



REVISION BOOKLET

2021 TERM 1

Grade 11

This revision program is designed to assist you in revising the critical content and skills envisaged/ planned to be covered during the 1st term. The purpose is to prepare you to understand the key concepts and to provide you with an opportunity to establish the required standard and the application of the knowledge necessary to succeed in the NCS examination.

The revision program covers the following topics:

- **Circular Flow model**
- **Quantitative Elements (National Aggregates)**

INCLUDED HEREIN...

An explanation of and revision of the **Circular Flow model** as well as **Quantitative Elements**.

The content is aimed at learners at achievement levels one to seven.

This information can be used for teaching and revision purposes.

This information should be used in conjunction with the core notes and approved textbooks as well as relevant information in the daily media.

It is important to learn and understand the key concepts in order to be able to interpret questions in which the concepts occur correctly.

CIRCULAR FLOW MODEL AND QUANTITATIVE ELEMENTS (NATIONAL ACCOUNTS)

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1. THE STRUCTURE OF THE ECONOMICS QUESTION PAPER

The Economics question paper consists of TWO x 2 hour papers of 150 marks each.

The **CIRCULAR FLOW MODEL** and **QUANTITATIVE ELEMENTS** are included in Paper 1 of the examination.

Each of the TWO examination papers consists of SIX questions which is divided into THREE sections. From the SIX questions, only FOUR question must be answered as follows:

SECTION A: Question 1 is **COMPULSORY**

SECTION B: This section consists of THREE questions. Questions 2 - 4 of which the candidate must only answer **TWO**.

SECTION C: This section consists of TWO questions: Questions 5 - 6 of which the candidate must only answer ONE.

2. DETAILED REQUIREMENTS FOR EACH SECTION.

SECTION A (COMPULSORY)

QUESTION 1:

- 1.1 Multiple choice items: (Four questions per main topic)
(2 marks per item)

8 X 2 [16]

TIPS FOR APPROACHING MULTIPLE-CHOICE QUESTIONS.

Read the questions and distractors (answer options) very carefully.

- *Analyse the question or statement by underlining or highlighting key words.*
- *Now look at the distractors (answer options) and eliminate those that are obviously incorrect.*
- *Normally the answer lies in the statement / question itself.*
- *Use the keyword (s) to determine the correct answer.*
- Write only ONE option A, B, C or D next to the correct question number. If more than one answer option is written, you will receive NO marks EVEN if one of the alternatives is the correct answer.
- Use only capital letters to indicate the correct choice.

THIS SUBTOTAL AMOUNT 16 MARKS

1.2 Matching items in Columns A and B (four items per main topic)
(1 mark per item)

8 X 1 [8]

TIPS FOR ANSWERING QUESTIONS BASED ON MACHING ITEMS:

- Carefully read through ALL the concepts in Column A and then all the descriptions as set out in Column B.
- Start by defining or describing the concepts mentioned in Column A.
- Try to connect the concepts that are mentioned in Column A with the content of the curriculum.
- First answer the questions which you are sure you can make the correct connection with the definitions in Column B.
- Mark the descriptions in Column B that you have already matched with the concept in Column A. This makes the alternative answers from which you have to choose less.
- Use your linguistic abilities to link the concepts in Column A that you cannot associate with a description in Column B.
- Write down only ONE answer. If two or more options are given as an answer, no marks will be awarded EVEN if one of the chosen answers is the correct one. Draw a line through the incorrect answer (s)

THIS SUBTOTAL AMOUNTS 8 marks.

1.3 Identification of concepts: (Three items per main topic)
(1 mark per topic)

6 X 1 [6]

TIPS FOR ANSWERING “GIVE ONE Term /CONCEPT FOR...” TYPE OF QUESTIONS

- A thorough knowledge and understanding of economic concepts and terminology is a prerequisite.
- Underline / Emphasize keywords in the question / statement.
- Write down ONE answer only. Two or more answers will earn NO marks, even if one of the answers is the correct answer. Draw a line through an incorrect answer.
- Abbreviations, acronyms and examples will NOT be accepted.

THIS SUBTOTAL AMOUNTS 6 POINTS

SECTION B (ANSWER TWO QUESTIONS IN THIS SECTION)

QUESTION 2 – 4 (THREE QUESTIONS)

One question per MAIN TOPIC and ONE combined question consisting of questions of both main topics.

In Paper 1, for example, Macroeconomics is tested in Question 2 and Economic Pursuits in Question 3.

Question 4 will consist of a combination of questions from Macroeconomics and Economic Pursuits.

2.1 Short questions

2.1.1	Lower order question (Two items)	(2 X 1) (2)	
2.1.2	Middle order questions (One item)	(1 X 2) (2)	[4]

TIPS FOR ANSWERING QUESTIONS IN SECTION B:

2.1.1; 3.1.1 and 4.1.1 are **Name TWO...** Questions. 2 X 1 (2)

These are lower order questions where TWO examples, concepts, definitions, descriptions are tested.

A thorough knowledge of economic concepts / terminology is important.

2.1.2, 3.1.2 and 4.1.2 are a **How / What / Why** question. 1 X 2 (2)

This question requires deeper thinking and often requires the candidate to apply knowledge. Sometimes the question requires giving the cause and consequences of certain phenomena.

Important: Answers to these questions must be given in full sentences.

THIS SUBTOTAL IS 4 MARKS.

2.2 Data response questions based on graphs, cartoons, tables, reports, etc [10]

2.3 Data response questions based on graphs, cartoons, tables, reports, etc. [10]

TIPS FOR APPROACHING DATA RESPONSE QUESTIONS

Questions (2.2; 2.3), (3.2; 3.3) or (4.2; 4.3) will have to be answered depending on the TWO questions in Section B that you choose to answer.

- Questions in this section usually consist of cartoons, diagrams, graphs, extracts.
- For this reason, it is of great importance that the candidate must determine during the reading of the question paper which questions can be answered best.
- Questions 2.2.1; 3.2.1 and 4.2.1 is Lower order questions that are directly or indirectly applicable to the data. (1)
- Questions 2.2.2; 3.2.2 and 4.2.2 are Lower order questions that are directly or directly on the data. (1)
- Questions 2.2.3; 3.2.3 and 4.2.3 are questions that require an explanation, an interpretation or a description. (2)
- Questions 2.2.4; 3.2.4 and 4.2.4 are questions that can start with:
 - Explain, What, Why, How, Discuss.
 - These questions require knowledge and the ability to apply knowledge.
 - These questions MUST make economic sense and Must be answered in full sentences (2)
- Questions 2.2.5; 3.2.5 and 4.2.5 are Middle to Higher order questions in which knowledge, application and often calculations occur.
- Answers must be given in full sentences. Candidates are often expected to motivate their answer.

THIS SUBTOTAL IS 2 X 10 = 20 MARKS

Question 2.4 ONE middle order question: (2 x 4) OR (4 x 2) [8]

TIPS FOR ANSWERING MIDDLE TO HIGHER ORDER QUESTIONS

- Questions 2.4; 3.4 and 4.4 are middle to higher order questions that must be answered in FULL SENTENCES.
- If aspects are only mentioned / named, candidates can only obtain a maximum of 4 marks. Where applicable, candidates can explain and illustrate their answer with an appropriate example.
- Mark allocation can be 4 Facts X 2 marks per fact OR Two concepts / ideas where 4 marks are awarded for each of the two concepts.

THIS SUBTOTAL IS 8 MARKS

2.5 ONE Higher order questions: (2 marks X 4 facts) OR (4 marks for each of the 2 concepts / ideas) **[8]**

TIPS FOR ANSWERING HIGHER ORDER QUESTIONS

- Questions 2.5; 3.5 and 4.5 are higher-order questions that require knowledge, understanding and application ability of the candidates.
- These questions must be answered in FULL SENTENCES. If facts are only mentioned / listed, candidates will obtain a maximum of two (2) marks.

THIS SUBTOTAL IS 8 MARKS.

Mark allocation in Section B is as follows: 4 + 10 + 10 + 8 + 8 = 40 marks per Question

2 QUESTION = 40 X 2
TOTAL: SECTION B: {80}

SECTION C (ANSWER ONE QUESTION IN THIS SECTION)

TOTAL: 40

QUESTIONS 5 - 6 (TWO ESSAY TYPE QUESTIONS) - **ONE** PER MAIN TOPIC.

STRUCTURE OF THE ESSAY:

Introduction: (Definition / Description) **(Max. 2 marks)**

Body: Discuss in detail, investigate, Give an in-depth discussion of, Analyze, Compare, Distinguish, Explain, Assess **(Max. 26 marks)**

Additional part: Give your opinion, critically discuss, Evaluate, draw a graph, Explain on the basis of a graph, Calculate, Compare, Interpret, Distinguish, etc. **(Max. 10 marks)**

Conclusion / Summary: Explanation, Outlining, Statistics, Evaluation, on an aspect that appears in the BODY of the question. **(Max. 2 marks)**

TOTAL: 40 MARKS

Something to keep in mind: Do not try to guess (spot) what question / questions you can get! Instead, make sure that you know ALL the essay-type questions of a certain major topic (Macroeconomics or Economic pursuits). If you know ALL Macroeconomics' essay type questions, it will be easier to do Questions 2, 4 and 5. If you are familiar with or (know) the Economic type essay Questions, Questions 3, 4 and 6 might be more suitable for you.

TIPS FOR ANSWERING ESSAY TYPE QUESTIONS

Introduction:

- Define / Describe / Explain - a key concept used in the question as an introduction and expand on it.
- Guard against it to say what you are going to discuss.
- **UNDER NO CIRCUMSTANCES SHOULD YOU USE THE QUESTION OR PARTS THEREOF AS THE INTRODUCTION.**

Body / Main Content:

- To earn full marks (26 marks) for this part of the question, the candidate must:
 - Use appropriate subheadings (where applicable). (ONE mark is awarded per subhead)
 - Each sub-heading must be further explained / expanded and motivated in full sentences.
 - Provide relevant statistics and or examples for each subhead (if applicable).
 - Beware of repeating facts.
 - If in doubt - provide as much information on the topic as possible.
 - You can score up to a maximum of 8 marks for lower order facts such as headings and examples

Additional part:

- The additional part requires higher order responses.
- The additional question may require knowledge outside the official curriculum that indicates that candidates should be aware of current economic events.
- Expressing one's own opinion, the critical evaluation of economic situations is common. Candidates should also be able to explain phenomena using graphs.
- Candidates can earn a maximum of 10 marks.

In conclusion (Must be answered as a higher order question)

- Candidates should guard against concluding their answer by repeating the question or information already contained in the answer.
- The concluding remark **MUST** refer to the Body / Main Content of their answer and **NOT** to the Additional part of the question.
- An own opinion, a solution, statistical data or a critical summary can give the candidate his/her 2 marks.

MARK ALLOCATION FOR ESSAY TYPE QUESTION: 2 + 26 + 10 + 2 = 40 MARKS

3. KEY CONCEPTS

National accounts	The system of national account aggregates makes it possible to measure the economic activity in a country.
National accounts aggregates	National account aggregates refers to the total amount of money or products in an economy over a period of time - regardless of whether it was requested, offered, produced consumed or received as income.
National Accounts Conversions	Refers to the use of recognized formulae to make changes to National Accounts data so it can be used for different purposes.
Private Consumption Expenditure (C)	The total value of expenditure (spending) by households on goods and services.
Investment expenditure (I)	The total value of spending on capital goods by the business sector
Taxes (T)	Compulsory payments by households and the business sector to the government.
Savings (S)	The sum total of income not used for consumption / The sum total of money placed with financial institutions.
Imports (M)	The total monetary value spent on goods and services produced outside the borders of the country.
Exports (X)	The total monetary value of goods and services produced within national borders but sold to other countries.
National Income (Y)	This National Account aggregate refers to the total income earned by all participants in the economy over a certain period.
Gross Domestic Product (GDP)	The total market value of all final goods and services produced within the borders of the country during a certain period of time (usually a year).
Net Domestic Product (NDP)	It measures the value of production after adjustments have been made for the use of fixed capital.
Net Operating Surplus Entrepreneur's profit after tax.	Entrepreneur's profit after tax has been deducted.
Transfer payment	Payments in the form of subsistence (social) security grants such as child grants, state pensions, foster care grants. Transfer payments do not form part of NI.
National Real Flow	The flow of goods and services from producers to households; the flow of factors of production to the business sector and the flow of public goods supplied by the government.
Factor costs	Cost of factors of production to produce goods and services.
Basic prices	Basic prices indicates the initial cost of producing goods and services before tax and subsidy on products are taken into account. Taxes on production and subsidies on production are taken into account to calculate the basic prices.
Market price	This is the price the consumer pays for goods and services. Market prices include ALL taxes and subsidies.
Intermediate goods	Intermediate goods are semi-finished products/goods that are not yet ready for consumption or goods that are used as capital goods to manufacture other goods.

Final goods and services	Goods that are ready to be consumed and not intended to be resold.
Double counting	Double counting is a calculation error and occurs when the value of an item is taken into account more than once in / during the production process.
Compensation (Remuneration) of employees	It indicates the sum total of all wages and salaries of employees.
Net operating profit	Net profit of businesses after tax.
Fixed capital consumption	It indicates the reduction in value (wear and tear) of the fixed assets used in the process of production.
Gross Domestic Expenditure (GDE)	Total expenditure on goods and services within the borders of the country.
Gross capital formation	Indicate the total value of businesses' investment in capital goods.
Operating assets	Includes all raw materials, semi-finished and stock levels of a business.
Change in operating assets	Indicates the change in ownership by purchase and sale of assets.
Residual item	This entry is a balancing entry to make provision for errors and omissions in the calculation of Gross Domestic Expenditure.
Inflation	Inflation is a sustained and significant increase in the prices of goods and services over a certain period of time.
Nominal GDP	Indicates the total value of production over a certain period of time at current or market prices.
Real GDP	Real GDP is the nominal GDP figures adjusted for price increases. The effect of inflation (deflator) would have been taken into account.
Gross Domestic Expenditure (GDE)	This is the total value spent on goods and services within the borders of a country and during a specified period of time. .
Subsidy	It is a financial allowance (payment) paid by the government to keep the market price of a product lower than the actual cost.
Tax on products	Refers to taxes levied per product, mass or volume, for example VAT and import taxes.
Tax on production	Taxes that are NOT levied on a product, for example property taxes and business licenses.
Subsidy on products	Refers to a subsidy levied per product, mass or volume, for example a subsidy on bread.
Subsidy on production	Subsidy that is NOT levied on a product, for example employment subsidy.

Do you know the concepts above?

Can you explain it without looking at the notes?

Can you apply these concepts in certain situations?

The exercises that follow will test your herein.

REVISION EXERCISES

SECTION A (COMPULSORY)

QUESTION 1

30 MARKS - 20 MINUTES

Four possible answers, indicated by A, B, C and D, are provided for each question or statement. Choose the correct answer that you think is the correct or the most appropriate one and write the correct letter next to the question number.

Each question has only ONE correct answer. If more than one answer is given, no marks will be awarded for that question.

1.1.1 *An alternative concept for gross value added...*

- A National production
- B National income
- C Domestic product
- D Domestic income (2)

1.1.2 *To convert factor cost to basic prices, other subsidies on production must be ..*

- A be shared
- B added
- C subtracted
- D multiply (2)

1.1.3 *Double counting* is a problem that occurs when the... method is used to calculate the GDP of a country.

- A production
- B income
- C spending
- D domestic (2)

1.1.4 The calculation of the national accounts aggregate where *the value added at each stage* of the production process, is the ... method

- A spending-
- B product
- C income
- D production (2)

1.1.5 *The total value of remuneration* that the factors of production receive / earn for their share in the production process over a certain period is known as...

- A GDP
- B GNI
- C GNP
- D GNE (2)

1.1.6 The total value of a country's *primary sector* together with the *secondary and tertiary sectors* forms the....

- A Gross value added at current prices.
- B Gross domestic product at market prices.
- C Gross value added at basic prices.
- D Gross value added at factor cost. (2)

1.1.7 Wages and salaries earned by *permanent residents outside South Africa* must be ... to the GDP to calculate GNI.

- A is added
- B is deducted
- C is multiplied
- D disregarded (2)

1.1.8 The sum total of *taxes, import payments and savings* in the economic cycle model is known as....

- A leaks
 - B investments
 - C capital
 - D injections (2)
- [16]**

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–J next to the question numbers (1.2.1 to 1.2.8).

	COLUMN A		COLUMN B
1.2.1	Final goods	A	Mandatory payments to the authorities
1.2.2	Tertiary sector	B	Tax on products
1.2.3	Inflation	C	Prescriptions by the United Nations
1.2.4	Taxes	D	Also known as market value or monetary value
1.2.5	VAT	E	Cost of employing factors of production
1.2.6	Factor costs	F	Not used as input to produce / make other goods
1.2.7	Real GDP	G	Production tax
1.2.8	National Accounting System	H	Improvement in the quality of life of the citizens
		I	Value of country's production adjusted for price increases
		J	Consists mainly of services and retail

[8]

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 The remuneration that the owners of natural resources earn for their participation in the production process.

1.3.2 The flow of goods and services between the participants in the circular flow.

1.3.3 A payment by the government to ensure social security (survival).

1.3.4 The system to measure the economic activities of a country.

1.3.5 An economy that does not include foreign countries.

1.3.6 Spending by businesses on capital goods.

[6]

TOTAL: SECTION A: {30}

SECTION B

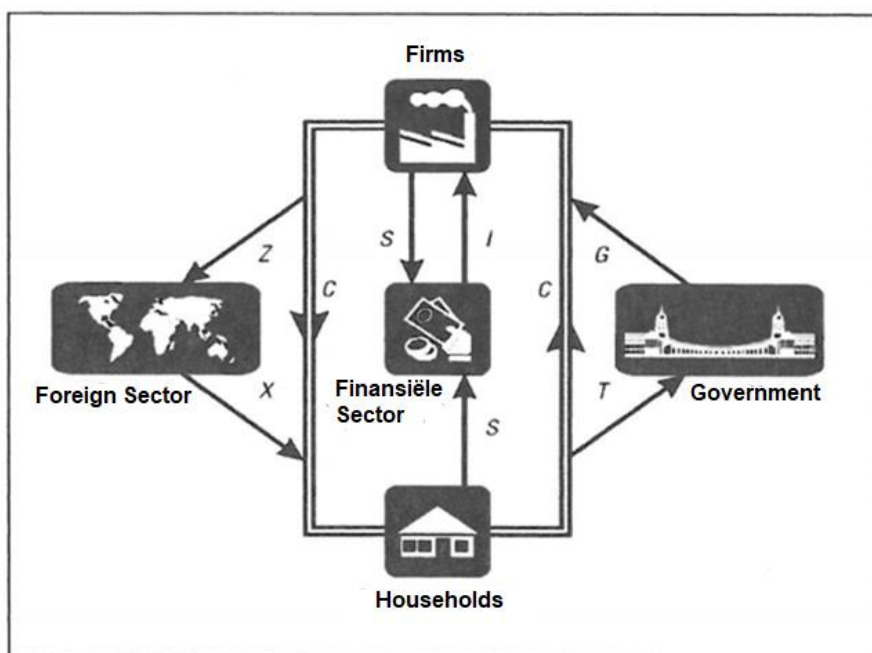
QUESTION 2

2.1.1 Name any TWO *participants* in a closed economy. (2 X 1) (2)

2.1.2 Why is it alleged/ claimed that an *exchange process* contains two components?
(1 X 2) (2)

[4]

2.2 Study the diagram below and answer the questions that follow



(Source: Morh and Fourie: Economics for South African students)

2.2.1 What *economic phenomenon* is depicted here? (1)

2.2.2 What “*type*” of *economy* is referred to in the picture? (1)

2.2.3 Why is taxation considered to be a *leakage* in the economy? (2)

2.2.4 What is the role of the *financial markets* in the diagram? (2)

2.2.5 How can *households* contribute to building a *better economy*? (4)

[10]

2.3 Study the table below and answer the questions that follow:

GROSS VALUE ADDED AT CONSTANT PRICES					R Millions 2017
YEAR	AGRICULTURAL FORESTRY FISHERY	MINING	MANUFACTURING	ELECTRICITY GAS WATER	CONSTRUCTION
2016	11 614	58 165	98 396	16 297	27 789
2017	18 505	55 237	89 863	15 154	27 328

2.3.1 What is illustrated in the table above? (1)

2.3.2 Which activity made the largest contribution in 2017? (1)

2.3.3 Briefly explain the concept “constant prices”. (2)

2.3.4 How is Gross Value Added converted to Gross Domestic Product at market prices? (2)

2.3.5 Calculate the total contribution of the secondary sector to the GDP at constant prices for 2017. Show ALL your calculations. (4)

[10]

2.4 Make a clear distinction between Gross Domestic Product and Gross National Product as two important aggregate accounts in the economy. (2 X 4) **[8]**

2.5 Discuss the desirability of the government paying higher wages to its public sector employees. (4 X 2) **[8]**

{40}

QUESTION 3

3.1.1 Give TWO examples of taxes on products. (2 X 1) (2)

3.1.2 What is the economic meaning of the concept double counting? (1 X 2) (2)

[4]

3.2 Study the following table and answer the questions that follow:

EXTRACT FROM THE NATIONAL ACCOUNTS OF SOUTH AFRICA AT CURRENT PRICES -2014	R m
Other subsidies on production	16 178
Fixed capital consumption	116 985
Primary income from the rest of the world	316 745
Tax on products	514 070
Remuneration of employees	1 058 699
Other taxes on production	54 112
Primary income to the rest of the world	112 117
Net operating surplus	654 321
Subsidies on products	31 521

3.2.1 Give ONE example of *taxes on production*. (1)

3.2.2 Give an example of *primary income* from the rest of the world. (1)

3.2.3 Use the information in the table and *calculate* the Gross Value Added at basic prices. (2)

Show ALL calculations. (2)

3.2.4 Calculate the Gross National Income at market prices. Show ALL calculations. (2)

3.2.5 *Distinguish* between GDP at current prices and GDP at constant prices. (4)

[10]

3.3 Study the table below and answer the questions that follow:

NO	ITEM	Rm
1	Private consumption expenditure	2 379
2	Consumption expenditure by the government	635
3	Gross Capital Formation	569
4	Residual item	-12
5	A	3 571
6	Export earnings	854
7	Imports of goods and services	872
8	Expenditure on GDP at market prices	B

[Quarterly Bulletin 2020, SARB]

- 3.3.1 Which organization other than the South African Reserve Bank publishes statistical data in South Africa? (1)
- 3.3.2 Which *calculation method* to obtain the GDP is indicated in the table above? (1)
- 3.3.3 Write down the item that is missing at A. (2)
- 3.3.4 Describe the concept *GDP*. (2)
- 3.3.5 Calculate the expenditure on GDP at market prices (B). Show ALL calculations. (4)
- 3.4 In *tabular form*, give the differences between subsidies on products and the subsidies on production. Give an example of each to motivate your answer. (2 X 4) [8]
- 3.5 Discuss how *spending* is linked to income and production. (4 X 2) [8]
- {40}**

QUESTION 4

- 4.1.1 Name TWO sectors that are taken into account to calculate GDP (P). (2 X 1) (2)
- 4.1.2 When is the entry 'Residual item' used? (1 X 2) (2)
- [4]**

4.2 Use the following imaginary national income data to answer the questions that follow:

	Rm
Consumption expenditure	10,500
Government spending	3,000
Exports	1,200
Imports	1,000
Gross Capital Formation (Investment)	2,200

- 4.2.1 What is the government's *main source* of income to finance its spending? (1)
- 4.2.2 Which *method* to calculate the national aggregates can be used with the information in the table? (1)
- 4.2.3 Name TWO *other methods* in which GDP can be calculated. (2)
- 4.2.4 Why should *exports be added* to calculate GDP? (2)
- 4.2.5 Use the information in the table and *calculate* the GDP at market prices. (4)
- [10]**

4.3 Study the table below and answer the questions that follow:

Added value at current prices (R million) 2016	
Primary sector	398 770
Secondary sector	815 816
Tertiary sector	2 654 870
Gross Value Added at Basic Prices	A
Tax on products	484 059
Subsidies on products	16 527
Gross Value Added at Market Prices	4 336 988

Source: SARB, Quarterly Bulletin No 83

- 4.3.1 Which *sector* made the smallest contribution to GDP? (1)
- 4.3.2 Which *calculation method* of the national aggregate account is used in the table above? (1)
- 4.3.3 Define the concept “*Gross Value Added*”. (2)
- 4.3.4 *Calculate* the Gross Value Added at Basic Prices. Show ALL calculations. (2)
- 4.3.5 What *important aspects* must be taken into account in the calculation of Gross Value Added? (4)
- [10]
- 4.4 What is the *difference* between Basic Prices and Market Prices? (2 x 4) [8]
- 4.5 For *what reasons* are National Aggregate Account compiled? (4 X 2) [8]
- {40}

For Grade 11, there are no essay-type questions on this section of the work.

In Grade 12, the Circular flow model and the Role of markets in particular are popular essay-type questions.

End