



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2018

**ECONOMICS P2
MARKING GUIDELINE**

MARKS: 150

This marking guideline consists of 19 pages.

SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 B ✓✓ 1 500
- 1.1.2 A ✓✓ variable costs divided by units produced
- 1.1.3 C ✓✓ move in the same direction as price
- 1.1.4 D ✓✓ rate of development
- 1.1.5 A ✓✓ total satisfaction gained by adding up all utils
- 1.1.6 A ✓✓ letting agricultural runoff cause depletion and kill fish downstream
- 1.1.7 D ✓✓ promote sustainable management, development and protection of forests
- 1.1.8 B ✓✓ subsidising producers to produce more for exports (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 H ✓ occurs when a business has costs that exceed revenue
- 1.2.2 E ✓ barriers protect them from competition by other businesses
- 1.2.3 A ✓ occurs when countries decide to economically work together
- 1.2.4 F ✓ measures the responsiveness of demand to a change in income
- 1.2.5 B ✓ a foreign company invests in business in another country in physical assets
- 1.2.6 G ✓ exploiting natural resources without destroying the ecological balance of an area
- 1.2.7 C ✓ few large sellers dominating the market
- 1.2.8 J ✓ people care for flora and fauna if they are given the rights to own them (8 x 1) (8)

- 1.3 1.3.1 Economies of scale ✓
- 1.3.2 Monopolistic competition ✓
- 1.3.3 Poverty trap ✓
- 1.3.4 Short run ✓
- 1.3.5 Pollution ✓
- 1.3.6 Gini coefficient ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B**QUESTION 2**

2.1 2.1.1 **List TWO examples of fixed costs.**

Rent ✓

Wages and salaries ✓

(Accept any relevant answer)

(2 x 1)

(2)

2.1.2 **What would encourage a producer to continue increasing its production?**

Business will want to produce where additional income received from a unit is equal to the additional cost of producing the unit ✓✓

(2)

2.2 **Study the graph below and answer the questions that follow.**

2.2.1 **What is the impact on the price and quantity of the shift in supply from SS to S₁S₁?**

Increase in price of petrol ✓ and a decrease in quantity demanded ✓

(2)

2.2.2 **Explain the phrase *inverse relationship*.**

As one variable decreases the other increases ✓✓

(2)

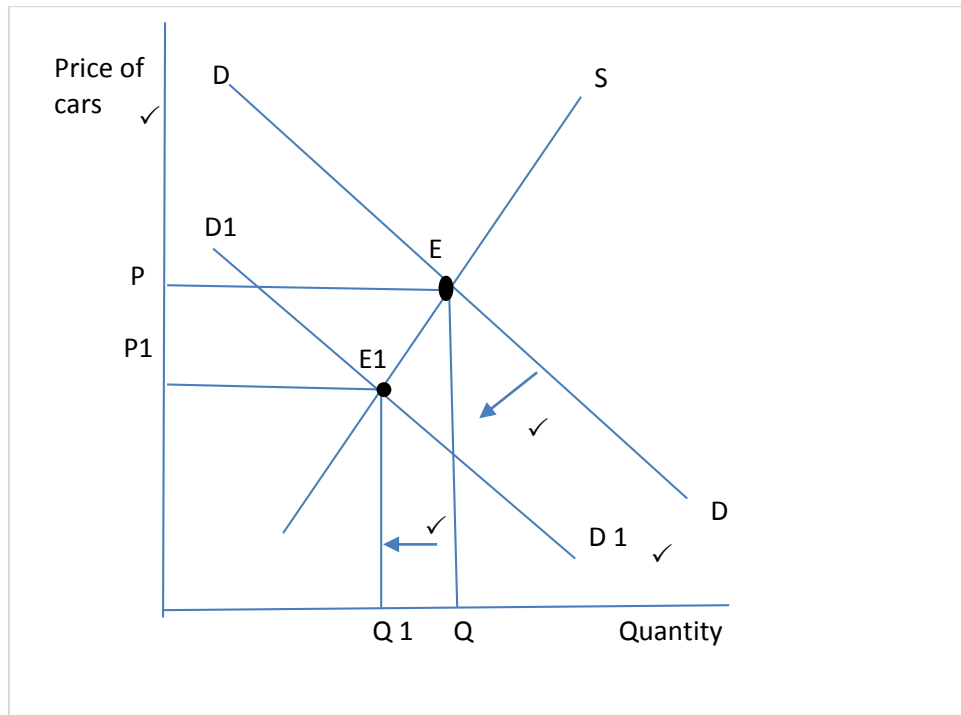
2.2.3 **What may be the cause of a shift in supply from SS to S₁S₁?**

- Global Recession ✓✓
- Increase in the price of coal ✓✓
- Depreciation of the currency ✓✓

(Accept any relevant answer)

(2)

- 2.2.4 Draw the graph of the complement product (petrol) and indicate what the reaction would be.



(4)

2.3 DATA RESPONSE

- 2.3.1 From the extract, list any TWO features of an oligopoly.

- Products are similar and sold by a few manufacturers ✓
- Products are branded due to extreme competition ✓
- Barriers to entry ✓

(2 x 1)

(2)

- 2.3.2 Explain the term *entry barrier*.

It is not easy to enter or exit the market, an obstacle preventing new businesses from entering the market ✓✓

(2)

- 2.3.3 Why do firms collude with one another?

- They collude with one another so as to maximise profits ✓✓
- To limit entry in the market ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

- 2.3.4 How does branding assist a company operating in an oligopoly market structure?

Branding assists in:

- Distinguishing a product from other competing brands ✓✓
- Promoting brand loyalty ✓✓
- Attracting customers ✓✓

(Accept any other correct alternative response)

(2 x 2)

(4)

2.4 Briefly discuss *nature of the product* and *entry* as characteristics of a perfect market.

Nature of the product:

- The product is homogenous ✓✓
- It is identical in all respects, there is no branding ✓✓ (2 x 2)

Entry:

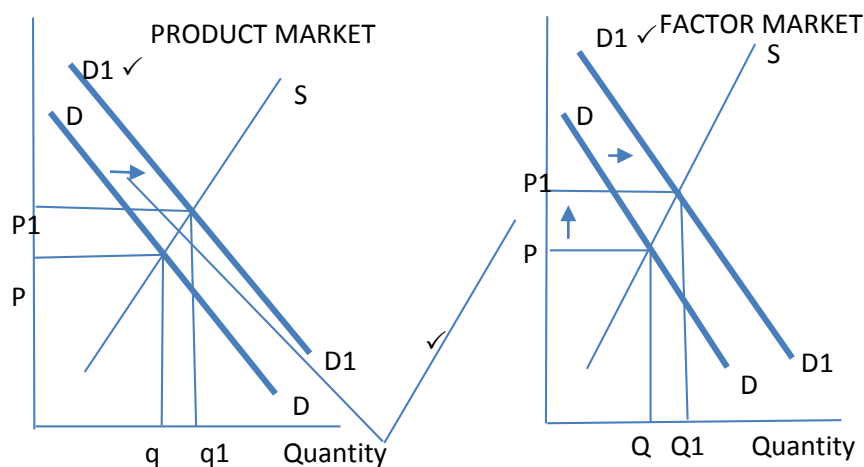
- Entry and exit are free ✓✓
- There are no barriers to entry ✓✓ (2 x 2)

(Accept any other correct relevant response)

(Maximum 4 marks for mere listing)

(8)

2.5 With the aid of graphs, explain how an increase in demand of a product affects the factor market.



Mark allocation – Maximum 4 marks
 Increase in demand in both markets = 2 marks
 Indication of an increase in price = 1 mark
 Indication of the effect from product market to factor market = 1 mark

When the demand for a certain product in the product market increases, this affects the demand for a natural resource producing the product. ✓✓

The demand for the product increases from DD to D₁ D₁. This will lead to an increase in demand in the factor market from DD to D₁ D₁. ✓✓

This results in the increase in price.

For example, the increase in demand for clothing ✓ will result in an increase in demand for either cotton or silk, which are natural resources ✓ for the production of clothing.

(Accept any relevant correct interpretation)

Max. 4 (8)

[40]

QUESTION 3

3.1 3.1.1 **List any TWO aspects that indicate the level of development in a country.**

- Economic activity / Growth ✓
- Employment levels ✓
- Poverty levels ✓
- Health care and life expectancy ✓
- Education levels ✓
- Social organisation ✓
- Safety and security including crime levels ✓
- Governance and political stability ✓

(Any two correct relevant responses)

(2 x 1) (2)

3.1.2 **Why is it important for us to sustain the environment?**

The environment is an ecosystem which society and the economy depend on. If not taken care of, society would not survive, and the economy would not thrive ✓✓

(Any correct relevant response)

(2)

3.2 **DATA RESPONSE**

3.2.1 **Which economic concept do you associate with the phrase 'The world is round, we'll get there'?**

Globalisation ✓

(1)

3.2.2 **What does the abbreviation WTO stand for?**

World Trade Organisation ✓

(1)

3.2.3 **Briefly explain the concept *free trade*.**

It is the removal or reduction of trade tariffs such as import quotas and import duties ✓✓

(2)

3.2.4 **Explain the relationship between comparative advantage and free trade.**

Free trade results in specialisation: a country will concentrate on products which can be produced at the least cost, compared to other countries ✓✓

(Accept any other correct relevant response)

(2)

3.2.5 **What do countries stand to gain from a free trade policy?**

- Increase access to higher quality and low-priced goods ✓✓
- Increase in economic growth ✓✓
- Improves efficiency and innovation ✓✓
- Promotes competition and fairness ✓✓

(Accept any other correct relevant response)

(4)

3.3 DATA RESPONSE

3.3.1 Identify any TWO ways from the above extract of protecting the environment.

- Reduce the amount of water you use ✓
- Save on gasoline ✓
- Reduce the use of electricity ✓
- Prevent items from going into landfills ✓
- Save on natural resources ✓

(2 x 1) (2)

3.3.2 Briefly describe the concept *ecosystem*.

It is a localised group of interdependent organisms together with the environment that they inhabit and depend on ✓✓

(2)

3.3.3 Explain price policy as a method of protecting the environment.

- It is to increase the price of non-renewable resources especially for people who use them inefficiently ✓✓
- When supply is restricted and demand keeps on increasing, the equilibrium price will increase ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

3.3.4 Why is it vital for human beings to protect the environment?

- The ecosystem in which we live provides services for humans and all other species ✓✓
- Our forests remove carbon dioxide and other pollutants from the air we breathe, and also cools the temperature of the air ✓✓
- Our wet lands store storm water ✓✓
- Environment supports life ✓✓
- If the environment is protected, we are assured better health, food, quality air etc. ✓✓

(Accept any correct relevant response)

(4)

3.4 Explain *changes in employment conditions* and *changes in culture* as consequences of globalisation.

Changes in employment conditions:

- With globalisation MNEs make FDIs in business in developing countries generating employment ✓✓
- FDIs provide rewarding employment opportunities ✓✓
- Has led to job losses in developed countries

(2 x 2)

Changes in culture:

- There is an increase in the desire to use foreign ideas ✓✓
- Globalisation has resulted in several cultures coming together ✓✓
- People of one culture discover shortcomings in their culture when they come into contact with other cultures ✓✓
- They adapt aspects of other cultures that are more in tune with the times ✓✓

(Accept any other correct relevant response)

(2 x 2) (8)

3.5 Why do you think taking care of forests is important for the economy and the environment?

Forests should be taken care of because:

- Human beings depend on them ✓✓
- They generate oxygen or the air that we breathe ✓✓
- They are used for the production of furniture, books and all other timber products ✓✓
- They provide habitats for animals ✓✓
- They offer watershed protection ✓✓
- They prevent soil erosion ✓✓
- They mitigate climate change ✓✓

(Accept any other correct relevant response)

(4 x 2) (8)
[40]

QUESTION 4

4.1 4.1.1 **Give any TWO member states of the SADC region.**

- Angola ✓
- Botswana ✓
- DRC ✓
- Lesotho ✓
- Madagascar ✓
- Malawi ✓
- Mauritius ✓
- Mozambique ✓
- Namibia ✓
- Seychelles ✓
- South Africa ✓
- Swaziland ✓
- Tanzania ✓
- Zambia ✓
- Zimbabwe ✓

(2 x 1) (2)

4.1.2 **Why does the average fixed-cost curve slope downwards from left to right?**

Because its value decreases for each quantity produced ✓✓

(1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 **Which market structure is depicted above?**

Perfect market ✓

(1)

4.2.2 **What type of profit is indicated in the above graph?**

Normal profit ✓

(1)

4.2.3 **Briefly explain point 'e' on the graph.**

A point of equilibrium where marginal cost is equal to marginal revenue ✓✓

(2)

4.2.4 **Explain the slope of the marginal cost curve.**

The marginal cost curve first slopes downwards sharply, then gradually slopes upwards, because it is a change in total cost ✓✓
(Accept any other correct relevant response)

(2)

4.2.5 **Why are MR and AR equal in the graph above?**

Because the price is constant; extra revenue received from an extra unit (MR) is equal to price ✓✓

And revenue per unit is also equal to price ✓✓

Therefore, marginal revenue is equal to average ✓✓

(Accept any other correct relevant response)

(4)

4.3 DATA RESPONSE

4.3.1 List any **TWO** factors that contribute to the loss of biodiversity.

- habit loss ✓
- degradation ✓
- excessive nutrient load ✓
- air and water pollution ✓
- overexploitation and unsustainable use of natural resources ✓ (2 x 1) (2)

4.3.2 What is the main cause of climate change?

Global warming ✓✓ (2)

4.3.3 Briefly explain **brown** environmental issues.

Brown environmental issues focus on the understanding that social issues cannot be separated from the environment ✓✓ (2)

4.3.4 How does climate change affect the economic environment?

- Loss of habitats and biodiversity negatively affects the tourism sector because tourists are attracted by the beauty of nature and indigenous plants ✓✓
 - The agricultural sector is negatively affected as dry seasons are becoming longer, and wet seasons start late ✓✓
 - The manufacturing of timber decreases because forests can be entirely lost ✓✓
- (Accept any correct relevant response) (2 x 2) (4)

4.4 Briefly discuss the **SMART** principle in designing the objectives of business.

- Specific: The idea must be identified and understood, e.g. the business must become the most profitable in the country ✓✓
- Measurable: it must be possible to test or measure whether the goal has been reached. e.g. in order for a business to reach its goal it must make a profit of R5 000 a month ✓✓
- Attainable: all stakeholders must agree to the set goal ✓✓
- Realistic: the goal must be within reach for the business e.g. the business must be capable of reaching the required profit ✓✓
- Time specific: there must be a time limit on achieving a goal. e.g. the business must be the most profitable within a period of five years ✓✓

(Any 4 from the above) (4 x 2) (8)

4.5 What would South Africa gain from integrating with other economies?

South Africa would benefit in the following ways:

- Reduction in the cost of trade ✓✓
- Improved availability of a wider selection of goods and services ✓✓
- Improvement in employment opportunities ✓✓
- The market tends to expand leading to technology sharing and cross border investment flows ✓✓
- Political cooperation amongst member countries leading to stronger economical ties ✓✓

(Accept any correct relevant response)

(4 x 2) (8)

[40]

TOTAL SECTION B: 80

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

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

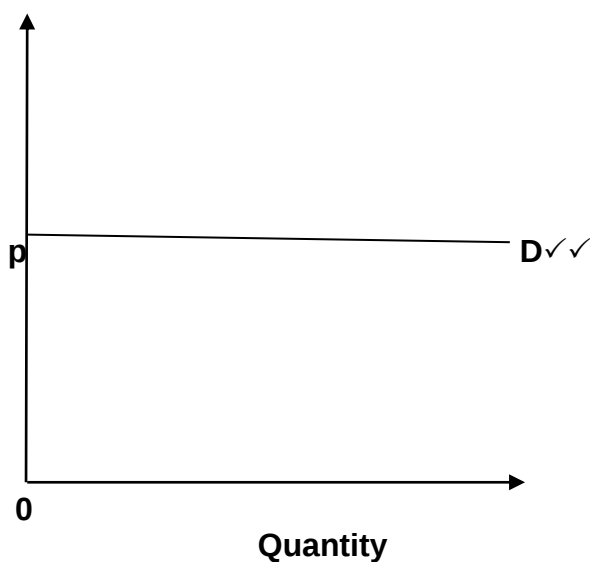
- With the aid of fully labelled diagrams, discuss types of price elasticity of demand. (26)
- What reasons would you give for the reaction of consumers to price changes? (10)

INTRODUCTION

Price elasticity of demand measures how much consumers respond or how sensitive they are to price changes. Responsiveness of quantity demanded to a change in price. (Accept any other correct and relevant introduction) (2)

BODY

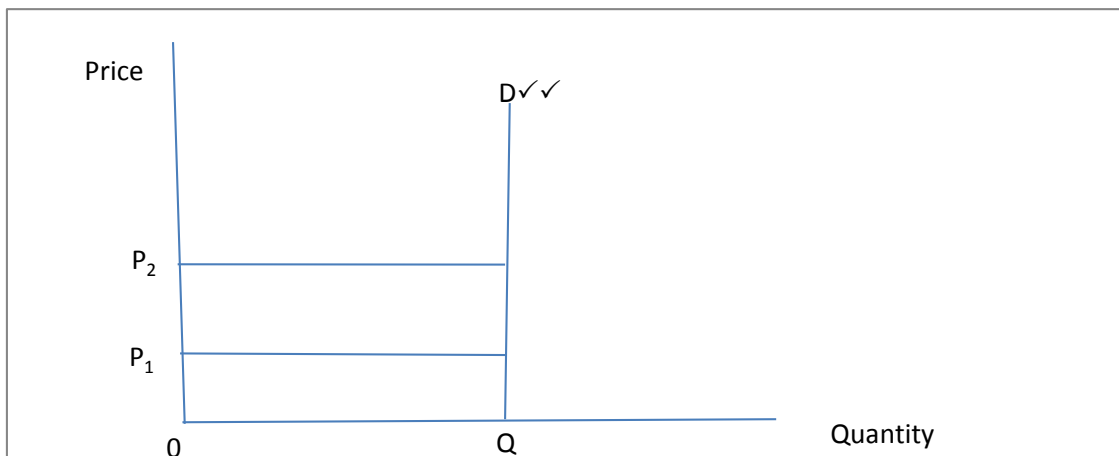
Perfectly elastic demand ✓



The smallest change in price results to an infinite large change in quantity demanded. ✓✓

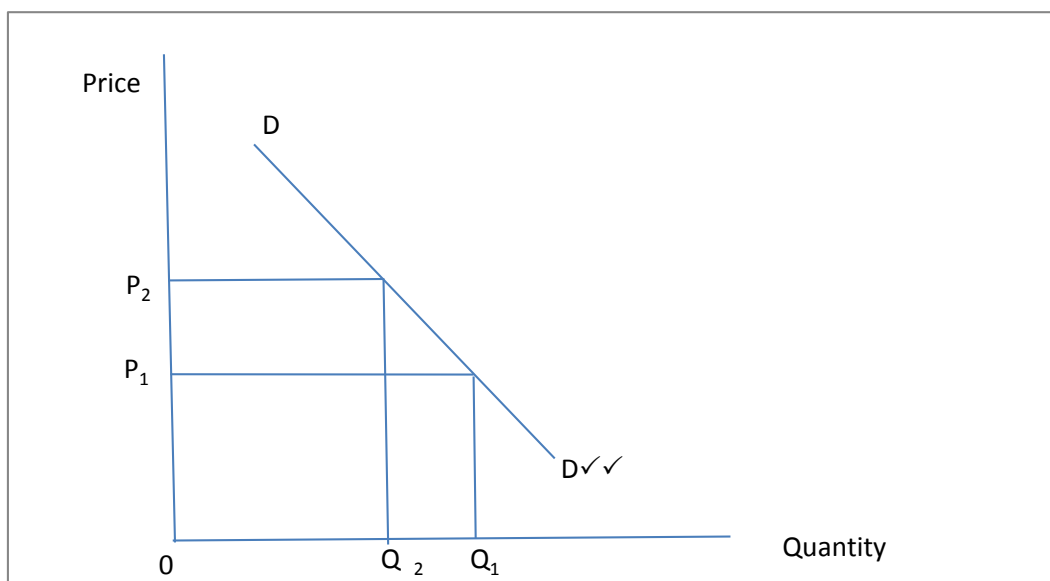
It is also referred to as infinite elasticity. ✓✓

The price elasticity of demand is ∞ . ✓✓ (5)

Perfectly inelastic demand ✓

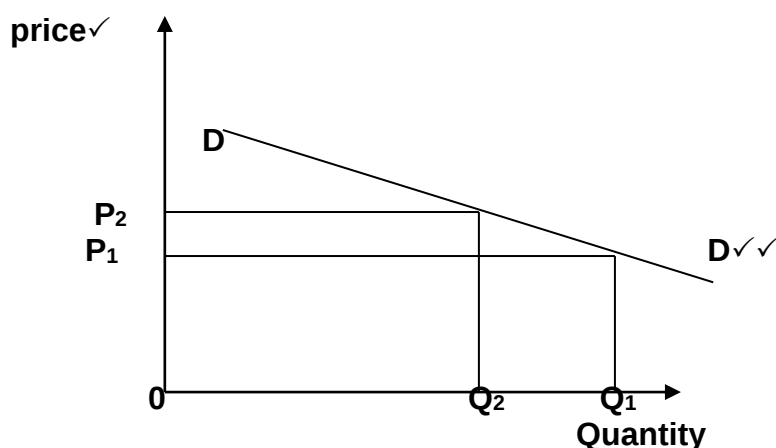
- The demand shows no response to all price changes ✓✓
- The price elasticity of demand is zero ✓✓
- It implies a change in price will cause no change in the quantity that consumers demand ✓✓

(5)

Unitary elastic demand ✓

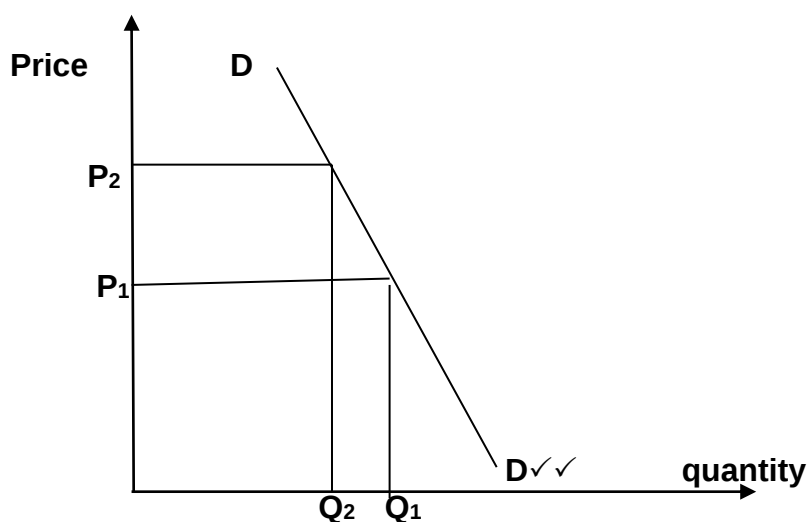
- Occurs when a specific change in price causes exactly the same change in quantity demanded ✓✓
- If a price increases by 10%, quantity demanded also increases by 10% ✓✓
- The value of elasticity is equal to one ✓✓

(5)

Relatively elastic demand ✓

- Occurs when a small change in price causes a large change in quantity demanded ✓✓
- Price elasticity is greater than one, but less than infinity ✓✓
- To improve revenue, prices should be reduced ✓✓

(5)

Relatively inelastic demand ✓

- Occurs when quantity demanded does not respond as strongly to changes in price ✓✓
- Price elasticity is less than one but greater than zero ✓✓
- To improve revenue, prices should be increased ✓✓

(5)

(Max. 8 marks for listing and examples)
(Max. 5 marks for each type of elasticity)

(26)

ADDITIONAL PART**What reasons would you give for the reaction of consumers to price changes?**

- The availability of close substitutes: if a close substitute is available the demand of a product will be very elastic, because consumers will choose to buy the substitute product. ✓✓
- The demand for essential product such as basic food stuff, medicine, electricity are price inelastic because they are necessary for survival. ✓✓
- Consumers respond easily to increase in prices for durable goods, because durable goods last for a long period of time, expenditure can be delayed. ✓✓
- If prices decrease, consumers rush to buy the product because they see it is bargain. ✓✓
- Changes in price of habit forming products will not have an influence on quantity demanded. ✓✓
- Consumers are sensitive to price changes if a product lasts for a longer period of time. ✓✓
- If a product has only one possible use, consumers will be sensitive to its price increase. ✓✓

(Accept any other correct relevant response)

(10)

CONCLUSION

It is important for producers to study the buying patterns of consumers so as to plan accordingly. ✓✓

(Accept any relevant conclusion)

(2)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Discuss in detail the causes of poverty.
- Has South Africa been successful in trying to deal with this challenging issue of poverty?

INTRODUCTION

Poverty is when people are unable to satisfy their basic need and their standard of living is low. ✓✓

(Accept any other correct relevant introduction)

(2)

BODY**Unemployment:** ✓

Without a decent income people cannot fulfil their basic needs. Poor people depend heavily on subsistence farming for a living. ✓✓

Insufficient infrastructure: ✓

Large size of rural areas and their uneven distribution, make it expensive to provide sufficient infrastructure; ✓✓ this is a major cause of poverty in South Africa. ✓✓

The following needs to be improved: transport systems and information technology necessary for doing business, clean water and sanitation, energy and urban developments ✓✓

Poor health conditions: ✓

Diseases decrease the amount of work that weak or ill people will do, this reduces their income, driving them deeper into poverty. ✓✓

Diseases such as HIV and Aids can cause death and cut off a main source of income for the family. ✓✓

High medical costs which many poor families cannot afford ✓✓

Lack of education: ✓

This keeps people from obtaining decent jobs that would lift them and their families out of poverty. ✓✓

A lack of education increases the gap between the skills needs of the economy and the supply of those needs. ✓✓

High population growth: ✓

Large numbers of people with too few resources, too few jobs and not enough food are basic causes of poverty, ✓✓

Over-population leads to the deterioration of the natural environment, including water sources, soil, and forests. ✓✓

Welfare dependency: ✓

Social grants may act as deterrent to people working or looking for employment. ✓✓

Some people prefer to live on grants which meet their basic needs, and so remain in situation of poverty. ✓✓

Dysfunctional government: ✓

Many developing countries have created their own misfortune because they are often unstable and corrupt. ✓✓

They do not always respect and honour budget, procedures and protocols. ✓✓

Weak democracy distorts how resources are allocated; this leads to services not being delivered, people not receiving their basic needs. ✓✓

War and Conflict: ✓

A large portion of today's global poverty is found in war-torn and post-conflict countries. ✓✓

Money is often wasted on weapons. Education gets disrupted, which causes further poverty ✓✓

Lack of productive resources: ✓

In poor countries there are not enough productive resources to ensure sustainable livelihoods ✓✓

Human capital is low due to hunger, disease and low literacy levels. ✓✓

Natural resources decline, because trees are cut down and soil is exhausted. ✓✓

Capital is needed for future investments, but a lack of savings makes this impossible. ✓✓

Poor rural villages need paved roads, power generators, irrigation channels, trucks, etc. ✓✓

Entrepreneurship is non-existent, because of a lack of education and skills development ✓✓

Global financial crisis: ✓

Poor countries do not have money for investments, which are important for development and growth. ✓✓

Economic growth has not been shared fairly and the economic crisis further widens the gap between rich and poor. ✓✓

Rising food prices partly from new biofuel policies, means hunger for many and worsens global poverty ✓✓

Urbanisation and forced resettlements: ✓

Migration within a country often leads to poverty. ✓✓

Sometimes people living in rural areas choose to move to cities, because they see little potential to generate an income in the rural areas far away from markets ✓✓.

Sometimes people are forced to move to make way for development schemes. ✓✓

In both cases, people often end up living in informal settlements on the fringes of cities. ✓✓

(8 marks for mere listings and examples) (26)

ADDITIONAL PART**Has South Africa been successful in trying to deal with this challenging issue of poverty?**

The government has been successful in the following ways:

The number of social grant beneficiaries has increased drastically ✓✓

The government has tried to build many schools to reduce the level of illiteracy ✓✓

The newly devised national development plan, with its aim of eliminating poverty and reducing inequality by 2030 ✓✓

Access to water and formal housing has risen from 63,5% to 79,8% ✓✓

Most people have access to electricity ✓✓

The government has also introduced 'no fee' schools, nutrition and also transport to and from schools ✓✓

Negatives:

Poor health and unemployment are still an issue ✓✓

The country needs more employment creation, e.g. SMME's Emphasis should be on good leadership ✓✓

(10)

CONCLUSION

The South African government has tried to reduce poverty although a lot more still needs to be done. ✓✓

(Accept any relevant conclusion)

(2)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150