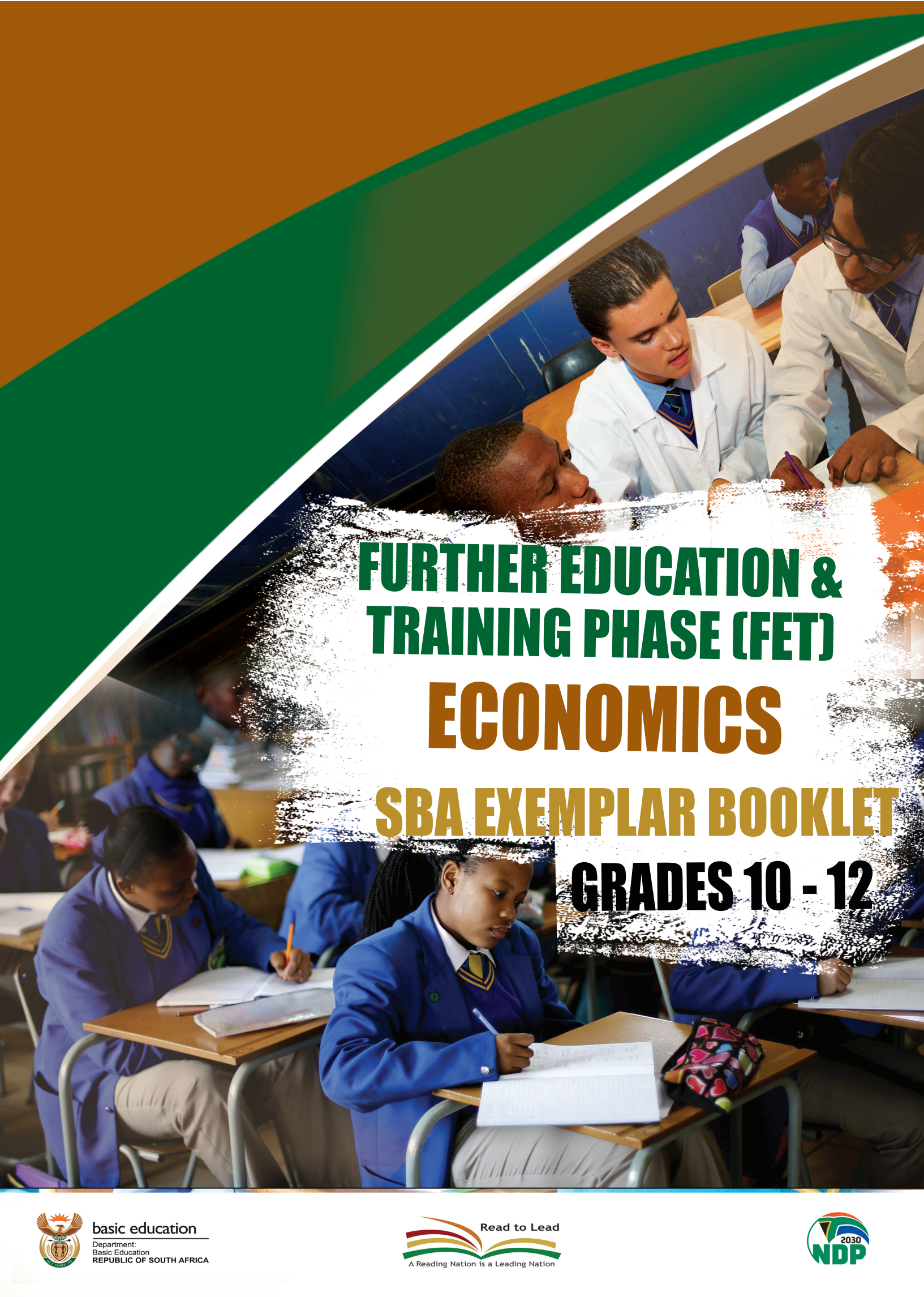




# **FURTHER EDUCATION & TRAINING PHASE (FET)**

# **ECONOMICS**

# **SBA EXEMPLAR BOOKLET**

# **GRADES 10 - 12**



basic education  
Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA



## FOREWORD



The Department of Basic Education has pleasure in releasing a subject exemplar booklet for School Based Assessment (SBA) to assist and guide teachers with the setting and development of standardised SBA tasks and assessment tools. The SBA booklets have been written by teams of subject specialists to assist teachers to adapt teaching and learning methods to improve learner performance and the quality and management of SBA.

The primary purpose of this SBA exemplar booklet is to improve the quality of teaching and assessment (both formal and informal) as well as the learner's process of learning and understanding of the subject content. Assessment of and for learning is an ongoing process that develops from the interaction of teaching, learning and assessment. To improve learner performance, assessment needs to support and drive focused, effective teaching.

School Based Assessment forms an integral part of teaching and learning, its value as a yardstick of effective quality learning and teaching is firmly recognised. Through assessment, the needs of the learner are not only diagnosed for remediation, but it also assists to improve the quality of teaching and learning. The information provided through quality assessment is therefore valuable for teacher planning as part of improving learning outcomes.

Assessment tasks should be designed with care to cover the prescribed content and skills of the subject as well as include the correct range of cognitive demand and levels of difficulty. For fair assessment practice, the teacher must ensure that the learner understands the content and has been exposed to extensive informal assessment opportunities before doing a formal assessment activity.

The exemplar tasks contained in this booklet, developed to the best standard in the subject, is aimed to illustrate best practices in terms of setting formal and informal assessment. Teachers are encouraged to use the exemplar tasks as models to set their own formal and informal assessment activities.



**MR HM MWELI**

**DIRECTOR-GENERAL**

**DATE:** 13/09/2017

**INSTRUCTIONS AND INFORMATION**

|    |                                                                                                                                                                   |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Answer ALL of the questions.                                                                                                                                      |
| 2. | Number the answers correctly according to the numbering system used in the task.                                                                                  |
| 3. | Read the questions carefully.                                                                                                                                     |
| 4. | Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions. |
| 5. | Use only black or blue ink.                                                                                                                                       |
| 6. | You may use a non-programmable pocket calculator.                                                                                                                 |
| 7. | Write neatly and legibly.                                                                                                                                         |

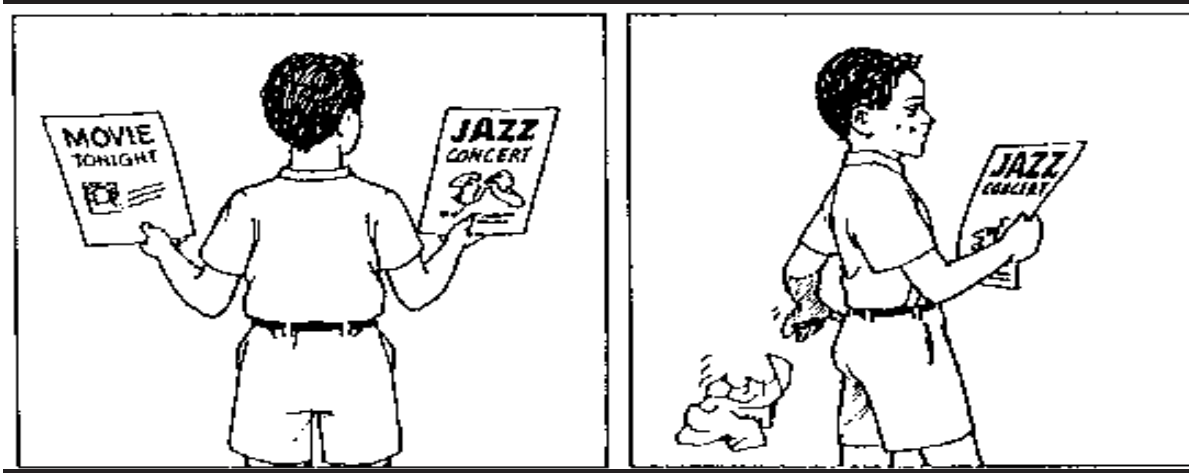


## ECONOMICS BASIC CONCEPTS AND BASIC ECONOMIC PROBLEM

### QUESTION 1

1.1 Answer the questions:

Study the cartoon below and answer the questions that follow.



- 1.1.1 Which economic activity is illustrated in the cartoon above? (2)
- 1.1.2 Why is the boy confronted with this action? (2)
- 1.1.3 What according to you is the core of the economic problem? (2)
- 1.1.4 Use the picture above to explain the concept *opportunity cost*. (4)
- 1.2 How is consumer choice related to the scarcity problem? (2)
- 1.3 How do entrepreneurial activities reduce poverty in our communities? (2)
- 1.4 Explain how economists are using mathematics to compile data (4)
- 1.5 How can fundamental human rights be promoted? (8)

[26]



## QUESTION 2

### CIRCULAR FLOW AND QUANTITATIVE ELEMENTS

2.2 Study the table below and answer the questions that follow.

| NATIONAL INCOME ACCOUNTS OF SOUTH AFRICA       |                  |
|------------------------------------------------|------------------|
|                                                | R million        |
|                                                | 2016             |
| Compensation of employees                      | 2 051 326        |
| Net operating surplus                          | 1 126 588        |
| Consumption of fixed capital                   | 613 605          |
| <b>Gross value added at factor cost</b>        | <b>3 791 519</b> |
| Other taxes on production                      | 87 939           |
| LESS: Subsidies on production                  | 10 002           |
| <b>(A)</b>                                     | <b>3 869 456</b> |
| Taxes on products                              | 484 059          |
| LESS: Subsidies on products                    | 16 527           |
| <b>Gross domestic product at market prices</b> | <b>(B)</b>       |

[Adapted from SARB Quarterly Bulletin, March 2017]

- 2.2.1 What method of production is used in the table above? (1)
- 2.2.2 Name the missing item labeled **(A)**. (1)
- 2.2.3 Explain the item *consumption of fixed capital*. (2)
- 2.2.4 Calculate the Gross Domestic Product @ Market Prices labeled **(B)**. Show ALL calculations. (4)
- 2.2 Given a GDP of 4 336 988, 18% contribution by the government to GDP (4)
- Calculate the amount of contribution to GDP by the government
- 2.3 Draw a clearly labelled diagram of an open circular flow model (10)

(26)  
[50]

**QUESTION 1**

**1.1 Answer the questions:**

**1.1.1 Which economic activity is illustrated in the cartoon above?**

The making of choices ✓✓ (2)

**1.1.2 Why is the boy confronted with this action?**

Needs are unlimited and means are limited ✓✓ (2)

**1.1.3 What according to you is the core of the economic problem?**

Scarcity ✓✓ (2)

**1.1.4 Use the picture above to explain the concept *opportunity cost*.**

The boy is confronted with two choices. ✓✓

He should prioritise his choices. ✓✓

He will make the best choice first. ✓✓

He chooses the jazz concert and forfeits going to the movies ✓✓

The values of the means that are forfeited with each choice are called opportunity cost. ✓✓ (4)

**1.2 How is consumer choice related to the scarcity problem?**

Consumers must make a choice due to unlimited wants and needs that must be satisfied with scarce resources. ✓✓ (2)

**1.3 How do entrepreneurial activities reduce poverty in our communities?**

Entrepreneurial activities give people the opportunity to

- generate an income. ✓✓
- they also contribute towards the local economy because they can employ people from the community. ✓✓
- contribute towards the creation of a better quality of life for themselves and for the families of people they employ. ✓✓ (2)

**1.4 Explain how economists are using mathematics to compile data**

- Mathematics is used to calculate the statistics and construct the models needed by economists to make their predictions about the economy. ✓✓
- The mathematics of finance is used in calculating the time value of money in interest rates, as well as the present and future value of shares. ✓✓

(4)

- Statistical totals called aggregate are calculated and used to record the performance of the economy ✓✓

### 1.5 **How can fundamental human rights be promoted?**

Human fundamental rights can be promoted by :

providing people with possible means to meet the basic survival needs ✓✓ such as food, shelter and health✓  
 affording each other the right to respect, recognition, dignity and future✓✓ self esteem✓  
 affording each other the opportunity to exercise their freedom✓✓ free from poverty, slavery✓

(8)  
[26]



## QUESTION 2

- 2.2.1 What method of production is used in the table above? (1)  
Income method ✓
- 2.2.2 Name the missing item labelled **(A)**. (1)  
Gross Value Added / GDP at basic prices ✓
- 2.2.3 Explain the item *consumption of fixed capital*. (2)

Cost of using capital ✓✓ e.g. machinery/equipment used in production ✓✓ / Depreciation on the use of fixed assets / Diminishing value of an asset ✓ (2)

- 2.2.4 Calculate the Gross Domestic Product at Market Prices labelled **(B)**. Show ALL calculations. (4)

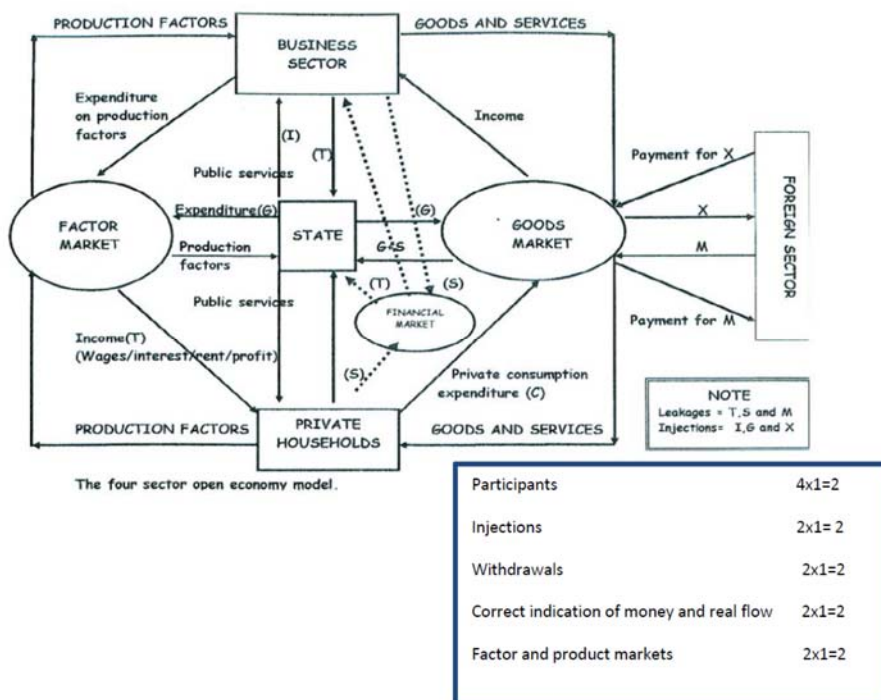
|                                                |                    |
|------------------------------------------------|--------------------|
| Gross Value Added / GDP at basic prices        | 3 869 456 ✓        |
| Plus taxes on products                         | 484 059 ✓          |
| LESS: Subsidies on products                    | 16 527 ✓           |
| <b>Gross domestic product at market prices</b> | <b>4 336 988 ✓</b> |

(4)

- 2.2 Given a GDP of 4 336 988, 18% contribution by the government to GDP Calculate the amount of contribution to GDP by the government

$$18/100 \times 4\,336\,988 = 780\,658$$

- 2.3 Draw a clearly labelled diagram of an open circular flow model 10



(26)  
[50]

**ECONOMICS GRADE 10**  
**CASE STUDY – MARKS: 50**  
**TIME: 4 HOURS**

**Topics:** South African economic growth and development – historical view;  
The history of money and banking

**INSTRUCTIONS AND INFORMATION**

|          |                                                                                                                                                                                                                                      |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1</b> | Answer all questions                                                                                                                                                                                                                 |
| <b>2</b> | Read the information carefully before answering the questions.                                                                                                                                                                       |
| <b>2</b> | Read the questions carefully.                                                                                                                                                                                                        |
| <b>3</b> | Use only black or blue ink.                                                                                                                                                                                                          |
| <b>4</b> | Write neatly and legibly.                                                                                                                                                                                                            |
| <b>5</b> | Number the answers correctly according to the numbering system used in this task.                                                                                                                                                    |
| <b>6</b> | Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions. The mark allocation should guide you on the length of your answer. |

## QUESTION 1: HISTORY OF MONEY IN SOUTH AFRICA

### The History of South African Currency

The use of coins in the region dates from the time the first European settlers landed on its shores in 1652. Jan van Riebeeck, a Dutch explorer, established a trading station on behalf of the Dutch East India Company in what would later become known as Cape Town.

A stream of sailors and traders passed through the Cape, bringing with them the currency of their homeland. Although the Dutch guilder was the most common coinage in use, additional currencies were also used to trade with, including the Spanish real, Indian rupee, Japanese koban, English guinea, Portuguese joannes, and Russian ruble.

In the 1830s, roughly 12 000 Boers, people of Dutch descent, departed from the Cape Colony to escape British control. They moved inland and founded the South African Republic (ZAR) and the Orange Free State. In 1874, the South African government decided to produce its own coins for the first time. President Thomas Francois Burgers sent 300 ounces of gold to London and had 837 [gold coins](#) struck bearing his image. These coins came to be known as the "[Burgers Pond](#)."

Buoyed by the discovery of gold in the region and a desire to legitimise its existence, the ZAR government built a mint in Pretoria and began to issue its own currency from 1892 until 1902. The Republic's coinage was based on the British sterling and depicted the portrait of President Paul Kruger. Production at the mint came to a halt at the outbreak of the Second Anglo-Boer War. The British invaded Pretoria and the Boer government fled, taking their gold with them.

In 1910, following the British victory in the Anglo-Boer War, the Union of South Africa was created. It united the Cape and Natal colonies, as well as the two Boer republics, under British rule. In 1923 the Royal Mint in Pretoria started producing its own currency again, issuing coins identical in size and value to those used in Britain.

Although South Africa was granted independence from Britain in 1931, it continued to use coins based on the British system for some years thereafter. It was only in 1961, when the country became a republic, that a new currency was introduced. The rand replaced the South African pound as legal tender on 14 February 1961. It was named after the Witwatersrand, a range of hills famous for being the source of 40% of the world's gold.

Adapted from: <https://www.resbank.co.za>

- 1.1 Identify any TWO currencies that were previously used to trade from the case study. (2)
- 1.2 List any TWO items that were used by indigenous African people as money. (2)
- 1.3 Briefly describe the term *currency*. (2)
- 1.4 When did South Africa start producing its own coins? (1)
- 1.5 In your opinion, why was South African currency based on the British sterling? (2)
- 1.6 What currency is being used in South Africa now? (1)
- 1.7 Briefly discuss any 3 functions of money. (9)
- 1.8 How has the South African Reserve Bank added to the development of the monetary systems in SA? What is the importance of the Reserve Bank? (10)  
(29)

## QUESTION 2 History of South Africa's economic growth and development

### The Big Hole, Kimberley

The Mineral Revolution began with the discovery of [diamonds](#) at the town of [Kimberley](#) in 1867. The discovery of diamonds led to a rush of [prospectors](#) descending on the town, whose population skyrocketed as increasing numbers of prospectors arrived to seek their fortune.

To excavate deep deposits of diamonds, diggers needed machinery (particularly [steam engines](#)), credit, and a large [labour force](#). These were unavailable to ordinary diggers, and the diamond mines were quickly taken over by the 'mining capitalists' – large corporations with access to credit, machinery, and labour.

The emergence of industrial-scale mining forced major [demographic](#) shifts in South Africa's population. During the early stages of mining, labour had been primarily provided by young men from the African states, primarily [Pedi](#) men. The young men would travel to the mines during the summer to provide temporary labour and earn enough wages to buy status symbols, such as cattle or guns, before returning home.

The increasing scale of mining operations prompted the corporations to offer very low wages. Extracting diamonds from rocks, and processing the low-quality gold ore at the Rand, were very labour-intensive and required armies of workers. To offset the cost of employing so many workers, and to compensate for the high salaries offered to machine supervisors and administrators, the companies offered very low wages to ordinary labourers, resulting in falling living standards in urban areas.

Source: [https://en.wikipedia.org/wiki/Mineral\\_Revolution](https://en.wikipedia.org/wiki/Mineral_Revolution) (Adapted)



- 2.1 Which mineral was discovered in Kimberley and what effect did it have on the population? (1)
- 2.2 Briefly describe any challenge that the diggers faced when extracting minerals. (2)
- 2.3 Who were the 'mining capitalists' and why did they take over the mining industry? (4)
- 2.4 Are the present day mine workers satisfied with their salaries? Motivate your answer. (6)
- 2.5 What are the consequences of the mining and industrial stage of development, which are still impacting positively on us today? (8)

**TOTAL** **SUB [21]**  
**[50]**

## Suggested solutions

**1.1 Identify any TWO currencies from the case study that were previously used to trade with. (2)**

- Dutch guilder ✓
- The Spanish real ✓
- Indian rupee ✓
- Japanese koban ✓
- English guinea ✓
- Portuguese joannes ✓
- Russian ruble ✓

Any 2x1=(2)

**1.2 List any TWO items that were used by indigenous African people as money. (2)**

- Beads ✓
- Ostrich eggs ✓
- Tortoise shells ✓
- Assegai
- Copper
- Beads

Any other relevant answer

**1.3 Briefly describe the term currency. (2)**

- Currency can be described as the system of money used in a country/ generally acceptable system of money used in a particular country.

**1.4 When did South Africa start producing its own coins? (1)**

- It was only in 1961, when the country became a republic, that a new currency was introduced ✓

**1.5 In your opinion, why was South African currency based on the British sterling? (2)**

- The Cape of Good Hope was a British colony at that time, so they based their currency on the British sterling. ✓ ✓

**1.6 What currency is being used in South Africa now? (2)**

- We are using the rand ✓ ✓

**1.7 Briefly discuss any 3 functions of money. (9)**

- Medium of exchange: ✓ Money serves as a generally acceptable and commonly used medium of exchange ✓ ✓
- Store of value: ✓ Money provides a medium of store of value (it can be saved until a later stage. ✓ ✓
- Generally accepted: ✓ Money must be generally accepted by all who trade as a token of payment ✓ ✓
- Durability and security: ✓ The token of payment needs to be durable (coins made of metal, bank notes made of durable paper). Security features are also worked into the money to prevent it from being easily duplicated ✓ ✓
- Scarcity ✓: the token needs to be relatively scarce; if it is abundantly available it will become worthless, scarcity helps it retain value. ✓ ✓

- Manageable: ✓ Tokens of payment should be small and light enough for people to carry around easily. ✓ ✓
- Any other relevant functions of money (naming 1; discussion 2)
- (3x3 = 9)

**1.8 How has the South African Reserve Bank added to the development of the monetary systems in SA? What is the importance of the Reserve Bank? (8)**

- The South African Reserve Bank (SARB) is the monetary authority, controlling all money-related issues of this country.
- 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 / Issuing banknotes and coins ✓ ✓
- South African Reserve Bank is the bank to other banks, they borrow money from it. ✓ ✓
- It transfers funds between different banks and processes inter-bank claims. ✓ ✓
- It is also a government bank / Acting as banker to the government ✓ ✓
- It is responsible for formulating the monetary policies ✓ ✓
- The South African Reserve Bank is the custodian of gold and foreign reserve. ✓ ✓
- It oversees the commercial banks. ✓ ✓
- The bank decides on general monetary policy – and currently pursues inflation targeting of 3% to 6%. ✓ ✓

Any 4x2 = 8

(29)

## Question 2

### 2.1 Which mineral was discovered in Kimberley and what effect did it have on the population?

- Diamonds ✓
- The effect was that it led to an increase in population / population sky-rocketed ✓

### 2.2 Briefly describe any challenge that the diggers faced when extracting minerals. (2)

- Lack of tools and equipment for extracting minerals ✓✓
- Lack of appropriate skills in the extraction of minerals ✓✓ (any 1x2=2)

### 2.3 Who were 'mining capitalists' and why did they take over the mining industry? (4)

- Mining capitalist refers to large corporations. ✓✓
  - They took over the mining industry because they had access to credit ✓✓
  - They could finance the machinery needed for expansion ✓✓
- Any other relevant reason

### 2.4 Are the present day mine workers satisfied with their salaries? Motivate your answer. (6)

Negative / No

- The mineworkers are not paid enough, that is why annually there are many labour strikes demanding more money ✓✓
  - The standard of living is increasing and the workers would like to maintain, or increase their standard of living ✓✓
  - Increases are below the inflation rate, making the workers worse off than the previous year. ✓✓
  - Workers would like to improve their situation, and earn enough to satisfy their basic needs. ✓✓
  - The profit motive resulted in the labourers being paid less ✓✓
- Any other relevant motivation linked to the negative.

Positive/ Yes

- Wages received by the workers are sufficient to cover their basic needs ✓✓
  - The annual increments are keeping pace with inflation ✓✓
  - Workers can maintain or increase their standard of living ✓✓
- Any other relevant motivation linked to the positive (6)

### 2.5 What are the consequences of the mining and industrial stage of development that are still impacting positively on us today? (10)

- **Infrastructure development:** Harbours, roads and railways were built to transport the products. ✓✓ We are using more advanced transport mechanisms today, but roads and railways are still used to transport goods. ✓✓ e.g. Gautrain and air transport ✓
- **Market for goods and services:** People were earning income and had some disposable income, to buy more goods and services. ✓✓ People

today have jobs, which creates the market for goods and services because of the income. ✓✓

- **Labour:** Many skilled and unskilled workers were employed in the mines and factories. Migratory patterns developed, which had many negative social effects. ✓✓ Today many people from rural areas migrate to the urban areas for work opportunities and other social aspects. ✓✓
- **Urbanisation:** Many groups of people moved to the cities for work opportunities, and a better life. This is still the case today as people have the perception that there are better opportunities in urban areas. ✓✓
- **Services and communications:** Considerable growth experienced in wholesale, retail, motor trade, real estate, accommodation, insurance and business services, etc. These services are an integral part of our lives today.
- **World markets:** Greater increase in trade between countries. As countries knew about each other's products, trade took place. Now people find out about other countries' products due to open communication and easy access to the internet and social media. World markets keep expanding. ✓✓

**Any other relevant factors that impact positively; still today**

5x2=10

(21)

**TOTAL [ 50]**

**GRADE 10: PROJECT**  
**TOPIC: DYNAMICS OF PERFECT MARKETS**

**INSTRUCTIONS AND INFORMATION**

Your project should meet the following criteria.

Each project must have:

1. A cover page and table of content
2. Final product must be well arranged according to the steps.
3. Graphs should be drawn using the values that appear on the table.
4. Each learner's work must be unique.
5. Learners will not be credited for information directly copied (plagiarism).

Visit one of the retail stores in your community / town and identify a product.

**STEP 1**

Identify one product of your choice that is sold in grams / kilograms / millilitres / litres, etc.

In a tabular format, record five quantities and the price of the product. Your table / schedule should have a heading.

**STEP 2**

Draw a well-labelled graph using the information on the table / schedule.

**STEP 3**

What is the slope of your graph? Which law can you relate the slope to? Motivate your answer.

**STEP 4**

Assume the price of the product has increased by R5 in all the quantities you listed in Step 1. Design a table which shows what quantities will be demanded at which increased price? Copy the graph in STEP 2 to STEP 4, then sketch the demand curve.

**STEP 5**

Briefly explain and illustrate graphically the impact the change in consumers' tastes and preferences will have on the original demand curve.

TOTAL: 50



## GRADE 10: PROJECT

### EXPECTED RESPONSES

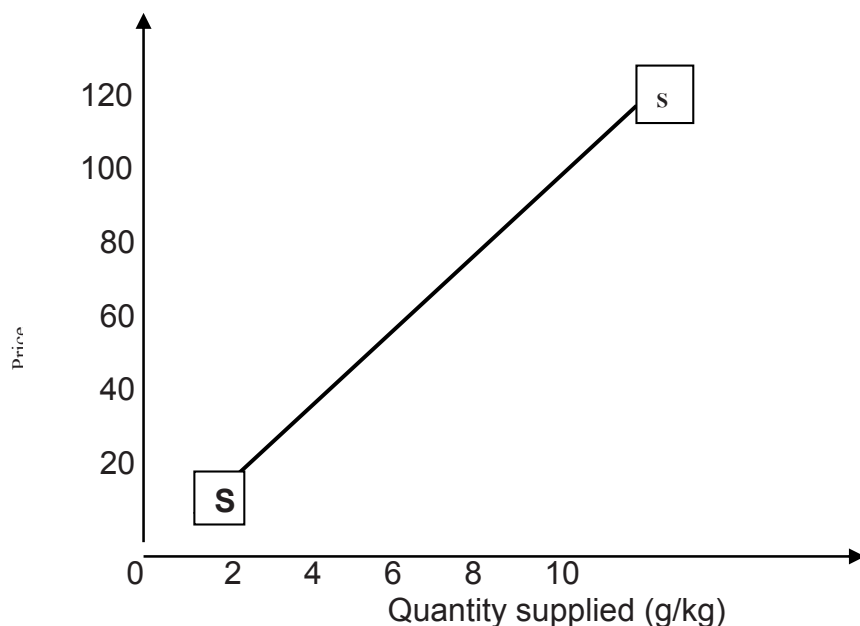
**STEP 1: In a tabular format, record five quantities and the price of the product that is sold in grams / kilograms / litre.**

**SUPPLY TABLE FOR RICE**

| QUANTITY  | PRICE (R) |
|-----------|-----------|
| 500 GRAMS | 7.00      |
| 1 KG      | 13.5      |
| 2 KG      | 26.9      |
| 5 KG      | 80.5      |
| 10 KG     | 110.5     |

**STEP 2: Draw a well-labelled graph using the information on the above table / schedule.**

**SUPPLY CURVE FOR RICE**



**STEP 3: What is the slope of your graph? Which law can you relate the slope to? Motivate your answer.**

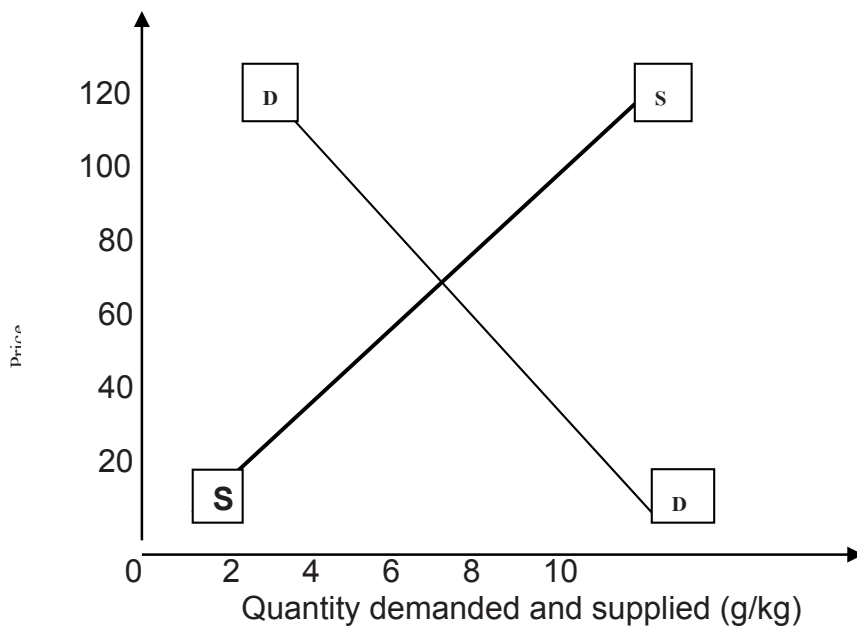
- Positive slope / direct relationship.
- This shows the law of supply.
- Motivation: An increase in quantity supplied results in an increase in price.

**STEP 4: Assume the price of the product has increased by R5 in all the quantities you listed in Step 1. Design a table that shows what**

quantities will be demanded at what increased price? Copy the graph in STEP 2 to STEP 4, and then sketch the demand curve.  
**THE IMPACT OF AN INCREASE IN PRICE ON DEMAND FOR RICE**

| QUANTITY  | QD | PRICE |
|-----------|----|-------|
| 500 GRAMS | 10 | 12.00 |
| 1 KG      | 8  | 18.5  |
| 2 KG      | 6  | 31.90 |
| 5 KG      | 4  | 85.5  |
| 10 KG     | 2  | 115.5 |

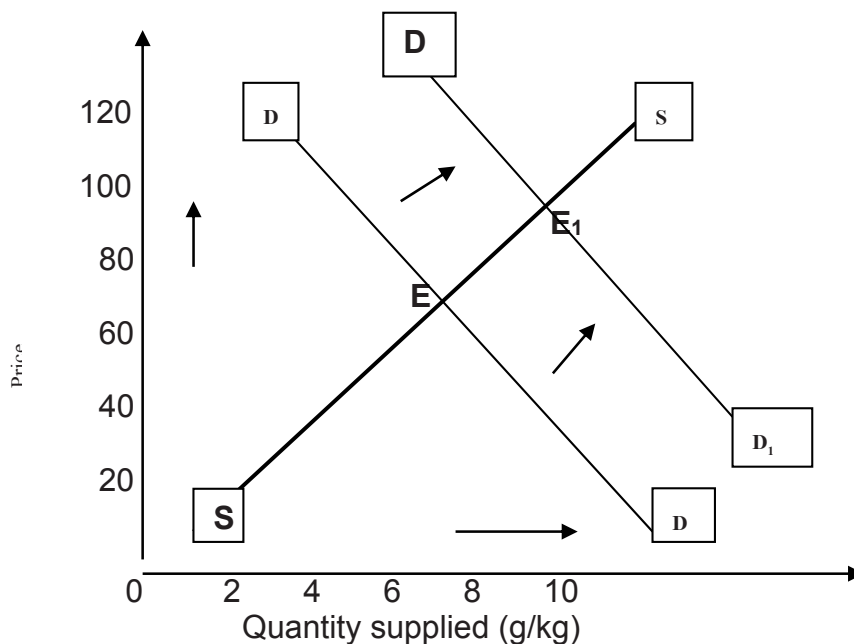
### SUPPLY AND DEMAND CURVES FOR RICE



- DD curve has an inverse relationship.
- Law of demand states that an increase in price of a product results in a decrease in quantity demanded.

**STEP 5: Briefly explain and graphically illustrate the impact the change in consumers' tastes and preferences will have on the original demand curve.**

### SUPPLY AND DEMAND CURVES FOR RICE



- A change in consumers' tastes and preferences – an increase in consumers' tastes will increase the quantity demanded for the product, and the price will also increase. Therefore, the DD curve will shift to the right ( $D_1D_1$ ) and the new equilibrium point  $E_1$  will be created. OR
- A change in consumers' tastes and preferences – a decrease in consumers' tastes will decrease the quantity demanded and price. Therefore, the DD curve will shift to the left ( $D_2D_2$ ),
- **NB: A change in consumers' tastes and preferences will shift the DD curve either to the left or right (not both)**

**MARKING RUBRIC FOR GRADE 10 PROJECT**
**TOPIC: DYNAMICS OF PERFECT MARKETS**

| Learner Surname and Name:                                                                                                                                                   |  | Issue date:                                                                                                                                        |                                                                                                                                                                                                | Grade: 11                                                                                                                                                                                      |                                                                                                                                                          | Submission Date:                                                                                                                                                                                                                                       |       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| CRITERIA                                                                                                                                                                    |  | Very minimal information                                                                                                                           | Partially meets requirements                                                                                                                                                                   | Fairly meets the requirements                                                                                                                                                                  | Good performance has been registered                                                                                                                     | Excellent – exceed expected requirements                                                                                                                                                                                                               | Score |
|                                                                                                                                                                             |  | 1-2                                                                                                                                                | 3-4                                                                                                                                                                                            | 5-6                                                                                                                                                                                            | 7-8                                                                                                                                                      | 9-10                                                                                                                                                                                                                                                   |       |
| <b>STEP 1:</b><br>In a tabular format, record five quantities and the price of the product that is sold in grams, kilograms or litres.<br>The table should have a heading.  |  | The product is identified and only one correct quantity with / without price is listed.<br><br>There is no heading provided.                       | Only two correct quantities of the products are listed with corresponding prices. The provided heading is incorrect.                                                                           | Three out of five quantities of the product with corresponding prices are in the tabular form. Correct units of measurements are indicated next to each quantity. Correct heading is provided. | Four out of five quantities of the product with correct prices are tabulated. Correct units of measurements are clearly indicated next to each quantity. | All five quantities of the chosen product are tabulated, quantified and the units of measurements are clearly indicated.<br>The table is provided with a heading.                                                                                      |       |
| <b>STEP 2:</b><br>Draw a well-labelled graph using the information on the table / schedule.                                                                                 |  | The graph is not correctly drawn or labelled – no heading and axes and the curve is not correctly labelled.                                        | The graph is drawn but the shape of the curve is incorrect. The values from the table are not used.                                                                                            | The graph is drawn and the heading is incorrect. Values from the table are used.                                                                                                               | The graph is correctly drawn and a suitable heading is supplied. Values from the table are used.                                                         | Relevant graph is drawn with suitable labelling and heading. Values from the table are correctly scaled.                                                                                                                                               |       |
| <b>STEP 3:</b><br>What is the slope of your graph? Which law can you relate the slope to? Motivate your answer.                                                             |  | The response only indicates the slope / type of relationship. The response does not indicate which law or motivation is demonstrated.              | The response indicates both the slope and the law – though it is incorrectly stated. The motivation is not provided.                                                                           | Both the slope and law are correctly stated. The motivation is provided but is incorrect.                                                                                                      | The correct slope, law and motivation are provided. Motivation is accompanied by one example.                                                            | The correct slope, law and motivation is provided. Motivation is detailed with more than one example.                                                                                                                                                  |       |
| <b>STEP 4:</b><br>Design a table that shows what quantities will be demanded at what increased price? Copy the graph in STEP 2 to STEP 4, and then sketch the demand curve. |  | A table is designed but prices are incorrect – R5 is not correctly added in each price. New quantities are used and the demand curve is not drawn. | A table with complete and correct prices is designed – R5 is correctly added in each price. Quantities are incorrect – different from step 1. Demand curve is not drawn / has incorrect slope. | A table with correct prices and quantities is designed. Demand curve is not drawn / correctly labelled.                                                                                        | Complete table with correct prices and quantities is designed. Demand curve is correctly drawn and labelled.                                             | Complete table with correct prices and quantities is designed. Demand curve is correctly drawn and labelled. Brief explanation is provided about the slope / law of demand.                                                                            |       |
| <b>STEP 5:</b><br>Briefly explain and graphically illustrate the impact the change in consumers' tastes and preferences will have on the original demand curve.             |  | Only the impact of consumers' tastes and preferences is provided. The graph is not drawn to illustrate the impact.                                 | The impact of consumers' tastes and preferences is explained and the graph drawn is incorrect.                                                                                                 | The impact of consumers' tastes and preferences is explained and the graph indicating the shift is drawn. Some labelling is incorrect.                                                         | The impact of consumers' tastes and preferences is fully explained. The new DD curve is correctly drawn and labelled.                                    | The impact of consumers' tastes and preferences is fully discussed – i.e. impact on price, quantity and shift of the DD curve is fairly discussed and illustrated by means of arrows on the graph. Both the shift to the left and right are discussed. |       |
| <b>Total:</b>                                                                                                                                                               |  |                                                                                                                                                    |                                                                                                                                                                                                |                                                                                                                                                                                                |                                                                                                                                                          |                                                                                                                                                                                                                                                        | /50   |

Duration: Max 4 hours

**INSTRUCTIONS AND INFORMATION**

|    |                                                                                                                                                                   |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Answer ALL of the questions.                                                                                                                                      |
| 2. | Number the answers correctly according to the numbering system used in tasks.                                                                                     |
| 3. | Read the questions carefully.                                                                                                                                     |
| 4. | Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions. |
| 5. | Use only black or blue ink.                                                                                                                                       |
| 6. | You may use a non-programmable pocket calculator.                                                                                                                 |
| 7. | Write neatly and legibly.                                                                                                                                         |

# ECONOMIC CONCEPTS, POPULATION AND LABOUR FORCE AND CIRCULAR FLOW

## QUESTION 1

1.1 Study the following graph and answer the questions that follow

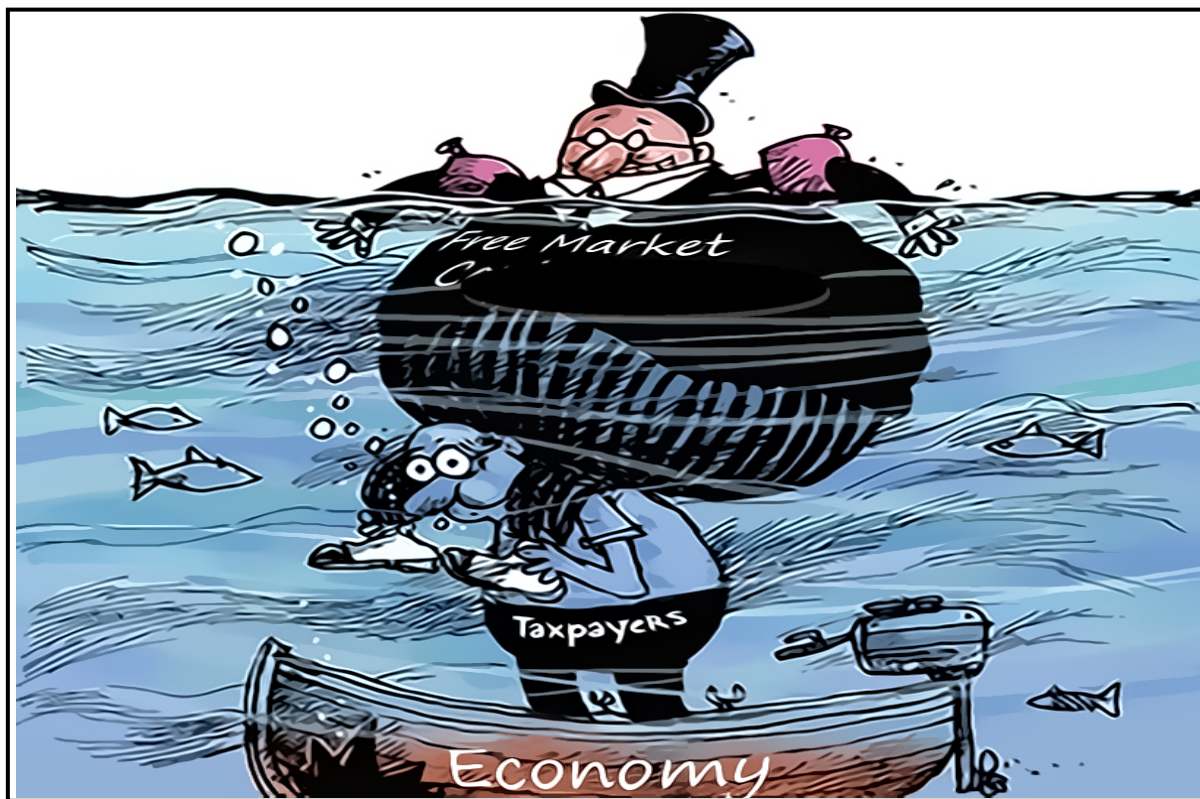


- |       |                                                                                                      |      |
|-------|------------------------------------------------------------------------------------------------------|------|
| 1.1.1 | From what source was the data above obtained?                                                        | (1)  |
| 1.1.2 | What was the trend of the South African GDP in 2015 to 2016?                                         | (1)  |
| 1.1.3 | Explain the term <i>gross domestic product</i> (GDP)                                                 | (2)  |
| 1.1.4 | Name any two methods that are used to determine GDP                                                  | (2)  |
| 1.1.5 | What are the implications of recent trends in the GDP between 2015 and 2016?                         | (4)  |
| 1.2   | Why is the gross domestic product of South Africa always greater than the gross national product?    | (2)  |
| 1.3   | How does a high level of education influence the ability of an individual to get employed?           | (2)  |
| 1.4   | Briefly explain <i>capital widening</i> .                                                            | (4)  |
| 1.5   | Evaluate the exclusion and access to opportunities in the different economic sectors of the economy. | (8)  |
|       |                                                                                                      | (26) |

## QUESTION 2

### ECONOMIC SYSTEMS

2..1 Study the cartoon below and answer the questions that follow.



- 2.1.1 What message is depicted in the above picture? (2)
- 2.1.2 What motivates consumers and producers in a pure market economy? (2)
- 2.1.3 Explain the term *free market economy*. (2)
- 2.1.4 Why would you not recommend capitalism as an economic system? (4)
- 2.2 Compare the reasons for privatisation and nationalisation (4)
- 2.3. How can the South African economy benefit from a mixed economic system? (10)
- (24)
- [50]



ASSIGNMENT MARKING GUIDELINE TERM 1

ANSWERS TO QUESTION 1

- 1.1 Study the following graph and answer questions that follow
- 1.1.1 **From what source was the data above obtained?**  
Statistics South Africa / Stats SA / SSA ✓ (1)
- 1.1.2 **What was the trend of the South African GDP in 2015 to 2016?**  
Decrease/declined ✓ (1)
- 1.1.3 **Explain the term *gross domestic product* (GDP)**  
The total value of all final goods and services ✓ produced within the boundaries of the country for a specific period, e.g. a year ✓ (2)
- 1.1.4 **Name any two methods that are used to determine GDP**  
Expenditure method ✓ and income method ✓ (2)
- 1.1.5 **What are the implications of recent trends in the GDP between 2015 and 2016?**  
A drop in the growth rate (✓✓) / means less is produced ✓✓  
· Decrease in income of businesses ✓✓  
· Retrenchments / job losses / unemployment increase ✓✓  
· Decrease in income of workers ✓✓  
· Lower standard of living / increase in poverty ✓✓  
(Accept any other correct alternative response) (4)
- 1.2 **Why is the gross domestic product of South Africa always greater than the gross national product?**  
Foreigners' contributions to our economy are more ✓✓ than our contribution to theirs ✓✓  
Only a few SA companies operate globally ✓✓  
(Accept any other relevant response) \_ (2)
- 1.3 **Briefly explain *capital widening***  
▪ Occurs when the capital stock grows at the same rate as the labour force, resulting in the average amount of capital per worker remaining the same. ✓✓  
▪ For example, in a team of 20 workers there are ten 10 shovels (capital goods), giving a labour to capital ratio of 2 : 1. ✓✓

- If the workers increase to 40, the employer has to invest in a further 10 shovels to maintain the labour to capital ratio. ✓✓
- The workers can now maintain their previous production level per worker. ✓✓
- There will be no economic growth, no change in the real GDP and the real GDP per capita will remain unchanged with no change in the standard of living. ✓✓ (Any 2 x 2)

1.4 **How does a high level of education influence the ability of an individual to get employed?** (2)

It provides skills to do a specific job. ✓✓

It provides knowledge to do specific job. ✓✓

1.4 **Evaluate the exclusion and access to opportunities in the different economic sectors of the economy.**

- The previously disadvantaged were unable to receive assistance for farming. ✓✓
- Land redistribution programmes that started in 1995 are slow ✓✓
- Previously disadvantaged are now trained through skills development. ✓✓
- Emphasis is placed on broad-based economic empowerment. ✓✓
- Opportunities are now available to invest on the stock exchange. ✓✓ (8)
- Women are now earning the same as men. ✓✓  
(Accept any other relevant response)

## ANSWERS TO QUESTION 2

### 2.1 What is the message depicted in the above picture?

Taxpayer pays high tax under capitalism. ✓✓

(Accept any other relevant answer)

(2)

### 2.1 What motivates consumers and producers in a pure market economy?

Self-interest or private gain. ✓✓

(2)

### 2.1.3 Explain the term free market economy

Free market economy is an economy with no government intervention or control. ✓✓

### 2.1 Why would you not recommend capitalism as an economic system?

Externalities may occur ✓✓

Certain goods or services, called public goods, may not be provided ✓✓ Accept any other relevant answer)

(4)

### 2.2 Compare the reasons for privatisation and nationalisation

| Privatisation                                                                 | Nationalisation                                                                    |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Increased compensation creates innovation and efficiency ✓✓                   | Production of strategic services, such as defence, are safeguarded ✓✓              |
| There is greater efficiency in the use of scarce resources and lower costs ✓✓ | Price levels of essential goods and services can be controlled ✓✓,                 |
| Competition gives consumers a greater choice of goods. ✓✓                     | More jobs are created as larger numbers of people are employed. ✓✓                 |
| There is no political intervention in the running of the company ✓✓.          | Essential services such as hospitals and education can be provided for everyone ✓✓ |

### 2.3 How can the South African economy benefit from a mixed economic system?

#### **Freedom of choice** ✓

In South Africa's mixed economy, a wide range of goods and services are produced ✓✓

Control of the economy ✓

There is private ownership of land and business; individuals have control of the economy. ✓✓

Improved social welfare ✓

The state provides goods and services, which might have been underprovided for if left to the market. ✓✓

Economic growth is encouraged ✓

Booms and slumps in the business cycle can be leveled and the government works towards creating a stable economy ✓✓

The state can also work towards providing a well-developed infrastructure and encouraging the development of trade.✓✓

Monopoly power can be monitored and controlled.✓✓

Inequality in income and wealth can be corrected through the taxation system✓✓

Negative externalities such as pollution, can be controlled.✓✓

The environment can be protected.✓✓

Foreign investment is encouraged.✓✓

(Max.10)

**GRADE 11: CASE STUDY**

**TOPIC: ECONOMIC PURSUITS [GROWTH, DEVELOPMENT AND POVERTY]**

**MARKS: 50**

**DURATION: 1 WEEK [4 HOURS]**

**INSTRUCTIONS AND INFORMATION:**

1. The task should be done under supervision in class.
2. This is an individual task and each learner's work should be unique.
3. Learners will be penalised for copying information directly from sources.
4. Use correct numbering as in the question paper.

All the learners' work should be well organised and stapled together.

## QUESTION 1

1. Study the following case study and answer the questions below:

### GOVERNMENT'S PLANS TO REBUILD THE GARDEN ROUTE WESTERN CAPE



Adapted from: News24 July 2017

The Garden Route was badly affected by the fires in June. People lost their lives, homes were destroyed in the greater Knysna area and Plettenberg Bay, and the environment was badly damaged. Many jobs have been lost temporarily, especially in the tourism service industry. The regional fruit production sector has suffered losses amounting to R720 million. The combination of heat, strong winds, low rainfall and fires has played havoc with the province's farms, prompting calls for the national government to declare the region a disaster area. Vineyards, pipelines,

orchards, electric cables and other infrastructure were also destroyed, incurring massive costs for farmers and municipalities alike. The Western Cape government needs over R80 million to assist drought-stricken farmers. Financial support will be given to 30 qualifying smallholder grain farmers who have lost more than 50% of their crop, as well as to their workers. Recovery would not be fast, as some affected regions could take years to recover. The allocation was made in terms of Section 25 of the Public Finance Management Act, which enables Finance MEC to

authorise the use of funds from the Provincial Revenue Fund in exceptional circumstances. The majority of the funds would go toward repairing schools and hospitals, road-related infrastructural damage, emergency humanitarian support, disaster management coordination and drought assistance. Further funding will be accessed from the National Disaster Management Centre and National Treasury. Skills initiatives will be launched to enable local residents to participate in the rebuilding process.

- 1.1 Identify TWO major causes of fire damage from the extract. (2 x 1) (2)
- 1.2 Distinguish between economic growth, economic development and poverty. (3 x 2) (6)
- 1.3 “Amongst the 3 sectors of the economy, the primary sector was mostly affected by Western Cape fires.” Briefly explain the impact this will have on people’s standard of living. (4 x 2) (8)
- 1.4 Discuss poverty under the following subheadings and include a statement from the case study to support your discussion, where possible:
- 1.4.1 Four causes such as:
- insufficient infrastructure
  - lack of productive resources
  - lack of education
  - environment and climate
- 1.4.2 Four effects that are directly linked to the causes above.
- 1.4.3 Four measures that address the causes mentioned above. (3 x 8) (24)
- 1.5 Briefly discuss how the South African government addresses economic growth constraints. (10)

TOTAL: 50

---

## MARKING GUIDELINES FOR EXEMPLAR GRADE 11: CASE STUDY

### 1.1 Identify TWO major causes of fire damage according to the extract.

- Heat ✓
- Strong winds ✓
- Low rainfall ✓

(Any 2 x 1) (2)

### 1.2 Distinguish between economic growth, economic development and poverty.

- Economic growth refers to the increase in the production of goods and services. ✓✓
- Economic development refers to improvement in the people's standard of living ✓✓.
- Poverty refers to a lack of basic items, such as food, clothing, water and shelter that are needed for a minimum standard of living ✓✓ (3 x 2) (6)

### 1.3 “Amongst the 3 sectors of the economy, the primary sector was mostly affected by Western Cape fires.” Briefly explain the impact this will have on people's standard of living.

- Primary sector is in charge of collecting raw material from nature in order for production to take place. ✓✓
- Its activities or industries include farming, agriculture and fishing. ✓✓
- It is a sector that employs more workers irrespective of their skills levels. ✓✓
- If for example most farms were burnt, more jobs will be lost (unemployment). ✓✓
- There will be low standard of living – meaning poverty levels will increase. ✓✓
- Low standard of living also leads to insufficient housing, poor health, high infant mortality, high levels of malnutrition, lack of education – as these workers will not be able to provide for themselves. ✓✓ (Any 4 x 2) (8)

### 1.4 Discuss poverty under the following subheadings and include a statement from the case study to support your discussion, where possible

#### 1.4.1 Four causes:

- Insufficient infrastructure - the uneven distribution of the majority of population between rural and urban areas makes it expensive to provide sufficient infrastructure. / People migrate to towns or cities because they see little potential to generate an income in rural areas ✓. Example: “... electric cables and other infrastructure were also destroyed “ ✓
- Lack of productive resources – available natural resources such as trees are cut down and soil is exhausted. The resources cannot



provide sufficient food to support the growing population√. Example: vineyards, pipelines, orchards, electric cables and other infrastructure were also destroyed and this has put pressure on all three spheres of the government.√

- Lack of education increases the gap between the skills needed by the economy. Government often cannot afford to provide good public schools / education, especially in rural areas. √√
- Environment and climate increasing drought, flooding and changing climate patterns demand one to shift from crops and farming practices for they are not well-equipped to adapt to changing rainfall patterns and shorter growing seasons√.- Example: government needs over R80 million to assist drought-stricken farmers√
  - (Accept any other response 4 x 2) (8)

#### 1.4.2 Four effects that are directly linked to the causes above.

- Insufficient infrastructure
- People migrate to urban areas and that leads to an increase in informal settlement, demand for water and sanitation, energy and urban development, healthcare services as well as old age security. The roads carrying capacity becomes small. √√
- Lack of productive resources places pressure on the environment, natural resources and employment. The government expenditure will increase on poverty-reduction programmes, e.g. grocery packs. √√
- Lack of education – the demand on skills empowerment programmes will increase. The budget on education will increase to cover the costs of feeding schemes, stationery, school furniture, textbooks, hiring more teachers, extending school buildings, etc. √√
- Environment and climate – people will be overcrowded in cities causing decay such as drain blockage and pipe water leakages. Also, degradation of the environment such as dumping, air pollution as well as deforestation. √√

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

#### 1.4.3 Four practical measures to address the causes mentioned above.

- Insufficient infrastructure – the South African government is constantly ensuring that citizens have access to services such as housing, land and capital, including public infrastructure ✓✓
- Lack of productive resources – it is evident from the case study that the state will provide financial support to 30 qualifying smallholder grain farmers who have lost more than 50% of their crop ✓✓
- Lack of education – the state should invest in health, education, cultural activities and sports as the basis for economic and social inclusion. The state is also providing basic services and other non-financial transfers in the form of social wages, free basic municipal services such as water, electricity and refuse removal as well as free education and primary healthcare for the poor. ✓✓
- Environment and climate – the government is reversing environmental degradation, promoting ecotourism, responding to climatic change; encouraging efficient and sustainable as well as non-exploitation of the environment through policies. ✓✓
  - (3 x 8) (24)

#### 1.5 Briefly discuss how the South African government addresses economic growth constraints.

- **The discussion might include some of the following constraints:**
  - Shortage of skilled labour
  - Limited new investment opportunities
  - Capacity and leadership
  - Inadequate national infrastructure
  - Lack of capital investment in certain areas
  - Too much government interference that can prevent direct foreign investment
  - Low production capacity due to unavailability of electricity
  - Strained domestic demand due to tighter banking regulation, as well as high unemployment

- **With reference to the case study above, the South African government has planned the following strategies:**
  - Financial support will be given to 30 qualifying smallholder grain farmers who have lost more than 50% of their crop, as well as to their workers
  - Some funds will go toward repairing schools and hospitals, road-related infrastructural damage, emergency humanitarian support, disaster management coordination and drought assistance.
  - Further funding will be allocated to skills initiatives which will enable local residents to participate in the rebuilding process
- **The following government interventions have resolved issues, which very recently has been seen as major binding constraints on growth:**
  - The improvement in the mining sector can be partly attributed to improved labour relations, which has been one of the successful outcomes of government's intense engagement with social partners over the last two years.
  - Other successful government interventions include having moved from electricity shortage to surplus, and launching Invest SA, making it easy to open a business and invest in South Africa.
  - The implementation of policies such as New Growth Path (NGP) and New Development Plan (NDP).

▪ (Accept any relevant facts (5 x 2) (10)

▪ GRAND TOTAL: 50

**Grade 11: PROJECT**  
**TOPIC: COSTS AND REVENUE**  
**INSTRUCTIONS AND INFORMATION**

Your project must meet the following criteria.

Each project must have:

1. A cover page and table of content
2. Final product must be well arranged according to the steps.
3. Graphs should be drawn using the values that appear on the table.
4. Each learner's work must be unique.
5. Learners will not be credited for information directly copied (plagiarism).

## SCENARIO

A hypothetical firm called SEGAO BRICKS is specialising in producing bricks at a unit price of R3 and selling at a price of R6.

The cost of labour increases from R150 to R200 per labourer

Visit the SEGAO BRICKS or production firm of your choice to conduct research on the following:

### STEP 1

1. Explain the four basic costs curves that SEGAO Bricks will experience.

(10)

### STEP 2

Recopy the table below to your answer book and determine the missing values:

Table for SEGAO Bricks' costs and revenue

| Quantity of bricks | Labour units | Fixed costs | Variable costs | Total costs | Total revenue | Profit / Loss | Marginal costs |
|--------------------|--------------|-------------|----------------|-------------|---------------|---------------|----------------|
| 0                  | 0            | 50          |                |             |               |               |                |
| 10                 | 1            | 50          |                |             |               |               |                |
| 20                 | 3            | 50          |                |             |               |               |                |
| 30                 | 5            | 50          | (3)            | (3)         | (3)           | (3)           | (3)            |
| 40                 | 6            | 50          |                |             |               |               |                |
| 50                 | 7            | 50          |                |             |               |               |                |
| 60                 | 9            | 50          |                |             |               |               |                |
| 70                 | 10           | 50          |                |             |               |               |                |
| 80                 | 11           | 50          |                |             |               |               |                |
| 90                 | 12           | 50          |                |             |               |               |                |

(5 x 3) (15)

### STEP 3

Briefly describe what the profit maximisation rule is and comment about the quantity at which SEGGOA maximises its profit.

(10)

### STEP 4

Draw well-labelled TC and TR curves for SEGGOA Bricks using the values you have determined in STEP 2.

(5)

### STEP 5

Use practical examples from SEGGOA to differentiate between short and long-run costs. (10)

TOTAL: 50

## GRADE 11: PROJECT

### TOPIC: DYNAMICS OF COSTS AND REVENUE

#### EXPECTED RESPONSES

##### Step 1: Explain the four basic cost curves.

- Fixed cost – costs that remain constant irrespective of the level of output, for example rent.
- Variable cost – costs that changes / varies with the level of output, for example production costs such as sand, cement, etc.
- Total cost – is the sum of fixed and variable costs. At output zero, total costs will exist because of rent. Meaning that the TC curve will always start at output zero.
- Marginal cost – refers to the extra / additional costs of producing one extra unit. The trend of MC is that it decreases until it reaches a minimum point and starts to increase again. As more bricks are produced, additional costs will incur and there will be a period where SEGOA's MC will decrease until a minimum point is reached and then it will start to increase again.

(10)

##### STEP 2: Construct a complete table for SEGOA Bricks that contains the following information:

#### COSTS AND REVENUE TABLE FOR SEGOA BRICKS

| Quantity<br>of bricks | Labour<br>Units | Fixed Cost | Variable<br>Costs | Total Costs | Total<br>Revenue | Profit / Loss | Marginal<br>costs |
|-----------------------|-----------------|------------|-------------------|-------------|------------------|---------------|-------------------|
| 0                     | 0               | R50        | 0                 | 50          | 0                | -50           | 0                 |
| 50                    | 1               | R50        | 200               | 250         | 300              | -100          | 4                 |
| 100                   | 3               | R50        | 600               | 650         | 600              | -50           | 8                 |
| 150                   | 5               | R50        | 1000              | 1050        | 900              | -150          | 8                 |
| 200                   | 6               | R50        | 1200              | 1250        | 1200             | -50           | 4                 |
| 250                   | 7               | R50        | 1400              | 1450        | 1500             | +50           | 4                 |
| 300                   | 9               | R50        | 1800              | 1850        | 1800             | -50           | 8                 |
| 350                   | 10              | R50        | 2000              | 2050        | 2100             | +50           | 4                 |
| 400                   | 11              | R50        | 2200              | 2250        | 2400             | +150          | 4                 |
| 450                   | 12              | R50        | 2400              | 2450        | 2700             | +250          | 5                 |

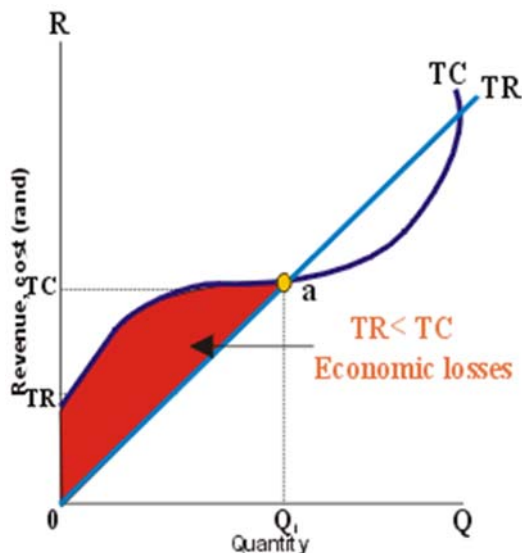
##### STEP 3: Briefly describe what a profit maximisation rule is and comment about the quantity at which SEGOA maximises its profit.

- Is a point / period in which a firm's revenue exceeds costs. It can be determined using one of two approaches:

- Total revenue – total cost approach: meaning that TR should be greater than TC ( $TR > TC$ ) by the largest amount.
- Marginal revenue – marginal cost approach: meaning that MR should be greater than MC ( $MR > MC$ ) by the largest amount.
- Therefore, SEGOA maximises output at quantity 450 – when the firm produces 450 bricks, it will make a maximum profit of R250.

STEP 4: **Draw a well-labelled TC and TR curves for SEGOA Bricks using the values in STEP 2.**

#### TOTAL REVENUE – TOTAL COSTS CURVES



NB: The ideal curves will look like these ones.  
TR – starts at the point of origin.  
TC- should start at a certain value.

STEP 5: **Use practical examples from SEGOA BRICKS to differentiate between short and long-run costs.**

- Short-run costs – refers to the period during which the firm is unable to change/vary any of its inputs – especially fixed costs. Have both short and long run costs. Examples include rent, labour costs. A firm can make an economic loss in the short run, e.g. SEGOA's loss from output 0 to 200.
- Long-run costs – the period that is long enough so that a business can vary all inputs, there are no fixed costs, e.g. cost of raw material, transport costs, size of the business, capital goods (machinery). A firm can make an economic profit in the long run, e.g. SEGOA's economic profit from quantity 250 to 450.

# MARKING RUBRIC FOR GRADE 11 PROJECT

| Learner Surname and Name:                                                                                                          |                                                                                                                                                                                             | Issue date:                                                                                                                                                                                           |                                                                                                                                             |                                                                                                                                                                                                        | Grade: 11                                                                                                                                                                       |       | Submission Date: |  |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|------------------|--|
| CRITERIA                                                                                                                           | Very minimal information                                                                                                                                                                    | Partially meets requirements                                                                                                                                                                          | Fairly meets the requirements                                                                                                               | Good performance has been registered                                                                                                                                                                   | Excellent – exceed expected requirements                                                                                                                                        | Score |                  |  |
| <b>STEP 1:</b><br>Explain the four basic cost curves.                                                                              | 1-2<br>Only 1-2 cost curves are listed but not discussed.                                                                                                                                   | 3-4<br>Two cost curves are listed and defined.                                                                                                                                                        | 5-6<br>Three cost curves are listed and defined with one example.                                                                           | 7-8<br>Four cost curves are listed, defined and two relevant examples are provided.                                                                                                                    | 9-10<br>Four cost curves are clearly discussed with four relevant examples                                                                                                      |       |                  |  |
| <b>STEP 2:</b><br>Recopy the table below to your answer book and determine the missing values                                      | 0-3<br>The table is not drawn and the values are not determined.<br><br>The values for 2 out of 5 columns are correctly calculated and completed – e.g. FC and VC or TC and Profit or Loss. | 4-6<br>The values for 3 out of 5 columns are correctly calculated and completed – e.g. FC, VC and TC.                                                                                                 | 7-9<br>The values for 4 out of 5 columns are correctly calculated and completed – e.g. FC, VC, TC and P/L.                                  | 10-12<br>The values for 5 out of 5 columns are correctly calculated and completed.                                                                                                                     | 13-15<br>The values for 5 out of 5 columns are correctly calculated and completed, formulae are shown                                                                           |       |                  |  |
| <b>STEP 3:</b><br>Briefly describe what profit maximisation is and comment about the quantity at which SEGOA maximises its profit. | Profit maximisation rule is incorrectly described.<br>There is no comment about the firm's profit maximisation.                                                                             | Profit maximisation rule is correctly defined.<br>The comment about the firm's profit maximisation point is theoretical (not as per the information in the table or cannot be proven from the table). | Profit maximisation rule is correctly described.<br>The comment about the firm's quantity matches information given on the table in Step 2. | The description and quantity about profit maximisation rule can be proven from the table.<br>At least one cost / revenue relationship from the table is used as an example to support the description. | The description and quantity about profit maximisation rule is based on the given data.<br>Two cost / revenue relationships from the table are used to support the description. |       |                  |  |
| <b>STEP 4:</b><br>Draw well-labelled TC and TR curves for SEGOA Bricks using the values in STEP 2                                  | 1<br>The graph is not drawn or is drawn but the curves are incorrectly labelled.                                                                                                            | 2<br>The graph is drawn but the values used are not from the table or some information is missing such as the heading / labelling of TR and TC curves / correct labelling of axes.                    | 3<br>The graph is drawn using the values from the table and both curves are correctly labelled.                                             | 4<br>Well-labelled graph is drawn according to scale with both curves correctly labelled.                                                                                                              | 5<br>Well-labelled graph is neatly drawn according to scale, both curves are labelled correctly and break-even points (normal profit) are clearly indicated.                    |       |                  |  |
| <b>STEP 5</b><br>Use practical examples from SEGOA to differentiate between short- and long-run costs                              | Only one explanation is provided without or with irrelevant example.                                                                                                                        | Only one explanation is provided with relevant example.                                                                                                                                               | Both short- and long-run costs are explained and only one example for each is provided.                                                     | A clear distinction is made between short- and long-run costs with three relevant examples for each.                                                                                                   | A clear distinction is made between short- and long-run costs with three relevant examples for each.                                                                            |       |                  |  |
| <b>Total:</b>                                                                                                                      |                                                                                                                                                                                             |                                                                                                                                                                                                       |                                                                                                                                             |                                                                                                                                                                                                        |                                                                                                                                                                                 |       | /50              |  |

/50



**ECONOMICS GRADE 12**  
**ASSIGNMENT –TERM 1**  
**DURATION**

**INSTRUCTIONS AND INFORMATION**

1. Answer all the questions
2. Number the answers correctly according to the numbering system used in the task.
3. Read the questions carefully.
4. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the question.
5. Use only black or blue ink.
6. You may use a non-programmable calculator
7. Write neatly and legibly.

## Topics: Circular flow, Business cycles, Economic growth and development: Foreign exchange market

### Question 1:

To do this assignment you will need a copy of the SARB Quarterly Bulletin from:

- December of the previous year
- March of the present year

OR

Go to the SARB website

<https://www.resbank.co.za/Publications/Detail-item-view/pages/publications.aspx?sarbweb=3b6aa07d-92ab-441f-b7bf-bb7dfb1bedb4&sarblst=21b5222e-7125-4e55-bb65-56fd3333371e&sarbitem=7848>

A copy of the SARB Quarterly Bulletin can be obtained from the SARB. Contact details are

- Research Department

SARB  
P.O. Box 427  
PRETORIA  
0001

### Gross value added by kind of economic activity<sup>1</sup>

R millions

|                                                                      | 2009             | 2010             | 2011             | 2012             | 2013             | 2014             | 2015             | 2016             |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>At current prices</b>                                             |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Primary sector</b> ..... (6630J)                                  | <b>268 868</b>   | <b>295 955</b>   | <b>330 680</b>   | <b>337 936</b>   | <b>362 561</b>   | <b>369 683</b>   | <b>368 300</b>   | <b>400 620</b>   |
| Agriculture, forestry and fishing..... (6631J)                       | 68 044           | 65 605           | 69 105           | 70 592           | 74 261           | 82 917           | 84 288           | 94 408           |
| Mining and quarrying..... (6632J)                                    | 200 824          | 230 350          | 261 575          | 267 344          | 288 300          | 286 766          | 284 012          | 306 212          |
| <b>Secondary sector</b> ..... (6633J)                                | <b>490 884</b>   | <b>522 092</b>   | <b>553 075</b>   | <b>600 818</b>   | <b>655 742</b>   | <b>723 562</b>   | <b>772 875</b>   | <b>815 816</b>   |
| Manufacturing ..... (6634J)                                          | 341 658          | 358 699          | 362 693          | 381 267          | 410 669          | 458 375          | 485 491          | 517 438          |
| Electricity, gas and water..... (6635J)                              | 53 473           | 67 940           | 86 547           | 105 731          | 116 468          | 124 661          | 137 100          | 144 052          |
| Construction (contractors) ..... (6636J)                             | 95 753           | 95 453           | 103 835          | 113 820          | 128 605          | 140 526          | 150 284          | 154 326          |
| <b>Tertiary sector</b> ..... (6637J)                                 | <b>1 517 394</b> | <b>1 676 813</b> | <b>1 840 645</b> | <b>1 994 125</b> | <b>2 165 128</b> | <b>2 324 815</b> | <b>2 484 291</b> | <b>2 654 778</b> |
| Wholesale and retail trade, catering and accommodation ..... (6638J) | 317 655          | 370 580          | 404 469          | 437 982          | 473 488          | 503 420          | 544 233          | 589 745          |
| Transport, storage and communication ..... (6639J)                   | 223 427          | 229 499          | 257 335          | 289 003          | 326 646          | 351 820          | 370 284          | 389 186          |
| Finance, insurance, real-estate and business services..... (6640J)   | 482 872          | 523 526          | 566 117          | 605 674          | 644 910          | 687 415          | 735 168          | 781 739          |
| Community, social and personal services ..... (6642J)                | 493 440          | 553 208          | 612 724          | 661 466          | 720 084          | 782 160          | 834 606          | 894 108          |
| General government services ..... (6643J)                            | 356 819          | 404 647          | 448 778          | 485 222          | 534 365          | 586 446          | 623 211          | 671 167          |
| Other..... (6647J)                                                   | 136 621          | 148 561          | 163 946          | 176 244          | 185 719          | 195 714          | 211 395          | 222 941          |
| <b>Gross value added at basic prices</b> ..... (6645J)               | <b>2 277 146</b> | <b>2 494 860</b> | <b>2 724 400</b> | <b>2 932 879</b> | <b>3 183 431</b> | <b>3 418 060</b> | <b>3 625 466</b> | <b>3 871 214</b> |
| <b>At constant 2010 prices</b>                                       |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Primary sector</b> ..... (6630Y)                                  | <b>284 632</b>   | <b>295 955</b>   | <b>295 559</b>   | <b>290 083</b>   | <b>301 915</b>   | <b>303 563</b>   | <b>307 875</b>   | <b>291 143</b>   |
| Agriculture, forestry and fishing..... (6631Y)                       | 65 802           | 65 605           | 66 913           | 68 093           | 71 143           | 76 041           | 71 418           | 65 843           |
| Mining and quarrying..... (6632Y)                                    | 218 830          | 230 350          | 228 646          | 221 990          | 230 772          | 227 522          | 236 457          | 225 300          |
| <b>Secondary sector</b> ..... (6633Y)                                | <b>499 788</b>   | <b>522 092</b>   | <b>534 420</b>   | <b>544 392</b>   | <b>552 280</b>   | <b>556 028</b>   | <b>555 915</b>   | <b>556 935</b>   |
| Manufacturing ..... (6634Y)                                          | 338 692          | 358 699          | 369 582          | 377 330          | 381 173          | 382 006          | 381 078          | 383 639          |
| Electricity, gas and water..... (6635Y)                              | 66 337           | 67 940           | 68 978           | 68 733           | 68 289           | 67 515           | 66 484           | 64 164           |
| Construction (contractors) ..... (6636Y)                             | 94 759           | 95 453           | 95 860           | 98 329           | 102 818          | 106 507          | 108 353          | 109 132          |
| <b>Tertiary sector</b> ..... (6637Y)                                 | <b>1 639 632</b> | <b>1 676 813</b> | <b>1 744 999</b> | <b>1 798 106</b> | <b>1 845 788</b> | <b>1 888 785</b> | <b>1 919 390</b> | <b>1 945 596</b> |
| Wholesale and retail trade, catering and accommodation ..... (6638Y) | 354 870          | 370 580          | 385 696          | 400 938          | 408 968          | 415 480          | 421 407          | 426 525          |
| Transport, storage and communication ..... (6639Y)                   | 225 712          | 229 499          | 237 442          | 243 188          | 250 129          | 258 023          | 260 932          | 261 952          |
| Finance, insurance, real-estate and business services..... (6640Y)   | 517 114          | 523 526          | 545 802          | 562 042          | 576 707          | 589 314          | 605 550          | 617 168          |
| Community, social and personal services ..... (6642Y)                | 541 936          | 553 208          | 576 059          | 591 938          | 609 984          | 625 968          | 631 501          | 639 951          |
| General government services ..... (6643Y)                            | 393 921          | 404 647          | 423 833          | 436 466          | 450 454          | 463 315          | 467 062          | 473 592          |
| Other..... (6647Y)                                                   | 148 015          | 148 561          | 152 226          | 155 472          | 159 530          | 162 653          | 164 439          | 166 359          |
| <b>Gross value added at basic prices</b> ..... (6645Y)               | <b>2 424 052</b> | <b>2 494 860</b> | <b>2 574 978</b> | <b>2 632 581</b> | <b>2 699 983</b> | <b>2 748 376</b> | <b>2 783 180</b> | <b>2 793 674</b> |

KB602

1. Source of data: Statistics South Africa.

An extract of the table KB602 is provided above. The teachers must provide the updated table for learners to complete the information.

- 1.1.1 Name any TWO markets in the circular flow. (2)  
 1.1.2 How would you convert GDP to GNP? (2)

| ECONOMICACTIVITY                  | 2014         | 2015         | 2016         | 2016 % | 2017    | 2017  |
|-----------------------------------|--------------|--------------|--------------|--------|---------|-------|
| R million at current prices       | (a)          | (b)          | (c)          | (d)    | A       | B     |
| PRIMARY                           | 369<br>683   | 368<br>300   | 400<br>628   | 10.3%  |         |       |
| SECONDARY                         | 723<br>562   | 772<br>875   | 815<br>816   | 21.1%  |         |       |
| TERTIARY                          | 2 324<br>815 | 2 484<br>291 | 2 654<br>778 | 68.6%  | 556 935 | 19.9% |
| Gross Value Added at Basic Prices | 3 418<br>060 | 3 625<br>466 | 3 871<br>214 | 100.0% |         |       |
|                                   |              |              |              |        |         |       |

Complete the table above, using the relevant data. Complete columns A and B.

- 1.2.1 Identify the current year's figures at constant prices. (2)  
 1.2.2 Make use of the figures at constant prices and calculate the relative contribution of each sector for the current year in percentage. Follow the items for the tertiary sector that are completed in the table below. Draw a pie chart to illustrate this. (4)  
 1.2.3. Discuss your findings from the illustrated pie chart, referring to the relative contributions of the sectors. (4)  
 1.3.1 Name any TWO types of Business Cycles. (2)  
 1.3.2 Compare the endogenous approach in business cycle with the exogenous approach for business cycles. (8)  
 [24]

## Question 2

### Balance of payments<sup>1</sup>

#### Annual figures

R millions

|                                                                                                                         | 2009           | 2010           | 2011           | 2012            | 2013            | 2014            | 2015            | 2016            |
|-------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Current account</b>                                                                                                  |                |                |                |                 |                 |                 |                 |                 |
| Merchandise exports, free on board <sup>2</sup> ..... (5000J)                                                           | 536 491        | 609 357        | 719 552        | 751 332         | 867 021         | 942 826         | 970 667         | 1 053 628       |
| Net gold exports <sup>3</sup> ..... (5001J)                                                                             | 52 776         | 59 499         | 75 298         | 71 050          | 63 887          | 62 654          | 67 663          | 50 585          |
| Service receipts..... (5002J)                                                                                           | 110 673        | 117 493        | 126 185        | 144 789         | 162 183         | 182 725         | 191 605         | 210 852         |
| Income receipts..... (5680J)                                                                                            | 34 075         | 34 099         | 38 118         | 48 501          | 64 441          | 82 235          | 98 016          | 87 773          |
| Less: Merchandise imports, free on board <sup>2</sup> ..... (5003J)                                                     | 561 163        | 609 112        | 745 637        | 859 172         | 1 003 604       | 1 069 638       | 1 076 290       | 1 089 677       |
| Less: Payments for services..... (5004J)                                                                                | 128 608        | 143 121        | 150 929        | 155 243         | 174 162         | 184 828         | 197 643         | 219 056         |
| Less: Income payments..... (5681J)                                                                                      | 90 234         | 92 698         | 115 449        | 136 837         | 157 229         | 183 779         | 198 382         | 208 243         |
| Current transfers (net receipts +)..... (5006J)                                                                         | -22 428        | -16 762        | -14 199        | -31 369         | -30 666         | -34 448         | -33 533         | -27 458         |
| <b>Balance on current account</b> ..... (5007J)                                                                         | <b>-68 418</b> | <b>-41 245</b> | <b>-67 061</b> | <b>-166 949</b> | <b>-208 129</b> | <b>-202 253</b> | <b>-177 897</b> | <b>-141 596</b> |
| <i>Memo item: Trade balance</i> ..... (5010J)                                                                           | 28 104         | 59 744         | 49 213         | -36 790         | -72 696         | -64 158         | -37 960         | 14 536          |
| <b>Capital transfer account (net receipts +)</b> ..... (5682J)                                                          | <b>216</b>     | <b>225</b>     | <b>241</b>     | <b>239</b>      | <b>243</b>      | <b>236</b>      | <b>243</b>      | <b>241</b>      |
| <b>Net lending to (+)/borrowing from (-) rest of world</b> ..... (5755J)                                                | <b>-68 202</b> | <b>-41 020</b> | <b>-66 820</b> | <b>-166 710</b> | <b>-207 886</b> | <b>-202 017</b> | <b>-177 654</b> | <b>-141 355</b> |
| <b>Financial account<sup>4</sup></b>                                                                                    |                |                |                |                 |                 |                 |                 |                 |
| Net direct investment (Inflow (+)/outflow (-))..... (5683J)                                                             | 53 813         | 27 171         | 32 673         | 12 900          | 15 942          | -20 607         | -51 217         | -16 352         |
| Net incurrence of liabilities <sup>5</sup> ..... (5640J)                                                                | 63 570         | 26 617         | 30 808         | 37 428          | 80 138          | 62 627          | 22 065          | 33 397          |
| Net acquisition of financial assets <sup>6</sup> ..... (5656J)                                                          | -9 757         | 554            | 1 865          | -24 528         | -64 196         | -83 234         | -73 282         | -49 749         |
| Net portfolio investment (Inflow (+)/outflow (-))..... (5684J)                                                          | 93 764         | 74 502         | 57 000         | 112 355         | 107 191         | 145 774         | 122 622         | 240 604         |
| Net incurrence of liabilities..... (5644J)                                                                              | 107 234        | 107 876        | 114 636        | 182 086         | 130 199         | 146 944         | 121 290         | 139 866         |
| Equity and investment fund shares..... (5756J)                                                                          | 78 210         | 42 213         | 1 665          | 59 141          | 69 086          | 100 384         | 105 101         | 25 399          |
| Debt securities..... (5757J)                                                                                            | 29 024         | 65 663         | 112 971        | 122 945         | 61 113          | 46 560          | 16 189          | 114 467         |
| Net acquisition of financial assets..... (5660J)                                                                        | -13 470        | -33 374        | -57 636        | -69 731         | -23 008         | -1 170          | 1 332           | 100 738         |
| Equity and investment fund shares..... (5758J)                                                                          | -9 776         | -22 842        | -41 157        | -57 138         | -22 074         | 8 363           | 20 009          | 108 779         |
| Debt Securities..... (5759J)                                                                                            | -3 694         | -10 532        | -16 479        | -12 593         | -934            | -9 533          | -18 677         | -8 041          |
| Net financial derivatives (inflow (+)/outflow (-))..... (5760J)                                                         | -              | -              | 13 139         | 14 378          | 7 478           | 16 409          | 4 882           | -13 757         |
| Net incurrence of liabilities..... (5672J)                                                                              | -              | -              | -245 062       | -213 869        | -188 354        | -194 842        | -320 856        | -499 330        |
| Net acquisition of financial assets..... (5677J)                                                                        | -              | -              | 258 201        | 228 247         | 195 832         | 211 251         | 325 738         | 485 573         |
| Net other investment (inflow (+)/outflow (-))..... (5685J)                                                              | 2 696          | -14 238        | 20 162         | 70 824          | 53 663          | 121 821         | 119 042         | -21 144         |
| Net incurrence of liabilities..... (5650J)                                                                              | -21 006        | 7 899          | 34 040         | 69 735          | 50 412          | 148 133         | 72 273          | 1 031           |
| Net acquisition of financial assets..... (5666J)                                                                        | 23 702         | -22 137        | -13 878        | 1 089           | 3 251           | -26 312         | 46 769          | -22 175         |
| Reserve assets (increase (-)/decrease (+)) <sup>7</sup> ..... (5679J)                                                   | -35 986        | -31 307        | -32 703        | -8 955          | -4 658          | -16 602         | 9 071           | -40 581         |
| <b>Balance on financial account</b> ..... (5764J)                                                                       | <b>114 287</b> | <b>56 128</b>  | <b>90 271</b>  | <b>201 502</b>  | <b>179 616</b>  | <b>246 795</b>  | <b>204 400</b>  | <b>148 770</b>  |
| <i>Memo item: Balance on financial account excluding reserve assets</i> .... (5765J)                                    | 150 273        | 87 435         | 122 974        | 210 457         | 184 274         | 263 397         | 195 329         | 189 351         |
| Unrecorded transactions <sup>8</sup> ..... (5766J)                                                                      | -46 085        | -15 108        | -23 451        | -34 792         | 28 270          | -44 778         | -26 746         | -7 415          |
| <i>Memo item: Balance on financial account excluding reserve assets including unrecorded transactions</i> ..... (5767J) | 104 188        | 72 327         | 99 523         | 175 665         | 212 544         | 218 619         | 168 583         | 181 936         |

KB501

1. Data for the previous four years are preliminary and subject to revision.
2. Published customs figures adjusted for balance of payments purposes.
3. Commodity gold. Before 1981 net gold exports comprised net foreign sales of gold plus changes in gold holdings of the South African Reserve Bank and other banking institutions.
4. A net incurrence of liabilities (inflow of capital) is indicated by a positive (+) sign. A net disposal of liabilities (outflow of capital) is indicated by a negative (-) sign. A net acquisition of assets (outflow of capital) is indicated by a negative (-) sign. A net disposal of assets (inflow of capital) is indicated by a positive (+) sign.
5. Investment by foreigners in undertakings in South Africa in which they have individually or collectively in the case of affiliated organisations or persons at least 10 per cent of the voting rights.
6. Investment by South African residents in undertakings abroad in which they have at least 10 per cent of the voting rights.
7. Foreign currency liabilities of the Reserve Bank with non-resident institutions and loans from the IMF are included in the calculation of reserve assets. An increase in reserve assets is indicated by a negative (-) sign and a decrease is indicated by a positive (+) sign.
8. Transactions on the current, capital transfer and financial accounts.

Refer to Table KB 501 above and answer the following questions:

- 2.1.1 There are **THREE** main sessions in the Balance of Payments. Name any two of these sections found in the new balance of payments. (2)
- 2.1.2 Briefly describe what the current account transactions encompass. (4)
- 2.1.3 Briefly explain the difference between constant and current prices in the BOP. (4)
- 2.2 What significance does the financial accounts in the balance of payments have? (8)
- 2.3 Study the real contributions of the primary sector in the table, and provide your opinion on your observations. Motivate why this is the (8)

## SUGGESTED SOLUTIONS

### 1.1.1 Name any TWO markets in the circular flow.

(2)

- Product/ Goods market ✓
- Factor Market ✓
- Foreign Exchange Markets ✓
- Financial/ money market ✓

Any 2x1= (2)

### 1.1.2 How would you convert GDP to GNP?

(2)

- GDP plus primary income from the rest of the world minus primary income to the rest of the world ✓✓

### 1.2. Determine the missing values in the table and complete columns (A) and (B)

#### 1.2.2 Identify the current year's figures at constant prices.

(2)

#### 1.2.2 Make use of the figures at constant prices and calculate the relative contribution of each sector for the current year in percentage. Draw a pie chart to illustrate this.

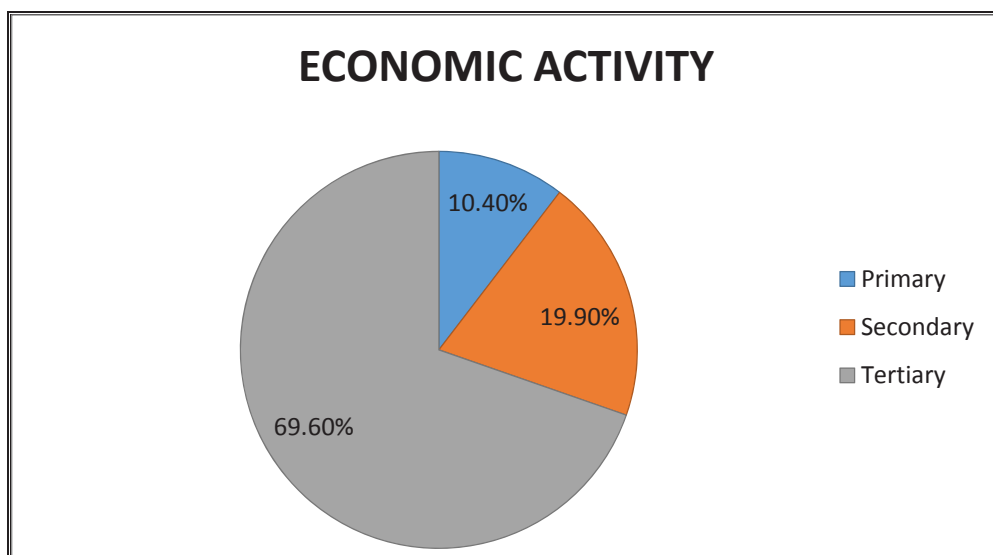
(4)

#### 1.2.3 Discuss your findings from the illustrated pie chart, referring to the relative contributions of the sectors.

(4)

| ECONOMIC ACTIVITY                 | 2014      | 2015      | 2016      | 2016 % | 2016            | %      |
|-----------------------------------|-----------|-----------|-----------|--------|-----------------|--------|
| R million at constant prices      | (a)       | (b)       | (c)       | (d)    | Constant Prices | B      |
| PRIMARY                           | 369 683   | 368 300   | 400 628   | 10.3%  | 291 143✓        | 10.4%  |
| SECONDARY                         | 723 562   | 772 875   | 815 816   | 21.1%  | 556 935         | 19.9%  |
| TERTIARY                          | 2 324 815 | 2 484 291 | 2 654 778 | 68.6%  | 1 945 596✓      | 69.6%  |
| Gross Value Added at Basic Prices | 3 418 060 | 3 625 466 | 3 871 214 | 100.0% | 2 793 674✓      | 100.0% |
|                                   |           |           |           |        |                 |        |

Formulae for 10.4%/  $100 \times 360^\circ$



#### Mark Allocation:

2 marks for correct % per sector

2 marks for accurate illustration

#### 1.2.3 Discuss your findings from the illustrated pie chart, referring to the relative contributions of the sectors. (4)

The chart above illustrates that the tertiary sector is the largest contributor to the economic activity with 69.6% ✓✓

This is followed by the secondary sector, with just under 20%, followed by the primary sector with just over 10%. ✓✓

#### 1.3.1 Name any TWO types of Business Cycles. (2)

Kitchin ✓

Juglar ✓

Kuznets ✓

Kondratiev ✓

(2x1= 2)

#### 1.3.2 Compare the endogenous approach in business cycle with the exogenous approach for business cycles. (8)

##### Endogenous

- This follows the belief that economic growth is primarily the result of endogenous and not external forces ✓✓
- This is often called the Keynesian view. This approach holds the view that markets are inherently unstable and therefore government intervention may be required ✓✓
- The price mechanism fails to coordinate demand and supply in markets and this gives rise to upswings and downswings ✓✓
- Prices are not flexible enough ✓✓ (e.g. wages) ✓

- A business cycle is an inherent feature of a market economy ✓✓
- Indirect links or mismatches between demand and supply are normal features of the economy ✓✓ **(Max 4)**

### **Exogenous approach**

- Refer to those independent factors that can influence business cycles and originate outside the economy ✓✓
- Some economists believe that business cycles are caused by exogenous factors such as those described below ✓✓
- The monetarists believe markets are inherently stable and disequilibrium is caused by incorrect use of policies, e.g. monetary policy ✓✓

The following are examples:

- Weather conditions and shocks cause upswings and downswings ✓
- Governments should not intervene in the market ✓
- Sunspot theory based on the belief that increased solar radiation causes changes in weather conditions ✓
- Technological changes ✓

(Accept any other correct relevant response)

(A maximum of 1 mark for examples per approach)

**(Max 4)**

**(8)**

**TOTAL (24)**

### **Question 2**

Refer to Table KB 501 and answer the following questions:

**2.1.1 There are THREE main sections in the balance of payments. Name any two of these sections found in the new balance of payments. (2)**

Current Account ✓

Capital Transfer ✓

Financial Account ✓

**2.1.2 Briefly describe what the current account transactions encompass. (4)**

The current ACCOUNT captures transactions relating to production, income and expenditure. ✓✓

Five groups of items are taken into account. They are merchandise, gold, services, income and current transfers. ✓✓

**2.1.3 Briefly explain the difference between constant and current prices in the BOP. (4)**

Current prices are nominal values, the actual prices. ✓✓

Constant prices are the real price, or adjusted for inflation. That is why the constant prices are always less than the current prices. ✓✓

## 2.2 What significance does the financial account in the balance of payments have? (8)

The financial account, international monetary flows related to investment in business, real estate, bonds and stocks are recorded ✓✓

There are direct investments; including transactions relating to foreign business and fixed property. ✓✓

Portfolio investments; consists of ordinary shares and debt securities that are not paid as part of investments. ✓✓

These investments are mainly affected through the stock exchange, and affected through the JSE. ✓✓

Other investments such as trade credits, loans, currency and deposits ✓✓

This includes government-owned assets such as foreign reserves, gold and SDR held with the IMF (International Monetary Fund), private assets held abroad and direct foreign investment. ✓✓

Assets owned by foreigners, private and official, are also recorded in the financial account.

All the above are added (for the inflows) or subtracted (for the outflows), to give the balance on the financial account

Any 4x2= (8)

## 2.3 Study the real contributions of the primary sector. Analyse your observations, and indicate why this is the trend in this sector. (8)

The trend in the primary sector is that its relative contribution has been decreasing, from 11.7% in 2009 to 10% in 2016.

The primary sector is a diminishing resource, and therefore there is less of these resources available. ✓✓

Gold is a major export product in South Africa, and there is less of this resource available for extraction, and consequently export. ✓✓

Instability in the mining sector over the past few years, leading to a decrease in the contribution of primary sector. Drought affecting the agricultural sector ✓✓

The growth in the tertiary sector also accounts for the decline in the primary sector. ✓✓

Industrialisation also means that more of the economy is taken up by the secondary sector (any another relevant higher order motivation) (8)

**TOTAL [50]**



### **TASK 3: CASE - STUDY**

**Grade 12**

**MAIN TOPIC: Indicators**

**TOTAL: 50 Marks**

**Duration: 4 Hours/ 1 Week**

Below are some of the South African economic indicators, as at 30 June 2017. The information is available on: <https://tradingeconomics.com/south-africa/indicators> - You can find the most recent indicators there or any other website. Study the information and answer the questions below. The information below is only a guide, and the learners must use the most recent statistics in completing the questions.

### **QUESTIONS**

1. Discuss any four of the above ECONOMIC indicators under the following subheadings:
  - Clearly state the current level of each indicator.
  - Evaluate the use of the particular indicator in determining the level of economic growth. (20)
2. The wellbeing and development of society is very important; therefore the government prioritises the provision of goods and services to enhance social development.
  - Analyse, in detail, the following social indicators:
    - Demographics
    - Nutrition and health
    - Services (20)
3. In your opinion, how can economic development be promoted through the use of these social and economic indicators? (10)

Total [50]

| Overview                               | Last             | Reference | Previous | Range          | Frequency |                                                                                     |
|----------------------------------------|------------------|-----------|----------|----------------|-----------|-------------------------------------------------------------------------------------|
| <a href="#">GDP Growth Rate</a>        | -0.7 %           | Mar/17    | -0.3     | -6.1 : 7.6     | Quarterly |  |
| <a href="#">Unemployment Rate</a>      | 27.7 %           | Mar/17    | 26.5     | 21.5 : 31.2    | Quarterly |  |
| <a href="#">Inflation Rate</a>         | 5.4 %            | May/17    | 5.3      | 0.2 : 20.7     | Monthly   |  |
| <a href="#">Interest Rate</a>          | 7 %              | May/17    | 7        | 5 : 23.99      | Daily     |  |
| <a href="#">Balance of Trade</a>       | 5083 ZAR Million | Apr/17    | 11284    | -23426 : 18731 | Monthly   |  |
| <a href="#">Government Debt to GDP</a> | 51.7 %           | Dec/16    | 49.3     | 27.8 : 51.7    | Yearly    |  |

| Markets                             | Last         | Reference | Previous | Range         | Frequency |                                                                                       |
|-------------------------------------|--------------|-----------|----------|---------------|-----------|---------------------------------------------------------------------------------------|
| <a href="#">Currency</a>            | 12.99        | Jun/17    | 13.01    | 0.67 : 16.84  | Daily     |    |
| <a href="#">Government Bond 10Y</a> | 8.58 %       | Jun/17    | 8.51     | 5.77 : 20.69  | Daily     |  |
| <a href="#">Stock Market</a>        | 51432 points | Jun/17    | 51289    | 26739 : 55188 | Daily     |  |

| GDP                                    | Last                | Reference | Previous | Range            | Frequency |                                                                                       |
|----------------------------------------|---------------------|-----------|----------|------------------|-----------|---------------------------------------------------------------------------------------|
| <a href="#">GDP Growth Rate</a>        | -0.7 %              | Mar/17    | -0.3     | -6.1 : 7.6       | Quarterly |  |
| <a href="#">GDP Annual Growth Rate</a> | 1 %                 | Mar/17    | 0.7      | -2.6 : 7.1       | Quarterly |  |
| <a href="#">GDP</a>                    | 315 USD Billion     | Dec/15    | 351      | 7.36 : 416       | Yearly    |  |
| <a href="#">GDP Constant Prices</a>    | 3078343 ZAR Million | Mar/17    | 3084843  | 565040 : 3085999 | Quarterly |  |
| <a href="#">Gross National Product</a> | 3062610 ZAR Million | Mar/17    | 3061822  | 504385 : 3062610 | Quarterly |  |

| GDP                                                    | Last               | Reference | Previous | Range             | Frequency |                                                                                       |
|--------------------------------------------------------|--------------------|-----------|----------|-------------------|-----------|---------------------------------------------------------------------------------------|
| <a href="#"><u>Gross Fixed Capital Formation</u></a>   | 613858 ZAR Million | Mar/17    | 612274   | 73065 : 644763    | Quarterly |    |
| <a href="#"><u>GDP per capita</u></a>                  | 7586 USD           | Dec/15    | 7611     | 4430 : 7611       | Yearly    |    |
| <a href="#"><u>GDP per capita PPP</u></a>              | 12393 USD          | Dec/15    | 12434    | 9019 : 12434      | Yearly    |    |
| <a href="#"><u>GDP From Agriculture</u></a>            | 68830 ZAR Million  | Mar/17    | 65470    | 33531 : 78181     | Quarterly |    |
| <a href="#"><u>GDP From Construction</u></a>           | 108964 ZAR Million | Mar/17    | 109316   | 14702 : 109316    | Quarterly |    |
| <a href="#"><u>GDP From Manufacturing</u></a>          | 377901 ZAR Million | Mar/17    | 381498   | 228221 : 391090   | Quarterly |    |
| <a href="#"><u>GDP From Mining</u></a>                 | 230019 ZAR Million | Mar/17    | 223212   | 214554 : 251120   | Quarterly |    |
| <a href="#"><u>GDP From Public Administration</u></a>  | 475268 ZAR Million | Mar/17    | 475929   | 90907 : 475929    | Quarterly |   |
| <a href="#"><u>GDP From Services</u></a>               | 619023 ZAR Million | Mar/17    | 620856   | 66256 : 620856    | Quarterly |  |
| <a href="#"><u>GDP From Transport</u></a>              | 263040 ZAR         | Mar/17    | 264114   | 89069 : 264114    | Quarterly |  |
| <a href="#"><u>GDP From Utilities</u></a>              | 63331 ZAR Million  | Mar/17    | 64120    | 46747 : 70556     | Quarterly |  |
| <a href="#"><u>Unemployment Rate</u></a>               | 27.7 %             | Mar/17    | 26.5     | 21.5 : 31.2       | Quarterly |  |
| <a href="#"><u>Employed Persons</u></a>                | 9644000            | Mar/17    | 9690000  | 3694977 : 9690000 | Quarterly |  |
| <a href="#"><u>Unemployed Persons</u></a>              | 6214 Thousand      | Mar/17    | 5781     | 3873 : 6214       | Quarterly |  |
| <a href="#"><u>Labour Force Participation Rate</u></a> | 60.5 %             | Mar/17    | 59.2     | 53.6 : 60.8       | Quarterly |  |
| <a href="#"><u>Labour Costs</u></a>                    | 142 Index Points   | Dec/16    | 140      | 1.1 : 156         | Quarterly |  |

| GDP                                     | Last               | Reference | Previous | Range         | Frequency |                                                                                       |
|-----------------------------------------|--------------------|-----------|----------|---------------|-----------|---------------------------------------------------------------------------------------|
| <a href="#">Wages</a>                   | 18687<br>ZAR/Month | Mar/17    | 18502    | 6742 : 18687  | Quarterly |    |
| <a href="#">Wages in Manufacturing</a>  | 16830<br>ZAR/Month | Dec/16    | 16376    | 6250 : 16830  | Quarterly |    |
| <a href="#">Population</a>              | 55.91 Million      | Dec/16    | 54.96    | 17.4 : 55.91  | Yearly    |    |
| <a href="#">Retirement Age Women</a>    | 60                 | Dec/17    | 60       | 60 : 60       | Yearly    |    |
| <a href="#">Retirement Age Men</a>      | 60                 | Dec/17    | 60       | 60 : 65       | Yearly    |    |
| <a href="#">Employment Rate</a>         | 43.74 %            | Mar/17    | 43.54    | 41 : 46.17    | Quarterly |    |
| <a href="#">Living Wage Family</a>      | 10800<br>ZAR/Month | Dec/16    | 10434    | 10434 : 25500 | Quarterly |    |
| <a href="#">Living Wage Individual</a>  | 7222 ZAR/Month     | Dec/16    | 7055     | 6640 : 7222   | Quarterly |    |
| <a href="#">Wages High Skilled</a>      | 20100<br>ZAR/Month | Jun/16    | 19800    | 17900 : 20100 | Quarterly |   |
| <a href="#">Wages Low Skilled</a>       | 3650 ZAR/Month     | Jun/16    | 3630     | 2700 : 3650   | Quarterly |  |
| <a href="#">Youth Unemployment Rate</a> | 50.9 %             | Dec/16    | 54.2     | 48.8 : 54.5   | Quarterly |  |

| Prices                                   | Last             | Reference | Previous | Range      | Frequency |                                                                                       |
|------------------------------------------|------------------|-----------|----------|------------|-----------|---------------------------------------------------------------------------------------|
| <a href="#">Inflation Rate</a>           | 5.4 %            | May/17    | 5.3      | 0.2 : 20.7 | Monthly   |  |
| <a href="#">Inflation Rate Mom</a>       | 0.3 %            | May/17    | 0.1      | -0.7 : 6.7 | Monthly   |  |
| <a href="#">Consumer Price Index CPI</a> | 103 Index Points | May/17    | 102      | 1.2 : 103  | Monthly   |  |
| <a href="#">Core Consumer Prices</a>     | 102 Index Points | Apr/17    | 102      | 63.3 : 102 | Monthly   |  |
| <a href="#">Core Inflation Rate</a>      | 4.8 %            | May/17    | 4.8      | 2.9 : 8.3  | Monthly   |  |

| GDP                                    | Last             | Reference | Previous | Range      | Frequency |                                                                                     |
|----------------------------------------|------------------|-----------|----------|------------|-----------|-------------------------------------------------------------------------------------|
| <a href="#">Producer Prices</a>        | 102 Index Points | Apr/17    | 101      | 4.1 : 219  | Monthly   |  |
| <a href="#">Producer Prices Change</a> | 4.6 %            | Apr/17    | 5.2      | 2.61 : 8.8 | Monthly   |  |
| <a href="#">Export Prices</a>          | 147 Index Points | Mar/17    | 146      | 0.6 : 147  | Quarterly |  |
| <a href="#">Import Prices</a>          | 136 Index Points | Mar/17    | 138      | 1.2 : 143  | Quarterly |  |
| <a href="#">Food Inflation</a>         | 6.9 %            | May/17    | 6.7      | 0.6 : 15.6 | Monthly   |  |
| <a href="#">Cpi Housing Utilities</a>  | 101 Index Points | May/17    | 101      | 56.8 : 101 | Monthly   |  |
| <a href="#">Cpi Transportation</a>     | 103 Index Points | May/17    | 102      | 81.7 : 117 | Monthly   |  |

| Money                                     | Last                   | Reference | Previous | Range            | Frequency |                                                                                       |
|-------------------------------------------|------------------------|-----------|----------|------------------|-----------|---------------------------------------------------------------------------------------|
| <a href="#">Interest Rate</a>             | 7 %                    | May/17    | 7        | 5 : 23.99        | Daily     |    |
| <a href="#">Interbank Rate</a>            | 7.33 %                 | Jun/17    | 7.33     | 5.06 : 16.96     | Daily     |  |
| <a href="#">Money Supply M0</a>           | 229240 ZAR<br>Million  | May/17    | 230474   | 415 : 240465     | Monthly   |  |
| <a href="#">Money Supply M1</a>           | 1582113 ZAR<br>Million | Apr/17    | 1603388  | 1482 : 1612380   | Monthly   |  |
| <a href="#">Money Supply M2</a>           | 2573886 ZAR<br>Million | Apr/17    | 2584117  | 2887 : 2600811   | Monthly   |  |
| <a href="#">Money Supply M3</a>           | 3183170 ZAR<br>Million | Apr/17    | 3194507  | 4796 : 3206995   | Monthly   |  |
| <a href="#">Banks Balance Sheet</a>       | 4915471 ZAR<br>Million | Apr/17    | 4938998  | 114781 : 4938998 | Monthly   |  |
| <a href="#">Foreign Exchange Reserves</a> | 47241 USD<br>Million   | May/17    | 46690    | 5316 : 51889     | Monthly   |  |

| GDP                                        | Last                | Reference | Previous | Range          | Frequency |                                                                                     |
|--------------------------------------------|---------------------|-----------|----------|----------------|-----------|-------------------------------------------------------------------------------------|
| <a href="#">Loans to Private Sector</a>    | 3318785 ZAR Million | Apr/17    | 3304992  | 4051 : 3318785 | Monthly   |  |
| <a href="#">Deposit Interest Rate</a>      | 6.2 %               | Dec/15    | 5.8      | 5.15 : 18.86   | Yearly    |  |
| <a href="#">Central Bank Balance Sheet</a> | 697303 ZAR Million  | May/17    | 694256   | 543 : 801122   | Monthly   |  |
| <a href="#">Lending Rate</a>               | 10.5 %              | May/17    | 10.5     | 5 : 25.5       | Monthly   |  |

| Trade                                     | Last               | Reference | Previous | Range           | Frequency |                                                                                       |
|-------------------------------------------|--------------------|-----------|----------|-----------------|-----------|---------------------------------------------------------------------------------------|
| <a href="#">Balance of Trade</a>          | 5083 ZAR Million   | Apr/17    | 11284    | -23426 : 18731  | Monthly   |    |
| <a href="#">Exports</a>                   | 91778 ZAR Million  | Apr/17    | 101064   | 55.8 : 105163   | Monthly   |    |
| <a href="#">Imports</a>                   | 86694 ZAR Million  | Apr/17    | 89781    | 66.1 : 110259   | Monthly   |   |
| <a href="#">Current Account</a>           | -91499 ZAR Million | Mar/17    | -76438   | -241786 : 15627 | Quarterly |  |
| <a href="#">Current Account to GDP</a>    | -3.3 %             | Dec/16    | -4.4     | -7.5 : 6        | Yearly    |  |
| <a href="#">External Debt</a>             | 142833 USD Million | Dec/16    | 141530   | 33262 : 145082  | Quarterly |  |
| <a href="#">Tourist Arrivals</a>          | 1258642            | Mar/17    | 1180301  | 37430 : 1558854 | Monthly   |  |
| <a href="#">Gold Reserves</a>             | 125 Tonnes         | Mar/17    | 125      | 123 : 184       | Quarterly |  |
| <a href="#">Crude Oil Production</a>      | 2 BBL/D/1K         | Feb/17    | 2        | 2 : 58          | Monthly   |  |
| <a href="#">Foreign Direct Investment</a> | 1873 ZAR Billion   | Dec/16    | 1958     | 1 : 2089        | Quarterly |  |
| <a href="#">Terrorism Index</a>           | 3.53               | Dec/15    | 4.23     | 0.22 : 4.23     | Yearly    |  |
| <a href="#">Weapons Sales</a>             | 59 USD Million     | Dec/16    | 61       | 1 : 235         | Yearly    |  |

| GDP | Last | Reference | Previous | Range | Frequency |  |
|-----|------|-----------|----------|-------|-----------|--|
|-----|------|-----------|----------|-------|-----------|--|

| Government                                | Last               | Reference | Previous | Range          | Frequency |  |
|-------------------------------------------|--------------------|-----------|----------|----------------|-----------|--|
| <a href="#">Government Debt to GDP</a>    | 51.7 %             | Dec/16    | 49.3     | 27.8 : 51.7    | Yearly    |  |
| <a href="#">Government Budget</a>         | -3.9 % of GDP      | Dec/16    | -4.1     | -7.4 : 1       | Yearly    |  |
| <a href="#">Government Budget Value</a>   | -39181 ZAR Million | Apr/17    | -3851    | -71492 : 30427 | Monthly   |  |
| <a href="#">Government Spending</a>       | 633183 ZAR Million | Mar/17    | 634773   | 65991 : 634773 | Quarterly |  |
| <a href="#">Government Revenues</a>       | 62857 ZAR Million  | Apr/17    | 134799   | 36 : 144778    | Monthly   |  |
| <a href="#">Government Debt</a>           | 55247 USD Million  | Dec/16    | 53813    | 11594 : 56795  | Quarterly |  |
| <a href="#">Fiscal Expenditure</a>        | 102039 ZAR Million | Apr/17    | 138650   | 46 : 139021    | Monthly   |  |
| <a href="#">Credit Rating</a>             | 48.59              |           |          | :              | Monthly   |  |
| <a href="#">Military Expenditure</a>      | 3424 USD Million   | Dec/16    | 3460     | 224 : 5460     | Yearly    |  |
| Business                                  | Last               | Reference | Previous | Range          | Frequency |  |
| <a href="#">Business Confidence</a>       | 29                 | Jun/17    | 40       | 10.2 : 91      | Quarterly |  |
| <a href="#">Manufacturing PMI</a>         | 51.5               | May/17    | 44.7     | 34.2 : 64.2    | Monthly   |  |
| <a href="#">Industrial Production</a>     | -4.1 %             | Apr/17    | 0.4      | -23.2 : 18.5   | Monthly   |  |
| <a href="#">Industrial Production Mom</a> | 2.3 %              | Apr/17    | -0.4     | -8.7 : 9.1     | Monthly   |  |
| <a href="#">Capacity Utilization</a>      | 81.7 %             | Mar/17    | 81.5     | 76.9 : 86.3    | Quarterly |  |
| <a href="#">Changes in Inventories</a>    | 2749 ZAR Million   | Mar/17    | -16402   | -58506 : 60285 | Quarterly |  |

| GDP                                    | Last                | Reference | Previous | Range         | Frequency |  |
|----------------------------------------|---------------------|-----------|----------|---------------|-----------|--|
| <a href="#">Bankruptcies</a>           | 150 Companies       | Apr/17    | 188      | 63 : 511      | Monthly   |  |
| <a href="#">Car Registrations</a>      | 26317 Cars          | May/17    | 22542    | 5155 : 42915  | Monthly   |  |
| <a href="#">Total Vehicle Sales</a>    | 41783               | May/17    | 34956    | 18482 : 65689 | Monthly   |  |
| <a href="#">Leading Economic Index</a> | -0.9 %              | Apr/17    | -0.4     | -3.6 : 4.6    | Monthly   |  |
| <a href="#">Competitiveness Index</a>  | 4.47 Points         | Dec/17    | 4.39     | 4.31 : 4.54   | Yearly    |  |
| <a href="#">Competitiveness Rank</a>   | 47                  | Dec/17    | 49       | 35 : 56       | Yearly    |  |
| <a href="#">Composite Pmi</a>          | 50.2                | May/17    | 50.3     | 46.4 : 52.7   | Monthly   |  |
| <a href="#">Corruption Index</a>       | 45 Points           | Dec/16    | 44       | 41 : 56.8     | Yearly    |  |
| <a href="#">Corruption Rank</a>        | 64                  | Dec/16    | 61       | 23 : 72       | Yearly    |  |
| <a href="#">Ease of Doing Business</a> | 74                  | Dec/16    | 72       | 32 : 74       | Yearly    |  |
| <a href="#">Electricity Production</a> | 20446 Gigawatt-hour | Apr/17    | 21295    | 10439 : 23801 | Monthly   |  |
| <a href="#">Mining Production</a>      | 1.7 %               | Apr/17    | 15.4     | -18.4 : 24.3  | Monthly   |  |
| <a href="#">Steel Production</a>       | 560 Thousand Tonnes | May/17    | 493      | 182 : 885     | Monthly   |  |
|                                        |                     |           |          |               |           |  |



## Suggested solutions

1. The economic indicators measure the macroeconomic objectives of government to maintain price stability, full employment and balance of payments stability.

### 1.1 Production indicators

#### Nominal GDP ✓

- GDP is the total value of all final goods and services within the geographic boundaries of a country over a given period. ✓✓
- Market prices rather than basic or factor cost are used. ✓✓

#### Real GDP ✓

- The growth performance of an economy is measured in terms of real GDP figures. Nominal GDP cannot be used because its magnitude is partly caused by price increases and not by an increase in the physical numbers. ✓✓
- Real GDP is obtained when the effect of inflation is removed from the data. ✓✓
- *The actual GDP has decreased, and is -0.3 % . Two successive periods of contraction means that SA is in a technical recession* ✓✓

#### Per capita GDP ✓

- Economic growth is desirable because it enables societies to consume more goods and services, but if the population grows at a faster rate everybody may be worse off, despite increases in the quantities of goods and services and it is for this reason per capita GDP is used. ✓✓
- For the calculation of per capita real GDP, the real GDP figures are divided by the population number. ✓✓
- Per capita figures are used for three reasons:
  - To indicate economic development ✓
  - To indicate living standards ✓
  - To compare living standards ✓
- *SA Per Capita decreasing because the rate of unemployment has been decreasing in the country, as well as the inflation being above the targeted range.* ✓✓

### 1.2 Inflation

Inflation may be defined as a significant and continual rise in the general price level of goods and services over a given time, with the result that the purchasing power of money will decrease. ✓✓

*Inflation rate within the targeted range 5.4 %; but was outside of the band towards the end of 2016. Within the band (3% to 6%) promotes growth.*

#### Consumer price index (CPI) ✓

This is an indicator that measures the change in the cost of a fixed basket of goods and services that an average household will purchase. ✓✓

## Producer Price Index (PPI) ✓

This is the indicator of changes in the price of manufactured goods as they leave the factories and imported goods as they enter the country. ✓✓

| CPI                                                                                                                                                                                                                                                                 | PPI                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Excludes price of raw materials and intermediary goods ✓</li><li>• Includes VAT ✓</li><li>• Includes services ✓</li><li>• Manufactured goods included in the CPI are priced when they are sold to the consumers ✓</li></ul> | <ul style="list-style-type: none"><li>• Includes the prices of raw materials and intermediate goods ✓</li><li>• Excludes VAT ✓</li><li>• Excludes services ✓</li><li>• Manufactured goods included in the PPI are priced when they leave the factory or at the first entry into the country if imported ✓</li></ul> |

The formula to determine inflation:

$$\frac{CPI_{year2} - CPI_{year1}}{CPI_{year1}} \times \frac{100}{1} \quad \checkmark \checkmark$$

South Africa experienced double-digit inflation for many years until the government and the South African Reserve Bank introduced the inflation target of 3% - 6%.

### 1.3 Employment

It is not so easy to measure employment as there are a lot of people employed in the informal sector, and they are not registered or recorded. ✓✓

The economically active population (EAP) ✓

The economically active population figures are used. All the people willing and able to work between 15 and 64 in a country ✓✓ and includes:

- Workers in the formal sector ✓
- Workers in the informal sector ✓
- Employers ✓
- Self-employed persons ✓
- Unemployed persons

### Employment Rate ✓

The number of employed persons expressed as a percentage of the EAP gives the employment rate. ✓✓

Employment indicators are important because:

- They calculate trends in employment in different sectors or industries – shows structural changes. ✓
- Calculate productivity ✓
- Show the success of the economy in utilising its full potential ✓
- *Actual employment rate 43.74% from 43.54%. Many youth and marginalised people continue to struggle to find employment in the formal sector.* ✓✓

## Unemployment rate ✓

Unemployed are all the EAP, they were actively looking for work 7 days prior to the investigation and can start work 7 days after the investigation. ✓✓

*The youth unemployment remains a serious concern, with over 50% remaining unemployed.*

## Foreign Trade

International trade is important in a globalised world. Exports stimulate employment and imports widen the choice of consumers.

## Terms of Trade

The Terms of Trade looks at the relationship between the price received for exports and the amount of imports we are able to buy with that money.

$$\text{Terms of Trade} = \frac{\text{Average Price of Exports}}{\text{Average Price of Imports}} \times \frac{100}{1}$$

Changes in the terms of trade serve as an indicator of changes that may likely spill over into the balance of payment account and a deficit may follow – this will lead to a depreciation in the currency.

## Exchange rates

The rate at which one currency can be exchanged for another currency. Exports and imports are strongly influenced by the exchange rate of the domestic currency. The current exchange rate is ...

## Productivity

Productivity measures the relationship between input and outputs. The more outputs you can produce for the same or less inputs the more productive you are.

Productivity is linked to cost – the more productive you are the lower costs are.

Example: If one labourer can produce more than another labourer the cost of labour will reduce.

Productivity will increase the Real GDP per Capita. This will increase economic growth.

## Labour productivity

- A simple formula to measure labour productivity is to divide real GDP by the number of workers employed.

## Remuneration per worker

- If labour productivity increases by less than real wages, inflationary pressures will occur and the business cycle may turn unfavourable.
- The relationship between productivity and wages is important for the following reasons:
  - Employers relate it to profits
  - Workers relate it to improvements in the standard of living

## 1.4 Interest rates

As seen in Business cycles and Public sector - interest as the main instrument in the monetary policy play a key role in the economy and would therefore be vitally important in measuring economic growth. *Current interest rate is 7%.*

### a. Repo rate

The rate at which the SARB lends money to commercial banks.

### b. Prime rate

The rate at which commercial banks lend money to households and business. If interest rates move upward, the debt of households and business require bigger repayment instalments. This may indicate that the business cycle could be heading for a downward cycle, businesses might have to cut down production, unemployment may increase and economic growth will decline.

## 1.5 Money supply

The money supply indicates the money in circulation in the economy and how fast it moves from one person to another as this indicates high or low inflation.

Money supply is divided in three categories.

M1: This includes coins and notes.

M2: Includes M1 and other short-term and medium-term deposits of the domestic private sector with monetary institutions,

M3: Includes M2 plus all long-term deposits of the domestic private sector with monetary institutions.

Too much money in circulation could lead to more spending and higher inflation.

Too little money in circulation leads to under-spending, which leads to reduction in production, leads to unemployment and decline in economic growth.

Marking guideline: Allocate a maximum of 4 marks for headings, examples and shorter descriptions.

Allocate 14 marks for the fully written sentences, up to a maximum of 14 marks. (20)

2. Social indicators are a measure that economists or government use to evaluate the performance of a country in terms of the social wellbeing of its citizens. ✓✓

## DEMOGRAPHICS:

This deals with the characteristics of the population, e.g. population size / race / age / sex / income / geographic distribution / language / education / occupation / religion / birth rate / fertility rate / life expectancy at birth / infant mortality rate / death rate ✓✓✓

This information can be used by government to plan for, e.g., infrastructure development ✓✓ and the implementation of social programmes. ✓✓ It is also important to business as it indicates the size and characteristics of the business' targets markets. ✓✓

- The population growth. ✓ In 2006, the South African population was estimated at 47.4 million ✓✓ and in the recent 2011 census the population stood at 50,5 million. ✓✓ South Africa has a relatively high population growth compared to other developed

countries. ✓✓The population growth rate is an important indicator to the government ✓✓in terms of the number of social services that are needed. ✓✓

- Life expectancy. ✓This expresses the number of years a new-born infant will live if the prevailing patterns of mortality remained the same throughout his or her life. ✓✓In South Africa, life expectancy went down from 62,8 years in 1991 to 47 years in 2005 ✓✓and started increasing again in 2011 to 52 years. ✓✓It is important for the government to know the average life expectancy of the population (since working human beings require a range of social services) ✓✓and also the tax base of the country. ✓✓Assurance companies in particular are interested in the life expectancy. ✓✓Unexpected reductions in life expectancy reduce the number of years policy holders can pay their premiums ✓✓and can have a detrimental effect on the services of such businesses. ✓✓

Nutrition and health: These are two related social indicators.

- Nutrition: This is an important indicator for the wellbeing of infants and young children. ✓✓Two important conditions of nutrition in child malnutrition and overweight, ✓✓which are both particularly important for children under the age of five years of age:

- Child malnutrition. ✓Malnutrition is expressed in two ways, namely weight for age (underweight) ✓✓and height for weight (stunted or dwarfism). ✓✓The proportion of children who are underweight is the most important indicator of malnutrition. ✓✓It is important to monitor malnutrition ✓✓and weight because being overweight increases the risk of death ✓✓and inhibits cognitive development in children ✓✓

- Overweight children – ✓the prevalence of overweight children is a growing concern in South Africa. ✓✓There is an association between obesity in children and the high prevalence of diabetes, respiratory diseases, high blood pressure, and psychological and orthopedic disorders. ✓Being overweight can lead to numerous adverse health conditions which affect people's ability to work and take care of themselves.

✓✓Obesity is a killer. ✓✓Governments often legislate that health supplements such as vitamin A be added to basic food stuffs such as bread, ✓✓while the health department also encourages breastfeeding. ✓✓Malnutrition and obesity in children are indicators taken into account when deciding on feeding schemes and their extent. ✓✓

HEALTH: A number of indicators are used both nationally and internationally to monitor the health of a population. ✓✓

- Infant mortality. ✓This is measured in terms of the number of infants who die before reaching one year of age per thousand live births in a given year. ✓✓In South Africa in 2010, it was at 34% per thousand. ✓✓

- Under-five mortality. ✓This is measured in terms of the probability that a new born baby will die before reaching the age of five years, if subject to present age-specific mortality rates. ✓✓The probability is expressed as a number per thousand ✓✓and in South Africa it was at 50 per thousand in 2010. ✓✓

- Health expenditure ✓This is measured in terms of the amount of public and private expenditure on healthcare as a percentage of GDP. ✓✓In 2009, South Africa's expenditure was 8,4% compared to the 6,6% in sub-Saharan Africa ✓✓and 5,3% in North Africa. ✓✓

- Access to safe and drinking water. ✓ This is measured in terms of the percentage of the population with reasonable access to safe and drinking water ✓✓ (treated or uncontaminated) – in 2009, 91% of the South African population had access compared to 60% in sub-Saharan Africa and 92% in North Africa ✓✓
- Access to sanitation facilities. ✓ This is measured in terms of the percentage of a population with at least adequate sanitation facilities that can effectively prevent human/animal/and insect contact. ✓✓ In 2009, 77% of the South African population had access to improved sanitation ✓, compared to 31% in sub-Saharan Africa ✓✓ and 89% in North Africa. ✓✓ A healthy population saves on medical and other costs, produces income and contributes to a stronger economy ✓✓

**SERVICES:** Services are vital to enhance people's lifestyles and level of economic and social development ✓✓

In South Africa, in terms of the Constitution's requirements of human dignity and social justice, the following are identified:

- **Electricity** ✓ The national Electricity Regulator reports that 83,1% of households had access to electricity in 2010 compared to 50% in 1995. ✓✓
- **Refuse removal** ✓ Some 61% of households in South Africa had access to refuse removal by the local authorities once a week. ✓✓
- **Water supply** ✓✓ Some 89% of households had access to clean water in 2010. ✓✓ This is the average of urban and rural access to improved water schemes. ✓✓ Improved water resources refer to an adequate amount of water from sources, e.g. households' connections/taps inside the yard/ public taps/boreholes/protected springs/and rainwater collection ✓✓
- **Sanitation** ✓ Just over 71% of households in South Africa had access to functioning basic sanitation in 2010, ✓✓ e.g. flush toilets/pit toilets with ventilation pipes/and chemical toilets ✓✓

(Accept any relevant current statistics)

Marking Guideline: Allocate a maximum of 4 marks for headings, examples and shorter descriptions.

Allocate 14 marks for the fully written sentences, up to a maximum of 14 marks.

(20)

## ADDITIONAL PART

In your opinion, how can economic development be promoted through the use of these indicators?

- Assist the government to look into other areas of need through the budget ✓✓
- Improve social cohesion and interdependence ✓✓
- Focus on the areas of dire need in communities and spend on them ✓✓
- Improve health and educational facilities ✓✓
- Invest more in the future quality labour force for the progression of the economy ✓✓
- Spend more on the improvement of the quality of life of the general population and reduce social tensions ✓✓ (Accept any other relevant response)

(Max. 10)

## CONCLUSION

Social indicator can serve as a focal point in directing government expenditure on issues that will guarantee social development and quality lifestyle.

## GRADE 12: PROJECT

### MAIN TOPIC: MARKET FAILURES [COST BENEFIT ANALYSIS]

DURATION: 3 WEEKS

#### INSTRUCTIONS AND INFORMATION

1. Your project must meet the following criteria.
  - 1.1 Cover page
  - 1.2 A table of content
  - 1.3 Your work should be well-arranged according to the steps.
  - 1.4 References of sources must be indicated
  - 1.5 The final product must be bound or stapled in an acceptable way.
  - 1.6 The teacher must guide the learners through all steps.
  - 1.7 **Hint:** estimated figures should be in SA currency and be small values that you can add easily.
2. Each learner's work must be unique.
3. **NB: Marking rubric should accompany each learner script to facilitate marking.**



1. Conduct a research on the SCENARIO given below and follow the steps that will assist you to collect and analyse information:

*Community divided over service delivery*

The community of New Rest is divided over government efforts to bring services to the people.

New Rest is a newly established area where community members walk long distances in order to access services from the nearby areas.

The government had engaged them on several occasions but each time a deadlock was reached – what to build first, the **school or the clinic?**

As an economist, prove to the New Rest community which project will be more beneficial.

STEP 1:

Identify and quantify at least five social costs ( $S_C$ ) and social benefits ( $S_B$ ) for each project. Add each project's (costs) and (benefits) to get a total.

STEP 2:

Discount all future values (by taking inflation into account: present value versus future value).

STEP 3:

Determine the CBR of each project by using the formula

$$[CBR = \frac{\text{present value of Social Benefits (SB)}}{\text{present value of Social Benefits (SC)}}]$$

i.e. comparing the social costs with social benefits by using the formula

STEP 4:

Compare CBR of the two projects and briefly elaborate with reasons which project the government will invest in.

STEP 5:

Compare the following inefficiencies with the aid of a well-labelled graph:

- Allocative inefficiency
- Productive inefficiency

**TOTAL: 50**



## SUGGESTED RESPONSES:

### STEP 1:

Identify and quantify at least five social costs ( $S_c$ ) and social benefits ( $S_B$ ) for each project. Add each project's (costs) and (benefits) to get a total.

#### PROJECT 1: SCHOOL

| Social Benefits                   | Amt. (R)      | Social Costs                                          | Amt. (R)      |
|-----------------------------------|---------------|-------------------------------------------------------|---------------|
| Job opportunities                 | 40 000        | Pollution                                             | 5 000         |
| New business opp.                 | 32 000        | Building material                                     | 15 000        |
| Fewer accidents                   | 1 500         | Destruction of plants                                 | 3 500         |
| Less strain on medical facilities | 2 000         | Resettlement for people whose homes were expropriated | 25 500        |
| Time savings                      | 1 000         | Increased traffic in certain areas                    | 3 000         |
| <b>Total</b>                      | <b>76 500</b> | <b>Total</b>                                          | <b>52 000</b> |

#### PROJECT 2: CLINIC

| Social Benefits                   | Amt. (R)      | Social Costs                                          | Amt.          |
|-----------------------------------|---------------|-------------------------------------------------------|---------------|
| Job opportunities                 | 10 000        | Pollution                                             | 5 000         |
| New business opp.                 | 2 000         | Building material                                     | 18 000        |
| Fewer accidents                   | 1 500         | Destruction of plants                                 | 3 500         |
| Less strain on medical facilities | 3 000         | Resettlement for people whose homes were expropriated | 25 500        |
| Time savings                      | 1 000         | Increased traffic in certain areas                    | 5 000         |
| <b>Total</b>                      | <b>17 500</b> | <b>Total</b>                                          | <b>57 000</b> |

### STEP 2:

Discount all future values (by taking inflation into account: present value versus future value).

- If the discount rate **used** is interest rate, all future values have to be discounted to the present.
- At an interest rate of 6% the future values will change.
- Total benefits for school amounted to R76 500, D at 6%

### STEP 3:

Determine the CBR of each project by using the formula

PROJECT 1: SCHOOL

PROJECT 2: CLINIC

$$[CBR = \frac{76\,500}{52\,000}]$$

$$= 1.5$$

CBR > 1 (project will be beneficial)

$$CBR = \frac{17\,500}{57\,000}$$

$$= 0.3$$

CBR < 1 (project will be inefficient)

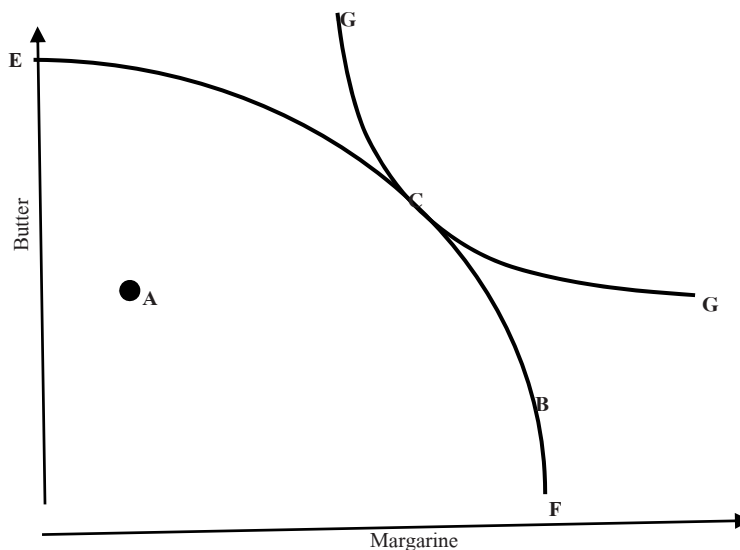
### STEP 4:

Compare CBR of the two projects and briefly elaborate with reasons which project the government will invest in.

- The CBR for the clinic is 0.3 which means that benefits outweigh the costs. The project will not be beneficial to the community.
- The CBR for the school is 1.5 which means that benefits are greater than the costs and therefore the project will be beneficial to the community.

### STEP 5:

Compare the following inefficiencies with the aid of a well-labelled graph:



- Any point to the left of the PPC curve such as A, indicates that resources are unused. If this occurs some customers may be deprived of goods. That depicts **Productive and Allocative** inefficiency.
- The indifference curve (GG) shows a combination of two goods which gives the consumer the same level of satisfaction. If, however, production takes place at point B on the curve, but the demand for goods is represented by **point C – Allocative inefficiency** will occur where the tastes of consumers are not met.

| Learner Surname and Name:                                                                                                                                                                              |                                                                                                                                                                                               |                                                                                                      | Issue date:                                                                                                                |                                                                                                                                                      | Grade: 12                                                                                                                      | Submission Date: |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|------------------|--|
| CRITERIA                                                                                                                                                                                               | Very minimal information                                                                                                                                                                      | Partially meets requirements                                                                         | Fairly meets the requirements                                                                                              | Good performance has been registered                                                                                                                 | Excellent – exceeds expected requirements                                                                                      | Score            |  |
|                                                                                                                                                                                                        | 1-2                                                                                                                                                                                           | 3-4                                                                                                  | 5-6                                                                                                                        | 7-8                                                                                                                                                  | 9-10                                                                                                                           |                  |  |
| <b>STEP 1:</b><br>Identify and quantify all social costs ( $S_c$ ) and social benefits ( $S_b$ )                                                                                                       | Only one social cost and social benefit is identified but not quantified (for either of the two) (Quantify = attach a numerical value)                                                        | Only two social costs and social benefits are identified but not quantified (for one project).       | Three social costs and social benefits are identified and partially quantified for both projects.                          | Four social costs and social benefits are identified and quantified correctly for both projects.                                                     | Five social costs and social benefits are identified and quantified. Clear comparison in the form of a table is made.          |                  |  |
| <b>STEP 2:</b><br>Discount future values (Take inflation into account: present value versus future value)<br>NB: Each project should have $5 \times 2 = 10$                                            | Neither present nor future values are given for either of the 2 projects or (the values are not reduced),<br>NB: The longer it takes to implement the project, the more expensive it becomes. | Only one present or future value is given (for one project) and inflation is not taken into account. | At least two present values and future values (for both projects) are given and inflation is partially taken into account. | Three present and future values (of both projects) are given. Inflation is most correctly estimated.                                                 | At least four present and future values (for both projects) are given and all calculations are done to discount future values. |                  |  |
| <b>STEP 3:</b><br>Compare social costs with social benefits<br>NB: Determine the $CBR = \frac{\text{present value of } S - \text{Benefits}}{\text{present value of } S - \text{costs}}$                | Both the formula and values are incorrect (for both projects).                                                                                                                                | Correct formula is used but the values are incorrectly substituted (in both projects).               | Only the CBR value of one project is correctly calculated but not analyzed.                                                | Both the CBR values of both projects are calculated correctly but only the theoretical analysis is stated. (Analysis is directly from the textbook). | Both CBR values of both projects are correctly calculated and analyzed.                                                        |                  |  |
| <b>STEP 4:</b><br>Compare CBR of different project.<br>Briefly elaborate which project the government will invest in and why?                                                                          | Very few facts and some information provided is incorrect.                                                                                                                                    | CBR values are compared but motivation is not convincing / relevant.                                 | CBR values are compared and motivation only covers one possible fact.                                                      | CBR values are compared and both possible facts.                                                                                                     | CBR values are compared and the benefits of the chosen project are convincing.                                                 |                  |  |
| <b>STEP 5:</b><br>Compare the following inefficiencies with the aid of a well-labelled graph.<br><ul style="list-style-type: none"> <li>• Productive and</li> <li>• Allocative inefficiency</li> </ul> | The graph is not drawn and the explanation provided is minimal.                                                                                                                               | The graph is drawn but not fully labelled. Only productive or allocative inefficiency is discussed.  | Well-labelled graph is drawn and only productive or allocative inefficiency is discussed.                                  | Well-labelled graph is drawn and both inefficiencies are fully discussed.                                                                            | Well-labelled graph is neatly drawn and both inefficiencies are fully discussed with reference to the graph.                   |                  |  |
| <b>Total</b>                                                                                                                                                                                           |                                                                                                                                                                                               |                                                                                                      |                                                                                                                            |                                                                                                                                                      |                                                                                                                                | <b>/50</b>       |  |



222 Struben Street, Pretoria, 0001  
Private Bag X895, Pretoria, 0001, South Africa  
Tel: 012 357 3000 • Fax: 012 323 0601

Private Bag X9035, Cape Town, 8000, South Africa  
Tel: 021 486 7000 • Fax: 021 461 8110  
Call Centre: 0800 202 933

ISBN 978-1-4315-3104-2

## **Department of Basic Education**

 [www.education.gov.za](http://www.education.gov.za)

 [www.twitter.com/dbe\\_sa](https://www.twitter.com/dbe_sa)

 [www.facebook.com/BasicEd](https://www.facebook.com/BasicEd)