Economics

CLASS TEXT & STUDY GUIDE

Nazlie Mohamed & Hajiera Bardien

GRADE

11

CAPS

3-in-1

THE ANSWER SERIES *Your Key to Exam Success*

Grade 11 Economics 3-in-1 CAPS

CLASS TEXT & STUDY GUIDE

This Grade 11 Economics 3-in1 study guide completes the popular TAS Economics series, offering a seamless progression for educators and learners. Building on the foundation established in the EMS range, it develops essential skills through a structured progression to Grade 12.

Key Features:

- Comprehensive **NOTES**
- Clear **GRAPHS** with **DESCRIPTION BOXES** for brief overviews and step-by-step **GRAPH EXPLANATION BOXES**
- **VISUALS** reinforce and complement the content
- **CONTEXT CLIPS** bridge theory and reality
- **INFOBYTES** provide extension and promote understanding
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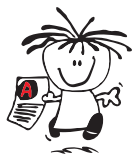
- Carefully selected **SOURCES**
- Module-based **QUESTIONS** with detailed **ANSWERS**
- **EXAM PAPERS** with in-depth **MEMOS**



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CONTENTS

4. Depreciate over time

- Capital goods such as equipment, vehicles and machinery are used repeatedly during the production process, which leads to wear and potential breakdowns over time.
- Due to their indispensable role in production, capital goods require regular repair or replacement, because they depreciate over time with continuous use.

Depreciation refers to a decrease in the value of an asset over a period of time.

5. Has high mobility

- Capital has greater mobility compared to natural resources and labour, allowing for easier transfer between regions or industries.
- Money capital, being highly mobile, can move freely between countries for investment opportunities, thereby facilitating **globalisation**.

Globalisation refers to the worldwide interaction of economies with trade as an important element.

IMPORTANCE

1. Increases productivity

- Capital increases productivity by providing tools, machinery, equipment and technology that enable workers to produce more goods or services in less time.
- Capital can facilitate **specialisation** and **division of labour**, enabling workers to focus on tasks they are best suited for, further boosting productivity.
- Capital enables businesses to invest in research and develop new production techniques, which in turn boosts productivity and reduces production costs.

Specialisation of labour refers to an individual focusing on the production and expertise of a particular good or service.

Division of labour refers to the process of separating various labour tasks so that an individual only performs a limited range of tasks and becomes an expert in those tasks.

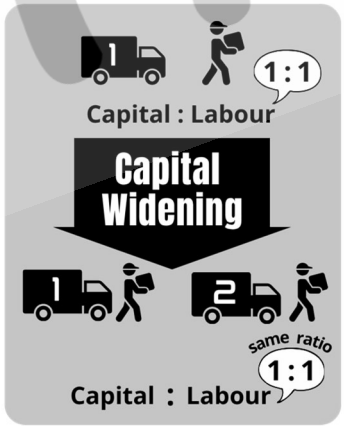
2. Promotes economic growth

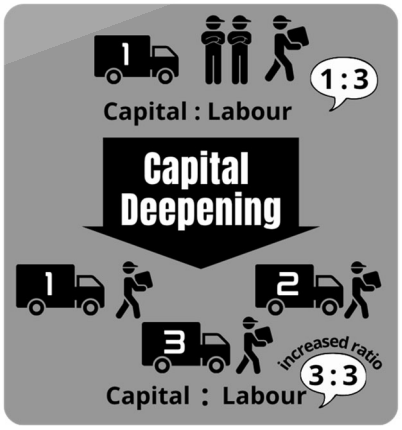
Economic growth refers to an increase in the production of goods and services in a country over a particular period of time.

- **Capital widening** and **capital deepening** are key to achieve economic growth.

Capital widening refers to an increase in capital which is proportionate to the increase in labour.
For example, if a hospital purchased an additional X-ray machine it would need to employ an additional radiologist.

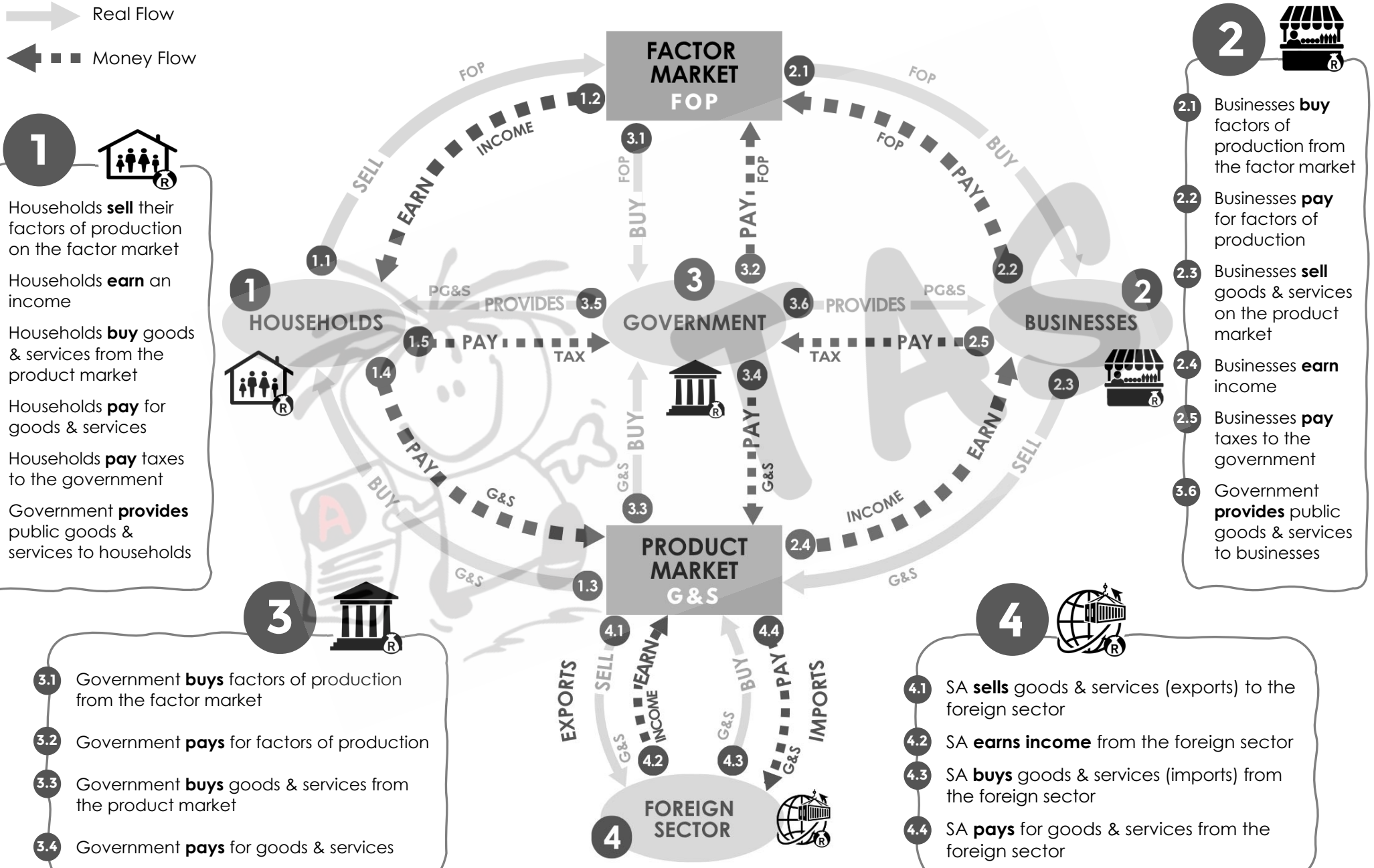
Capital deepening refers to an increase in the capital-labour ratio.
For example, a business has one delivery vehicle but three drivers who need to share the vehicle. If the business decides to purchase two additional vehicles so that each driver has access to their own delivery vehicle, capital deepening has occurred.





- Capital drives economic growth by increasing investment in productive assets such as machinery and infrastructure, leading to enhanced productivity and innovation.
- Furthermore, when capital is invested in an economy, it contributes to the development of new industries and market expansion, thereby fostering sustainable economic growth.

CIRCULAR FLOW MODEL OF A FOUR-SECTOR (OPEN) ECONOMY



1

1.1 Households **sell** their factors of production on the factor market

1.2 Households **earn** an income

1.3 Households **buy** goods & services from the product market

1.4 Households **pay** for goods & services

1.5 Households **pay** taxes to the government

3.5 Government **provides** public goods & services to households

2

2.1 Businesses **buy** factors of production from the factor market

2.2 Businesses **pay** for factors of production

2.3 Businesses **sell** goods & services on the product market

2.4 Businesses **earn** income

2.5 Businesses **pay** taxes to the government

3.6 Government **provides** public goods & services to businesses

3

3.1 Government **buys** factors of production from the factor market

3.2 Government **pays** for factors of production

3.3 Government **buys** goods & services from the product market

3.4 Government **pays** for goods & services

4

4.1 SA **sells** goods & services (exports) to the foreign sector

4.2 SA **earns income** from the foreign sector

4.3 SA **buys** goods & services (imports) from the foreign sector

4.4 SA **pays** for goods & services from the foreign sector

SUMMARY COMPARISON OF ECONOMIC SYSTEMS

	MARKET ECONOMY	CENTRALLY PLANNED ECONOMY	MIXED ECONOMY
Description	Decisions regarding production, distribution and resource allocation are determined by **the market forces of S&D**	Decisions regarding production, distribution and resource allocation are determined by **the state**	Decisions regarding production, distribution and resource allocation are determined by **both market forces of S&D and the state**
Examples	Denmark and Singapore	North Korea and Cuba	South Africa and Germany
Characteristics	– **No state intervention** in economic activities – **Private ownership** and control of FOP – **Firms** prioritise **profit** maximisation – **Competition** between **firms** ensures variety and innovation – **Prices fluctuate** based on supply and demand – **Firms focus** on **G&S** with **high demand**	– **Full state intervention** in economic activities – **State ownership** and control of FOP – **State** does **not** prioritise earning a profit – **No competition** as the **state** is the sole supplier – **Prices** are determined by the **state** – **State prioritises** satisfying the **needs** of citizens	– **Partial state intervention** in economic activities – **Joint private and state ownership** and control of FOP – **Firms** prioritise earning **profits**, **state** prioritises **service delivery** – **Competition** between **firms** offers variety, **state** supplies **essential G&S** – **Prices fluctuate** based on S&D, **state control public G&S pricing** – **Firms** focus on **high-demand G&S**, **state** prioritises **essential G&S**
Advantages	– **Competition** stimulates **productive efficiency** – **Consumers** benefit from **lower prices** – **Free market entry** stimulates **economic growth and development** – **Specialised markets** emerge – **High employment** levels during periods of high economic growth	– **High state regulation** promotes **income equity** – **Accessible G&S** to **all** – **Reduced environmental stress** because earning profits is not a priority – **Socio-economic stability** due to long-term planning – **Employment** is prioritised because the state acts as the employer	– **SMME growth** due to private ownership – **Employment opportunities** are created by both the state and firms – **Consumer prices decrease** due to competition among firms – **Essential G&S** provided by the state – **Sustainable use of resources** promoted by the state
Disadvantages	– **Unaffordable essential services** for some citizens – **Firms prioritise** the production of the most **profitable** G&S – **No restriction** on the production of **harmful G&S** – **Lack** of **environmental regulations** – **Aggressive competition** can lead to **business closures** – **Competition challenges** for **SMMEs**	– **Limited** consumer choice of **G&S** – **Lack of market forces** leads to **over- or under-production**. – **Resource allocation** may be driven by **political factors** – **Reduced freedom** as the **state controls** decisions – **Decision-making restricted** by high levels of **bureaucracy** – **Slow economic growth**	– **Regulated prices** due to **state control** – **Over- or under-supply** of **G&S** due to **state control** – **Reduced competition** due to **producer subsidies** – **Limited disposable income** due to **higher taxes** for firms and households – **Increased** financial **tax burden** due to **SOEs** – Challenging to **balance state** intervention and **market** freedom

S&D – Supply and Demand **FOP** – Factors of Production **G&S** – Goods and services **SOEs** – State-Owned Enterprises **SMMEs** – Small, Medium and Micro enterprises

COST SCHEDULES

A **cost schedule** refers to a table that depicts the costs incurred by a firm when producing goods or services at different quantities.

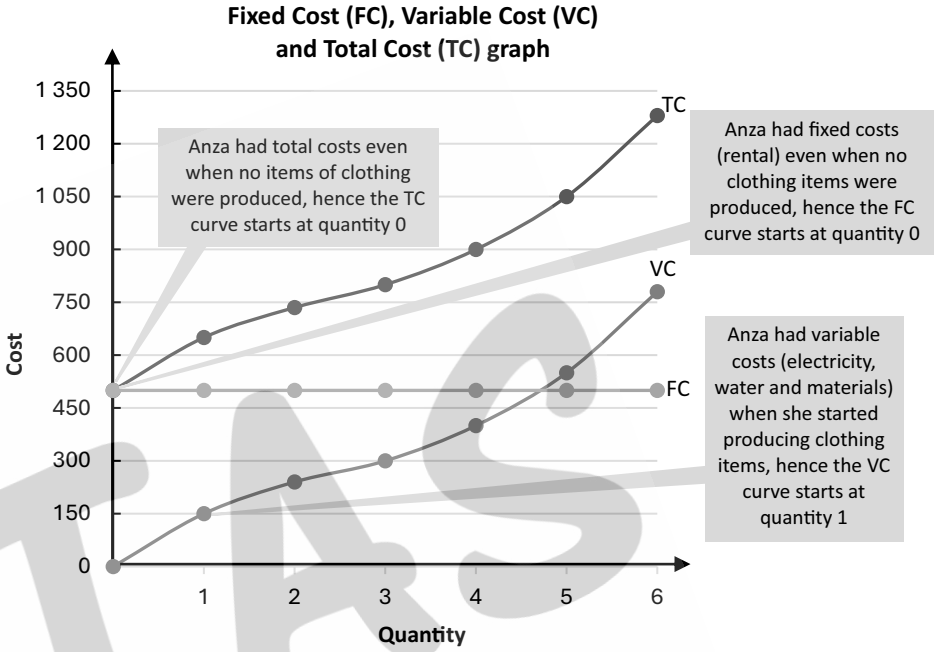
EXAMPLE

Anza Dembe runs a small-scale dressmaking business, incurring various operational costs. When negotiating her rental contract with her landlord, Anza agreed to pay a fixed amount for rent, regardless of her clothing production. This fixed rental cost remains constant and represents a fixed cost for her business. In addition to rent, Anza incurs variable costs that fluctuate with her clothing production. These variable costs include expenses for electricity, water and materials which increase or decrease in proportion to the quantity of clothing she produces.

Consider the following cost schedule for Anza's dressmaking services.

Quantity (Q)	Fixed Costs (FC)	Variable Costs (VC)	Total Costs (TC) FC+VC
0	500	0	500
1	500	150	650
2	500	240	740
3	500	300	800
4	500	400	900
5	500	550	1 050
6	500	780	1 280

COST CURVES



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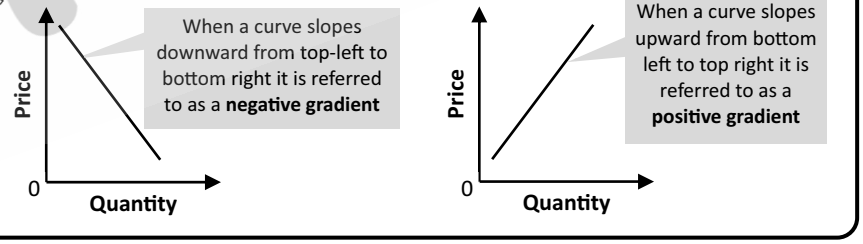


GRAPH EXPLANATION — FC & VC & TC

- The **fixed cost (FC)** curve is always a **horizontal line**, illustrating that fixed costs remain constant irrespective of the quantity produced.
- The **variable cost (VC)** curve has a **positive gradient**, illustrating that variable costs increase as the quantity produced increases.
- The **total cost (TC)** curve has a **positive gradient**, illustrating that total costs increase as the quantity produced increases.
- The **total cost curve (TC) always lies above the fixed cost (FC) and variable cost (VC) curves**, because total cost is the sum of fixed and variable costs.

FC

VC

TC

AVERAGE COSTS (AC)

Average Total Costs (ATC)

Average Total Cost (ATC) refers to the total cost incurred by the business to produce one unit.

ATC

ATC = Total Cost / Quantity (TC/Q)

Average total costs (ATC) are made up of average fixed costs (AFC) and average variable costs (AVC).

Average Fixed Costs (AFC) & Average Variable Costs (AVC)

Average Fixed Cost (AFC) refers to the fixed cost incurred by the business to produce one unit.

AFC

AFC = Fixed Cost / Quantity (FC/Q)

Average Variable Cost (AVC) refers to the variable cost incurred by the business to produce one unit.

AVC

AVC = Variable Cost / Quantity (VC/Q)

- Firms calculate average total costs (ATC) to determine how their cost per unit changes as production levels increase.
- Additionally, they evaluate how average fixed costs (AFC) and average variable costs (AVC) change as production levels increase.
- This analysis provides businesses with valuable insights into their cost structure and enables them to make more informed decisions about production levels and pricing strategies.

Cost schedule for Anza's dressmaking services

EXAMPLE 2

Quantity (Q)	Fixed Costs (FC)	Variable Costs (VC)	Total Costs (TC) FC+VC	Average Fixed Cost (AFC) FC/Q	Average Variable Cost (AVC) VC/Q	Average Total Cost (ATC) TC/Q
0	500	0	500	0	0	0
1	500	150	650	500	150	650
2	500	240	740	250	120	370
3	**500**	**300**	**800**	**166,67**	**100**	**266,67**
4	500	400	900	125	100	225
5	500	550	1 050	100	110	210
6	500	770	1 270	83,33	128,33	211,67

500 + 300 = 800

500/3 = 166,67

300/3 = 100

800/3 = 266,67

NOTE

- ✓ Remember to round off to two decimal places when working with rands and cents.
- ✓ **Fixed Costs (FC)** can also be calculated by multiplying the average fixed cost (AFC) by the Quantity (Q).

FC = AFC × Q

- ✓ **Variable Costs (VC)** can also be calculated by multiplying the average variable cost (AVC) by the Quantity (Q).

VC = AVC × Q

- ✓ **Total Costs (TC)** can also be calculated by multiplying the average total cost (ATC) by the Quantity (Q)

TC = ATC × Q

- ✓ **Average Total Cost (ATC)** can also be calculated by adding the Average Fixed Cost (AFC) and Average Variable Cost (AVC).

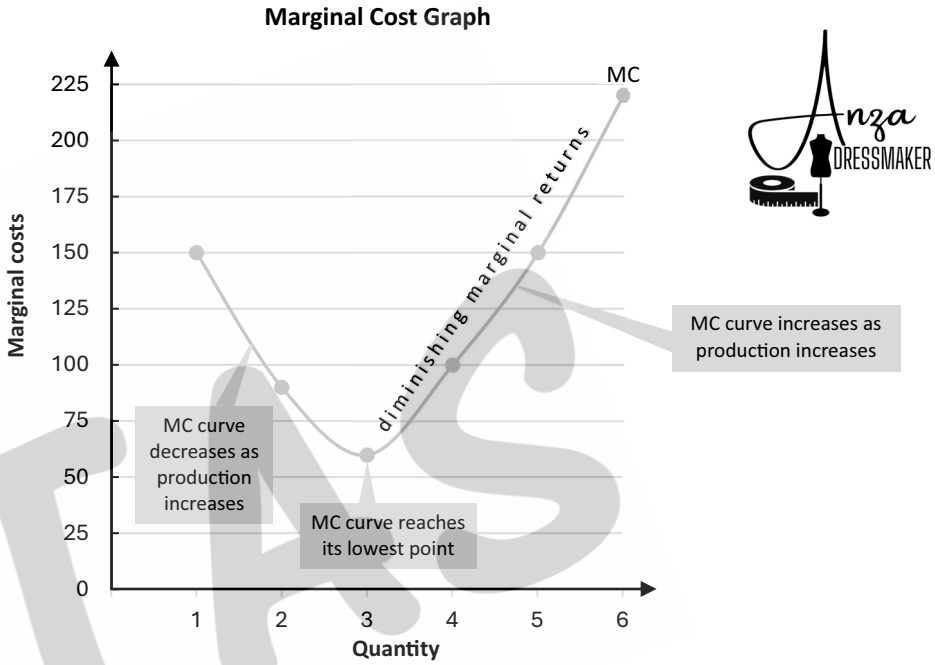
ATC = AFC + AVC

Calculating Marginal Cost

Quantity (Q)	Fixed Costs (FC)	Variable Costs (VC)	Total Costs (TC) FC+VC	Marginal Cost (MC) ΔTC/ΔQ
0	500	0	500	0
1	500	150	650	150
2	500	240	740	90
3	500	300	800	60
4	500	400	900	100
5	500	550	1 050	150
6	500	770	1 270	220

$$\frac{\Delta TC}{\Delta Q} = \frac{650-500}{1-0} \qquad \frac{1270-1050}{6-5}$$

EXAMPLE



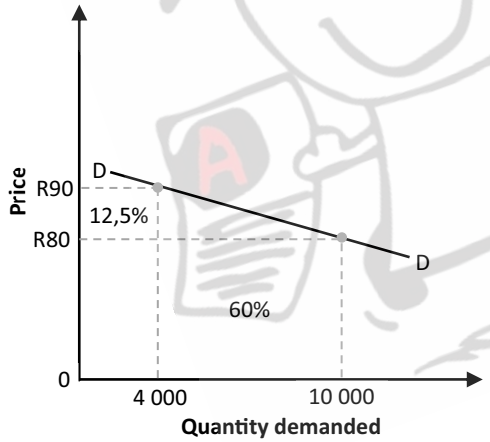
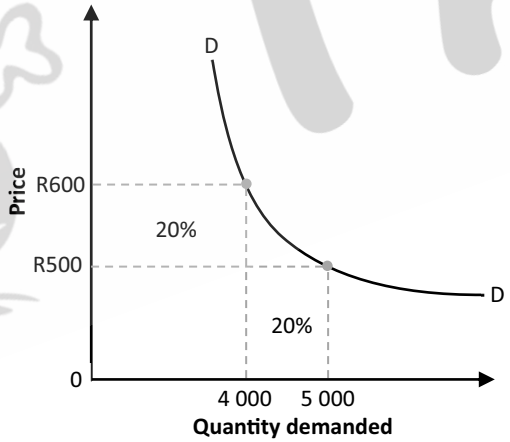
GRAPH EXPLANATION — MC

- The **marginal cost (MC)** curve initially has a **negative gradient** because, as production increases from the 1st to the 3rd unit, the MC per unit decreases.
- The MC curve reaches its minimum point at the 3rd unit.
- From the 4th to the 6th unit, the marginal cost per unit increases, resulting in a **positive gradient**.
- The increase in marginal cost is due to the **law of diminishing marginal returns** which occurs when the 4th, 5th and 6th units are produced. As output increases, each additional unit becomes progressively more expensive to produce.
- Increasing marginal costs do not automatically indicate a loss for the firm. Instead, the firm must compare its marginal revenue (discussed on page 111) to its marginal cost to determine whether it has incurred a profit or loss.

NOTE

- ✓ While fixed costs remain constant regardless of the quantity produced, variable costs, such as materials, labour and electricity initially increase at a slower rate due to lower production quantities.
- ✓ However, as production increases, variable costs increase at a faster rate resulting in a higher cost of production for every additional unit produced.

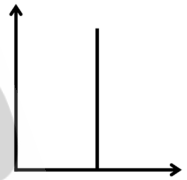
MC

TYPE	RELATIVE ELASTICITY	UNITARY ELASTICITY
DEFINITION	The % change in quantity demanded is greater than the % change in price	The % change in quantity demanded is the same as the % change in quantity price
CALCULATION	**Price** R80 R90 **Quantity demanded** 10 000 4 000 $PED = \frac{\%\Delta \text{ in quantity demanded}}{\%\Delta \text{ in price}}$ $= \frac{\frac{-6\,000}{10\,000} \times \frac{100}{1}}{\frac{10}{80} \times \frac{100}{1}}$ $= \frac{-60\%}{12{,}5\%}$ $= 4{,}8$ Value of PED is greater than 1	**Price** R500 R600 **Quantity demanded** 5 000 4 000 $PED = \frac{\%\Delta \text{ in quantity demanded}}{\%\Delta \text{ in price}}$ $= \frac{\frac{-1\,000}{5\,000} \times \frac{100}{1}}{\frac{100}{500} \times \frac{100}{1}}$ $= \frac{-20\%}{20\%}$ $= 1$ Value of PED is 1
GRAPH	 The demand curve (DD) has a flat slope	 The demand curve is a rectangular hyperbola (curved demand curve) because the % change in price is equal to the % change in quantity demanded
EXAMPLE	Shampoos, cereals and bottled water – products that consumers can easily substitute with alternative brands	There are no exact real-life examples. However, some goods such as luxury watch brands, may sometimes illustrate unitary elasticity

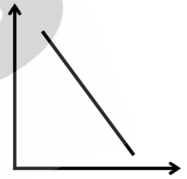
SUMMARY

When the **demand curve** …

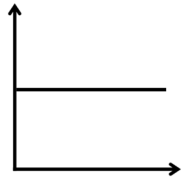
- ✓ resembles an **I** – it is **Perfectly Inelastic**



- ✓ has a steep gradient – it is **Relatively Inelastic**



- ✓ resembles an **E** – it is **Perfectly Elastic**



- ✓ has a flat gradient – it is **Relatively Elastic**

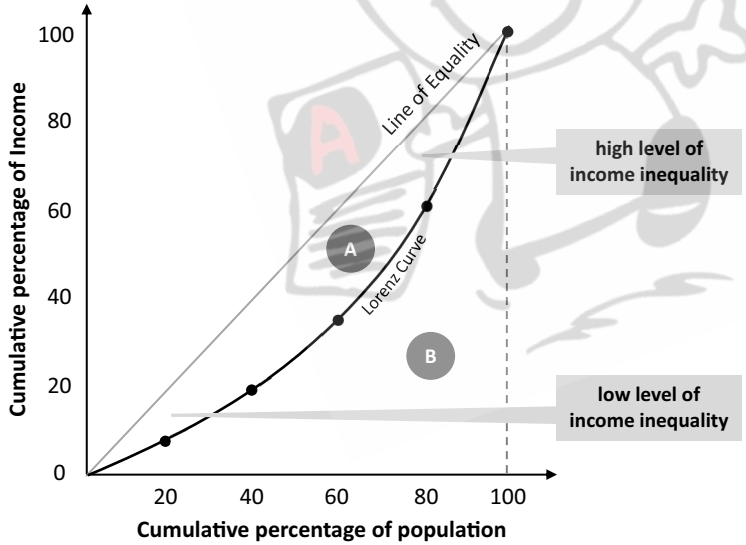
2. The Gini coefficient

The **Gini coefficient** refers to a statistic that measures income distribution and income inequality in a country.

Facts about the Gini coefficient

- Developed in 1912 by Italian statistician, Corrado Gini.
- Measures the level of income inequality within a country – i.e. it shows how equal or unequal the income distribution is in a country.
- Calculated from the information provided by the Lorenz curve.

The Lorenz Curve illustrating income distribution and the Gini Coefficient

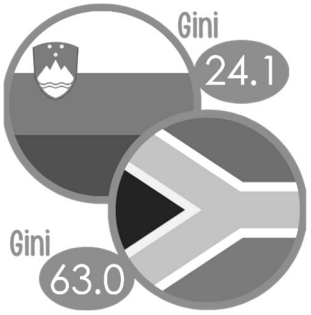


The Gini coefficient is calculated by dividing Area A by the sum of Area A and Area B.

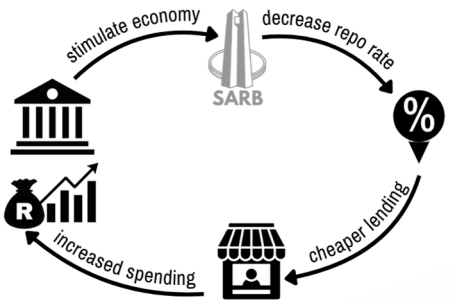
$$\text{Gini coefficient} = \frac{\text{Area A}}{\text{Area A + Area B}}$$

GRAPH EXPLANATION — GINI COEFFICIENT

- When calculating the Gini coefficient, the area between the line of equality and the Lorenz curve, i.e. Area A is divided by the total area below the line of equality, i.e. Area A + Area B.
- The value of the Gini coefficient can range between 0 and 1.
- If the value of the Gini coefficient is 0 **(perfect equality)** – then income is perfectly distributed within the country and everybody earns the same income.
- If the value of the Gini coefficient is 1 **(perfect inequality)** – then all income is earned by one individual and no other individual earns an income within the country.
- In practice the Gini coefficient ranges between 0.24 and 0.63.
- The Gini coefficient is often multiplied by 100 to derive the Gini index/ percentage.
- The **higher the Gini coefficient**, the **higher the level of income inequality** in a country.
- The **lower the Gini coefficient**, the **lower the level of income inequality** in a country.
- According to the World Bank in 2024, **Slovakia had the lowest Gini coefficient** (24.1) and **South Africa had the highest Gini coefficient** (63.0). This implies that Slovakia had the most equal distribution of income in the world, while South Africa had the most unequal distribution of income.



- When the government aims to stimulate the economy, the SARB decreases the repo rate. This makes the borrowing of money cheaper for households and businesses, encouraging them to spend more. The increased spending leads to a growth in the money supply in the economy.



- Conversely, when the government aims to restrict spending, the SARB increases the repo rate. This makes the borrowing of money more expensive for households and businesses, discouraging spending. The decreased spending reduces the money supply in the economy.

2. Cash reserve requirements

- All banks are legally required to hold a prescribed percentage (currently 2.5%) of deposited money as **cash reserves** at the SARB.

Cash reserves refer to the cash that banks are legally obligated to keep in a cash reserve holding account at the SARB.

- When the government aims to stimulate the economy, the SARB decreases the cash reserve requirement. This results in banks having more money at their disposal to lend to households and businesses. The increased lending encourages spending and increases the money supply in the economy.
- Conversely, when the government aims to restrict spending in the economy, the SARB increases the cash reserve requirement. This results in banks having less money at their disposal to lend to households and businesses. The reduced lending discourages spending and decreases the money supply in the economy.

3. Open market transactions

The SARB can increase or decrease the money supply in the economy by buying and selling **government securities** in the open market.

Government securities refer to debt-based investment where money is loaned by economic participants to government at an agreed rate of interest.

- When the government aims to stimulate the economy, the SARB can buy government securities in the open market. This results in banks having more money at their disposal to lend to businesses and households. Consequently, this will increase the money supply in the economy.
- Conversely, when the government aims to restrict spending in the economy, the SARB will sell securities in the open market. This results in banks having less money at their disposal to lend to businesses and households. Consequently, this will decrease the money supply in the economy.

4. Moral suasion

- All financial institutions are accountable to the SARB, which oversees the responsible extension of credit in accordance with the prevailing economic conditions.

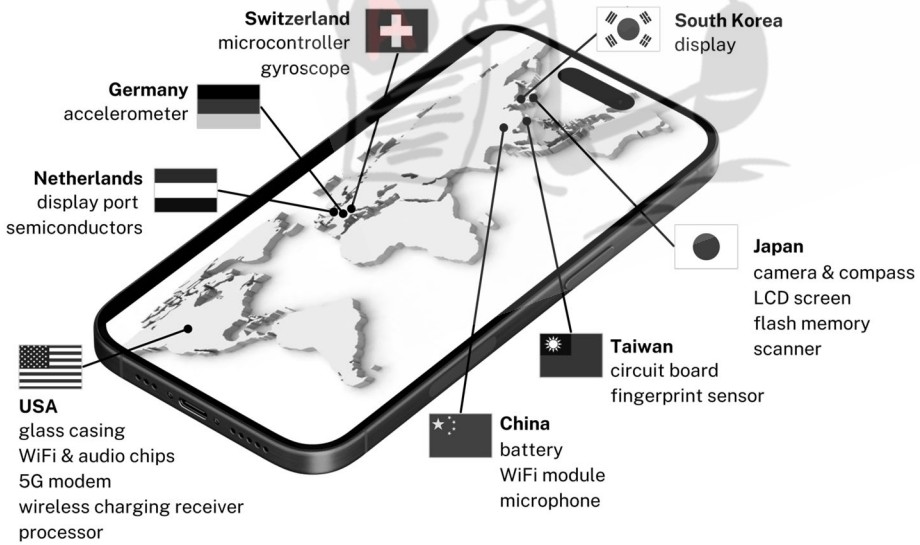
Moral suasion refers to the measures implemented by the SARB to ensure that credit is extended to businesses and households in a responsible and ethical manner.

- When financial institutions extend credit irresponsibly, it can lead to significant negative consequences for the economy. To prevent this, the SARB ensures that financial institutions operate in the best interests of the economy by using measures such as verbal appeals and persuasion to guide their practices.

2. Development of technology

- The development of technology has revolutionised production processes, such as the global manufacturing of cellular devices where parts are made in one country and assembled in another.
- Technological advancements have considerably reduced transportation and communication costs across countries, thereby promoting increased competition.
- Businesses in **emerging economies** are incentivised to be innovative in their production processes by using foreign technology.

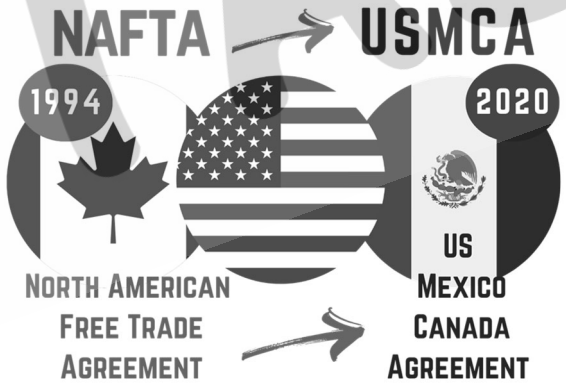
An **emerging economy** refers to an economy of a developing country that achieves relatively high levels of economic growth and is becoming more engaged with global markets as it grows. Examples include Brazil and India.



3. Trade liberalisation

Trade liberalisation refers to the removal or reduction of international trade restrictions that prevent the free flow of goods and services between countries.

- The World Trade Organisation (WTO) promotes the removal of trade barriers between member countries that trade amongst themselves, e.g. South Africa and Botswana.
- The North American Free Trade Agreement (NAFTA) is an example of trade liberalisation between the United States of America, Canada and Mexico.
- Trade liberalisation enables businesses to expand their market presence and produce goods and services on a larger scale, thereby reducing their cost per unit.



CONTEXT CLIP

NAFTA was replaced by the United States–Mexico–Canada Agreement (USMCA), which came into effect on July 1, 2020.

4. Capital liberalisation

Capital liberalisation refers to the free movement of money between countries for the purpose of investment, trade or business operations.

- Many control measures on foreign exchange and investment have been removed. This has resulted in investors moving their capital to global markets where they can earn the highest returns.

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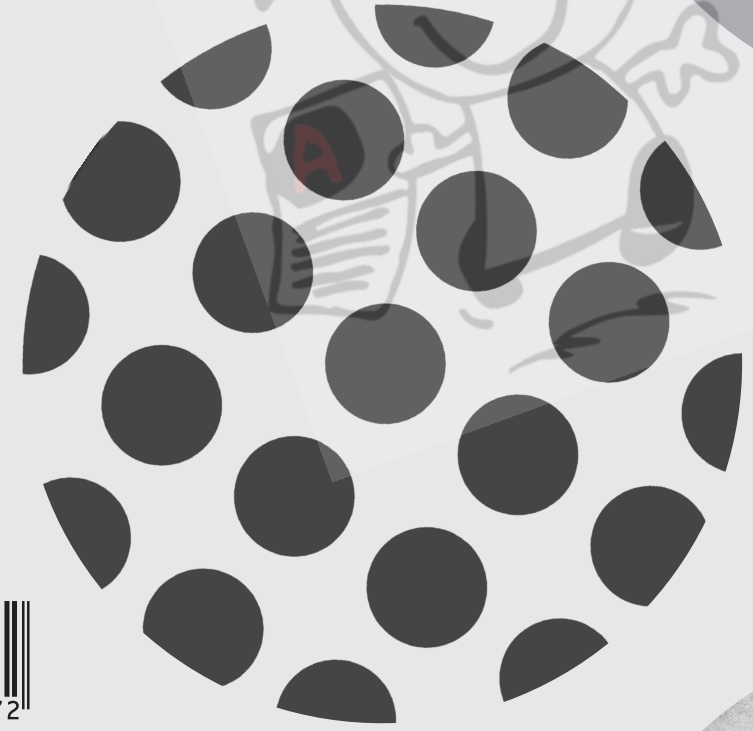

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CONTENTS

HOW TO USE THE ANSWER BOOK

Once you have completed a Module, use the Module-Based Questions to assess your knowledge and mark/check your answers against this Answer Book.

Note the following features for each section.

SECTION A

- There is only ONE correct answer.

SECTION B

- Certain questions may have more than one correct answer, so "*any suitable answer accepted*" is indicated in the suggested answers, especially in the case of higher-order questions.
- Your answer may differ from the suggested answer but may still be correct, provided it is properly explained and supported with sufficient facts in full sentences.
- A fact is worth 2 marks while a heading and example is worth 1 mark.
- Therefore, an 8-mark question could be answered with four facts OR two headings and three facts.

SECTION C

INTRODUCTION

- Use the introduction to *define* the essay topic.

BODY: Main part

- Provide thirteen suitable facts in full sentences.
- A maximum of 8 marks are allocated for headings, listing and examples.
- An example is worth 1 mark, however using it in a complete sentence is worth 2 marks.

BODY: Additional part

- Provide five relevant, higher-order, well-explained facts that demonstrate a clear understanding of the topic.

CONCLUSION

- Use a new insightful fact not previously discussed in the body.

Number of sellers in a monopolistically competitive market:
- There are numerous sellers of goods and services.
- This provides consumers with the opportunity to compare various factors such as price, product reviews etc before making a purchase.
- For example, when ordering fast-food, consumers have a wide range of choices to choose from including Nando's, Kentucky Fried Chicken, Steers etc. *(any four suitable facts accepted)*

2.5 How will South Africa's high unemployment rate impact on the income elasticity of demand?

- South Africa's high unemployment rate has a direct impact on the income elasticity of demand, which measures how the demand for goods and services changes with income fluctuations.
- High unemployment rates cause consumers to have less disposable income which influences their purchasing behaviour in the following ways:

  Reduced Disposable Income: With limited income, consumers must make more selective choices in their spending, often prioritising essential goods over non-essential items.
  - This leads to a lower demand for many non-essential goods and services, especially those considered normal goods.

  Demand Shift Toward Inferior Goods: Income elasticity of demand differs between normal and inferior goods.
  - For normal goods, such as branded soaps, e.g. Lux or Palmolive, demand decreases as income decreases, since these goods are seen as being of a higher quality.
  - Conversely, inferior goods, such as generic or store-brand soap, may see an increase in demand, as these products are more affordable alternatives.
  - Therefore, South Africa's high unemployment rate results in lower disposable income shifting consumer demand toward inferior goods while the demand for normal goods declines.
  - This shift reflects the economic pressures that unemployment imposes on consumer choices in the market. *(any four suitable facts accepted)*

SECTION C

INTRODUCTION

Price elasticity of demand (PED) measures how consumers demand will respond to a change in price. *(any suitable introduction accepted)* Max 2

BODY: MAIN PART

TYPE	DEFINITION	CALCULATION
PERFECT INELASTICITY	A big change in price causes no change in the quantity demanded	**Price** R200 R300 **Quantity demanded** 1 000 1 000 $PED = \frac{\%\Delta \text{ in quantity demanded}}{\%\Delta \text{ in price}}$ $= \frac{\frac{0}{1\,000} \times \frac{100}{1}}{\frac{100}{200} \times \frac{100}{1}}$ $= \frac{0\%}{50\%}$ $= 0$
RELATIVE INELASTICITY	The % change in quantity demanded is smaller than the % change in price	**Price** R100 R130 **Quantity demanded** 5 000 4 000 $PED = \frac{\%\Delta \text{ in quantity demanded}}{\%\Delta \text{ in price}}$ $= \frac{\frac{-1\,000}{5\,000} \times \frac{100}{1}}{\frac{30}{100} \times \frac{100}{1}}$ $= \frac{-20\%}{30\%}$ $= 0{,}66666667 = 0{,}67$

PAPER 1 MEMO

SECTION A (COMPULSORY)

QUESTION 1

1.1

1.1.1	D	1.1.2	A	1.1.3	A	1.1.4	B
1.1.5	D	1.1.6	C	1.1.7	A	1.1.8	B

1.2

1.2.1	H	1.2.2	I	1.2.3	D	1.2.4	B
1.2.5	A	1.2.6	G	1.2.7	F	1.2.8	C

1.3

1.3.1	Gross Domestic Product	1.3.2	Capital widening
1.3.3	Open economy	1.3.4	Repurchase/repo rate
1.3.5	Taxes	1.3.6	Velocity

Repo rate is a widely recognised and accepted financial abbreviation in South Africa.

SECTION B

QUESTION 2

2.1

2.1.1 Roads, bridges, airports, sewage and drainage

(any two suitable answers accepted)

2.1.2 Subsidies on production:
- reduce suppliers' costs, encouraging the production of essential goods.
- lower the prices of certain goods and services, making them more affordable to households.
- reduce the prices of specific exports, enhancing the country's competitiveness in international markets.

(any suitable answer accepted)

2.2

2.2.1 Gross capital formation

2.2.2 Residual item

2.2.3 Gross Domestic Expenditure (GDE) refers to the aggregate (total) expenditure of households (C), the government (G) and firms (I) in a country. *(any suitable answer accepted)*

2.2.4 An increase in gross capital formation:
- boosts the country's production capacity, thereby stimulating economic growth.
- stimulates export production, leading to an improved balance of payments.
- creates more employment opportunities for households, helping to reduce poverty.
- ensures that the government earns more tax revenue, which can be used to provide additional public goods and services.

(any suitable answer accepted)

2.2.5 **Calculating A**

Expenditure on GDP = GDE + (X – M)
= R2 428 306m + (657 113m – 677 740m)
= R2 407 679m

Do **NOT** forget to include the R and m in your answer!

2.3

2.3.1 Mixed economy

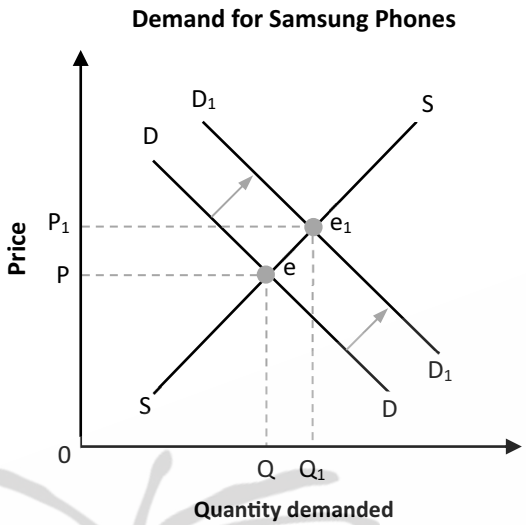
2.3.2 The private sector

2.3.3 An economic system refers to the structure and methods implemented to allocate resources for the production, distribution and consumption of goods and services. *(any suitable answer accepted)*

2.3.4
- In a centrally planned economic system, the limited range of goods and services available to consumers prevents utility maximisation, consequently allocative efficiency is not achieved.
- An undersupply of certain goods and services occurs in the centrally planned economy, indicating that production efficiency is not achieved. *(any suitable answer accepted)*

2.4 The demand for Samsung phones would increase if the price of Huawei phones increased.

Marking grid
- Correct labelling of Price and Quantity axis ✓
- Correct original equilibrium point, price and quantity ✓
- Correct shift of the demand curve ✓
- Correct new equilibrium point, price and quantity ✓ (4)



Explanation of an increase in the demand for Samsung phones graph (4 marks):
- Where DD and SS intersect, the original equilibrium point e, equilibrium price (0P) and equilibrium quantity (0Q) are formulated.
- Due to the price of Huawei phones increasing the demand for Samsung phones increases.
- The demand curve shifts to the right to form D_1D_1.
- A new equilibrium will be formulated where D_1D_1 and SS intersect; the new equilibrium point will be at e_1, the equilibrium price will increase from 0P to $0P_1$ and the equilibrium quantity will increase from 0Q to $0Q_1$.

2.5
- When firms collude, they interfere with the market forces of demand and supply to determine prices.
- Colluding firms manipulate supply, which creates an opportunity to increase prices.
- Increased prices enable suppliers to maximise their profits and gain excessive market power.
- As a result, consumers pay higher prices for goods and services.
- This compromises consumers as they will need more money to afford the same amount of goods and services.
- Increasing prices often result in consumers demanding higher wages and salaries to compensate for the higher cost of living.
- Collusion therefore distorts healthy competition as it occurs purely for the financial gain of the supplier but at the cost of the consumer.

(any four relevant facts accepted)

QUESTION 3

3.1

3.1.1 Carbon tax, environmental levy on plastic bags, environmental levy on tyres, motor vehicle carbon dioxide emissions levy, environmental levy on electricity generation *(any two suitable answers accepted)*

3.1.2
- Globalisation can help alleviate poverty by increasing the production of goods and services, which boosts international trade, creates more employment opportunities and increases household incomes.
- Households can benefit from access to a wider variety of affordable imported goods, reducing the cost of living and improving their overall quality of life. *(any suitable answer accepted)*

3.2

3.2.1 Any one of the following examples:

Plastic bottles — Plastic packets
Plastic food wrappers — Plastic straws
Disposable plastic cutlery *(any suitable answer accepted)*

3.2.2 Plastic has become an integral part of our lives due to its convenience and affordability.

3.2.3 An ecosystem refers to a group of living organisms that live in and interact with each other in an environment. *(any suitable answer accepted)*

3.2.4
- Governments levy green taxes to discourage environmentally harmful practices by households and businesses, while encouraging the adoption of more sustainable methods.
- Green taxes provide government with a valuable source of revenue, which can be used to fund environmentally sustainable projects. *(any suitable answer accepted)*

3.2.5
- Plastics take hundreds of years to decompose, leading to long-term pollution of land, rivers and oceans.
- Microplastics, created when larger plastics break down, can enter the food chain through seafood and drinking water, potentially harming human health.

- When factories dump contaminated water, gases, chemicals, heavy metals or radioactive materials into the environment, it causes land pollution or water pollution when it is discarded into rivers and oceans.
- Therefore, land and water pollution caused by industrial development directly results in the destruction of ecosystems and the loss of biodiversity.
- The mining industry significantly contributes to environmental degradation through activities that result in soil, air and water contamination, as well as deforestation.
- Acidic water that flows from coal and metal mines is called acid mine drainage, which contaminates land and water sources such as rivers, dams and oceans, resulting in the loss of marine species.

7. Human settlement, urbanisation and environmental degradation

- Human settlement refers to a cluster of dwellings of any type or size where human beings live.
- Urbanisation refers to the movement of people from rural to urban areas.
- Globally, urbanisation levels have risen, leading to an increased demand for housing, which has resulted in the clearing of large hectares of vegetation.
- Increased urbanisation levels have stimulated an increase in the demand for various necessities including:
  - consumer goods, e.g. food and clothing
  - services, e.g. refuse removal and electricity
  - infrastructure, e.g. roads and schools
  - natural resources, e.g. water and wood
- Increased urbanisation presents several challenges, including:
  - overcrowding and traffic congestion
  - strain on existing infrastructure
  - insufficient service delivery
  - inadequate housing, often leading to the development of informal settlements
- The increased demand for the above necessities due to urbanisation places significant pressure on the environment, contributing to environmental degradation.

(13 suitable facts and a maximum of 8 marks for headings/ listing and examples accepted)

Max 26

BODY: ADDITIONAL PART

South Africa can use conservation to ensure a sustainable environment by:

- Establishing protected areas, bringing a balance in the ecosystem as animals and plants interact and depend on each other for continued survival.
- Protecting forests and plants, as they play a crucial role in releasing oxygen into the air and absorbing carbon dioxide, thereby reducing air pollution.
- Reducing greenhouse gas emissions by transitioning to renewable energy sources, such as solar and wind power, and decreasing reliance on fossil fuels to reduce global warming.
- Promoting water conservation by implementing policies that impose restrictions on water consumption to ensure its sustainability.
- Encouraging the reusing, reduction and recycling of waste, while reducing the production of plastics and other forms of waste.
- Enforcing policies and agreements to conserve renewable resources, such as trees, and non-renewable resources, such as fossil fuels.
- Promoting the responsible use of resources in industries by regulating supply and demand to prevent overproduction and ensure that resources are not depleted.
- Implementing direct controls by the government to regulate the stock levels of environmental resources through the granting of permits and quotas.
- For example, the government can set fishing quotas to prevent catches from exceeding the growth rate of the fish population.
- Setting quotas on tree cutting to prevent deforestation from exceeding the rate of forest regeneration and planting new trees to replace those removed.

(any other correct relevant higher-order response accepted)

Max 10

CONCLUSION

Addressing the problems of environmental deterioration requires collective efforts from households, businesses, governments and the global community to adopt sustainable practices and preserve the environment for future generations. *(accept any other correct relevant higher-order response)*

Max 2