



Province of the  
**EASTERN CAPE**  
EDUCATION

# **NATIONAL SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2011**

**ECONOMICS  
MEMORANDUM**

**MARKS: 300**

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This memorandum consists of 16 pages.

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**SECTION A (Compulsory)****QUESTION 1 (LO1 – LO4)**

1.1

LO1	1.1.1	A✓✓	Land		
	1.1.2	A✓✓	Intermediate goods		
	1.1.3	B✓✓	Spoornet		
LO2	1.1.4	A✓✓	inverse		
	1.1.5	B✓✓	Normal profit		
	1.1.6	C✓✓	Utility		
LO3	1.1.7	A✓✓	Black Economic Empowerment		
	1.1.8	B✓✓	3% - 6%.		
	1.1.9	B✓✓	A common market		
LO4	1.1.10	C✓✓	Reconstruction and Development Programme.		
	1.1.11	C✓✓	World Trade Organisation		
	1.1.12	C✓✓	Johannesburg.	(12x2)	(24)

1.2	1.2.1	Setas✓✓			
	1.2.2	Sasol✓✓			
	1.2.3	Marginal Revenue✓✓			
	1.2.4	Credit Cards✓✓			
	1.2.5	Absolute poverty✓✓		(5x2)	(10)

1.3	1.3.1	F✓✓	People between the ages of 15 and 65		
	1.3.2	J✓✓	Consumers have little or no choice		
	1.3.3	E✓✓	A very good example for a perfect market		
	1.3.4	H✓✓	Explains the changes in the price of one product and the resulting change in the demand for another one		
	1.3.5	A✓✓	The relationship between input and output		
	1.3.6	B✓✓	Buying and selling of government securities in the open market		
	1.3.7	D✓✓	Disadvantaged when compared to others in the community		
	1.3.8	C✓✓	Trade is the most important feature	(8x2)	(16)

**TOTAL SECTION A: 50**



2.6 **Road transport** ✓

- RSA has a modern road transport system ✓✓
- Private motor vehicles are the most important form of road transport ✓✓
- Minibus taxis also provide transport to nearly half of the population ✓✓

**Rail transport** ✓

- Spoornet manages the national rail transport ✓✓
- RSA's rail transport is the largest in Africa ✓✓
- Spoornet provides rail transport for goods, containers and passengers ✓✓

**Ports and marine transport** ✓

- SA has 6 major ports – Durban, Richards Bay, EL, PE, Table Bay and Saldanha Bay ✓✓
- Portnet manages all harbours ✓✓
- SA does not have a seafleet, but a large, privately owned commercial fleet ✓✓

**Air transport** ✓

- SAA is South Africa's national air carrier. ✓✓
  - SAA is the biggest airline in Africa. ✓✓
- [(Any 2) (2x2)xMax 4] (8)  
**[50]**

**QUESTION 3 (LO2)**

- 3.1    3.1.1    Micro ✓✓  
        3.1.2    fixed ✓✓  
        3.1.3    marginal ✓✓  
        3.1.4    monopoly ✓✓ (4x2) (8)
- 3.2    •    Many producers ✓✓  
        •    Many consumers ✓✓  
        •    Full knowledge ✓✓  
        •    Free entry and exit ✓✓  
        •    Homogenous products ✓✓ (Any 3x2) (6)
- 3.3    3.3.1    Responsiveness of quantity demanded to changes in price ✓✓ (2)
- 3.3.2    GRAPH A – Elastic demand/Relative elastic demand ✓✓  
                GRAPH B – Inelastic demand/Relative inelastic demand ✓✓ (4)
- 3.3.3    **Graph A** – A % change in the price leads to a greater % change in the quantity demanded. ✓✓  
                **Graph B** – A % change in the price leads to a smaller % change in the quantity demanded. ✓✓ (4)

3.4 3.4.1 **Short-run**

A period of time during which at least one of the inputs is fixed./

A period in which the business can increase output by only increasing variable factors. ✓✓✓

**Long-run**

A period in which all inputs are variable/

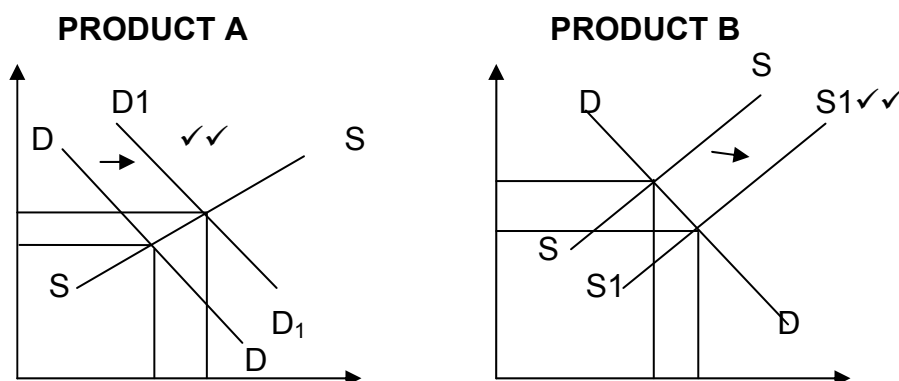
A period in which output can be increased by increasing both variable and fixed factors. ✓✓✓

(2x3) (6)

3.4.2 The cost to produce an additional unit of a good or service. ✓✓ (2)

3.4.3 Variable factors/Labour/Workers/Working hours/Materials and ink/Raw materials ✓✓ (Any 1x2) (2)

- 3.5
- These are goods that are jointly supplied. ✓✓
  - An increase in demand for Product A will lead to an increase in the supply of Product B ✓✓
  - An increase in the supply of Product B will lead to a decrease in the price of Product B. ✓✓ (Any 2x2)



(Credit 2 marks each for the correct movement of curves) (2x2) (8)

3.6 **Economies of scale**

Occur if costs per unit of output fall as the scale of production increases. ✓✓

The average total cost of production decreases as business expands. ✓✓

Specialisation, advanced technology, organisational improvements, etc. can lead to economies of scale. ✓✓

**Diseconomies of scale**

Occur when unit costs rise as output increases. ✓✓

Does not last forever. ✓✓

(Any 4x2) (8)

**[50]**

**QUESTION 4 (LO3)**

- 4.1 4.1.1 land restitution ✓✓  
 4.1.2 growth ✓✓  
 4.1.3 marginalised ✓✓  
 4.1.4 NEPAD ✓✓ (4x2) (8)
- 4.2 • To strengthen the functioning of the markets. ✓✓  
 • To promote economic growth and development. ✓✓  
 • To ensure the redistribution of income and wealth. ✓✓ (3x2) (6)
- 4.3 4.3.1 Lorenz curve ✓✓ (2)  
 4.3.2 Gini coefficient ✓✓ (2)  
 4.3.3 • Unequal holdings of wealth. ✓✓  
 • Differences in the composition of households. ✓✓  
 • Differences in skills and qualifications. ✓✓  
 • Discrimination ✓✓ (Any 3x2) (6)
- 4.4 4.4.1 Small Enterprise Foundation ✓✓ (2)  
 4.4.2 • High interest rate ✓✓  
 • Use of cruel methods of collecting debt ✓✓ (Any 1x2) (2)  
 4.4.3 Micro Finance Regulatory Council/MFRC ✓✓ (2)  
 4.4.4 • To promote the sustainable growth of the money-lending industry. ✓✓  
 • To serve the legitimate needs of borrowers. ✓✓  
 • To ensure that consumer rights are protected. ✓✓ (Any 2x2) (4)
- 4.5 • It was established to make member countries less dependent on South Africa. ✓✓  
 • In 1992 its name was changed to the SADC. ✓✓  
 • There are 14 member countries in SADC. ✓✓  
 • Goals of SADC are:  
 ○ To achieve development and growth, alleviate poverty, to improve the standard of living of the people. ✓✓  
 ○ To increase employment and the utilisation of resources in the region. ✓✓  
 ○ Sustainable utilisation of resources and effective protection of the environment. ✓✓ (Any 4x2) (8)

- 4.6
- These are the decisions made by SARB. ✓✓
  - The aim is to influence the rate of interest to control the supply of money in the economy. ✓✓
  - This is to achieve:
    - economic growth ✓,
    - full employment ✓,
    - price stability ✓ and
    - exchange rate stability ✓.
  - SARB applies monetary policies in terms of inflation targets. ✓✓
  - SARB uses:
    - interest rates ✓,
    - open market transactions ✓
    - moral persuasion ✓ as instruments of monetary policy. (Max 8) (8)
- [50]**

### QUESTION 5 (LO4)

- 5.1
- 5.1.1 rural ✓✓
- 5.1.2 North-South ✓✓
- 5.1.3 recycling ✓✓
- 5.1.4 absolute ✓✓ (4x2) (8)
- 5.2
- Unemployment ✓✓
  - Inadequate infrastructure ✓✓
  - Lack of resources ✓✓
  - Lack of social infrastructure ✓✓
  - Lack of investment and debt ✓✓
  - Lack of technological progress ✓✓
  - Poor governance ✓✓
  - Violence and war ✓✓ (Any 3x2) (6)
- 5.3
- 5.3.1 Reduction of barriers between countries with trade as its main objective ✓✓ (2)
- 5.3.2
- Distance and national borders no longer matter ✓✓
  - Easier access to customers across the globe ✓✓
  - Nation state and geography are no longer relevant for economic purposes ✓✓ (Any 1x2) (2)
- 5.3.3
- Improvement in information technology ✓✓
  - New production process ✓✓
  - Development in transportation and communication ✓✓ (Any 2x2) (4)
- 5.3.4 Removal of restrictions like tariffs and quotas. ✓✓ (2)

- 5.4 5.4.1
- Growing demand for food ✓✓
  - Fresh water ✓✓
  - Timber ✓✓
  - Fibre ✓✓
  - Fuel ✓✓ (Any 2x2) (4)
- 5.4.2
- Reducing consumption of resources ✓✓
  - Protecting resources from pollution ✓✓
  - Reusing or recycling resources ✓✓
  - Fully protecting or preserving resources ✓✓ (Any 2x2) (4)
- 5.4.3
- Air pollution ✓✓
  - Water pollution ✓✓
  - Land pollution ✓✓
  - Noise pollution ✓✓ (Any 1x2) (2)
- 5.5
- Refers to families and countries remaining poor, generation after generation. ✓✓
  - Communities are trapped in poverty they do not have money for education or health services ✓✓
  - Inferior public education, health care, social and economic services will also aggravate the problem. ✓✓
  - More and more people are forced into subsistence ways of living. ✓✓
  - Subsistence living can also be hampered by natural disasters. ✓✓
  - The poverty trap involves a vicious circle in which poverty and underdevelopment breed more poverty and underdevelopment. ✓✓
  - It is very difficult for the poor communities and economies to break from the circle of poverty. ✓✓ (Any 4x2) (8)
- 5.6
- Globalisation has created opportunities for export oriented industries in many developing countries. ✓✓
  - Foreign capital is used in the development of infrastructure. ✓✓
  - Many entrepreneurs could get investment resources that are not available locally. ✓✓
  - Countries like China and India have increased their trade and GDP. ✓✓
  - There is an increase in wages and reduction in poverty. ✓✓ (Any 4x2) (8)



**QUESTION 6 (LO 1 AND LO2)**

- 6.1 6.1.1 profit ✓✓  
 6.1.2 tertiary ✓✓  
 6.1.3 takers ✓✓  
 6.1.4 inelastic ✓✓ (4x2) (8)
- 6.2 • Discrimination ✓✓  
 • Handicapped persons ✓✓  
 • Ignorance and inexperience ✓✓  
 • Misplaced people/Refugees ✓✓ (Any 3x2) (6)
- 6.3 6.3.1 The economy is reaching maturity/becoming more advanced ✓✓ (2)  
 6.3.2 9,1% ✓✓ (2)  
 6.3.3 Mining ✓✓ (2)  
 6.3.4 • Contributes to GDP/Economic growth ✓✓  
 • Creates employment ✓✓  
 • Earns export income/foreign exchange ✓✓ (Any 2x2) (4)
- 6.4 6.4.1 GNI per capita/GNI ÷ population ✓✓ (2)  
 6.4.2 Zimbabwe ✓✓ (2)  
 6.4.3 • Low per capita income ✓✓  
 • Low levels of production ✓✓  
 • Unequal distribution of income ✓✓  
 • Poverty ✓✓  
 • Low life expectancy ✓✓  
 • Low levels of education ✓✓ (Any 2x2) (4)  
 6.4.4 Ghana ✓✓ (2)
- 6.5 • High income earners are taxed at a higher rate (progressive) ✓✓  
 • The income from the taxation is used to provide benefits to poor people. ✓✓  
 • PAYE is used in South Africa as a method of redistributing wealth. ✓✓  
 • Wealth taxes – Properties are taxed annually. ✓✓  
 • CGT is levied on gains earned on the sale of capital goods. ✓✓  
 • Transfer duties and taxes on securities are also levied. ✓✓  
 • Estate duties are levied on the estates of deceased persons ✓✓ (Any 4x2) (8)
- 6.6 **Ownership**  
 • All factors of production are owned by the state ✓✓  
 • Labour is owned by people, but directed by the state. ✓✓  
 • There is no ownership of private property. ✓✓ (Any 2x2)(4)
- 6.6 **Planning**  
 • Resources are allocated through a planning process. ✓✓  
 • State directs labour into jobs and consumers on what to consume. ✓✓  
 • State also directs producers on what to produce. ✓✓ (Any 2x2)(4) (8)

**[50]****TOTAL SECTION B: 150**

**SECTION C**

(Answer any TWO questions from this section)

Essay responses:

**QUESTION 7 (LO1 AS4)**

“Secondary sector industries change natural resources to a form that is suitable for human use”.

Analyse the importance of a secondary sector in an economy.

**INTRODUCTION**

- The secondary sector is concerned with the final stages in production of goods. It is also known as the processing sector. ✓✓✓
- Secondary sector in RSA consists of industries in manufacturing, construction and electricity, gas and water. ✓✓✓ (Max 1x3) (3)

**BODY****Contribution to GDP. ✓✓**

- In terms of gross value added, this sector contributes a major share to GDP. ✓✓

**Creation of employment opportunities ✓✓**

- It creates job opportunities for many workers. ✓✓
- Employs skilled, semi-skilled and unskilled workers. ✓✓

**Creation of markets for primary products ✓✓**

- All the raw materials needed by secondary industries are supplied by the primary sector. ✓✓
- E.g. food products, textile, sea and forestry products, etc. ✓✓
- South Africa has large deposits of industrial minerals. ✓✓

**Provision of capital goods ✓✓**

- Most of the capital goods required by primary sector are produced by SA's secondary industries. ✓✓
- Promotes the development of primary sector. ✓✓
- Saves large amounts of foreign exchange. ✓✓

**Creation of a diversified economy ✓✓**

- Secondary sector ensures economic development and independence. ✓✓
- Because it produces a wide range of goods, we do not have to import all the goods. ✓✓
- This makes SA less dependent on foreign countries. ✓✓

**Earns foreign exchange ✓✓**

- More and more SA goods are sold in foreign countries ✓✓
- Foreign exchange earnings are used for essential imports ✓✓

**Improved standard of living ✓✓**

- Industrial development leads to the creation of jobs and increased income levels. ✓✓
- Increased income levels leads to improved standard of living. ✓✓

**Important field of investment ✓✓**

- Many large companies sell their shares on the stock market ✓✓
- Buying shares of these companies gives the opportunity of investment. ✓✓

**Source of government revenue ✓✓**

- The state earns revenue through the collection of taxes from companies. ✓✓
- Tax by the secondary sector contributes directly to the income of the treasury. ✓✓

**Contribution to the leadership in Africa. ✓✓**

- SA is the leading industrialised country in Africa. ✓✓
- SA industries can take the leadership role in the development of Africa. ✓✓

(Any 20x2) (40)

**CONCLUSION**

- Secondary sector has a very important role in the development of the country and the continent. ✓✓ (accept any relevant conclusion) (2)

Use the following assessment grid together with the above to assess the discussion:

MARKS	INTERPRETATION OF TOPIC
0	Candidate has shown no understanding of the topic.
1	Candidate has shown some understanding of topic but missed important aspects of topic. (1 – 15 marks)
3	Candidate has interpreted topic correctly but has not linked facts to topic. (16 – 30 marks)
5	Candidate has interpreted topic correctly and has linked facts to topic. (30 – 45 marks)

(5)  
[50]

**QUESTION 8 (LO2 AS3)**

Mention the different degrees of Price Elasticity of SUPPLY and analyse the factors determining elasticity of supply in detail. (No graphs required)

**INTRODUCTION**

- Price Elasticity of Supply is the relationship between changes in price and the proportionate changes in the quantity supplied. ✓✓✓ (3)

**BODY****The degree of price elasticity of supply**

- Perfectly elastic supply ✓✓
  - Perfectly inelastic supply ✓✓
  - Unitary elastic supply ✓✓
  - Inelastic supply ✓✓
  - Elastic supply ✓✓ (5x2) (10)
- 
- Flexibility and mobility of factors of production determines the degree of elasticity. ✓✓
  - If production can be expanded quickly, supply will be elastic. ✓✓
  - If production cannot be adjusted quickly, supply will be inelastic. ✓✓

**Factors determining elasticity of supply.****The level of spare capacity ✓✓**

- If an industry is operating below full capacity, supply will be elastic. ✓✓
- The industry can produce more by employing more factors of production. ✓✓

**The level of employment ✓✓**

- Under full employment, supply will be inelastic. ✓✓
- Supply can be increased by improving productivity. ✓✓
- Supply in the domestic market will be elastic if imports are available. ✓✓

**The ability to store the product. ✓✓**

- Supply will be elastic if the product can be stored easily. ✓✓
- If the product can be stored easily, supply can be adjusted to changes in price. ✓✓

**The nature of the product ✓✓**

- Agricultural products will be inelastic in the short term. ✓✓
- Supply of agricultural products depends on several factors. ✓✓
- The supply of mining commodities will also be inelastic. ✓✓
- It takes a long time to increase the capacity of the mines. ✓✓
- The supply of manufactured goods will be more elastic. ✓✓
- It is easier for the manufacturing industries to change the supply of goods. ✓✓

**Time ✓✓**

- Time is an important factor affecting elasticity of supply. ✓✓
- Because of the technical nature of production, supply can be adjusted effectively only in the long run. ✓✓

(Any 15x2) (30)

**CONCLUSION**

Demand can respond to changes in price quickly, but supply will take longer to adjust to changes in price. ✓✓ (Accept any relevant conclusion)

(2)

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5	Candidate has interpreted topic correctly and has linked facts to topic. (30 – 45 marks)

(5)  
[50]**QUESTION 9 (LO3 AS2)**

“Strategies for development are embodied in the economic and other policies of developing countries”.

Critically analyse the development strategies used in developing countries.

**INTRODUCTION**

Different strategies can be used to fast track economic development and all strategies depend on improving the quality and utilisation of the available factors of production. ✓✓✓

(3)

**BODY****Human resources ✓✓**

- Refers to the labour force of the country. ✓✓
- The quality of labour can be improved in different ways. ✓✓
- Education and training contributes to economic growth and development. ✓✓
- Improved literacy levels are essential for training. ✓✓
- Trained workers can use capital equipments effectively and efficiently. ✓✓
- The ability to work depends on the health of the workers. ✓✓
- Healthy people are more productive. ✓✓
- A country has to ensure that its population can be supported by the available natural resources. ✓✓
- Unplanned families are the main cause of poverty and unemployment. ✓✓
- Motivation is necessary so that workers are alert and innovative. ✓✓
- Employment can be created through labour intensive development programmes. ✓✓

**Natural resources ✓✓**

- An increase in agricultural production leads to an increase in buying power of the population ✓✓
- Supply of natural resources cannot be increased. ✓✓
- Fertilizers must be used to increase land productivity. ✓✓
- Land ownership must be used to improve the quality of land. ✓✓
- Secondary industries must be established to process primary products. ✓✓

**Capital ✓✓**

- An economy can develop only through capital formation. ✓✓
- Capital formation requires a reduction in consumption. ✓✓
- Capital formation is possible through voluntary and forced savings. ✓✓
- Foreign investments and loans can also be used. ✓✓

**Technology ✓✓**

- Technological developments can be used to reduce costs and improve competitiveness. ✓✓
- Countries must develop technologies that are good for them. ✓✓
- Technological developments will improve productivity. ✓✓
- Science and management training is necessary for the use of technology. ✓✓
- Indigenous knowledge systems can also be used. ✓✓

**Entrepreneurship ✓✓**

- Entrepreneurial qualities must be improved. ✓✓
- A country needs entrepreneurs who are willing to take risk. ✓✓
- Import substitution as well as export promotion can also be used. ✓✓
- Encouraging cottage and small-scale industries ✓✓

(Any 20x2) (40)

**CONCLUSION**

Development strategies applied in developing countries differ from country to country. ✓✓

(2)

**Use the following assessment grid together with the above to assess the discussion**

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5	Candidate has interpreted topic correctly and has linked facts to topic. (30 – 45 marks)

(5)  
[50]

**QUESTION 10 (LO4 AS4)**

Write a detailed essay on the different approaches to environment sustainability.

**INTRODUCTION**

- Environmental sustainability refers to meeting the needs of the present generation without compromising the needs of the future generations. ✓✓✓ (3)

**BODY****Extending private property rights ✓✓**

- It ensures proper care of their property. ✓✓
- It prevents flora and fauna from becoming extinct. ✓✓
- It also reduces the cost of preservation to the tax payers. ✓✓
- Resources that belong to anybody are not cared for and destroyed. ✓✓
- Urban squatters do not care for the land because they have no interest in it. ✓✓
- People who rent land do not care about soil erosion. ✓✓

**Charging for the use of the land ✓✓**

- Most countries impose environmental charges on consumers. ✓✓
- E.g. Sewage disposal and rubbish collection ✓✓
- Developed countries are charging emission charges on industries and owners of vehicles. ✓✓
- Taxes could also be imposed on economic waste. E.g. used tyres. ✓✓

**Focus on externalities. ✓✓**

- If marginal social cost exceeds marginal social benefit, that activity must be reduced. ✓✓
- If waste is effectively disposed environmental damage can be reduced. ✓✓
- E.g. recycling, decomposing, purifying, cleaning etc. ✓✓

**Environmental taxes and subsidies ✓✓**

- Tax can be imposed if the product has harmful effects on the environment. ✓✓
- These taxes are known as 'green taxes'. ✓✓
- Green tax has the effect of increasing the price. ✓✓
- In some situations government provides subsidies. ✓✓
- E.g. a new technique to reduce pollution, production of cleaner substitutes, recycling of waste etc.

**Command and control systems ✓✓**

- Setting limits for pollution and impose fines to those who exceed them ✓✓
- E.g. Maximum levels for carbon emissions, maximum permitted use, minimum acceptable levels of quality etc. ✓✓
- Requires inspectors to monitor the levels. ✓✓

**Voluntary agreements ✓✓**

- Government enters into legally binding agreements with enterprises. ✓✓
- Voluntary agreements will only succeed if they can improve their image. ✓✓

**Education ✓✓**

- Education plays an important role in protecting the environment. ✓
- People must be made aware of environmental issues and consequences of their actions. ✓✓

**Pollution licences and tradable permits ✓✓**

- Some countries issue licences that allows them to pollute to a certain level. ✓✓
- If businesses pollute more, they will be fined ✓✓
- But if they pollute less than the allowed level, they can sell the licences to another one. ✓✓

(Any 20x2) (40)

**CONCLUSION**

It is realised that economic sustainability can be achieved only through environmental sustainability. ✓✓

(2)

Use the following assessment grid together with the above to assess the discussion:

MARKS	INTERPRETATION OF TOPIC
0	Candidate has shown no understanding of the topic.
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(5)  
[50]**TOTAL SECTION C: 100****GRAND TOTAL: 300**