



# education

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Department:  
Education  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 10**

**ECONOMICS**

**NOVEMBER 2006**

This memorandum consists of 23 pages.

**SECTION A**

**ECONOMICS**

**GRADE 10**

**SECTION A ANSWERSHEET**

**NAME:** .....

1.1.1	A	B	C	✓✓
1.1.2	A	B	C	✓✓
1.1.3	A	B	C	✓✓
1.1.4	A	B	C	✓✓
1.1.5	A	B	C	✓✓
1.1.6	A	B	C	✓✓
1.1.7	A	B	C	✓✓
1.1.8	A	B	C	✓✓
1.1.9	A	B	C	✓✓
1.1.10	A	B	C	✓✓
1.1.11	A	B	C	✓✓
1.1.12	A	B	C	✓✓

24

1.2.1	normative✓✓
1.2.2	Injection✓✓
1.2.3	Reserve Bank✓✓
1.2.4	decreases✓✓
1.2.5	derived✓✓

10

1.3.1	H✓✓
1.3.2	F✓✓
1.3.3	I✓✓
1.3.4	A✓✓
1.3.5	G✓✓
1.3.6	C✓✓
1.3.7	B✓✓
1.3.8	E✓✓

16

50

**SECTION B****QUESTION 2 (LO1 – MACRO ECONOMICS)**

2.1 Answer the following questions appropriately

Fill in the missing word(s) :

2.1.1 econometrics ✓✓

2.1.2 scarcity ✓✓

2.1.3 consumers ✓✓

2.1.4 economic indicators ✓✓

4 x 2 (8)

2.1.5 List THREE forms of leakages.

Savings ✓✓

Taxes ✓✓

Import expenditure ✓✓

3 x 2 (6)

[14]

**2.2 Data response**

2.2.1 A –B Prosperity- ✓✓

B –C Recession ✓✓

C –D Depression ✓✓

D –E Recovery ✓✓

D – Trough ✓✓

5 x 2 (10)

2.2.2 Business Cycle ✓✓

(2)

2.2.3 **J** - Injection ✓✓

**I** - Investment ✓✓

**G** - Government expenditure ✓✓

**X** - Export expenditure ✓✓

4 x 2 (8)

[20]

2.3 Explain the three main groups of production.

Primary production ✓✓

Industries in the primary sector extract the raw materials from nature. ✓✓

Example: farming, mining, oil extraction, forestry and fishing. ✓✓

Primary sector contribution to the GDP is the smallest of the three sectors in South Africa. ✓✓

Secondary industries ✓✓

These are the manufacturing industries. ✓✓

They process the products of primary industries such as agriculture, mining ect. To semi-finished and final products. ✓✓

Examples : electricity, construction, manufacturing ect

Secondary sector contribution is double than the primary sector.

Tertiary Sector ✓✓

These are the service sector or industries. ✓✓

Examples : Wholesale trade, retail trade, catering, transport ✓✓

Communication, final services, insurance ect.

Services are also classified as the commercial, professional and public services.

Max [16]

**/50/**

**QUESTION 3 (LO 2 – MICRO ECONOMICS)**

3.1 Answer the following questions appropriately.

Fill in the missing word(s) :

3.1.1 marginal utility ✓✓

3.1.2 budget line / consumption possibilities curve ✓✓

3.1.3 subsidy ✓✓

3.1.4 changes in demand / increase or decrease in demand ✓✓

4 x 2 (8)

3.1.5 List any THREE factors that determine the supply of goods.

- The price that consumers are prepared to pay ✓✓
- The price that consumers are willing to pay for other goods ✓✓
- The cost of production ✓✓
- Technology ✓✓
- The number of sellers ✓✓|
- Suppliers expectations ✓✓
- Climatic conditions ✓✓

3 x 2 (6)

[14]

**3.2 Data response**

3.2.1 Production possibility curve ✓✓

Production possibility curve is a diagram that shows what combination of two different goods could be produced with the available limited supply of factors of production ✓✓

2 x 2 (4)

3.2.2 Increase in the quantity of butter and bread produced. ✓✓

Improvement in the production technique ✓✓

Technological advances ✓✓

Improved motivation of employees ✓✓

4 x 2 (8)

3.2.3 List any three properties of an indifference curve.

3 x 2 (6)

3.2.4 Graph A ✓✓

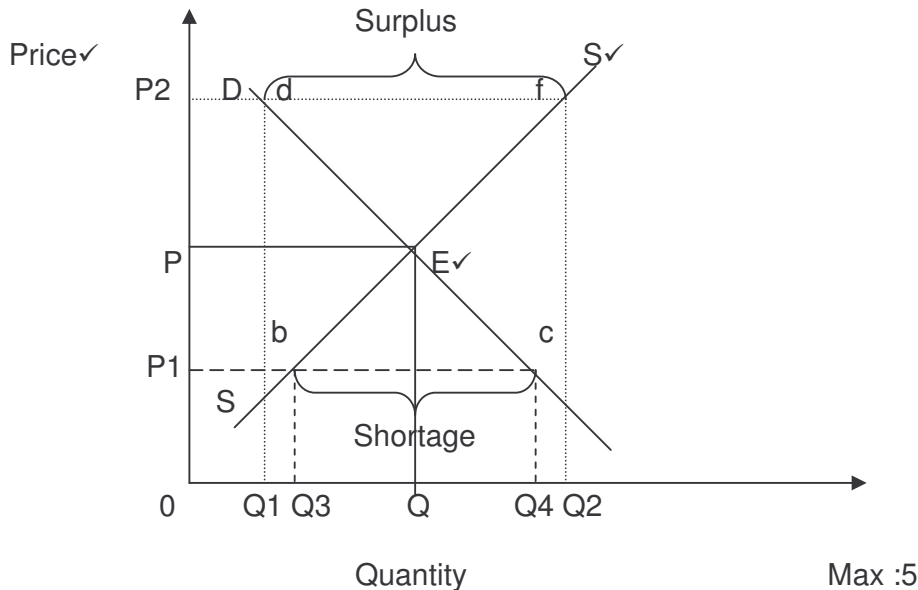
(2)

[20]

3.3 Explain price formation with the aid of a clearly labelled graph.

Demand and supply are the two forces, which determine the price on the market ✓✓

The price level at which the demand and supply curve intersect is known as the equilibrium price ✓✓



Point E is the equilibrium point where quantity demanded is equal to the quantity supplied and there are no forces acting to change the price. ✓✓

OP is the equilibrium price and OQ is the equilibrium quantity ✓✓

At point E there is no surplus or shortage of goods ✓✓

At any price higher than this there will be forces acting on the price to reduce it. ✓✓

At any price below this, there will be forces acting on the price to increase it. ✓✓

This equilibrium price is known as market price ✓✓

A market surplus / Excess supply

Occurs when there is an over supply of goods in the market ✓✓

In the above figure this is shown by f and the surplus is Q1 Q2. ✓✓

Producers will lower the price to sell all the goods supplied. ✓✓

A market shortage / Excess demand

Occurs when the quantity demanded of goods exceeds the quantity supplied ✓✓

In the above figure this is shown by b c and the shortage is Q3 Q4. ✓✓

Consumers will be prepared to pay more and suppliers will increase the supply as price increase and again it will reach equilibrium. ✓✓

Max [16]

**QUESTION 4****4.1 Answer the following question appropriately**

Fill in the missing word(s) :

4.1.1 developing ✓✓

4.1.2 globalisation ✓✓

4.1.3 centralisation ✓✓

4.1.4 legal tender ✓✓

4 x 2 (8)

**4.1.5 List any THREE economic consequences of industrial development.**

Development of market economy ✓✓

Development of transport ✓✓

Development of communication ✓✓

Urbanisation ✓✓✓

More job creation ✓✓

3 x 2 (6)

[14]

**4.2 Data response**

4.2.1 Animal husbandry and agriculture ✓✓

(2)

4.2.2 Khoikhoi ✓✓ and San ✓✓

2 x 2 (4)

4.2.3 Hunting ✓✓ and gathering of food ✓✓

2 x 2 (4)

4.2.4 Shipping ✓✓

Trade ✓✓

Infrastructure. ✓✓

3 x 2 (6)

4.2.5 Development of markets ✓✓

Development of transport ✓✓

Development of communication ✓✓

2 x 2 (4)

[20]

**4.3 Discuss the impact of the discovery of diamonds on the South-African economy.**

Thousands of people immigrated to South African from many parts of the world ✓✓

The Immigrants were trained artisans, miners, carpenters and other skilled people. ✓✓

Inflow of capital ✓✓

Capital was in the form of money, mining and transport equipment. ✓✓

Development of railways ✓✓

The development of railways benefited mining companies and farmers ✓✓

Increased demand for agricultural products ✓✓

Development of communication systems ✓✓

The discovery of telegraph, telegrams and postal system led to the quick contact with the people inside and outside world ✓✓

Increased employment of diamond mines led to the foundations of migrant-labour system ✓✓

Max [16]

**/50/**



**QUESTION 5****5.1 Answer the following questions :**

Fill in the missing word(s) :

- 5.1.1 underemployed ✓✓  
 5.1.2 Labour force participation / LFP ✓✓  
 5.1.3 Nedlac / National economic development and labour council ✓✓  
 5.1.4 productivity ✓✓

4 x 2 (8)

**5.1.5 List any THREE factors, which will cause an increase in demand.**

- An increase in the level of consumer incomes ✓✓  
 An increase in the price of substitute goods ✓✓  
 A decrease in the price of complementary goods ✓✓  
 An increase in the size of the population ✓✓  
 An increased desire by consumers e.g. advertising, fashion, consumer's taste and preference and climatic conditions ✓✓

Any 3x2 (6)

[14]

**5.2 Data response**

- 5.2.1 Poverty / HIV/Aids ✓✓  
 5.2.2 People from Africa / Africans ✓✓  
 5.2.3 Unemployment ✓✓  
 HIV/Aids ✓✓  
 Skill shortage ✓✓  
 Poverty ✓✓  
 High crime rate ✓✓

Any 3 x 2 (6)

- 5.2.4 Economically marginalised groups are the groups of people who find it difficult to access employment/ economically disadvantaged. ✓✓  
 If they do have some kind of employment they are the first to be affected when a cyclical downswing occur. ✓✓  
 Example of economically marginalised groups are rural people, women, older people and school leavers. ✓✓  
 In international context refugees are one of the main marginalised groups. ✓✓

Any 3 x 2 (6)

[20]

**5.3 Identify and discuss the factors determining the supply of labour in South Africa****Labour Supply is affected by:****Population growth rate** ✓✓

The labour force in South Africa is approximately equal to one third of the total population. ✓✓

It grows at a rate that is more or less similar to the population growth rate. ✓✓

**Labour force participation rate** ✓✓

The extent to which labour avails itself for employment is expressed by the labour force participation rate (LFPR) ✓✓.

Over the recent decades the number of women who availed themselves for employment increased substantially. ✓✓

**Skills and other competencies** ✓✓

All the workers in the aggregate labour supply (AS) may not have the skills and competencies that are required by the economy of the day, ✓✓

e.g. if manufacturing skills are required, typing skills are superfluous. ✓✓

**Migration** ✓✓

The movement of workers from region to region, or country to country, is an important reason of change in supply of labour. ✓✓

Any 4x4 [16]  
/50/

**QUESTION 6****6.1 Answer the following questions appropriately**

Fill in the missing word(s):

6.1.1 Employment Equity Act ✓✓

6.1.2 CCMA / Commission for Conciliation, Mediation and Arbitration ✓✓

6.1.3 UIF / Unemployment Insurance Fund ✓✓

6.1.4 wages / salaries ✓✓

4 x 2 (8)

6.1.5 Name any THREE functions of markets.

(a) Markets bring supply and demand together ✓✓

(b) Market leads to an efficient allocation resources ✓✓

(c) Markets are self-regulatory ✓✓

(d) Markets determine prices ✓✓

Any 3 x 2 (6)

[14]

**6.2 Data response**

6.2.1 50 ✓✓

(2)

6.2.2  $90 - 50 = 40$  ✓✓

(2)

6.2.3  $140 + 10 \checkmark\checkmark = 150 \checkmark\checkmark$

(4)

6.2.4 The trend of marginal utility to decreases as more and more units of a good or service are consumed is known as diminishing marginal utility. ✓✓

When consumer consumed the first can of coke he / she received 50 units of marginal utility. ✓✓

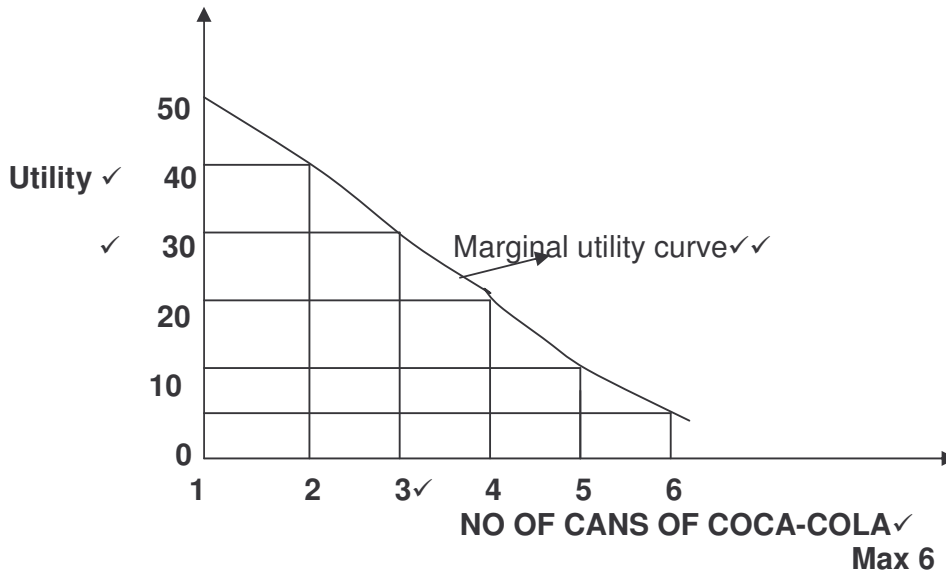
When the consumer consumed the second can of coke, received only 40 units of utility. ✓✓

As the consumer continue consuming more and more cans of coke marginal utility decreased from 40 to 30 to 20. ✓✓

Any 3 x 2 (6)

6.2.5 Draw a clearly labelled graph marginal utility graph.

[20]



6.3 Explain in detail “seasonal and cyclical unemployment

Seasonal unemployment

People who work during peak periods are unemployed in off-peak periods are known as the seasonal unemployment. ✓✓

Seasonal unemployment is caused by normal and unexpected changes in economic activities during the course of the year. ✓✓

Employment and unemployment depends on the coming and going of seasons.

Example: unemployment in agricultural sector. ✓✓

Seasonal unemployment appears and disappears on a regular basis and affected only a small percent is affected by this type of unemployment ✓✓

4 x 2 (8)

Cyclical unemployment

Cyclical unemployment occurs as result of a lack of demand for labour during the downswing of the business cycle. ✓✓

During such periods, aggregate demand is low, as a result there is a reduced demand for labour. ✓✓

Even the existing workers may lose their jobs through retrenchment. ✓✓

Cyclical unemployment is not the result of the inability or inefficiency of the individuals to find employment. ✓✓

Workers usually able to return to the labour market after a short period ✓✓

4 x 2 (8)

[16]

/50/

**SECTION C****QUESTION 7**

**Write an essay on the circular flow in an open economy.**

**INTRODUCTION**

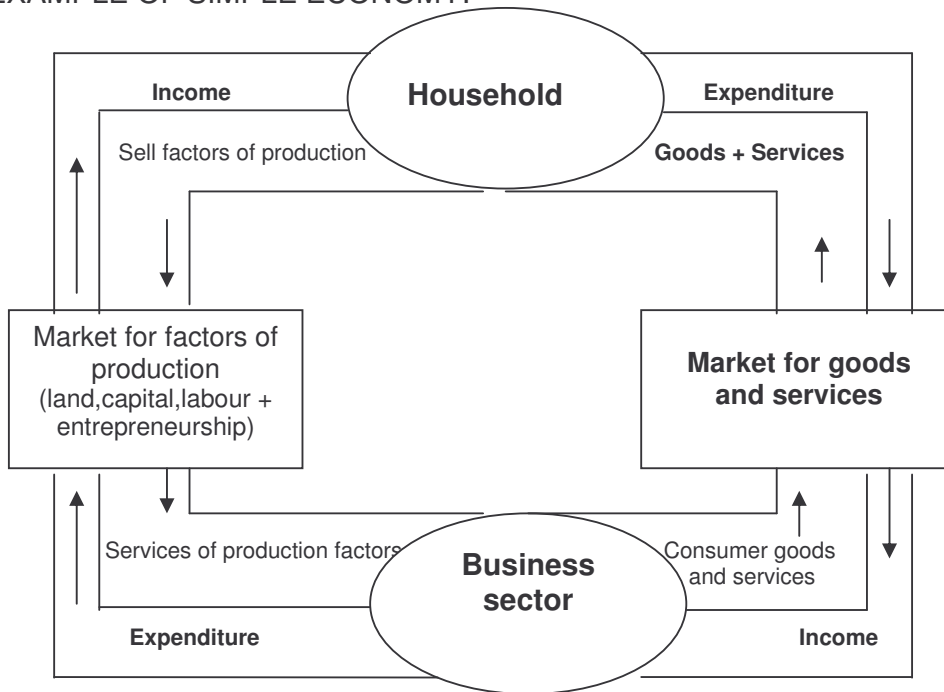
- All economies are complex systems, and there are many different forces that influence the economic life of a country. ✓✓
- In the circular flow different participants interact, and we see how their behaviour influences the outcomes of the economic system. ✓✓

Max 3

**BODY****The households ✓✓**

- Households are primary decision making unit in economy – with primary aim to maximize satisfaction ✓✓
- Try to maximize utility by being consumers and engage in consumption spending ✓✓
- Households determine production – their demand depends on their income ✓✓
- Households are biggest owners of factors of production ✓✓
- They sell factors of production to firms to be used in production of goods and services ✓✓
- In exchange they receive income in the form of salaries/wages for labour, interest on capital, rent from natural resources and profits from entrepreneurial activities ✓✓
- The more factors they own of good value, the higher the income of a household ✓✓
- Households use incomes to buy goods and services on goods market to satisfy wants and needs ✓✓
- Consumption by households include durable, semi-durable, non-durable goods and services – is major component in total spending of country ✓✓

## EXAMPLE OF SIMPLE ECONOMY:



Max 8 marks

**Business sector ✓✓**

- Firms are responsible for production of goods and services ✓✓
- Firms buy factors of production from households on factors market ✓✓
- In return they pay households an income ✓✓
- Firms continue to produce goods and services and supply to households through goods market ✓✓
- In the above simplified version of a circular flow the inner flow shows the flow of payments and the outer flow that of real resources (factors of production and goods and services) ✓✓

**Government ✓✓**

- The government has different levels and departments functioning ✓✓
- Although it's primary function is to ensure stable environment, the government buys factors of production from households on the factors market ✓✓ and purchases goods and services from firms in the goods market ✓✓
- The government supply households and firms with goods such as education, health services and upholding the law – called injection ✓✓
- The government finances its supply of goods and services through money earned from *taxing* the incomes and spending – called leakage ✓✓

**Foreign sector ✓✓**

- In real world – no closed economies – interaction between economies – global village – flow of goods and services between countries ✓✓
- Flow of technology and information, movement of people ✓✓
- South Africa has open economy – sells goods and services to other countries e.g. gold ✓✓ - called exports
- We also buy goods and services from other countries, must pay, imports ✓✓
- Exports and imports also injections and leakages ✓✓
- When we export more than we import – trade surplus ✓✓

**Financial sector ✓✓**

- Institutions like banks, insurance companies and JSE ✓✓
- Not directly involved in production of goods – direct funds from surplus units to deficit units in economy ✓✓
- Role of financial sector is to take savings (leakage) and inject it back into economy in form of loans (injections)

**CONCLUSION**

- Show how various participants (households, business sector, government, foreign sector and financial sector) interact in economy with one another – and how their behaviour determines flow of income, spending and production in economy. ✓✓

**QUESTION 8**

Write an essay on the *different types of markets*. Give your own opinion on possible solutions for these phenomena (like monopolies), with reference to the situation in South Africa.

**Introduction**

- Markets are the interaction between buyers and sellers. ✓✓
- Markets can be defined as all those buyers and sellers influence the price of a particular good and service. ✓✓
- Some markets have particular place and others do not have. ✓✓
- However, markets may take different forms i.e. perfect and imperfect markets. ✓✓

(Accept any relevant introduction)

Max: (3)

**Characteristics / features / structures of market**

The following are the four most important characteristics by which the kind of Markets can be identified.

**The number of products ✓✓**

- In some markets there is a single large producer of goods and services. ✓✓
- For example Eskom, Telkom (monopoly) ✓✓
- In some markets there are only a few producers of good and services. ✓✓
- For example. Vodacom, MTN and Cell C (Oligopoly) ✓✓
- In some markets there are large number of producers of good and services.(perfect competition) ✓✓
- For example. Producers of soap, mealie-meal ✓✓

Max: 7

**Nature of the products ✓✓**

- The nature of the product in monopoly is unique and produced in large quantities ✓✓ Example. Coca-Cola ✓✓
- In perfect competition goods are homogenous and easy to produce and compete for sales ✓✓. Example. Toothpaste, shoes ✓✓

MAX: 6

**Barriers to entry ✓✓**

- In monopoly and oligopoly, there are barriers to enter the market and the supplying of goods and services. ✓✓ Example. Cell phones ✓✓
- In perfect market it is easy for producers to enter the market in supply goods and services. ✓✓ Example. Super markets, furniture ✓✓

Max: 6



**Availability of information✓✓**

- In perfect competition, there is full and complete information
  - about market conditions. ✓✓ Example. JSE✓✓
  - In imperfect markets producers and consumers to make decisions
  - based on incomplete information. ✓✓ Example. Diamond mining✓✓
- Max: 6

**Perfect market:**

- A perfect market is one in which no supplier is able to manipulate the price of a product. ✓✓
  - Suppliers are price takers in the perfect market✓✓
- MAX: 2

**Conditions of perfect markets**

- There should be large number of buyers ✓✓
  - There should be large number of sellers for a product. ✓✓
  - Sellers should act independently✓✓
  - The product sold should be homogeneous✓✓
  - There should be no barrier to enter in to the markets✓✓
  - Buyers and sellers should have perfect knowledge of the market conditions✓✓
  - Businesses are price takers ✓✓
  - No government interventions that influences buyers and sellers. ✓✓
  - All the factors of production should be perfectly mobile. ✓✓
- MAX: 10

**Imperfect market**

- Monopoly and oligopoly are the examples of the imperfect markets✓✓
  - Monopolistic suppliers have complete control over the prices that they charge
  - They are called price makers. ✓✓
- Max: 2

**Conditions of imperfect markets**

- There is only one large supplier of goods or services. ✓✓
  - The goods supplied are unique✓✓
  - There are no close substitutes ✓✓
  - Entry into the market is restricted so that new suppliers cannot enter the market✓✓
  - Producers and consumers have insufficient knowledge of market conditions ✓✓
- Max: 6

**Conclusion**

- The sellers must have goods to sell and buyers must have money to buy goods.  
In modern economies, markets play a very important role. ✓✓
- (Accept any relevant conclusion) (2)

**QUESTION 9**

Discuss the **demography cycle of South Africa** after which you write a memorandum/note on the influence of all relevant factors **on the size of OUR population**.

**Introduction :**

Demographers have identified a demographic cycle, which is a scientific analysis of the history of a population growth.

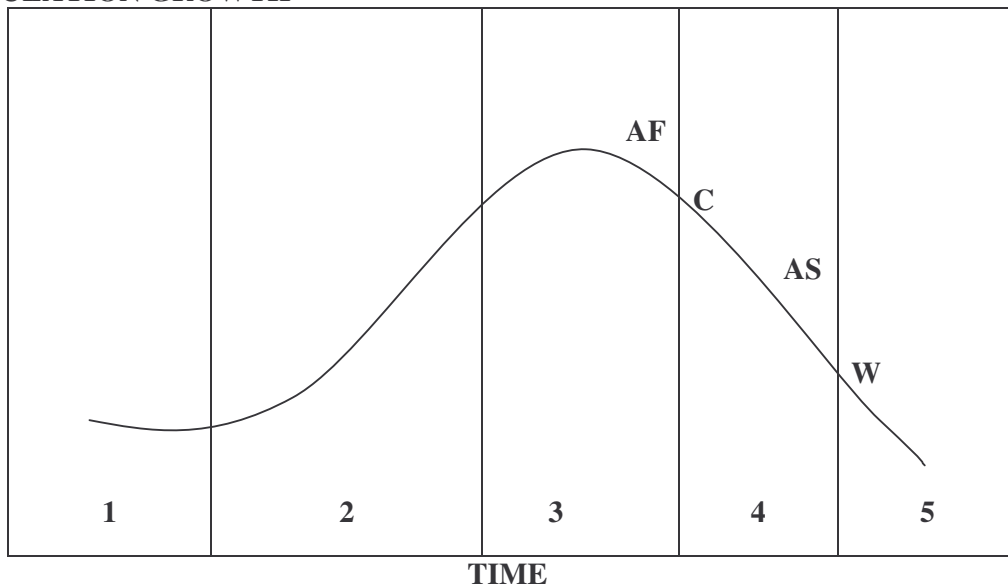
A cycle shows changes in natural growth over time.

Is the study of populations, including their size and change over time.

The cyclical pattern is known as the population or demographic cycle.

**Discussion / Body :**

The following demographic cycle represent the demography of South Africa :

**NATURAL  
POPULATION GROWTH**

**AF = AFRICANS C = COLOUREDS AS = ASIANS W = WHITES**

**The cycle consists out of Five different phases :****Phase 1. (Stationary phase)**

During this phase there is no birth control and the birth rate is very high. The community is poor and there is a absence of medical facilities and medical care. The death rate is also high thus the average age of the population is low. This is known as a young population. The natural growth rate during this phase is low.

**Phase 2. (Pre-modern phase)**

During this phase, birth control and family planning are not practiced and the birth rate remains high. Because living conditions improve, deaths of mothers and babies decrease and people live to an older age. For these reasons the natural growth rate is higher than during the first phase of the cycle. The average age of the population starts to increase.

**Phase 3. (Modern stage)**

This phase has two parts: In **the first part**, the income and standard of living increase for the large part of the population. This result in social development, and the acceptance of new values by families causes a decrease in births. A decrease in deaths, however, occurs at a faster rate and insures that the natural growth rate is high. In **the second part** of this phase the birth rate decreases more rapidly than the death rate and the natural growth rate starts to decrease. It can be argued that Africans in South Africa are in the second part of this phase.

**Phase 4. (Modern stationary phase)**

During this phase, the birth rate decreases rapidly. People realize that their standard of living can be substantially increased if they have fewer children. Family planning is generally accepted by a greater number of families and the natural population growth rate declines. Medical care and services become affordable and the death rates thus declines. Coloured people in South Africa are in the first part of this phase. The Indian/Asian population has been in this phase for a number of years. The death rate is the lowest in all the population groups, but their birth rate has not declined sufficiently to put them into the fifth phase of the cycle.

**Phase 5. (Post stationary phase)**

During the last phase, the natural growth rate is low and it starts to level out.  
Birth and death rates are low.

The average age of the population increases.

Such populations are known as old populations.

White people in South Africa appear to be in the beginning of this phase.

They have not, however, moved fully into this phase, because both births and deaths are still high compared those of some European countries.

**Conclusion :**

The natural growth rate of a population usually declines when the standard of living of that particular population increases.

The reverse, however, is also true: The standard of living of people can only be improved if the natural increase of a population is curtailed.

**MEMORANDUM/NOTE:**

Referring to the information in the question :

The following factors will have an impact on the size of our population in the years to come:

**Migration** - Figures shows that more people are leaving our country than entering.

Immigration – Indicating the inflow of people into our country.

Skilled workers / Migrant workers / Illegal immigration

Emigration - South African citizens are free to emigrate. Those who emigrated were  
Mainly professionals or people with high level of technical skill. The loss  
because of emigration of such people is known as the “brain drain”

**Natural population growth** – Occurs if there are more births than deaths.

Mortality rate – HIV/AIDS , standard of living/redistribution of wealth/income

Birth rate/Fertility – Standard of living / tradition/ family planning/ level of education

**QUESTION 10**

In the reconstruction of the South African economy after 1994, *the government has played an eminent role in human resource development.*

Write a report, on your findings on this topic, to the local Business Chamber

**SKILL DEVELOPMENT** ✓

## 10.1 LIST OF CONTENTS ✓✓

Introduction  
Efforts of skill developments  
Discussions  
Conclusions  
Recommendations

Max: 2

## 10.2 Introduction

Human resource, as a factor of production, focuses on the quality and quantity of labour.

The quality of labour force mainly depends on the level of education and training. The most important factor, which limits the development of South Africa, is the skill shortages.

After the independence of South Africa in 1994, there were number of efforts and strategies started to address the problem of human resource development.

There are number of new strategies recently introduced to assist the existing programmes and to solve the severe shortages of professional, technical and managerial expertise.

Max: 3

## 10.3 Efforts of skill development ✓

## 10.3.1 Education

- (a) The demand for labour in South Africa was shifting clearly toward more highly skilled labour.
- (b) The government's first step toward restructuring education was the publication of the South African Qualification Act, (58 of 1995).
- (c) This Act created the South African Qualifications Authority (SAQA).
- (d) To improve the quality of education the government consolidated the different education departments, which were in the country into one department.
- (e) In 1998 the National Department announced the new Outcome Based Education to meet the current needs of the country.
- (f) It requires learners to acquire and apply knowledge, to develop skill and to cultivate desired values and attitudes.

Max: 8

## 10.3.2 Training

Training means to be taught a particular job or skill.  
Most primary trainings are taking place at technical colleges, universities and at the premises of other training providers. Max: 4

## (A) The Skill Development Act

The objectives of this Act is to improve the quality of working life for workers so that productivity of the work place is enhanced, self-employment is promoted and previously disadvantaged persons gain experience  
To encourage employers to create opportunities for trainees to get experience. Max: 6

## (B) Mechanism for training

The Department of Labour established the National Skill Authority(NSA) Which has established 25 Sector Education and Training Authorities (SETAs).  
Some of these 25 SETAs are Banking sector, Construction, Chemical industries, Education, training and Development practices, Health and Welfare Sector, Service Sector.  
SETAs are responsible for identifying the skills and developing plans for training within each sector. Max: 6

## (C) Training programmes

Learnerships include traditional apprenticeships which can assist unemployed people to enter employment and also to improve their level of skills and qualifications.  
Skills programme aimed at unemployed, young people out of school, SMMEs. Max: 4

## (D) Financing skills training

Skill training is financed by means of levies that employers pay calculated on their salaries and wages payments every month. Learners are getting an opportunity to acquire an occupational qualification which are highly demanded in the labour market. Max: 4

## (E) The Joint Initiative for Priority Skill Acquisition (JIPSA)

The priority of JIPSA is the development of intermediate-level skills, such as those of artisans, technicians among others.

JIPSA is mainly focusing on areas of current needs of the country than the other non -need areas. Max: 4

## 10.4 Conclusion

Accelerated and Shared Growth Initiatives South Africa (ASGISA) and JIPSA will ensure that skill development remains at the top priority of the agenda in South Africa.

The skill shortages in the country can solve to a certain extent by the greatest effort of these strategies.

Max: 2

## 10.5 Recommendations

Business organisations, which will be in a position to assist in skill development programmes, will be consulted by professional and civil organisations to participate in the process.

The strong focus on skills development must be in the areas of scarce, critical and priority skill areas .

With these efforts of the government and other organisations we can assure that South Africa will achieve its true potential and becomes a winning nation.

Max: 4

/50/