



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2018**

**ECONOMICS P2  
MARKING GUIDELINE**

**MARKS: 150**

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This marking guideline consists of 19 pages.

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**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 S<sub>1</sub>S<sub>1</sub>?**

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)

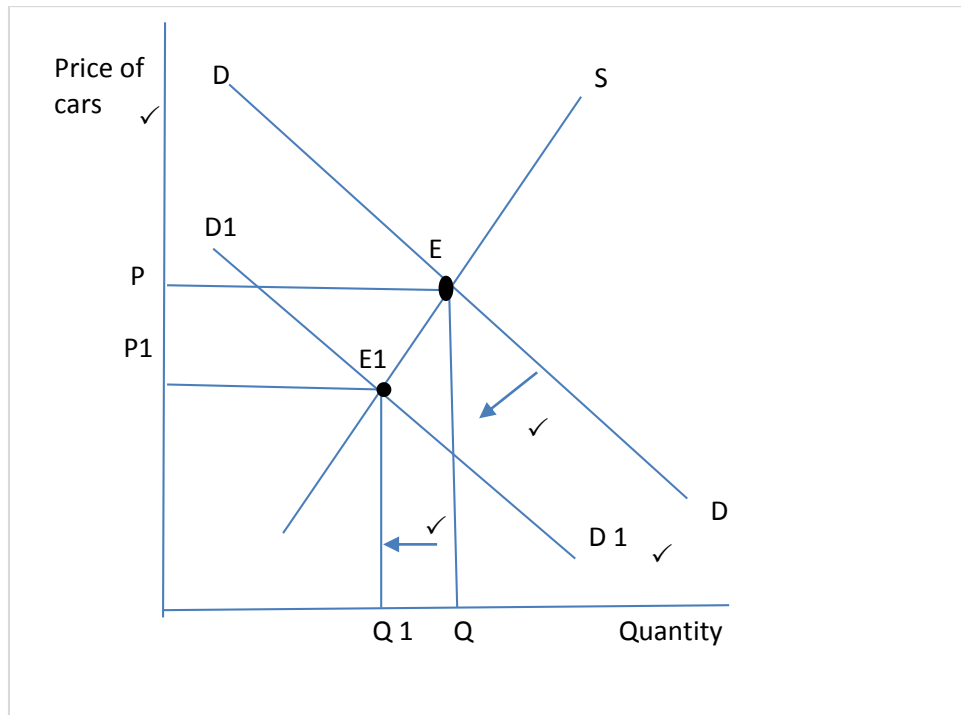
2.2.3 **What may be the cause of a shift in supply from SS to S<sub>1</sub>S<sub>1</sub>?**

- 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:**

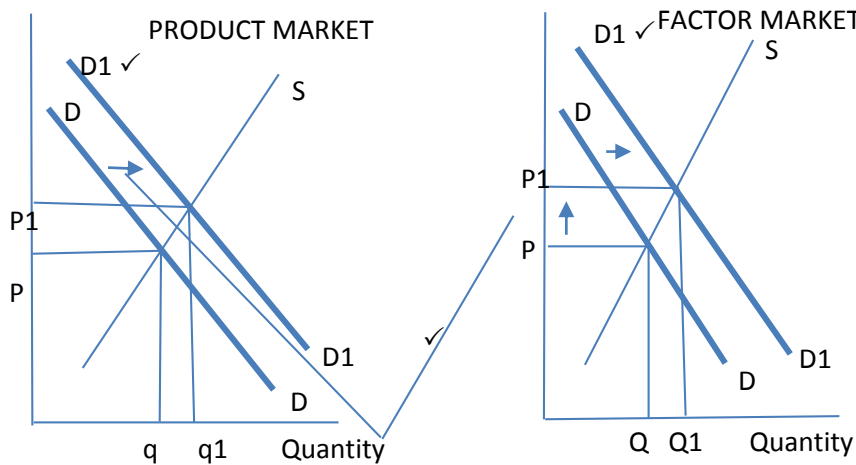
- Entry and exit are free ✓✓
- There are no barriers to entry ✓✓ (2 x 2)

(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 D<sub>1</sub> D<sub>1</sub>. This will lead to an increase in demand in the factor market from DD to D<sub>1</sub> D<sub>1</sub>. ✓✓

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**

**SECTION C**

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

STRUCTURE OF ESSAY	MARK ALLOCATION
<p><b>Introduction</b></p> <ul style="list-style-type: none"> <li>• A good starting point would be to define a concept or key word that appears in the question.</li> <li>• Include other sentences to support the topic.</li> <li>• Do not include in your introduction any part of the question.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body</li> </ul>	Max. 2
<p><b>Body</b></p> <p><b>Main part:</b> Discuss in depth/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Assess/Debate</p> <p><b>Additional part:</b> Give own opinion/ Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/Calculate/ Deduce/Compare/Explain/Distinguish/ Interpret/Briefly debate</p>	Max. 26  Max. 10
<p><b>Conclusion</b></p> <p>Any relevant higher order conclusion that should include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body</li> <li>• An opinion or valued judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion / analysis</li> <li>• A contradictory viewpoint with motivation, if so required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5: MICROECONOMICS**

**40 MARKS – 40 MINUTES**

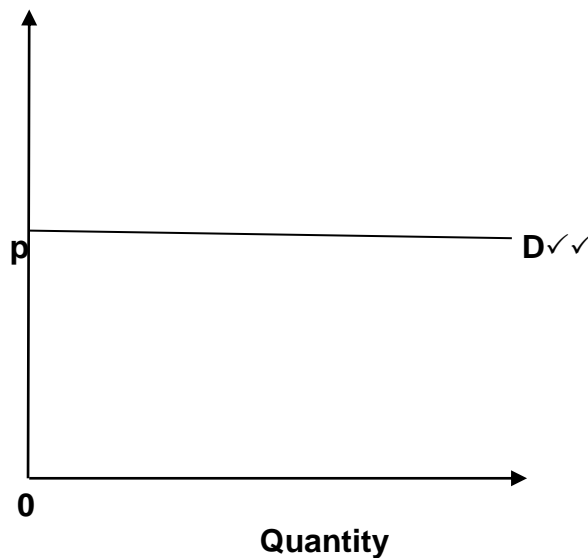
- **With the aid of fully labelled diagrams, discuss types of price elasticity of demand.** (26)
- **What reasons would you give for the reaction of consumers to price changes?** (10)

**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)

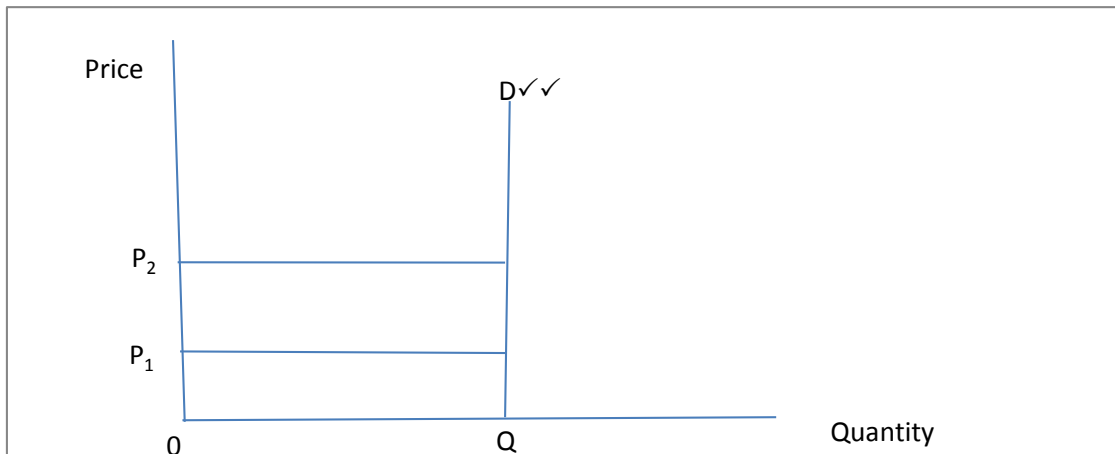
**BODY**

**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  $\infty$ . ✓✓ (5)

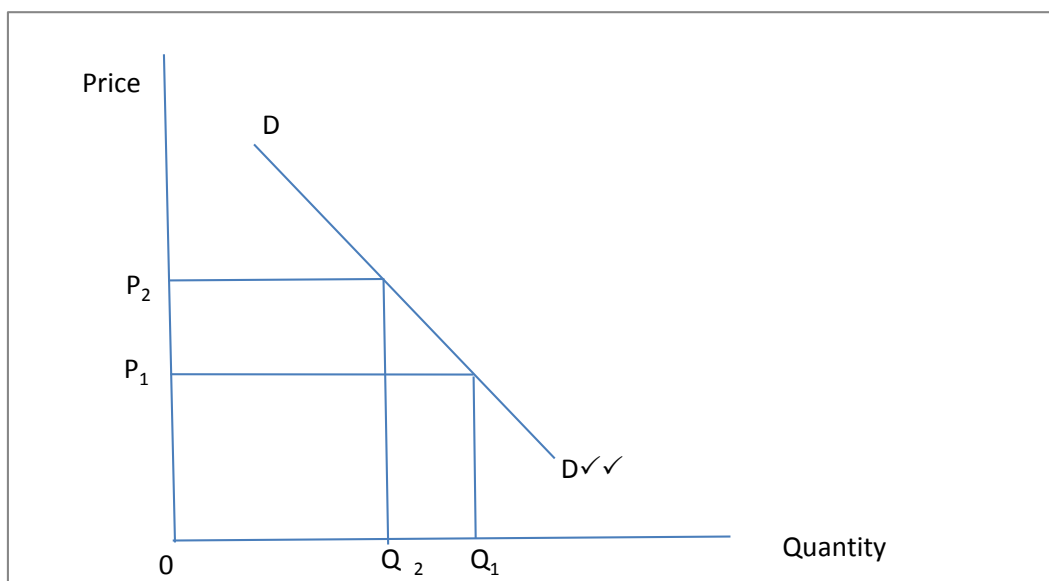
### Perfectly inelastic demand ✓



- 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)

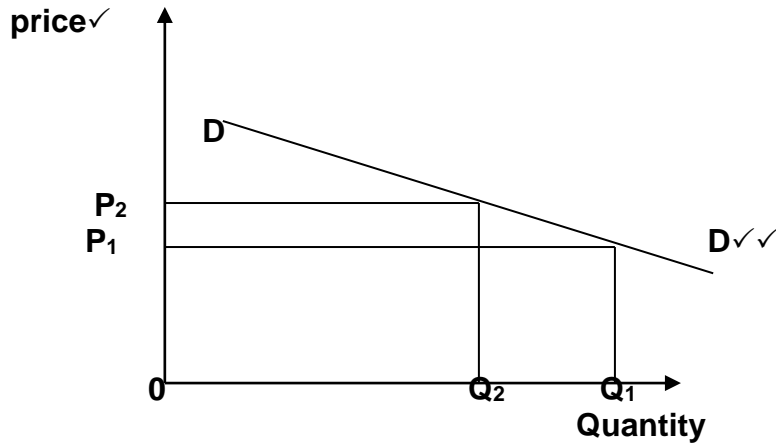
### Unitary elastic demand ✓



- 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)

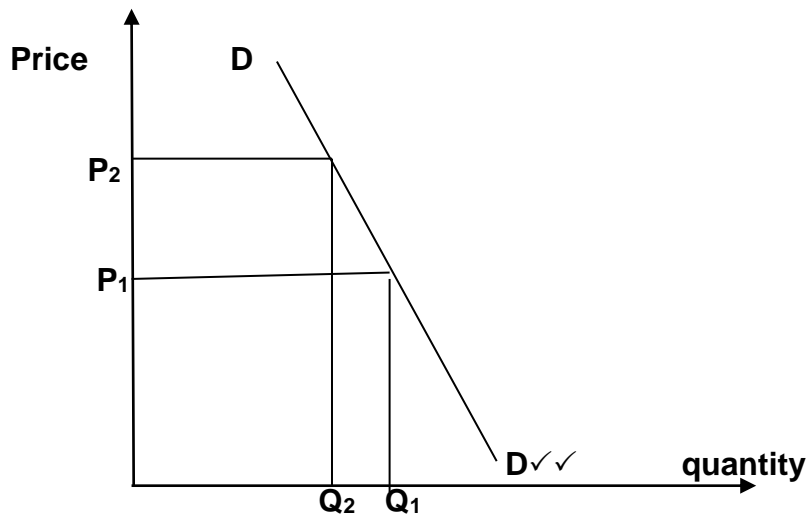
**Relatively elastic demand ✓**



- 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**