TWO reasons why the demand for agricultural products (food) could increase**

- AN increased in the level of consumer income ✓
- An increase in the price of substitutes ✓
- A decrease in the price of complementary goods ✓
- An increase in the size of the population

*Accept any other relevant response*

Any (2x1)(2)

**2.3.3 Explain what will happen with the demand curve if there is a change in the quantity demanded of food products.**

When there is a change in the price of food products there will be a change in the quantity demanded and therefore a movement will occur along the demand curve ✓✓

(2)

**2.3.4 Why do people buy more when prices decrease?**

To maximize their satisfaction ✓✓

They want to save more of their income on the reduced price.

(1x2)(2)

**2.3.5 What does the law of demand imply?**

The law of demand implies that there is an inverse relationship between the price of the product and the quantity demanded of the product or service. ✓✓

(3)

2.4 **Discuss income and production subsidies.**

**Income subsidies:** Subsidization of persons through government transfer payments ✓✓ e.g. social security benefits ✓ in order to allow them to enjoy some minimum standard of living ✓✓ e.g. old age pension grant ✓ disability grants ✓ child support grants. ✓ Any (2x2)(4)

**Production subsidies:** Subsidization of producers by the government to encourage them to increase the production of particular goods by compensating them for their production costs ✓✓ or even financing losses ✓✓ objective is to continue encouraging them to produce the products at lower costs ✓✓ e.g. in some countries farmers are subsidized to produce milk. ✓ Any (4x2) (4)

2.5 **"The shape of the indifference curve is caused by the shifting of the marginal utility advantage, from one good to the other."**

**Evaluate this statement by outlining the common properties (characteristics) of indifference curves.**

- Indifference curves are downward sloping ✓ – it reflects the rate at which the consumer is willing to substitute one good for the other and still be happy. ✓✓
- Higher indifference curves are preferred to lower ones ✓ – consumers usually prefer more of something to less of it, there for the curve locate progressively further away from the origin of the graph. ✓✓
- Indifference curves do not cross or touch or intersect ✓ – because all combinations of product A and B will yield the same level of satisfaction or total utility to the consumer.

We assume that consumers will prefer more of product A as well as more of product B therefor he will go for the higher combination (more of both products) than the lower combination. ✓✓

- Indifference curves are bent inwards ✓ – because people are more willing to trade away goods that they have in abundance and less willing to trade away goods of which they have little, the curve are bent inwards. In other words the slope of the curve is the marginal rate of substituting the one good for the other good. ✓✓ (4x2)(8)

**[40]**

**QUESTION 3 [CONTEMPORARY ECONOMIC ISSUES]****40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO aspects of a Human Resources Development strategy.

- Education ✓
- Training ✓
- Employment equity ✓

Any (2x1)(2)

3.1.2 What is the intention of a convention?

The intention of a convention is that member states, including South Africa, apply the standards discussed and use the convention as guidance for making national laws and policies that can be legally enforced. ✓✓ (1x2)(2)

3.2 Study the extract and answer the questions that follow:

3.2.1 What does the abbreviation **COSATU** stand for?

Congress of South African Unions ✓

(1)

3.2.2 Explain the word “plight”.

Plight is a situation which can be dangerous, difficult, and unfortunate or unfavourable. ✓

(1)

3.2.3 What do you think is the legal responsibility of the union federations such as **COSATU**?

Union federations form the labour constituency at the National Economic Development and Labour Council (Nedlac), ✓✓ their members represent the state and business interests. ✓✓ (2x2)(4)

3.2.4 "The CCMA is part of the collective bargaining and dispute resolution process."

Compare between mediation and conciliation of this process in table format.

Mediation	Conciliation
<p>Involves the services of an acceptable, impartial and a neutral third party ✓✓ to assist the parties in dealing with their dispute ✓✓ and where possible to reach an agreement ✓✓ the mediator (conciliator) has no own authority and does not make a decision ✓✓ all decision making powers with regard to the dispute remain within the parties. ✓✓</p> <p style="text-align: right;">Any (1x2) (2)</p>	<p>This is a voluntary process ✓✓ both in its initiation and in its continuation ✓✓ e.g. the Act provides for conciliation between employer and employee in respect of dismissal ✓✓ a conciliation will be appointed by the CCMA or one can be agreed upon privately between the parties. ✓✓</p> <p style="text-align: right;">Any (1x2) (2)</p>

3.3 Study the extract and answer questions that follow.

3.3.1 Describe the word *redress*.

Remedy or compensate for a wrong or grievance of the past. ✓✓ (2)

3.3.2 When was the first democratic election held in South Africa?

27 April 1994 ✓✓ (2)

3.3.3 In your opinion, how is income distributed in South Africa?

Income distribution in South Africa is still among the most unequal in the world. ✓✓ (2)

3.3.4 Outline the FOUR key areas of the the macroeconomic objectives.

Job creation, ✓ eliminating poverty, ✓ reducing inequality ✓ and increasing the countries overall wealth. ✓ (4x1)(4)

3.4 **Briefly explain TWO steps that government took in the democratization of the economy since 1994.**

**Labour legislation** ✓ gives workers the opportunities to express themselves concerning policies in their workplaces ✓✓. They can participate in workplace forums ✓✓ and contribute to discussions on issues such as employment equity. ✓✓

**Public hearings** ✓ Parliamentary processes provide for various kinds of committees in which members of the parliament serve / ✓✓ debate important issues like the fiscal and monetary policies ✓✓. Private individuals are requested to testify in such hearings ✓✓ where committee members listen and argue with persons who testify. ✓✓ Eventually they will make recommendations for the parliament to consider. ✓✓

**Nedlac** ✓ The National Economic Development and Labour Council consists of representatives of the government, business, labour and development organizations, ✓✓ established in 1994. ✓✓ They have to debate and reach consensus on important labour, economic and financial matters before these are tabled in parliament. ✓✓

**Self-regulating bodies** ✓ A large number of self-regulating bodies have been established by the government composed of representatives of members and government. ✓✓ E.g. communications, energy, technology, agriculture, construction, real estates. ✓  
(Any 2x4)(8)

3.5 **Highlight the powers of the Labour Court.**

- Make any settlement agreements or arbitration award. ✓✓ An order of the court means that it becomes compulsory to do what the court says must be done. ✓✓
- Review the labour arbitration award ✓✓ - the court can change the conditions laid down in an arbitration award. ✓✓
- Resolve dispute between an employer and employee that is referred to it. ✓✓
- Award compensation for damages, e.g. unfair dismissals. ✓✓ (4x2) (8)

**[40]**

**QUESTION 4 [MICRO-ECONOMICS/CONTEMPORARY ECONOMIC ISSUES]****40 MARKS – 30 MINUTES****4.1 Answer the questions that follow.****4.1.1 List TWO types of indirect taxes.**

- Value Added Tax (VAT) ✓
- Customs duty ✓
- Excise duty ✓

(Accept any other relevant response.)

(Any 2x1) (2)

**4.1.2 What is the aim of The Compensation for Occupational Injuries and Diseases Act?**

The aim of the Act is to provide compensation to all casual and full-time employees who suffer injury as the result of a workplace accident ✓✓ or who suffer from a work-related disease for disablement caused by such injuries or diseases ✓✓, or for death resulting from such injuries. ✓✓

(1x2)(2)

**4.2 Data response****4.2.1 Write the acronym EPWP in full.**

Expanded Public Works Programme ✓✓

(2)

**4.2.2 Mention TWO levels of government that initiated the public works programme.**

- National government / The Department of public works ✓
- Provincial government ✓
- Local government ✓

(Any 2x1)(2)

**4.2.3 Explain, in your own words, what is meant by the public works programme.**

- A government programme to provide employment on a temporary basis. ✓✓
- It also creates physical, social and other infrastructure, such as solar water heaters and energy-efficient lighting. ✓✓

(Any 1x2)(2)

**4.2.4 Describe, from the cartoon, how the EPWP aims to achieve poverty relief.**

- They create jobs for the poor and vulnerable, such as rural women, households with women breadwinners, the youth and disabled people. As seen in the cartoon by creating jobs and training for women, youth and the disabled. ✓✓
- It identifies plans and starts projects such as fitting solar water heaters, insulated ceilings and energy-efficient lighting in over 2000 low-cost homes. ✓✓

(2x2)(4)

**4.3 Data response****4.3.1 According to the article, what is the purpose of OPEC?**

OPEC is the Oil and Petroleum countries, which produce a third of the world's crude oil. ✓ (1)

**4.3.2 If OPEC controls the production and price of the product, what type of market is being described above?**

- Imperfect market / Oligopoly ✓ (1)

**4.3.3 Give the characteristics of the market structure identified in Question 4.3.2.**

- There are few sellers. ✓✓
- Freedom of entering the market is restricted. ✓✓
- They are price setters, the market price can be manipulated by suppliers. ✓✓  
(Any 2x2) (4)

**4.3.4 Summarise the implication for the consumer if OPEC keeps the oil supply low.**

- There will be less oil in the market ✓✓
- Consumers will demand more ✓✓
- Prices will increase ✓✓ (Any 2x2) (4)

#### 4.4 Differentiate between allocative efficiency and *pareto* efficiency.

##### **Allocative efficiency**

It is concerned with the combination of goods and services produced. ✓✓

It is achieved when the product mix reflects the tastes and preferences of consumers, ✓✓ and so resources are allocated in the right proportions ✓✓ to produce the different goods and services.

##### **Pareto efficiency**

This type of efficiency occurs when it is not possible to change the existing allocation of resources ✓✓ in such a way that someone is made better off without making someone else worse off. ✓✓

It is achieved when productive and allocative efficiency coincide. ✓✓ (2x4)(8)

#### 4.5 The CCMA is an independent body established in 1996 in terms of the Labour Relations Act. Outline the functions of the CCMA.

The CCMA's functions, as set out by the Department of Labour, are to:

- Try to resolve disputes and other matters referred to it through conciliation or arbitration; ✓✓
- Help in forming workplace forums; ✓✓
- Publish information on its activities and guidelines for dispute resolutions; ✓✓
- Advise on getting legal advice, assistance or representation; ✓✓
- Determine dispute resolution fees, if applicable; ✓✓
- Make rules to regulate the meeting procedure of its committees; ✓✓
- Publish these rules in the Government Gazette; ✓✓
- Advise or provide assistance to a party to a dispute about the procedure to follow in terms of the Act; ✓✓
- Advise organisations about the Labour Relations Act; ✓✓
- Advise about affirmative action and equal opportunity programmes; ✓✓ and
- Advise about sexual harassment in the workplace. ✓✓

Any (4x2)(8)

[40]

**TOTAL SECTION B: 80**

## SECTION C

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

STRUCTURE OF ESSAY	MARK ALLOCATION
<b>Introduction</b>	<b>Max. 2</b>
<b>Body</b>	
<b>Main part:</b> Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Explain / Assess / Debate	<b>Max. 26</b>
<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 / Use the information and argue / Debate / Evaluate	<b>Max. 10</b>
<b>Conclusion</b> Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body</li> <li>• An 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>	<b>Max. 2</b>
<b>TOTAL</b>	<b>40</b>

## QUESTION 5 [MICRO-ECONOMICS]

40 MARKS – 40 MINUTES

*“The most important single central fact about a market is that no exchange takes place unless both parties benefit.”*

- Critically discuss the functions of markets in the economy and assess why market failure sometimes occurs. (26)
  - Recommend how the government could step in to prevent or limit market failure. (10)
- [40]

**Introduction**

A market is a place where buyers and sellers meet in order to exchange goods and services at a price. ✓✓

(Accept any relevant answer.) Max (2)

**Body****Main Part:**

Functions of markets in the economy

**Allocating resources: ✓**

- If there are enough buyers for a product, then resources (land, labour, capital and entrepreneurship) will be allocated to make that product. ✓✓
- The market shows the producers what consumers want, and how much they will buy.
- If the demand for a product decreases, then so will the supply. ✓✓
- In this way the market determines what is going to be produced.
- This is known as the allocating function. ✓✓
- This allocation of resources to the various goods and service is determined through the price. ✓✓
- If the price of a resource increases, producers will look for alternative resources. ✓✓

**Enabling participation: ✓**

- The market enables the participants (buyers and sellers) to enjoy benefits of mass markets and low prices. ✓✓
- Having a large and competitive market also allows buyers and sellers to use economies of scale.
- They are able to buy in bulk or produce on a large scale and thereby keep down their costs. ✓✓

**Bringing demand and supply together: ✓**

- A market brings buyers (demand) and sellers (supply) together and forces them to settle on an appropriate price for a product that reflects the value of that product to the consumer. ✓✓
- Buyers compete with buyers against sellers for the lowest prices.
- Sellers with sellers to get the highest price they can.
- Buyers against sellers for the best deal. ✓✓
- All this competition helps to keep prices relatively stable in the long run. ✓✓

**Rationing of goods and services: ✓**

- Buyers demand the most and are prepared to pay the price. ✓✓ The rationing function discourages the use of the scarcest resources and encourages the conservation of resources. ✓✓

**Self-regulation: ✓**

- A market is able to guide and control itself in order to determine best prices and the best way to use resources (including time, money, labour and materials) through the simple supply and demand mechanism. ✓✓
- It does not need guidance or rules imposed on it (although society sometimes does limit the market). ✓✓
- If prices are too high, buyers will stop buying the product and because demand decreases, price falls, because of the price decrease some of the producers will leave the market ✓✓ and others will reduce production.
- In this way the market will reflect what people want and ultimately suppliers will supply whatever the consumer demands. ✓✓

Max 4 x 5 (20)

Why market failure sometimes occurs?**Under provision of goods and services: ✓**

- There are certain goods and services that people need, but which the market mechanism does not provide enough ✓✓ of,
- for example, enough schooling or hospital or sewage systems or traffic lights. ✓

**Prices and quantities of products are unreasonable: ✓**

- The market mechanism may be working efficiently, but the prices of essential products could be determined to be too high for average consumers ✓✓
- (for e.g. the price of bread may increase)
- or they may not be enough provided in the market leading to many people losing out on getting an essential product (for e.g. medicines or housing). ✓✓

**Unequal distribution of income and wealth: ✓**

- In many market economies, there can be a very unequal distribution of income and wealth amongst the members of the community. ✓✓

**Stability in economic activity: ✓**

- The cyclical fluctuations (variations) ✓✓ in economic activity,
- This characterizes all market economies, comprising recessions and upswings in the economic activity, can cause the market to fail. ✓✓

Max 2 x 3 (6)

(Maximum 8 marks for headings, subheadings and examples)

Max (26)

**Additional Part:**Recommendations on how Government could step in to prevent or limit market failure.

- The state needs to provide those goods and services, such as public goods (for e.g. electricity, schools, hospitals and refuse removal) which may be too expensive for the market mechanism to provide. ✓✓
- By implementing government legislation and passing laws that encourage competition and prohibit high prices. ✓✓
- They can ban the sale of certain products (for e.g. cigarettes and alcohol) to children ✓✓
- They can protect employees by setting maximum working hours and setting a minimum wage for certain jobs. ✓✓
- They can address issues of income equity and fairness in the workplace through policies such as affirmative action or economic empowerment. ✓✓
- The state can use the yearly budget to adjust the way households and firms use their resources. ✓✓
- They can increase indirect taxes on products like liquor and cigarettes. ✓✓
- They can provide subsidies or tax relief to firms that are producing products that positively affect the communities. ✓✓
- They can adjust welfare payments to certain individuals, for e.g. single parents and disabled people. ✓✓
- They can keep markets informed about using certain products and services. ✓✓
- They can try to inform the market of the actual costs or benefits of using the products and services, for e.g. putting health warnings on cigarette packages or nutritional information on food packages. ✓
- They can launch public information campaigns on HIV/Aids. ✓✓

Max 5x2 (10)

**Conclusion**

It can be clearly seen that in order for a market to function efficiently all participants in the economy must play a role in order to satisfy the consumer needs. ✓✓

(Accept any relevant answer.) Max (2)

**[40]**

## QUESTION 6 [CONTEMPORARY ECONOMIC ISSUES]

40 MARKS – 40 MINUTES

*“Long term unemployment is regarded worldwide as economically undesirable.”*

- Critique the impact of unemployment on the economy, individuals and politics. (26 marks)
  - Suggest how the government can solve unemployment through a sound monetary and fiscal policy. (10 marks)
- [40]**

**INTRODUCTION**

Unemployment relates to people within the labour force (EAP) who did not work during the seven days prior to the interview, wants to work and are available to start work within a week of the interview and have taken active steps to look for work or start some form of self-employment in the four weeks prior to the interview. ✓✓

*(Accept any other relevant definition.) (Max 2)***BODY****Main Part:****1. Impact on the economy****a. Opportunity cost\_✓**

- If people are unemployed, it implies that output that could have been produced is lost. ✓✓
- Government does not benefit from income taxes and other potential taxes ✓✓ such as VAT ✓, if production does not take place. ✓✓
- If a country has unemployed workers it means that overall, it is not using its resources ✓✓ and so it is not producing the maximum output. ✓✓
- Such countries produce inside their production possibility curve. ✓✓

Max 2x2 (4)

**b. Real costs ✓**

- The government's real costs are higher because of the unemployment insurance payments ✓✓, health ✓✓ and other social costs ✓✓ such as fighting crime ✓.
- Knowledge and skills are acquired at great cost, but lost quickly through disuse. ✓✓

Max 2x2 (4)

**2. Impact on individuals**

- Unemployment causes people's living standards to fall ✓✓, this is the most important cause of poverty in South Africa. ✓✓
- When people are out of work they are more likely to suffer from poor physical and mental health. ✓✓
- Unemployment affects the dignity and pride of individuals. ✓✓
- Evidence shows that the longer a person is out of work, the more difficult to get employment ✓✓.
- Being out of work reduces human capital of workers ✓✓, they lose their skills ✓✓ and are not being trained in the latest developments in their occupation. ✓✓
- Employers use the length of time out of work as a crude way of sifting through applicants for a job. ✓✓
- For an employer, unemployment is likely to mean that the applicant is, to some extent deskilled ✓✓, loss of confidence reduces the chances of finding employment again. ✓✓

Max 5x2 (10)

**3. Political impact**

- In South Africa, unemployment affects our perception of the success or failure ✓✓ of the market economy.
- Perception that the market economy cannot address the problem and as a result may even be responsible for unemployment, ✓✓
- There is the perception that socialist economies ✓✓ produce only poverty ✓✓ and no prosperity. ✓✓
- Heightened frustration may lead to unrest ✓✓ and these perceptions can have political effects. ✓✓

Max 4x2 (8)

(Maximum 8 marks for headings, subheadings and examples)

(MAX 26)

**Additional Part:**

Suggestions on how government can solve unemployment through a sound monetary and fiscal policy.

**Monetary**

- Government can reduce interest rates which makes credit cheaper. ✓✓
- Thus consumers and producers can now borrow more and spend more. ✓✓
- Interest cost on previous borrowing e.g. home loans and hire-purchases fall, when interest rates are reduced. ✓✓

**Fiscal**

- Government may use a fiscal policy to increase growth, production and job creation. ✓✓
- E.g. budgeting for a deficit the government can put more money into the economy than it is taking out by means of taxation. ✓✓
- Government can reduce taxes rather than budgeting for a deficit. ✓✓
- Consumers and producers have extra money in their pockets, which they can spend. ✓✓

Any 5 x 2 (MAX 10)

**CONCLUSION**

The impact of unemployment is so far reaching and continually dampens the growth potential of the economies around the world. ✓✓  
(Accept any other relevant conclusion.)

(Max 2)

[40]

**TOTAL SECTION C: 40**

**GRAND TOTAL: 150**