



# education

---

Department:  
Education  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**ECONOMICS  
EXEMPLAR 2007  
MEMORANDUM**

This memorandum consists of 27 pages.

**SECTION A****QUESTION 1**

1.1 Indicate the correct answer by writing only the letter (A – C) of the correct answer next to the question number (1.1.1 – 1.1.12) in the answer book.

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

(12 X 2) (24)

**1.2 Choose from the list the correct alternative to fit the statements that follow:**

- 1.2.1 relative poverty ✓✓
- 1.2.2 oligopoly ✓✓
- 1.2.3 repo rate ✓✓
- 1.2.4 capital market ✓✓
- 1.2.5 decentralised ✓✓

(5 x 2) (10)

1.3 Match Column A and B.

- 1.3.1 E (petrol and motorcar) ✓✓
- 1.3.2 D (parts used in manufacturing of motorcar) ✓✓
- 1.3.3 G (standard of living increased) ✓✓
- 1.3.4 C (motorcar) ✓✓
- 1.3.5 H (people discriminated against) ✓✓
- 1.3.6 B (between 3 – 6 %) ✓✓
- 1.3.7 F (Gautrain) ✓✓
- 1.3.8 A (initiated a debt relief programme) ✓✓
- 1.3.9

(8 x 2) (16)

**SECTION A TOTAL: 50**

**SECTION B****QUESTION 2****(LO1 MACRO ECONOMICS, AS1-AS4)**

2.1 Answer the following questions appropriately.

2.1.1 capital ✓✓

2.1.2 appreciate ✓✓

2.1.3 subsidies ✓✓

2.1.4 non durable ✓✓

(4 x 2) (8)

2.1.5 List any THREE factors indicating the economic importance of an entrepreneur

- Ensures competitiveness ✓✓
- Create employment ✓✓
- Improve efficiency ✓✓
- Create new wealth ✓✓
- Important for economic growth ✓✓
- Small business development ✓✓
- Combine factors of production ✓✓
- Driving force – captain of industry ✓✓

(Any 3 x 2) (6)

2.2 Date Response

2.2.1 Decreased ✓✓✓

(1 x 3) (3)

2.2.2 Tertiary ✓ = services ✓

Secondary ✓ = industry ✓

Primary ✓ = agriculture ✓

(6 x 1) (6)

2.2.3 Price regulation / protection / improved quality / higher productivity ✓✓✓ (3)  
Subsidies (except any other relevant facts)

2.2.4 Tertiary sector (services) ✓✓ 45 % ✓✓

(2 x 2) (4)

2.2.5 70% – 60 % ✓✓ = 10 % ✓✓

(2 x 2) (4)

2.3 Explain the following equation:

$$\text{GDP(E)} = \text{C} + \text{G} + \text{I} (\text{X} - \text{M})$$

- GDP = Gross Domestic Product is the value ✓✓ of final goods and services produced in the borders of a country in one year ✓✓
- GDP(E) = expenditure on gross domestic product ✓✓
- C = Final Consumption Expenditure ✓✓
- G = Government (Consumption) Expenditure ✓✓
- I = Gross Fixed Capital Formation and change in inventories (investment) ✓✓
- X = Export of goods and non-factor services ✓✓
- M = Imports of goods and non-factor services ✓✓
- C + G + I = total value of goods and services produced in closed economy ✓✓
- When (X – M) is added it refers to an open economy ✓✓

(8 x 2) (16)

**[50]**

**QUESTION 3**

3.1 Answer the following questions appropriately

3.1.1 taker ✓✓

3.1.2 increase ✓✓

3.1.3 variable ✓✓

3.1.4 real ✓✓

(4 X 2) (8)

3.1.5 List any THREE characteristics of a perfect market.

- Many producers (sellers) in the market ✓✓
- Homogenous products ✓✓
- Consumers (buyers) are fully knowledgeable about prices ✓✓
- Producers enjoy complete freedom of entry into and exit from market ✓✓
- Many consumers in market ✓✓
- Unregulated market ✓✓
- No collusion ✓✓

(Any 3 x 2) (6)

3.2 Data Response

3.2.1 A = Unitary elasticity ✓✓

B = Relative inelastic ✓✓

C = Relative elastic ✓✓

(3 x 2) (6)

3.2.2

<b>Relative inelastic (B)</b>	<b>Relative elastic (D)</b>
In this case the percentage change in the quantity demanded is less than the percentage change in the price of the product. For example, if the price increases by 40%, and the quantity demanded decreases by 20%. It means that the price elasticity is greater than 0 but smaller than 1 ( $ep < 1$ ) ✓✓✓	In this case the percentage change in the quantity demanded is greater than the percentage change in the price of the product. For example, the price increases by 10%, and the quantity demanded decreases by 60% it means that the price elasticity is greater than one. ( $ep > 1$ ) ✓✓✓
	(3 x 2) (6)

3.2.3 Link the following examples:

B = basic food ✓

D = MP3 players ✓

(2 x 1) (2)

3.2.4  $\% \Delta Q = 10/50 \times 100/1 \checkmark = 20 \% \checkmark$

$\% \Delta P = 10/50 \times 100/1 \checkmark = 20 \% \checkmark$

$$Ed = \frac{\Delta q}{\Delta p} \times \frac{p}{q}$$

$$= \frac{10}{10} \times \frac{50}{50} \checkmark$$

$$= 1 \checkmark$$

(3 x 2) (6)

3.3 Illustrate the demand relationship by using graphs and appropriate examples.

**Factors influencing demand:**

$Q_d = f(P_x, Y, P_s, P_c, T, E, N \dots)$  ✓✓

$P_x$  = Price of the product ✓

$Y$  = Consumer's income ✓

$P_s$  = Price of other related goods (substitutes) ✓

$P_c$  = Complementary goods ✓

$T$  = Tastes or preferences of consumer ✓

$E$  = Expectations of future price ✓

$N$  = Total number of potential consumers of product ✓

(Max. 6)

**The price of a product** is the only factor that causes movement along the demand curve or a change in the quantity demanded. (See graph A) ✓✓

When any other factors change, the entire demand curve will shift. (See graph B)

We refer to this as a change in demand. ✓✓

We can illustrate the relationship between price and quantity by considering the following:

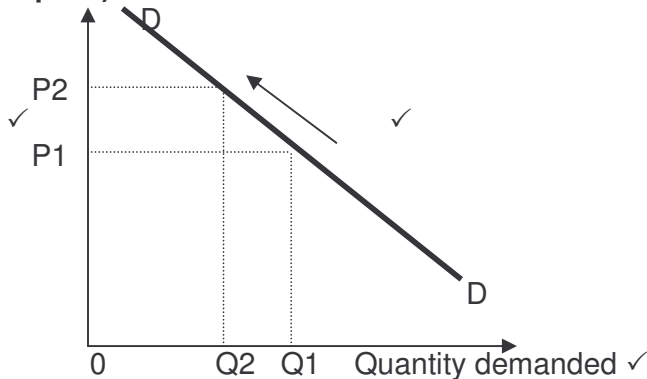
**Substitutes ✓ / Complementary products ✓**

E.g. fresh milk and powdered milk / Petrol and motorcars ✓

(Max. 8)

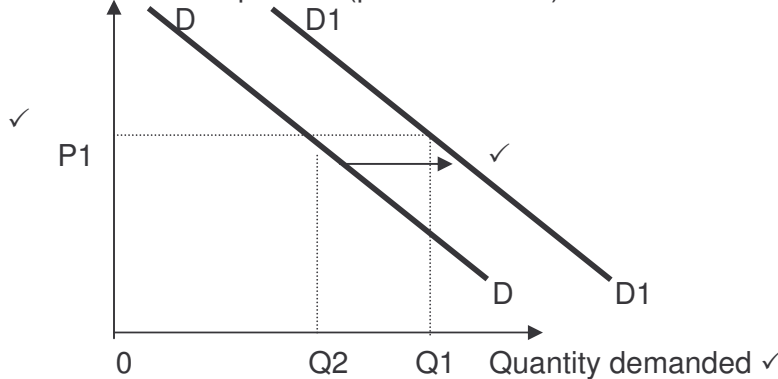
Price of product (fresh milk)

**(Graph A)**



**(Graph B)**

Price of substitute product (powdered milk) / Petrol and motorcars ✓



Allocation of marks (graphs):	
• Labeled axes	2 marks
• Labeled D-curve	2 marks
• Movement of curves	2 marks
• Titles of graphs	2 marks
• Example	2 marks

Max : 10

(Any 8 x 2) (16)

**[50]**

**QUESTION 4**  
**(LO3 ECONOMIC PURSUITS, AS1 - 4)**

4.1 Answer the following questions appropriately:

4.1.1 unprocessed ✓✓

4.1.2 indigenous ✓✓

4.1.3 deposit ✓✓

4.1.4 SADC ✓✓

(8)

(4 x 2)

4.1.5 List any THREE reasons for an unequal distribution of income. (3 x 2) (6)

- Unequal holdings of wealth ✓✓
- Differences in composition of households ✓✓
- Differences in skills and qualifications ✓✓
- Discrimination ✓✓
- Economic systems ✓✓
- Any other relevant fact

(Any 3 x 2) (6)

4.2 Data Resonse

4.2.1 NEPAD stands for New Partnership for Africa's Development ✓✓✓

4.2.2 Definite increase in investment in the continent aimed at infrastructure projects to enhance productive capacities of African economies ✓✓✓ (any other relevant facts)

4.2.3 Economic growth ✓✓✓

4.2.4 A situation where trade between any two countries has to balance or any imbalance has to be financed by credits, arranged directly between the two countries ✓✓✓

4.2.5 (a) Reform in developing countries (e.g. Africa) and the commitment of the IMF and World Bank in this regard. (3)

(b) In terms of the measuring of development the World Bank distinguish between three groups of countries, the low-income (developing) countries is recognize as one of these groups. A large number of these countries have borrowed money for various reasons from the World Bank since 1960. The interest payments and instalments on these borrowings are now demanding such a big part of their budgets that they have virtually no funds to spend on poverty relieve programmes. The World Bank therefore, initiated a debt relief programme for highly indebt coutries. This initiative provides for writing off the debt of the HIPC to levels which are sustainable in terms of their budget revenues or export earnings. ✓✓✓ (3)

(c) EU / Nafta / Mercusor / AU / Agoa ✓✓

(Any 1 x 2)

## 4.3 Discuss any FOUR characteristics of developing countries (16)

## (a) Low standard of living

- Low per capita income ✓✓  
Some 85% of the world's population is living on only one fifth of the total world's income. These people live in developing countries. The per capita income of all the developing countries together is on average one twentieth of the income of the rich developed nations. ✓✓
- Low growth of per capita income. ✓✓
- In general, developing countries have slower growth per capita real GNI than developed countries. Some developing areas (mainly continents such as East Asia) and developing countries (e.g. Malaysia) sometimes experience accelerated growth rates for periods of time. ✓✓
- Greater unequal distribution of income ✓✓
- The income gap between rich and poor people in the same country is generally greater in less developed countries than in developed countries. ✓✓
- More poverty ✓✓
- Low living standards express poverty. Almost one third of the total population of developing countries is poor. It is worse in Africa than elsewhere. ✓✓
- Low life expectancy ✓✓
- In additions to struggling on low income, many people in developing countries fight a constant battle against malnutrition, decease and ill health ✓✓
- Low levels of education ✓✓
- Low living standards are also related to low levels of education. The level and effectiveness of education is expressed by the adult literacy rate. ✓✓

Max : (4)

## (b) Low levels of productivity ✓✓

Levels of labour productivity in developing countries are extremely low compared with those in developed countries ✓✓

## (c) High population growth and dependency burdens ✓✓

- Population Growth. In developing countries, birth rates are very high and death rates are declining because of the growing availability of modern medicine.
- Dependency burden. Children under the age 15 make up almost 40 % of the population. People older than 65 years rely on their families for livelihood to the dependency burden. ✓✓

- (d) High levels of unemployment ✓✓
- Underemployment. People (both rural and urban) who are working less than they are capable of, for example, daily, weekly or seasonally.
  - Open unemployment. Those who are able and often eager to work but for whom no jobs available, and they are unable to create employment for themselves. ✓✓
- (e) Dependence on the primary sector ✓✓
- Most economies of LDCs are dependent on primary sector products (agriculture, fuel and minerals).
  - Many people in developing countries live and work in rural areas. ✓✓
- (f) Deficient infrastructure ✓✓
- Developing countries do not have an adequate infrastructure. Poor road and bridges, inadequate railways, little gas and electricity production, poor communication, unsatisfactory housing and meager educational and public health care facilities create an inhospitable environment ✓✓

(Any 4 x 4) (16)

**[50]****QUESTION 5****(LO4 CONTEMPORARY ECONOMIC ISSUES, AS1 – AS4)**

5.1 Answer the following questions appropriately:

5.1.1 GATT ✓✓

5.1.2 poverty ✓✓

5.1.3 socio ✓✓

5.1.4 local ✓✓

(4 x 2) (8)

5.1.5 List any THREE causes of poverty.

(3 x 2) (6)

- Unemployment ✓✓
- Inadequate infrastructure ✓✓
- Lack of resources ✓✓
- Lack of social infrastructure / education ✓✓
- Investment and debt ✓✓
- Lack of technological progress ✓✓
- Poor governance / government policies ✓✓
- Violence and war ✓✓
- Causes in differences in labour ownership: brains and brawn ✓✓  
Skills level ✓✓
- Causes of differences in capital resource ownership: luck ✓✓ inheritance ✓✓  
desire/ability to accumulate ✓✓
- Resettlements and urbanization ✓✓
- Diseases ✓✓
- Lack of opportunity to break the cycle of poverty ✓✓

(Any 3 X 2) (6)



- 5.2.1 Minister of Finance / Trevor Manuel ✓✓✓ (1 X 2) (2)
- 5.2.2 All major aspects of life must enjoy preference in spending the R15,1 billion allocated for upliftment of the country in total – everything must be in place to show tourists and soccer enthusiasts the beauty and splendour of our country ✓✓✓ (1 X 3) (3)
- 5.2.3 Stadiums built; transport infrastructure; policing; arts and culture; medical services; border control; broadcasting equipment; pharmaceuticals; entrepreneurship; overnight accommodation; tourism; (Any 3 x 3) (9)
- 5.2.4 Fighting crime ✓✓✓ and improvement of services ✓✓✓ (6)
- 5.3 Discuss the different approaches to sustainability (16)**

Sustainable development is about boosting and promoting economic growth, by using resources more efficiently and making sure that those resources are available for many years to come. Possible approaches achieving sustainable development are:

- 5.3.1 International agreements (Voluntary agreements) ✓✓

Environmental issues and problems are not limited to particular areas. Most environmental problems are worldwide issues and need global solutions. Pollution in Zimbabwe can affect South Africa, Mozambique and Botswana. It is important that countries address sustainable development jointly. The Rio Earth Summit and the Kyoto Protocols are agreements and meetings that were attended by many countries, and addressed issues such as global warming and pollution. ✓✓

- 5.3.2 Technological development ✓✓

Efforts should be made to develop new types of technology that create less pollution and waste. In order to promote sustainable development, there should be focus on cleaner and more environmentally friendly methods of production. By producing less waste and by recycling waste, companies will develop cleaner and more resource-efficient techniques, and also save money. ✓✓

- 5.3.3 Government intervention / Environmental taxes and subsidies /  
Environmental  
Management ✓✓

Environmental laws, pollution taxes and careful cost-benefits analysis are all tools to achieve environmental stability and sustainability development. If the government manages to discourage forms of economic growth that cause environmental degradation and damage, then we will reap the benefits. ✓✓

- 5.3.4 Careful use of available resources ✓✓

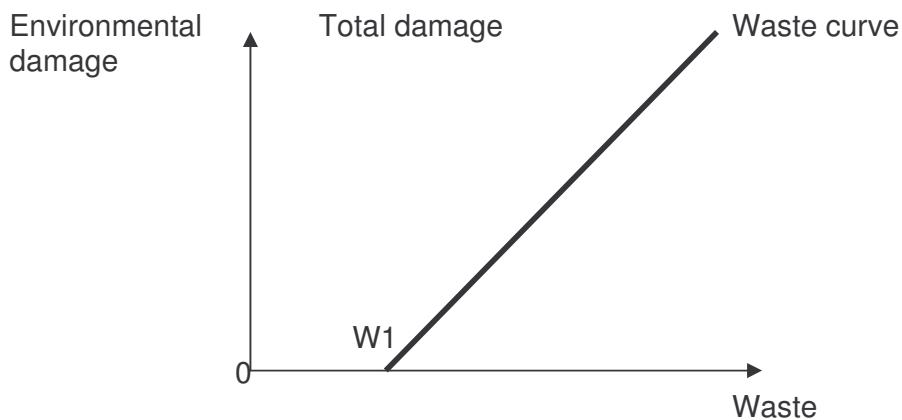
Non-renewable resources are those that exist fixed quantity and that are eventually going to be used up, for example, oil, coal, iron and gold. Methods of production should be developed that rely less and less on these non-renewable resources and more on things like solar power or hydro-electric power ✓✓

## 5.3.5 Education (Public opinion) ✓✓

People like to contribute towards protecting the environment; therefore, education can play a major role. If children and adults were made more aware of environmental issues and the consequences of their actions, then their consumption habits could change and more pressure would be put on enterprises to improve on the amounts of solid waste they dispose of or volumes of emission they create. ✓✓

## 5.3.6 Focus on externalities ✓✓

- If marginal social benefit exceeds social cost, people should do more; if marginal social cost exceeds marginal social benefit people should do less
- All other things being the same, environmental damage and waste grow beyond a certain point proportionally, given the slope of the waste curve
- If waste is less, waste curve (W1) will move to the right and if methods are found to handle waste effectively, the curve will have a flat slope ✓✓
- Graph:



## 5.3.7 Environmental Impact Assessments (EIAs) ✓✓

- N4 platinum toll freeway to link West Coast and East Coast
- Coega industrial development and Coega Harbour
- Underground natural gas pipeline from Mozambique's Temane and Pande gas fields to Secunda
- Support infrastructure within Great Limpopo Transfrontier Park
- Government's Poverty Relief Programme ✓✓

## 5.3.8 World Summit on Sustainable Development (WSSD) ✓✓

Johannesburg Summit and Rio Earth Summit held to launch partnerships, energy initiatives, water programmes and programmes for biodiversity and ecosystem management. ✓✓

## 5.3.9 Command and control systems (CAC) ✓✓

- Certain maximum levels for emissions
- Maximum use permitted
- Minimum acceptable levels of quality ✓✓

## 5.3.10 Education ✓✓

- Make children and adults more aware of environmental issues and consequences ✓✓

## 5.3.11 Extending private property rights ✓✓

- To prevent fauna and flora species from becoming extinct we should allow people to have property rights on them – can be preserved at little cost to taxpayers e.g. game ✓✓

(Any 4 x 4) (16)

**[50]**

## QUESTION 6

## 6.1 Answer the following questions appropriately:

6.1.1 interest ✓✓

6.1.2 inelastic ✓✓

6.1.3 per capita National Income ✓✓

6.1.4 Balance of Payment ✓✓

(4 x 2) (8)

6.1.5 Their supply is fixed

They are gifts of nature(No production cost)

They have to be transformed

They are exhaustible and destructible

(3 x 2) (6)

## 6.2 Study the following extract:

6.2.1 Street children from Cape Town ✓✓✓

6.2.2 Even if you are coming from a poor background and you have made many mistakes, you can still become a successful businessman ✓✓

There's many opportunities for everyone to become a success ✓✓

(Any relevant answer)

6.2.3 We need more entrepreneurs – they are the risk takers – they are creating work for many people. This will lead to a decrease in unemployment – creation of jobs – higher personal income and alleviation of poverty ✓✓✓

## 6.2.4

- Active participation at local level will ensure that public sector produces level and mix of public services that its citizens demand and that correspond with their preferences ✓✓
- Individuals have to use their constitutional right to vote for political party ✓✓
- Participate in official structures that are in place, such as councils, committees and forums ✓✓
- Make appeals through media, devil society organizations such as ratepayers association, petitions and authorized demonstrations and pickets ✓✓ (Any 3 X 2) (6)

## 6.2.5

- When rural areas lose their better-trained, stronger and more productive labour power ✓✓
- These people move to urban areas in search of employment and better income ✓✓
- Competition in urban areas so intense – does not earn enough to send money home – rural households increasingly impoverished ✓✓
- Urban areas grow in unplanned manner – unable to provide extra services – overcrowding – pollution – crime ✓✓ (Any 2 x 2) (4)

## 6.3 Analyse the infrastructure of South Africa and discuss its role in Southern Africa

## The infrastructure of South Africa

Physical infrastructure consists of a number of elements. The basic ones are transport, communication and energy. An adequate and reliable supply of power is vital ingredient for the economic development of countries in Africa.

## Communication ✓✓

South Africa has the largest and most developed communications networks in Africa. This includes the latest developments in fixed line, cordless, satellite and cellular technology. However access to telecommunication services remain a problem. The Communications Authority of South Africa (Icasa) has a mandate to encourage the supply of affordable telecommunication services to previously disadvantaged communities. ✓✓

## Transport ✓✓

South Africa has a modern and extensive transport infrastructure. Transnet is the main transport contractor in the country and is the holding company for a variety of companies. i.e.:

- Spoornet, which transports goods as well as passengers. Metro rail is responsible for the transportation of commuters in urban areas.

Portnet is responsible for the management of the harbours in Durban, ✓✓

- Cape Town, Port Elizabeth, East-London, Mossel Bay, Richards Bay and Saldanha Bay

SAA is the largest air transport contractor in the country, and the Airport Company of South Africa (ACSA) is responsible for large airports. ✓✓

### Energy ✓✓

The energy sector is indispensable to the South African economy. Although South Africa's GDP is the 26<sup>th</sup> largest in the world, it is the tenth highest in terms of the consumption of energy in the industrial sector. South Africa has large resources of coal which makes the generation of electricity in South Africa the largest. ✓✓  
(Any 10)

The role South Africa's infrastructure plays in Southern Africa

South Africa's transport system provides a bulk-trade link with the outside world for at least six land-locked countries (almost or entirely enclosed by land), namely Botswana, Lesotho, Swaziland, Zimbabwe and Malawi.. ✓✓

South Africa's railway network is the largest in Africa. South African ports handle a large share of the imports and exports of the Southern African countries. Eskom provides more than 50% of the electricity generated on the entire continent. It operates in 20 African countries. South Africa has the most advanced and reliable cable telephone system in all of Africa. More calls are made every day in South Africa than in the whole of Africa ✓✓

South Africa is far more developed in terms of infrastructure than the average country in Africa. However, in terms of:

- Electricity consumption, only Libya has a similar consumption
- Telephones, only Seychelles has a better ratio
- Personal computers, only Seychelles and Mauritius have better ratios
- Roads, only Botswana and Namibia have better ratios
- Railways, only Zimbabwe has a better figure( the latest data is for 1997 and at that time it used locomotives from South Africa)
- Air transport, Algeria and Morocco are second best. ✓✓

(Any 6)

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

Supply information on the characteristics of a **mixed economy**. Analyse its **efficiency** in terms of socio-economic services with regard to South Africa. (50)

**Introduction:**

1 The foundations of a mixed economy  
South Africa has an unusual economic history that still influences many social and economic characteristics. ✓✓✓ (3)

2 Characteristics of a mixed economy

- Consumers are free to decide what to consume ✓✓
- Production is left to privately-owned firms ✓✓
- The state's functions are limited to social and public services ✓✓
- There is limited intervention by government to control prices ✓✓
- The state applies both an efficient monetary policy and fiscal policy to ensure maximum economic growth with continued price stability. ✓✓
- There is a trend towards privatization. ✓✓
- **Motivation** : ✓✓

In the private sector of the mixed economy consumers and producers are assumed to be motivated by self-interest. ✓✓

**Ownership** : ✓✓

Consumers, producers and organizations own most of the factors of production. The state may, nevertheless, own a significant proportion. In South Africa, the state owns land and capital directly and through enterprises, such as Transnet, Telkom, the Post Office, Eskom, Denel and the SABC. ✓✓

**Competition** : ✓✓

In the private sector, competition is maintained and great variety of goods and services are produced. ✓✓

**State intervention** : ✓✓

Government interfere in order to realize social and welfare objectives and to improve the functioning of markets. ✓✓

Any (20)

### 3 An analysis of its efficiency in terms of socio-economic services in South Africa.

#### 3.1 Social services

- Total **social services** delivery include expenditure on housing, education, health services, social security and welfare etc There was a slightly higher increase than the increase in total budget expenditure of 9,5% since 1993 ✓✓✓.
- South Africa has a single **education** system, which is organized and managed by the national Department of Education. The system accommodated more than 11.7 million learners in schools, 448 868 university students and 216 499 technikon students in 2003. South Africa has one of the largest children of school-going age in comparison with other developing countries. ✓✓✓
- **Training.** During 2000, each of the 25 Setas submitted a sector skills plan to the Department of Labour, offering learnership programmes. These learnerships (apprenticeships) are vital in preparing a competent and productive workforce. ✓✓✓
- **Health.** The good health of people allows them to enjoy life and gives them energy to work and play. In South Africa healthcare involves the services of dentists, doctors, nurses, and other registered medical services such as optometrists, physiotherapists, psychologists and dieticians. Technicians and researchers are involved in all these medical services ✓✓✓
- **Social security.** In South Africa, in addition to the provision of social assistance, the Department of Social Development also manages a poverty relief programme (mainly food) in co-operation with the nine provinces. It also protects and promotes the rights of vulnerable groups such as children, older persons, women and people with disabilities. ✓✓✓
- **Housing.** In South Africa housing for the poor operates through the national Housing Department, provincial housing departments and municipalities. Since 1994, the government has provided 1489 510 formal dwelling houses to poor families. The housing subsidy scheme provides six funding options to all eligible people earning R3 500 per month or less. ✓✓✓
- **Protection services.** It consists of defence, police, prisons and justice services. Since 1997, violent crimes have increased at a greater rate than crime. This has resulted in a significant increase in the public's feeling of insecurity. As a consequence the private security industry has expanded significantly. ✓✓✓

### 3.2 Economic services.

The state's economic services create scope for macro-economic performance and to ensure delivery of collective economic services. In South Africa, expenditure on government's economic services increased from R18.3 million in 1993 to R49,4 million in 2005. giving an annual compounded rate of 8.6%. These funds were used to maintain the following department on all levels of government:

- Agriculture✓✓
- Communications✓✓
- Environmental affairs and tourism✓✓
- Labour✓✓
- Land affairs✓✓
- Mineral and energy, public works✓✓
- Trade and industry ✓✓
- Transport✓✓
- Water affairs and forestry✓✓

**TOTAL MARKS: 50**



**QUESTION 8**

**“Profit is related to the cost incurred by a business and the revenues that the business earns.”**

**Discuss the statement above.**

**[50]**

1. **Cost and Revenue :** ✓✓

Revenue is found by multiplying the price paid by the quantity sold. ✓✓

**The cost can be divided into two main types :**

**Fixed costs :** ✓✓ Are the cost that businesses have to pay whether they produce anything at all. ✓✓

These can include the set-up cost that have to be secured before trading begins.

Examples of fixed cost items : Premises, insurance cost, taxes, interest payable on loans. ✓✓

**Variable costs :** ✓✓ Are directly linked to the amount produced. ✓✓ Such costs could include wages for staff, the cost of raw materials, running costs like transport, communication and electricity. ✓✓

**Headings = 2**

**Definition = 2**

**Examples = 2**

**(Max 16)**

2. **Profits and Losses :** ✓✓

Profit or losses are calculated by subtracting the TC from TR. ✓✓

All businesses are keen of making profits. ✓✓

Businesses able to increase levels of profitability will expand, ✓✓

Pay their workers more. ✓✓

Gain greater market share. ✓✓

Give larger return to shareholders. ✓✓

All businesses seek to maximize profits. ✓✓

This will only occur when marginal revenue is equal to marginal costs. ✓✓

In our dynamic economic system this occurrence is not a given as demand and cost conditions change continuously. ✓✓

The extent of profits differs according to the market structure under which the firm operates. ✓✓

**Heading 2 + (Any other 5x2) /12/**

**3. Employing factors of production :**

When it comes to the hiring of factors of production, business are interested in the additional revenue that can be obtained from the additional product produced by the additional factors of production. (Marginal revenue product : MRP) This is compared with the additional cost (Marginal revenue cost : MRC) of the factor.

**The firm will act in one of the following manners :**

- 3.1 **MRP > MRC :** ✓✓ Common sense says that a firm will tend to buy a resource if the added benefit to the firm (MRP) exceeded the added cost. (MRC). ✓✓  
The added benefit is the value to the firm of the extra output that the resource produces. ✓✓
- 3.2 **MRC > MRP :** ✓✓ If reducing the amount of resource cuts costs by more than its cuts revenues, a firm can increase its profits by using less of the resource. ✓✓ This is the case of MRC exceeding MRP. ✓✓
- 3.3 **MRP = MRC :** ✓✓ It follows that if the firm has maximized profits, MRP must equal MRC. If the firm should increase resource use when MRP is less than MRC, then it is using just the right quantity when  $MRP = MRC$ . ✓✓

The quantity of the resource that a firm wants to buy depends in part on the extra revenue it can get from selling production that the resource adds. A resource is valuable not because it directly satisfy some goal, but because it can indirectly satisfy a goal.

**Headings : 2**  
**Explanations 1x2 : 2**

**3x4 /12/**

**SUB TOTAL : 40**

INTERPRETATION OF TOPIC	
0 MARKS	Candidate shows no understanding of topic and has shown no link between facts and topic
1 MARK	Candidate has shown some understanding of topic but has missed important aspects of topic
2 MARKS	Candidate has interpreted topic correctly but has not linked facts to topic
STRUCTURE OF ANSWER	
0 MARKS	Answer is poorly structured and illogical
1 MARK	Answer lacks introduction and conclusion although presentation of facts is logical
2 MARKS	Answer lacks an introduction or conclusion although presentation of facts is logical
3 MARKS	Answer is well structured with introduction, body and conclusion. Presentation of facts is however, illogical and no clear point is made.
1. 4 MARKS	Answer is well structured with introduction, body and conclusion. Presentation of facts is sometimes illogical but a clear point is made.
5 MARKS	Answer is well structured with clear introduction(3), body and conclusion(2). Facts are presented in logical way and clear point is made.

LANGUAGE USAGE	
0 MARKS	Language usage is very weak with completely inappropriate use of vocabulary and punctuation.
1 MARK	Language usage is fair with some inappropriate use of vocabulary and punctuation.
2 MARKS	Language usage is good. Answer is easy to read and well punctuated

(10)

**TOTAL MARKS: 50**

**QUESTION 9 (LO3 ECONOMIC PURSUITS, AS1)**

Discuss **wealth creation** as patterns of redistribution leading to economic growth and a high standard of living. (50)

## 1. Introduction

The degree of inequality in the distribution of wealth is generally much greater than that associated with the personal distribution of income. This implies that the distribution of income earned from wealth is much more unequal than the distribution of income earned from work. And it follows that an unequal distribution of wealth may be partly responsible for the high degree of inequality in the distribution of total income in South Africa. ✓✓✓

## 2. The process of wealth creation

Wealth is created by means of savings. Even if wealth is inherited, someone from a previous generation must have saved money for the purpose of buying the assets in question. Savings come from income. Income that is not consumed is saved. Explained in the Equation:  $Y = C - S$  ✓✓

Where; Y = income

C = consumption expenditure

S = economy ✓✓

Savings are added together (pooled or stockpiled) until sufficient funds (money) are accumulated to acquire a desired asset, e.g. a bicycle, furniture, shares, or a plot. Individuals receive income from their labour efforts and their wealth assets, businesses receive income from their sales and government receives income from its taxation. ✓✓

## 3. The role of South Africa with regard to infrastructure, Trade and competitiveness across borders in Africa.

When Africa is mentioned, most peoples' first thoughts are about war, poverty and corruption. If this is true even only to some extent, is there a role for South Africa to play? What are South Africa's credentials to play a role in Africa, and for that matter, elsewhere in the world?

## 3.1 Infrastructure

Physical infrastructure consists of a number of elements. The basic ones are transport, communication and energy. An adequate and reliable supply of power is vital ingredient for the economic development of countries in Africa ✓✓.

South Africa's transport system provides a bulk-trade link with the outside world for at least six land-locked countries (almost or entirely enclosed by land), namely Botswana, Lesotho, Swaziland, Zimbabwe and Malawi.. ✓✓

South Africa's railway network is the largest in Africa. South African ports handle a large share of the imports and exports of the Southern African countries. Eskom provides more than 50% of the electricity generated on the entire continent. It operates in 20 African countries. South Africa has the most advanced and reliable cable telephone system in all of Africa. ✓✓✓✓

### 3.2 Trade

South Africa's trade with southern countries exceeds the total trade between the southern African countries. After years of negotiation, the SADAC countries reached a final trade agreement, which will abolish import tariffs within the region over a period of 12 years, starting in September 2000, in order to promote free trade among the countries comprising the SADAC. In terms of the Southern African Customs Union's (SACU), which comprises Botswana, Lesotho, Namibia, South Africa and Swaziland; trade with the SADC region. Zimbabwe is the most important trading partner. In 1998 SACU's exports to Zimbabwe amounted to 34.6% of total exports to SADC countries, followed by Mozambique (16.4%), Zambia (13.4%), Malawi (7.6%) , Tanzania(7,0%) , the DRC(6,7%) ect. ✓✓✓✓

Major export goods from African countries are commodities,ie primary sector goods: forest products, petroleum, copper ,iron, phosphates, cocoa, cotton, groundnuts, oil palm products, sisal, tea, sugar, tobacco meat and a small amount of manufactured goods. ✓✓

Major imports are: food items, non-food consumer goods, fuel, primary intermediates goods, manufactured goods and capital goods. ✓

### 3.3 Competitiveness

Since 1998, the International Institute for Management Development (IMD) has published a World Competitiveness Year Book annually. It compares the competitiveness of countries according to certain criteria, such as

- Internationalization - extent to which the country participates in the international trade and investment. ✓✓
- Government – nature of government policies, especially the way in which these policies help or hinder competitiveness✓✓
- Infrastructure – degree in which systems meet basic needs of business
- Management – how well firms are managed✓✓
- Science and technology – amount of research and how successfully it is applied. ✓✓
- Availability and skills of human resources. ✓✓

South Africa increased its position from 30 to 27 in terms of government efficiency.

Although only third in terms of competitiveness, South Africa scores best in techno-

logical progress. This shows our ability to compete in global markets.

Areas where South Africa should improve are crime, public-health issues, expenditure on research and development as a percentage of GDP, the cost of telephone service.✓✓

## 4. Conclusion ✓✓✓

South Africa is regarded as the regional giant in Southern Africa. With a GDP almost four times that of other 13 countries combined, South Africa's presence makes a big difference in the region. South Africa Has a well-developed railway and road networks, modern financial structures, communication and information systems, and is economically independent. It supplies more than 80% of the inter-regional imports. It has the greatest prospect to arrange economic integration.

INTERPRETATION OF TOPIC	
0 MARKS	Candidate shows no understanding of topic and has shown no link between facts and topic
1 MARK	Candidate has shown some understanding of topic but has missed important aspects of topic
2 MARKS	Candidate has interpreted topic correctly but has not linked facts to topic
STRUCTURE OF ANSWER	
0 MARKS	Answer is poorly structured and illogical
1 MARK	Answer lacks introduction and conclusion although presentation of facts is logical
2 MARKS	Answer lacks an introduction or conclusion although presentation of facts is logical
3 MARKS	Answer is well structured with introduction, body and conclusion. Presentation of facts is however, illogical and no clear point is made.
1. 4 MARKS	Answer is well structured with introduction, body and conclusion. Presentation of facts is sometimes illogical but a clear point is made.
5 MARKS	Answer is well structured with clear introduction(3), body and conclusion(2). Facts are presented in logical way and clear point is made.

LANGUAGE USAGE	
0 MARKS	Language usage is very weak with completely inappropriate use of vocabulary and punctuation.
1 MARK	Language usage is fair with some inappropriate use of vocabulary and punctuation.
2 MARKS	Language usage is good. Answer is easy to read and well punctuated

(10)

**TOTAL MARKS: 50**

**QUESTION 10 (LO4 CONTEMPORARY ECONOMIC ISSUES, AS2)**

Explain globalisation as a phenomenon and debate the consequences of globalisation (50)

## 1 Introduction

## 1.1 Definition of globalisation

Globalisation is defined as a process by which the economies of the world become increasingly integrated, leading to a global economy and global economic policymaking, through international agencies such as the World Trade Organisation.

*During the 1990's, the world economies started to integrate a great deal more. Trade between various countries increased, capital markets came into existence even in developing countries and tourism and migration increased in some places. New technologies linked even the most remote areas in the world. ✓✓✓ (3)*

## 1.2 The consequences of globalisation

Globalisation presents business with exiting opportunities because the world becomes their market, and not only the domestic economy. Successful South African companies can now do business throughout the world and can become true global players. However, Globalisation also presents some serious threats to life, as we know it. ✓✓

Here are the Advantages (pros) and disadvantages (cons) of globalisation **(Debate)**

What is bad about Globalisation?	What is good about globalisation?
<ul style="list-style-type: none"> <li>• <b>Lack of accountability</b> ✓✓</li> </ul> <p>Multinational companies instead of independent governments are responsible for decisions about where to set up factories, where to close them, which countries to invest in and they will treat workers ✓✓</p>	<ul style="list-style-type: none"> <li>• <b>Increased Trade</b> ✓✓</li> </ul> <p>Consumers and producer are given a wider choice of low-cost goods. ✓✓</p>
<ul style="list-style-type: none"> <li>• <b>What about the poor?</b> ✓✓</li> </ul> <p>The world's poorest have yet to see much benefit from globalisation, and some people argue that it makes their position worse. ✓✓</p>	<p>Large and rapid increase in <b>capital and private investment</b> ✓✓</p> <p>Countries have been able to accelerate the pace of their development beyond what they could otherwise have achieved. ✓✓</p>
<ul style="list-style-type: none"> <li>• <b>Cultural loss and 'sameness'</b> ✓✓</li> </ul> <p>The presence of global brands and the sophisticated advertising used to sell them makes every street start to look the same ✓✓</p>	<ul style="list-style-type: none"> <li>• <b>Improves lives of many</b> ✓✓</li> </ul> <p>Benefits can trickle down from investment area to improve the lives of many ✓✓</p>
<ul style="list-style-type: none"> <li>• <b>Increased competition</b> can pressure on people, and can create 'losers' ✓✓</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Foreign investment</b> ✓✓</li> </ul> <p>Foreign investment in a country can help government raise money for health care, education, etc. ✓✓</p>
	<ul style="list-style-type: none"> <li>• <b>Easier access to international capital markets.</b> ✓✓</li> </ul>
	<ul style="list-style-type: none"> <li>• Exposure to <b>new ideas, technology and products</b> ✓✓</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Increased competition</b> creates winners as well as losers ✓✓</li> </ul>

a) The structure of economies ✓✓

Globalisation has had an impact on the structure of countries' economies. It has changed the proportions, which the different sectors contribute to GDP. ✓✓

b) Economic growth ✓✓

There was a decade of an increased wealth. The world's total economy grew, benefiting from new technology, and the liberalisation and growth of trade. Although South Africa extended its trade ties in the international economy when the forces of globalisation were becoming more prominent, globalisation in itself had a positive impact on the country's economy. ✓✓



**c) Changing patterns of trade ✓✓**

Between 1981 and 2001 the volume of world trade grew double to the world GDP. Countries in the South took lead in the process by exporting more, and their dependence on export has grown continuously. ✓✓

**d) Changes in employment conditions ✓✓**

Some of South Africa's MNE have the potential to create a large number of jobs all over the world. It is estimated that they employ between 17 and 26 million people in such jobs ✓✓.

**e) Environmental decay ✓✓**

There is a growing concern that globalization is damaging the planet. The state of our environment is continuously declining and various renewal recourses, such as fresh water, forests, plants and animal species are being exhausted. The consumption patterns of richer countries are the main source of environmental destruction and leads to global warnings. ✓✓

**f) Labour ✓✓**

The number of people moving from one country or international region to another is increasing every year. In the mid 1990s, about 125 million people lived outside their country of birth or citizenship. They account for 2% of the world's population. ✓✓

**g) Cultural change ✓✓**

The availability of some consumer goods, such as soft drinks, hamburgers and music, are visible signs of globalisation. Producers such as Nike and Sony promote a lifestyle that flow from rich countries to poor countries. The dominance of the English language is another example of globalisation. This is leading to one global culture. ✓✓

**Except ANY other relevant facts. Max : (35)**

### Conclusion

Globalisation holds potential advantages for developing countries; there are more advantages than disadvantages. The performance of economies and the standard of living of their citizens depend on how economies take advantage of the functional integration of economic activities and international networking. It also depends on how they exploit the advantages brought about by regionalisation and how they use the global (national and regional) key structure elements to grow their share in international trade. Globalisation, therefore, is the worldwide interfacing and interaction of economies with trade as an important element. ✓✓ (2)

INTERPRETATION OF TOPIC	
0 MARKS	Candidate shows no understanding of topic and has shown no link between facts and topic
1 MARK	Candidate has shown some understanding of topic but has missed important aspects of topic
2 MARKS	Candidate has interpreted topic correctly but has not linked facts to topic
STRUCTURE OF ANSWER	
0 MARKS	Answer is poorly structured and illogical
1 MARK	Answer lacks introduction and conclusion although presentation of facts is logical
2 MARKS	Answer lacks an introduction or conclusion although presentation of facts is logical
3 MARKS	Answer is well structured with introduction, body and conclusion. Presentation of facts is however, illogical and no clear point is made.
1. 4 MARKS	Answer is well structured with introduction, body and conclusion. Presentation of facts is sometimes illogical but a clear point is made.
5 MARKS	Answer is well structured with clear introduction(3), body and conclusion(2). Facts are presented in logical way and clear point is made.

LANGUAGE USAGE	
0 MARKS	Language usage is very weak with completely inappropriate use of vocabulary and punctuation.
1 MARK	Language usage is fair with some inappropriate use of vocabulary and punctuation.
2 MARKS	Language usage is good. Answer is easy to read and well punctuated

(10)

**TOTAL MARKS (50)**

**GRAND TOTAL: 300**