



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2016**

**ECONOMICS P1**

**MARKS: 150**

**TIME: 2 hours**



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This question paper consists of 12 pages.

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**INSTRUCTIONS AND INFORMATION**

1. Answer FOUR questions as follows:

SECTION A: COMPULSORY

SECTION B: Answer any TWO of the three questions.

SECTION C: Answer only ONE question.

2. Number the answers correctly according to the numbering system used in this question paper.
3. Write the question number above each answer.
4. Read the questions carefully and start EACH question on a NEW page.
5. Leave 2–3 lines between subsections of questions.
6. Answer questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive levels of the questions.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. You may use a non-programmable pocket calculator.
10. Write neatly and legibly.

**SECTION A (COMPULSORY)****QUESTION 1****30 MARKS – 15 MINUTES**

1.1 Various possible options are provided as answers to the following questions. Choose the answer and write only the letter (A to C) next to the question number (1.1.1 to 1.1.8) in the ANSWER BOOK, for e.g. 1.1.9 C.

1.1.1 The remuneration of mineral rights is ...

- A profit.
- B royalties.
- C rent.

1.1.2 The value of the final output produced by the citizens of a country irrespective of where they are located is the ...

- A gross domestic product.
- B gross national product.
- C gross national income.

1.1.3 Which of the following is the feature of a free-market economy?

- A Innovation
- B Motivation
- C Choice

1.1.4 The secondary sector in SA, according to national accounts, comprises of the ... industry.

- A electricity
- B transport
- C mining

1.1.5 The state's wealth includes unspent money balances such as ...

- A investment.
- B roads.
- C bank deposits.

1.1.6 Purpose-built industrial estates in SA, which are exempt from import duties, are known as the ...

- A SDI.
- B MDG.
- C IDZ.

1.1.7 The price a borrower has to pay to enjoy the use of cash which they do not own:

- A Repo rate
- B Interest rate
- C Prime rate

1.1.8 The exchange rate with foreign currencies is similar for all members of the union:

- A Free trade area
- B Customs union
- C Monetary union

(8 × 2) (16)

1.2 Choose the correct description from COLUMN B that matches an item in COLUMN A. Write only the letter (A to I) next to the question number (1.2.1 to 1.2.8) in the ANSWER BOOK, for e.g. 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Economic rent	A	Services such as transport and communication
1.2.2	Non-durable goods	B	Payment made for the use of factor of production which is limited in supply
1.2.3	Economic system	C	Wealth passed on from one generation to the next
1.2.4	Infrastructure	D	Are consumed or destroyed in process of being used
1.2.5	Inheritance	E	The percentage of people living on an income which is less than the poverty line income
1.2.6	Headcount	F	Is a mechanism for tackling the problem of scarcity and choice
1.2.7	Exchange value	G	Covering risks relating to goods and services
1.2.8	Economic freedom	H	Refers to what money can buy
		I	Individuals are free to perform their professions and trade without state intervention

(8 × 1) (8)

1.3 Identify the concept described in each of the following statements. Write ONLY the term next to the question number (1.3.1 to 1.3.6) in the ANSWER BOOK.

1.3.1 Outputs that is used as inputs by other enterprises

1.3.2 Deals with the behaviour and decision of the whole economy

1.3.3 Expenditure on foreign goods that has to be subtracted from GDP

1.3.4 The health function, to provide basic health services to the community as a whole

1.3.5 Are scarce resources that people are willing to pay for

1.3.6 Occurs when the capital stock grows at the same rate as the labour force (6 × 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

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

**QUESTION 2: MACROECONOMICS****40 MARKS – 20 MINUTES**

2.1 Answer the following questions:

2.1.1 List TWO methods of determining the GDP. (2 × 1) (2)

2.1.2 Why is it important for government to use the procurement system? (1 × 2) (2)

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



2.2.1 Name the industry of the primary sector presented in the above picture. (2)

2.2.2 Highlight the relationship between primary sector and secondary sector. (2)

2.2.3 In your own opinion, explain the cause of selling unfinished furniture. (2)

2.2.4 Why is the contribution to GDP important in the primary sector? (4)

## 2.3 DATA RESPONSE

Study the cartoon given below and answer the questions that follow.

### FINAL CONSUMPTION EXPENDITURE

ITEMS	2013	2014
Households	1,8	0,8
General government	0,7	0,4
Gross fixed capital formation	1,5	-0,1
Change in inventories	-1,2	-0,1
Net exports	0,7	0,9
Residual	-1,3	-0,4
<b>Gross domestic expenditure</b>	<b>(A) 2.3.4</b>	<b>1,5</b>

[Source: SARB Quarterly Bulletin March 2015]

- 2.3.1 Explain the term *final consumption expenditure*. (2)
- 2.3.2 Provide a letter that normally denotes *Gross capital formation*. (2)
- 2.3.3 Why is it important for the economy to use GDP? (2)
- 2.3.4 Calculate the GDE in the above table labelled **(A)**. **Show your calculations.** (4)
- 2.4 Explain how the natural resources enrich our lives. (4 × 2) (8)
- 2.5 How important is transport infrastructure in the economy? (4 × 2) (8)
- [40]**

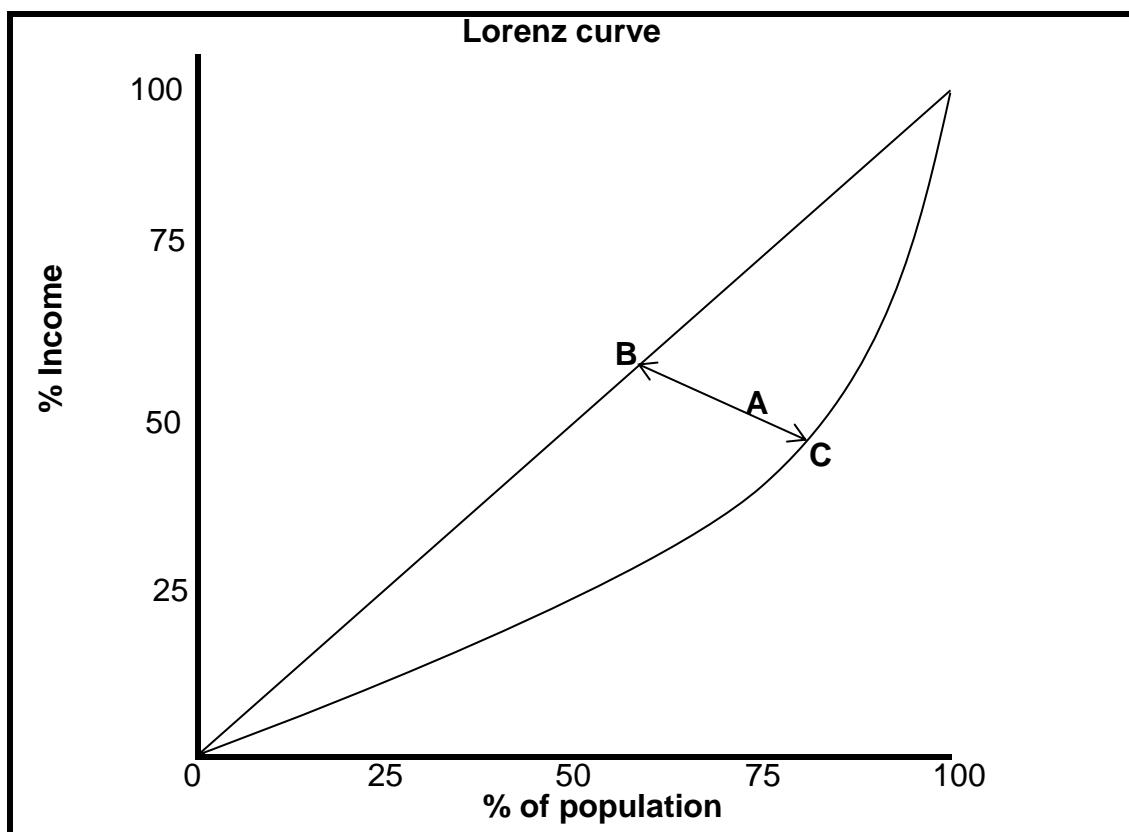
**QUESTION 3: ECONOMIC PURSUIT****40 MARKS – 20 MINUTES**

3.1 Answer the following questions:

3.1.1 Name TWO sources of measuring inequality. (2 × 1) (2)

3.1.2 Why is money used as a unit of account? (1 × 2) (2)

3.2 Study the graph below and answer the questions that follow.



3.2.1 Name the curve that represents the *Lorenz curve*. (2)

3.2.2 Explain the term *Lorenz curve*. (2)

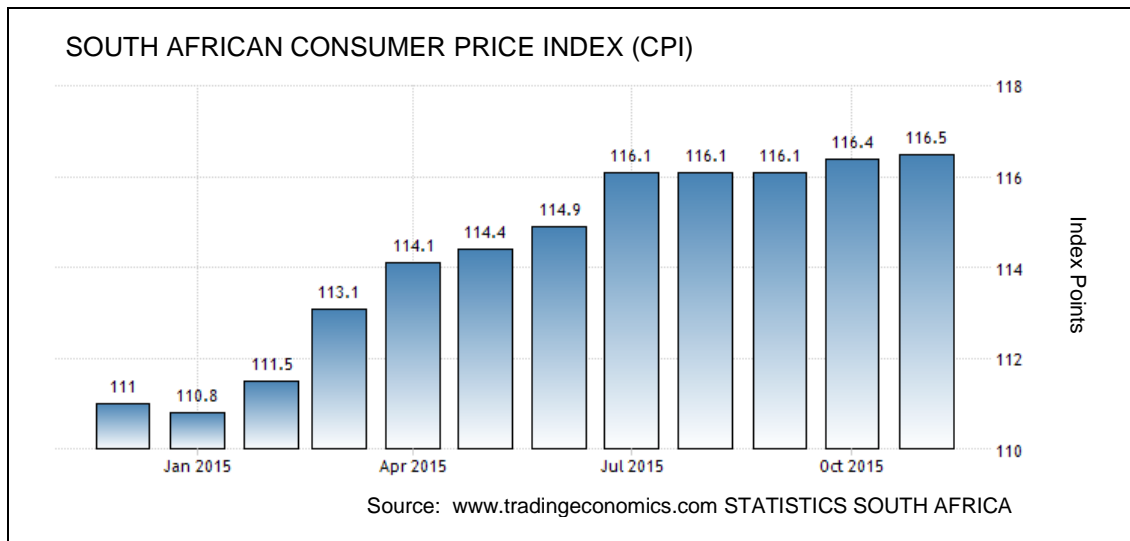
3.2.3 What happens when the *Lorenz curve* is away from the line of equality? (2)

3.2.4 Why is income and wealth in a country such as South Africa so unequally distributed? (4)



### 3.3 DATA RESPONSE

Study the bar graph below and answer the questions that follow.



[Source:]

- 3.3.1 Explain the term *Consumer Price Index (CPI)*. (2)
- 3.3.2 Name the institution that uses CPI to measure headline inflation. (2)
- 3.3.3 According to the table, when is the CPI published? (2)
- 3.3.4 Briefly explain how CPI is calculated. (4)
- 3.4 Explain *low life expectancy* and *lack of education* as the characteristics of developing country. (2 × 4) (8)
- 3.5 Briefly explain the kinds of *economically marginalised groups*. (4 × 2) (8)

**[40]**

**QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUIT**  
**40 MARKS – 20 MINUTES**

4.1 Answer the following questions:

4.1.1 List any TWO forces that determine interest rates. (2 × 1) (2)

4.1.2 Explain the term *real wage*. (1 × 2) (2)

4.2 Study the extract below and answer the questions that follow.

**National water week: Water for people, Water by People**



The Minister of Water and Sanitation, officially launched National Water Week under the theme '*Water for People, Water by People*', serves as a campaign mechanism of the Department of Water and sanitation. Water week is aimed at re- emphasising the importance of water, the scarcity of this resource and the need to manage the resource in a sustainable way that appreciates its role in eradicating poverty and underdevelopment. 'Water week 2016' is held as the country faces the most severe drought which has affected parts of our country, leaving many households without access to water and causing devastation to crop producers and livestock farmers, in' particular. As the result of drought, many South Africans have come forth with various drought mitigation proposals and have begun to engage government on the need to partner in programs aimed at conserving water and managing this scarce resource efficiently.

[Adapted from P.E. express 16 March 2016]

4.2.1 What factor of production is represented in the above extract? (2)

4.2.2 Who is the **current** Minister of Water and Sanitation? (2)

4.2.3 What was the aim of the 2016 Water Week? (2)

4.2.4 How is the South African economy affected by drought? (4)

4.3 Study the extract below and answer the questions that follow.

**Foreign trade and payments**

The pickup in global demand alongside elevated international commodity prices boosted South African producers 'exports earnings' and brought about a steady widening of the surplus on the trade account of the balance of payments.

In the first half of 2011, imports rose stronger than exports, resulting in smaller trade surpluses in the first and second quarters. These developments, and also a moderate increase in the shortfall on the services, income and current transfer account of the balance of payments, gave rise to the current account deficit going from 1% of GDP in the fourth quarter of 2010 to 3,1% and 3,3% respectively in the first and second quarter of 2011.

[Adapted from: S.A. Yearbook 2011/2012]

- 4.3.1 Explain the term *foreign trade*. (2)
- 4.3.2 Where is the country's trade with other countries recorded? (2)
- 4.3.3 What does the balance show on the current account? (2)
- 4.3.4 How do most countries balance the *deficit* on the balance of payments? (2 × 2) (4)
- 4.4 Briefly explain *improving efficiency* and *creating new wealth* as importance of an entrepreneur. (4 × 2) (8)
- 4.5 How is income redistributed in SA? (4 × 2) (8)

**[40]**

**TOTAL SECTION B: 80**

**SECTION C**

Answer ONE of the two questions from this SECTION in the ANSWER BOOK.

**MARK ALLOCATION FOR ESSAY RESPONSES**

<b>STRUCTURE OF THE ESSAY:</b>	<b>MARK ALLOCATION:</b>
<b>Introduction</b>	Max. 2
<b>Body</b>	
<b>Main part:</b> Discuss / Distinguish / Differentiate / Explain / Analyse / Evaluate / Assess	Max. 26
<b>Additional part:</b> Use / Draw / Sketch a graph / diagram ... / Deduce ... / Outline / Briefly explain / Expand on ... / Your own opinion	Max. 10
<b>Conclusion</b>	
Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body</li> <li>• An opinion or valued judgment on the facts discussed</li> <li>• Additional support information to strengthen the discussion / analysis</li> <li>• A contradictory viewpoint with motivation, if so required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5: MACROECONOMICS****40 MARKS – 40 MINUTES**

*South Africa has made a choice of a mixed economic system merging the advantages of both market and centrally planned economic systems into one.*

- Briefly discuss the advantages of mixed economy. (26 marks)
- Why is the South African economy considered a mixed economy? (10 marks) **[40]**

**QUESTION 6: ECONOMIC PURSUIT****40 MARKS – 40 MINUTES**

*In South Africa many smaller banks have gone out of business in the past few years. These failures can be attributed to typical risks of banking together with mismanagement.*

- Discuss the various reasons for their failure related to bank risks. (26 marks)
- How do depositors and shareholders suffer when banks fail? (10 marks) **[40]**

**TOTAL SECTION C: 40**  
**GRAND TOTAL: 150**