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## **Education and Sport Development**

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**NORTH WEST PROVINCE**

**PROVINCIAL ASSESSMENT**

**GRADE 11**

**ECONOMICS P1**

**MEMORANDUM**

**JUNE EXAMINATION 2018**

MARKS: 150

**This question paper consists of 14 pages.**



NW/JUNE/ECOM/ EMIS/6\*\*\*\*\*

## SECTION A [COMPULSORY]

### QUESTION 1

- 1.1.1 B (Natural resource)✓✓
- 1.1.2 C (Entrepreneurial ability and profit)✓✓
- 1.1.3 D (Households are sellers in the resource market)✓✓
- 1.1.4 C ( Personal consumption expenditure)✓✓
- 1.1.5 A (The price system)✓✓
- 1.1.6 D (Government)✓✓
- 1.1.7 C (Consists of provisioning of service)✓✓
- 1.1.8 B (Coal)✓✓ (8x2) (16)

### 1.2 Choose a description from COLUMN B that matches the item in COLUMN A.

- 1.2.1 E ( The decrease in the monetary value of assets over time)✓
- 1.2.2 J ( Purchasing of goods and services)✓
- 1.2.3 G ( Represents spending on capital stock)✓
- 1.2.4 A (Goods and services that households and business sector are prepared to pay a price for)✓
- 1.2.5 B ( The methods used by countries to allocate their resources)✓
- 1.2.6 I ( The minimum amount of money needed to pay for basic needs)✓
- 1.2.7 C ( Extraction of raw materials)✓
- 1.2.8 D ( The internet is an important source of information)✓ (8x1) (8)

### 1.3 Give ONE term for each of the following descriptions.

- 1.3.1 Real wage✓
- 1.3.2 Profit✓
- 1.3.3 Aggregates✓
- 1.3.4 Mixed economic system✓
- 1.3.5 Fiscal policy✓
- 1.3.6 Primary sector✓ (6x1) (6)

**SECTION B**

Answer any TWO of the three questions from this section in the answer book

**QUESTION 2 (Principles, processes and practices of economy)****2.1.1 Name any TWO functions of capital**

- a. Provides tools to add form utility. ✓
- b. Makes mass production possible. ✓
- c. Improves quality of products. ✓
- d. Makes standardization possible. ✓
- e. Makes selling on credit possible. ✓

Accept any relevant answer

(2x1) (2)

**2.1.2 Why do economists focus on economic goods?**

Economists focus on economic goods because they are scarce and people are willing to pay for them. ✓✓

(1x2) (2)

**2.2 Study the following information on Jake's business relating to his Gross and Net profit.****2.2.1 Identify TWO profits mentioned in the table above.**

Gross ✓ and Net profit. ✓

(2x1) (2)

**2.2.2 Calculate the gross profit using the figures given.**

= Sales – Cost of sales ✓

= 13 500 – (4 500+ 550+ 880+ 450) ✓

=13 500 – 6 380 ✓

=7 120 ✓

(4)

**2.2.3 In your opinion, can Jake be happy with his net profit? Provide TWO reasons.**

Yes, because the running expenses are low. ✓✓

Therefore profits earned increases ✓✓

(2x2) (4)



**2.3 Study the picture below and answer the questions that follow**

**2.3.1 Mention the TWO groups of people marginalized in the picture above.**

- Girls.✓
- People with disability✓ (2x1) (2)

**2.3.2 Explain the concept marginalized groups**

- People seen as worse off compared to the rest of the population in terms of access to income and non- income (basic products and essential services).✓✓
- It refers to people who are excluded from the economic activities of the country.✓✓

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

**2.3.3 How can the marginalized groups be empowered?**

- By implementing labour laws like, Broad –Based Black Economic Empowerment, Employment Equity Act to protect the rights of all employees.✓✓
- Implementing Affirmative Action for new appointments in a workplace.✓✓
- By enabling young people to take part in learnerships programmes.✓✓
- Providing infrastructure that can link markets with groups and individuals in order to give them opportunities to take part in market activities.✓✓

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

**2.4 Distinguish between non-renewable and renewable resources.**

Non-renewable resources	Renewable resources
They cannot replenish themselves by recycling and replacement.✓✓	They ca replenish themselves by quick recycling within a reasonable time.✓✓
They may be exhausted✓✓	They are not likely to be exhausted ✓✓
They can be divided into continuous or flow✓✓	They can be recyclable or non-recyclable✓✓
They are exhausted after use.✓✓	They are often available continuously✓✓
E.g. mineral resources✓✓	E.g water, trees✓✓

(Accept any other relevant answer) (4x2) (8)

## 2.5 Discuss any TWO characteristics of labour.

Labour is not storable/hoarded✓

- Labour cannot be stored or kept.✓✓
- E.g. If a worker is unemployed for three years, he/she has lost three years of providing labour.✓

Labour is part of its owner✓

- The labour and the person doing the labour is one and the same.✓✓

Supply cannot suddenly increase✓

- It takes long time for people to enter the labour market.✓✓
- Education and training take years to complete.✓✓
- E.g. it takes seven years for doctors to complete their training before they qualify and can start working to earn an income.✓✓

Income is a goal✓

- When people work, their goal is to earn money and secure an income.✓✓
- They need the money to buy goods and services to satisfy their needs and wants.✓✓

(Accept any other relevant answer)

(8)

**TOTAL: 40**

## QUESTION 3 (ECONOMIC GOODS & SERVICES)

Answer the following questions

### 3.1.1 List the TWO flows in the circular flow.

- Real flow✓
- Money flow✓

(2x1) (2)

### 3.1.2 What happens when GDE is greater than GDP?

The countries imports will be more than its exports.✓✓

(1x2) (2)

### 3.2 Study the extract below and answer the questions that follow:



### 3.2.1 Identify any TWO methods to calculate GDP.

- Production method ✓
  - Income method ✓
  - Expenditure method ✓
- (2x1) (2)

### 3.2.2 Why are national accounts important, according to the extract?

“They are a powerful source of information for studying main aspects of the economy.” ✓✓

(1x2) (2)

### 3.2.3 Briefly describe the aggregate *Gross National Income (GNI)*.

- Gross National Income is the sum of all income earned by all factors of production for contributing in the production process. ✓✓
  - It is in the form of rent, salaries and wages, interest and profit. ✓✓
- Accept any relevant answer
- (1x2) (2)

### 3.2.4 How is double counting avoided in calculating GDP?

- Including intermediate goods when calculating GDP results in double counting. ✓✓
  - It means the contribution of a factor of production is counted more than once. ✓✓
  - Net exports should be excluded. ✓✓
  - The capital consumption allowance should be excluded. ✓✓
  - Business investment should be excluded. ✓✓
  - Government purchases should be excluded. ✓✓
- Accept any relevant answer
- (2x2) (4)

## 3.3 Study the diagram below and answer the questions that follow:

### 3.3.1 Identify the item on which consumers spent the largest portion of their income.

Food (25.6%) ✓

(1x1) (1)

### 3.3.2 Mention any ONE service consumers spent their income.

Health/ transport/communication/recreation and culture ✓

(1x1) (1)

### 3.3.3 Explain Administrative division as final consumption expenditure by government.



- It deals with departmental expenditure which has to be controlled and be organized.✓✓
- A specific cabinet minister heads up such a department, e.g. the department of education.✓✓
- The minister is in control of the spending of funds within the department budget.✓✓ (2x2) (4)

• **3.3.4 How can gross fixed capital formation be increased?**

- By increasing the country's capital stock.✓✓
  - By contributing towards the economy's ability to manufacture consumer goods and services.✓✓
- Accept any relevant answer (2x2) (4)

**3.4 Differentiate between Gross National Product and Gross Domestic Product.**

Gross National Product	Gross Domestic Product
Measures the level of production of all citizens✓✓	Measures the domestic levels of production in a country✓✓
It includes the compensation and investment income received by nationals working or investing abroad✓✓	It represents the monetary value of all goods and services produced within a nation's geographic borders over a specified period of time✓✓
It measures national output✓✓	It measures economic growth✓✓

(4x2) (8)

**3.5 Discuss the classification of consumer goods.**

Durable goods✓

- Can be used repeatedly over an extended period of time.✓✓
- E.g. furniture✓

Semi-durable goods✓

- Can be used more than once, but they last for a limited period only.✓✓
- E.g. car tyres✓

Non- durable goods✓

- Can be used only once and they cease to exist after being used.✓✓
- E.g. medicine✓

Services✓



- They are intangible things.✓✓
- E.g. legal services✓

(4x2) (8)

## QUESTION 4

### 4.1 Answer the following questions

#### 4.1.1 Mention any TWO important questions for making economic decisions.

- What goods and services must be produced?✓✓
- How must goods and services be produced?✓✓
- For whom must goods and services be produced?✓✓

(2x2) (2)

#### 4.1.2 How are sectors interdependent?

- The secondary sector must manufacture raw materials from the primary sector and the tertiary sector distributes the goods from the secondary sector.✓✓/
- The primary sector provides the secondary sector with raw materials.✓✓/
- The tertiary sector distributes goods from the secondary sector.✓✓ (1x2) (2)

### 4.2 Study the picture below and answer the questions that follow:

#### 4.2.1 Identify any TWO systems from the picture above.

- Socialism✓
- Capitalism✓
- Mixed economy✓

(2x1) (2)

#### 4.2.3 Briefly explain any TWO characteristics of a centrally planned economic system.

- The state is the biggest economic entity in the economy employing vast amounts of labour to execute its economic policies from a central position.✓✓
- Private initiative and free choice of the individual is limited.✓✓
- The factors of production cannot be privately-owned and controlled by individuals.✓✓
- The state guides the needs and wants of the consumer by providing essential goods and services for all in equal quantities.✓✓

Accept any relevant answer

(2x2) (4)





#### 4.2.2 In your opinion, what will be the advantages of working in a free-market economy?

- There is private ownership which encourages individuals to be creative. ✓✓
- Scarce resources are used efficiently. ✓✓
- Individuals can use the profits to enhance their own personal welfare. ✓✓
- There is freedom of entry into markets. ✓✓
- Businesses are not able to dominate markets and exploit consumers. ✓✓

Accept any relevant answer

(2x2) (4)

#### 4.3 Study the graph below and answer the question that follows:

##### 4.3.1 Identify any TWO sectors in the graph above.

Primary sector ✓

Secondary sector ✓

Tertiary sector ✓

(2x1) (2)

##### 4.3.2 Explain reasons for the growth of the secondary sector.

- The government made a concerted effort to develop manufacturing. ✓✓
- Manufacturing output has increased considerably. ✓✓
- The secondary sector has increased to 26%. ✓✓
- There was socio-economic stability. ✓✓

Accept any relevant answer

(2x2) (4)

##### 4.3.3 In your opinion, why does the tertiary sector play a large role in modern developed economies?

- A large percentage of goods are sold as processed on formal markets. ✓✓
- The wholesale and retail, finance, transport and government services have increased greatly. ✓✓

Accept any relevant answer

(2x2) (4)

#### 4.4 Discuss the importance of communication in a modern economy.

- Businesses can operate efficiently. ✓✓
- Information about products need to reach the consumers. ✓✓
- Business people can make informed decisions. ✓✓
- People are employed. ✓✓



- Contributes to GDP.✓✓

(4x2) (8)

#### **4.5 What has caused the ongoing energy crisis in South Africa?**

- Eskom has not invested enough in new power sources.✓✓
- The price of electrical power has been too low to provide the needed capital to create new power stations.✓✓
- The state has been reluctant to allow privately owned companies to enter the power-generation field.✓✓
- The use of renewable sources of power has not been emphasized.✓✓
- Large power users have been given low rates by Eskom.✓✓

(4x2) (8)

## QUESTION 5

In the real world, most economies have a mixed economic system.

- Discuss South Africa's mixed economic system in terms of characteristics, advantages and disadvantages. (26)
- Evaluate the government's efficiency in delivery social services to local communities. (10)

### INTRODUCTION

A mixed economic system is an economic system that combines the advantages of both free market and centrally-planned systems. Since 1994, South Africa has chosen a mixed economic system. ✓✓

Any other relevant definition. (Max. 2)

### BODY

#### MAIN PART

##### Economic characteristics of a mixed-market economy

- Most of the factors of production are privately owned and the state limits its role to regulating, stabilising, redistributing and allocating. ✓✓
  - People use their own initiative to manufacture and sell products. ✓✓
  - The profit motive plays an important role in the economy. ✓✓
  - In South Africa, the state intervenes in the production process as an entrepreneur, organiser and lawmaker. ✓✓
  - Majority economic activities are market orientated depending on the level of government involvement. ✓✓
  - The public sector provides infrastructure and public services as there is little profit motive for them to be provided by the free market. ✓✓

##### Advantages of a mixed-market economy

- Private ownership. Individual creativity and entrepreneurial endeavour drive the economy. ✓✓
  - Ownership of possessions, e.g. house, car, etc. is transferable. ✓✓
  - Individual has freedom of choice to buy whatever he/she wants. ✓✓
  - The entrepreneur is entitled to a profit. ✓✓
  - Encourages competition and growth. ✓✓
  - The size of the government does not have to be bigger than what is necessary i.e. less bureaucracy and a more efficient allocation of resources. ✓✓
  - The state is still on hand to provide essential public goods and services. ✓✓

##### Disadvantages of a mixed-market economy

- Scarce resources (especially labour, natural resources) could be wasted, exploited or depleted because of market failures (incorrect production decisions, private business greed) ✓✓
  - Because most of the factors of production are privately owned, the individual faces the risk of possible losses or bankruptcy. ✓✓



- The quality of goods can be inferior because of lack of control by the state. ✓✓
- Socialists would argue that some mixed economies are too free (not enough state regulation and intervention) and the mix is not always right. ✓✓
- Taxes may be high to fund public goods and services. If taxes are too low there will be insufficient revenue to fund social welfare. ✓✓(Max. 26)

## ADDITIONAL PART

### EVALUATION OF SOCIAL SERVICE DELIVERY

- The state tries to uplift previously disadvantaged communities by providing social services (such as housing, education, medical services, basic services like water and electricity) to the poor. ✓✓
  - Increase in education and training- to increase literacy and improve adult literacy, e.g. building of schools, colleges, universities and technikons. ✓✓
  - Security provision – Challenging as violent crime is on the increase. ✓✓
  - Provision of housing for the needy. – State is falling short of its targets ✓✓
  - With regards to state pensions, disability grants, etc. The state is currently facing the reality of too many claimants and too few taxpayers. ✓✓
  - Increased provision of basic health services to communities. Health care now includes free health care services to women and to children under 6. ✓✓
  - Government spending on HIV/Aids has increased from R30 million to more than R3, 6 billion. ✓✓(Max. 10)

Accept any other relevant answer.

### CONCLUSION

A mixed economy is the preferred economic system in most countries because government intervention is necessary when the market fails. However, governments face many challenges in the delivery of goods and services through corruption and inefficiency. In addition the tax base in many mixed economies is small hence less money to function efficiently. ✓✓ (Max .2)

(Any other relevant conclusion)

**TOTAL: 40**



## QUESTION 6

- Analyse the economic importance of the primary sector. (26)
- Briefly explain genetic operations of the primary sector. (10)

### INTRODUCTION

Primary sector is the early phase of economic development in any country. All business activities that aim at satisfying human needs that take place in either the primary, secondary or tertiary sectors. ✓✓

Accept any relevant introduction

**Max (2)**

### BODY

Provides food and minerals ✓

- Coal and uranium mined and quarried in the primary industry are used by Eskom to generate electrical power. ✓✓
- Crude oil from the primary sector is used by Sasol to produce petrol. ✓✓
- South Africa's farming industry produces a wide range of crops and animal products, which are the basis of most of the food needed by the population. ✓✓
- E.g. wheat, maize, oats, vegetables ✓

Creates employment and increases skills ✓

- The mining industry is a major employer of people from South Africa and from the rest of Southern Africa. ✓✓
- A large number of people are trained in a variety of skills. ✓✓
- Agriculture is an important employer for rural people, although the numbers have reduced in recent years. ✓✓

Earns foreign exchange and stimulates trade ✓

- South Africa exports a wide variety of mining products, such as gold, diamond, coal. ✓✓
- In the third quarter of 2017, agriculture and mining were the main drivers of the expansion ✓✓
- Agriculture also expanded by 44.2% in the third quarter. ✓✓
- According to STATSSA the expansion was recorded as the largest quarterly jump in agricultural production since the second quarter of 1996. ✓✓

Contributes to the GDP ✓

- The contribution of the primary sector to GDP gradually decreases over years as compared to the contribution of other sectors. ✓✓
- Agriculture, forestry and fishing contributed 0.7 % to the GDP growth in the second quarter of 2017. ✓✓
- Primary sector contribution increased by 33.6 %. ✓✓



- Mining and quarrying industry increased by 3.9 % and contributed 0.3 % point to GDP growth.✓✓

Increases state income✓

- All industries in the primary sector pays taxes to the South African Receiver of Revenue (SARS).✓✓
- Special taxes are levied on gold mines.✓✓
- Mining leases are sold and the state shares in the profits from these sales.✓✓

Has positive influence on infrastructure✓

- The discovery of minerals in South Africa and the development of agricultural regions in the country played a major part in the development of roads, railway lines and the generation of electricity in the country.✓✓

Stimulates research and development✓

- The Department of Agricultural Development, South African Bureau of Standards is institutions doing research into methods to increase productivity and quality in the primary sector.✓✓

It is a source of capital formation✓

- Agriculture and mining industries need a lot of capital goods in the production process.✓✓
- Foreign investment plays an important part in the growth of these industries.✓✓
- Capital formation in the agricultural sector grows steadily due to high commodity prices.✓✓

#### **ADDITIONAL PART**

- Genetic operations can return to nature what has been taken from it.✓✓
- E.g. farming, forestry.✓
- Genetic operations involve genetic industries including the production of raw materials that may be increased by human intervention in the production process.✓✓
- The genetic industries include agriculture, forestry, and livestock management and fishing which are subject to scientific and technological improvement of renewable resources.✓✓
- Genetic operations include cultivation of products.✓✓
- It also includes exploitation of minerals. ✓✓

#### **CONCLUSION**

The primary sector forms the structure of the economy. The primary sector also plays a role in changing the economy to become more developed.✓✓

**TOTAL: 40**

