



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2019**

**ECONOMICS P2  
MARKING GUIDELINE**

**MARKS: 150**

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This marking guideline consists of 16 pages.

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

- 1.1.1 A ✓✓ absolute
- 1.1.2 B ✓✓ makers
- 1.1.3 A ✓✓ sunk
- 1.1.4 C ✓✓ inelastic
- 1.1.5 D ✓✓ Desertification
- 1.1.6 C ✓✓ poverty gap
- 1.1.7 D ✓✓ World Trade Organisation
- 1.1.8 B ✓✓ finite (8 x 2) (16)

**1.2 MATCHING ITEMS**

- 1.2.1 F ✓ goods offered for sale at a given price
- 1.2.2 D ✓ legal barrier to entry
- 1.2.3 G ✓ actual expenditure by a firm on purchase of a factor input
- 1.2.4 I ✓ increase in income leads to smaller quantities demanded of these goods
- 1.2.5 A ✓ conversion of open space or farmland to residential, commercial, office or establishment of towns
- 1.2.6 H ✓ when people do not look for employment because they rely on receiving grants
- 1.2.7 B ✓ grouping together of countries to get more control over the global economy
- 1.2.8 E ✓ depletion of resources such as air, soil and water (8 x 1) (8)

1.3 **GIVE ONE TERM**

1.3.1 Normal profits ✓

1.3.2 Opportunity costs ✓

1.3.3 Total utility ✓

1.3.4 Gini coefficient ✓

1.3.5 Endangered species ✓

1.3.6 Foreign direct investment ✓

(6 x 1) (6)

**TOTAL SECTION A: 30**

## SECTION B

## QUESTION 2: MICROECONOMICS

## 2.1 Answer the following questions.

## 2.1.1 List any TWO examples of complementary goods.

- Shoe and shoe lace ✓
- Torches and batteries ✓
- Computer hardware and computer software ✓
- Printer and ink cartridges ✓

(Accept any other correct relevant response)

(2 x 1) (2)

## 2.2 2.1.2 How does an increase in demand affect the price of a good/service?

- A higher demand for a good/service will attract the prices and pull them up – goods/services will become more expensive for the consumer. ✓✓

(Accept any other correct relevant response)

(2)

## 2.2 2.2.1 What does the shaded area in the graph represent?

- Economic profits ✓

(1)

## 2.2.2 Which point on the graph illustrates profit maximisation?

- E ✓

(1)

2.2.3 Briefly describe the term *monopoly*.

- Monopoly is a market structure where only one seller operates and entry is blocked. ✓✓

(Accept any other relevant correct response)

(2)

2.2.4 Explain *entry* as a feature of a monopoly.

- There are barriers to entry in the market ✓✓
- Entrance to the market is completely blocked ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

## 2.2.5 Using the formation from the graph, calculate the profit or loss. Show ALL calculations.

$$\begin{aligned}
 \text{Profit/Loss} &= \text{TR} - \text{TC} \checkmark \\
 &= (100 \times 50) - (80 \times 50) \\
 &= 5\,000 - 4\,000 \checkmark \\
 &= 1\,000 \text{ (Profit)} \checkmark\checkmark
 \end{aligned}$$

**OR**

$$\begin{aligned}
 \text{Profit/Loss} &= (\text{AR} - \text{AC}) \times \text{Q} \checkmark \\
 &= (100 - 80) \times 50 \\
 &= 20 \times 50 \checkmark \\
 &= 1\,000 \text{ (Profit)} \checkmark\checkmark
 \end{aligned}$$

(4)

2.3 DATA RESPONSE

2.3.1 Identify, from the table, the quantity at which profits are maximised.

- 8 units ✓ (1)

2.3.2 For which market structure is the data above?

- Perfect market ✓ (1)

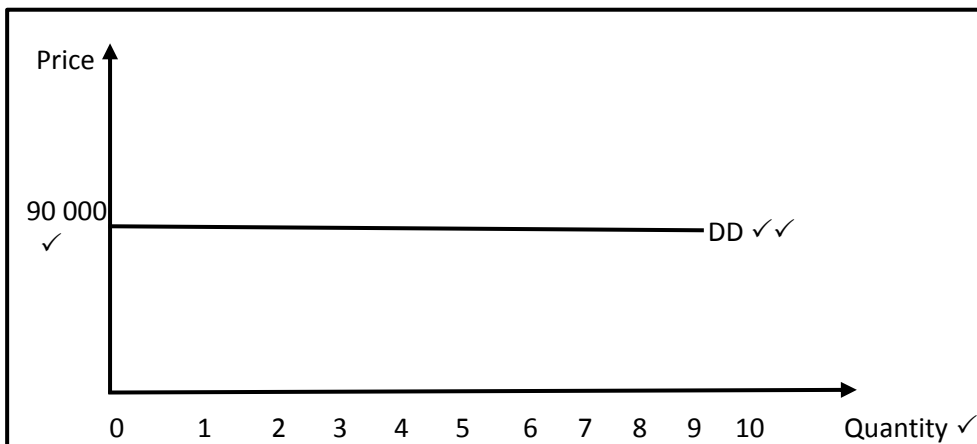
2.3.3 Briefly describe the term *profit*.

Positive difference between the amount earned and the amount spent in buying, operating or producing something. ✓✓  
(Accept any other correct relevant response) (2)

2.3.4 What comprises the total costs?

Total costs are made up of variable costs which vary with the level of output and fixed costs which are independent of the level of output. ✓✓  
(Accept any other correct relevant response) (2)

2.3.5 Use the information from the data, draw a demand curve.



Mark allocation	maximum = 4 marks	
Labelling of both axes	= 1 marks	
Labelling on the axes	= 1 marks	
Correct shape and labelling of demand curve	= 2 marks	(4)

2.4 Briefly discuss *nature of the product* and *price control* as characteristics of monopolistic competition.

**Nature of the product**

- Monopolistic competition offer differentiated product, that means they are similar but slightly different from each other. ✓✓
- The differentiation is in the minds of the consumers – they perceive the product of a specific firm as unique or superior to any other product belonging to the same group and so creating a sense of value. ✓✓
- Product differentiation may be real or imaginary – real differences are like design, material used, and skills, whereas imaginary differences are through advertising, trademark and so on. ✓✓
- Differentiation does not imply changing the product, sometimes it is enough just by simply creating a new advertising campaign or by changing packages. ✓✓

Max. 4

**Price control**

- Businesses have considerable control over the prices of their goods or services but less control than in a monopoly – they cannot fix the price ✓✓
- The only control they have depends on the strength of brand loyalty ✓✓
- Competition does not take place through prices, but through differentiation of products ✓✓

(Accept any other correct relevant response)

Max. 4 (8)

2.5 Examine the importance of income elasticity of demand to businesses.

Income elasticity of demand is important because:

- Knowledge of income elasticity of demand helps firms predict the effect of an economic cycle on sales. ✓✓
- Luxury products with high income elasticity see greater sales volatility over the business cycle, than necessities where demand from consumers is less sensitive to changes in the cycle. ✓✓
- It helps classify goods on the basis of relationship between income and demand. If demand for a good increase with income, it is referred to as normal good, but if demand falls with increase in income it is an inferior good. ✓✓
- A firm can forecast the impact of a change in income on sales volume and sales revenue. ✓✓
- Knowing income elasticity of demand helps the firm decide whether to raise or lower price following a change in consumer incomes. ✓✓

(Accept any other correct relevant response.)

(4 x 2) (8)

[40]

**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES****3.1 Answer the following questions.****3.1.1 Name any TWO examples of consumer waste.**

Paper; ✓ Glass; ✓ Bottles; ✓ Cans; ✓ Plastics ✓

(Accept any other correct relevant response)

(2)

**3.1.2 Why is it beneficial for a country to engage in free trade?**

Free trade causes international specialisation as it enables the different countries to produce goods in which they have an advantage. ✓✓

(Accept any other correct relevant response.)

(2)

**3.2 DATA RESPONSE****3.2.1 Identify the type of poverty referred to in the extract above.**

Absolute poverty ✓

(1)

**3.2.2 Name ONE characteristic of poverty**

- Poverty tends to be worst in rural areas. ✓
- Women makes up the substantial majority of the world poor. ✓
- Minority ethnic groups and indigenous people are affected very severely. ✓

(Accept any other correct relevant response)

(1)

**3.2.3 Briefly describe the term *poverty*.**

- Poverty is about not having enough money to meet the basic needs including food, clothing and shelter. ✓✓
- Poverty occurs when the resources is less than what is required to satisfy basic physical needs for food, clothing and shelter. ✓✓
- Poverty is measured by the number of people who fall below a certain level of income called the poverty line. ✓✓

(Accept any other correct relevant response)

(2)

**3.2.4 Explain *lack of resources* as a cause of poverty.**

- Poor people do not have access to basic resources such as transport, health, food and education. ✓✓
- They are unable to satisfy their basic needs and are vulnerable to diseases ✓✓

(Accept any other relevant correct response)

(2)

**3.2.5 How is the South African government affected by high levels of poverty in the country?**

- The government taxes the rich at a higher rate to finance social grants for the poor. ✓✓
- More money is used in the distribution of social grants. ✓✓
- Large amounts of money are budgeted for welfare, leaving less money to provide for other development needs such as effective health. ✓✓

(Accept any other correct relevant response)

(2 x 2) (4)

**3.3 DATA RESPONSE**

**3.3.1 Over which product does COUNTRY A have an absolute advantage?**

- Cars ✓

(1)

**3.3.2 Who developed the theory of comparative advantage?**

- David Ricardo ✓

(1)

**3.3.3 Briefly describe the term *free trade*.**

Free trade means that there are no forms of protection that are being used to protect new industries in developing countries. ✓✓

(Accept any other correct relevant response)

(2)

**3.3.4 Explain the theory of absolute advantage.**

According to the theory of absolute advantages countries will trade when one country produces a product more efficiently than another country even though they use the same resources. ✓✓

(Accept any other correct relevant response)

(2)

**3.3.5 How is it possible for the countries in ILLUSTRATION 2 to trade?**

- According to the theory of comparative advantages the countries can trade even though there is one with absolute advantage in both. ✓✓
- Trading can take place by each country specialising in the product it has comparative advantage ✓✓ – the opportunity cost in the production of products differ in the two countries. ✓✓
- Country A will specialise in oranges while Country B specialises in oil. ✓✓
- Country A get oil from Country B while Country B will get oranges from Country A. ✓✓

(Accept any other correct relevant response)

(2 x 2) (4)



3.4 **Briefly explain *trade liberalisation* and *standardisation* as causes for globalisation.**

**Trade liberalisation**

- Trade liberalisation means the removal or reduction of trade barriers that restrict trade between countries. ✓✓
- These barriers include tariffs, such as duties and surcharges and non-tariffs such as licencing rules and quotas. ✓✓
- Trade liberalisation promotes free trade which allows countries to trade goods without regulatory barriers. ✓✓

Max. 4

**Standardisation**

- Standardisation refers to making trade rules the same all over the world, making it easier for countries to trade and invest internationally – countries have to conform to a fixed set of rules. ✓✓
- Those who are subjected to the rules behave in a similar manner, which promotes globalisation. ✓✓
- The institutions include the World Trade Organisation (WTO) which facilitated international trade agreements, tariff policies and the protection of intellectual property. ✓✓

(Accept any other relevant correct response)

Max. 4 (8)

3.5 **How can humans positively impact on the environment?**

Humans may affect the environment in a positive way by:

- cleaning lakes and the sea which will have a positive effect on the environment. ✓✓
- recycling waste and growing plants and vegetables and also planting trees will lessen the amount of waste on the environment. ✓✓
- being involved in educational programmes about how to conserve the environment – talking with others about the impacts of environmental degradation, making people aware of the damages they cause to the environment. ✓✓
- avoiding littering or tossing waste into inappropriate places – consuming fewer resources will result in a lower production output and reduced waste. ✓✓
- conserving energy by using energy saving bulbs. ✓✓

(Accept any other relevant correct response)

(8)  
[40]

**QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES****4.1 Answer the following questions.****4.1.1 Name any TWO principles for sustainable development.**

- Good governance ✓
- Eradication of poverty ✓
- Economic recovery ✓
- Accountability ✓
- Transparency ✓
- Attention to social services ✓

(Accept any other correct relevant responses)

(2 x 1) (2)

**4.1.2 Why is it important for businesses to set goals?**

- Setting goals helps the business to be able to define the direction it will take – goals should align with the business's mission and vision statements ✓✓

(Accept any other correct relevant response)

(2)

**4.2 DATA RESPONSE****4.2.1 What type of cross elasticity is depicted in the above table?**

- Positive cross elasticity ✓

(1)

**4.2.2 Give ONE example of goods for the cross elasticity of demand above.**

- Tea and coffee ✓
- Beef and mutton ✓
- Butter and margarine ✓

(Accept any other correct relevant response)

(1)

**4.2.3 Briefly describe the term *cross elasticity of demand***

- Cross elasticity of demand is the relationship between changes in the price of one product and the resulting changes in the quantity demanded of another product. ✓✓

(2)

**4.2.4 Explain cross elasticity of demand for unrelated products.**

- If the products are not related they cannot be substituted with another and resulting in no change in demand with any price change, so elasticity of demand will be zero. ✓✓

(Accept any other correct relevant response)

(2)

- 4.2.5 Using the information above calculate the cross elasticity of demand.

$$\begin{aligned} \text{Cross elasticity of demand} &= \frac{\% \text{ change in quantity demanded of Good Y}}{\% \text{ change in price of Good X}} \checkmark \\ &= \frac{50\%}{20\%} \checkmark \\ &= 2 \checkmark \checkmark \end{aligned} \quad (4)$$

### 4.3 DATA RESPONSE

- 4.3.1 What does the above picture represent?

- North/South divide ✓

- 4.3.2 From the picture above, which part of the globe represent developing countries?

- South / lower part / below the equator ✓

- 4.3.3 Briefly describe the term *wealth*.

A stock of assets that have financial value and are owned by individuals, enterprises and government. ✓✓

(Accept any other relevant correct response)

(2)

- 4.3.4 Differentiate between countries in the North and those in the South in terms of levels of education.

Countries in the North have higher levels of education than countries in the South. ✓✓

(2)

- 4.3.5 What are the positive effects of globalisation on South Africa?

- More access for South Africa to world markets. ✓✓
- Companies benefit from increased trade. ✓✓
- Global financial markets help to finance investment boom in South Africa and contribute to a sound banking system
- The lowering of trade barriers has resulted in a wider variety of products and services available to consumers ✓✓

(Accept any other correct relevant response)

(2 x 2) (4)

4.4 Differentiate between the *economies* and *diseconomies of scale*.

**Economies of scale**

- Economies of scale refer to the situation where as the quantity of output goes up, the cost per unit goes down. ✓✓
- The firm's costs per unit fall as the scale of operations increases – percentage change in input is smaller than percentage change in output. ✓✓
- As the business produces more, the costs of the additional units will be lower than the previous units. ✓✓

Max. 4

**Diseconomies of scale**

- Occur when the cost per unit increases as the quantity produced decreases – when the long run average cost curve starts to rise. ✓✓
- As the firm increases production, it initially experiences a decrease in average costs per unit and as it continues to increase its scale of operations, the average cost remains constant, followed by diseconomies of scale. ✓✓
- Then higher levels of operational waste may be experienced due to lack of proper control and coordination because of difficulties in managing a larger workforce and this results in diseconomies of scale. ✓✓

(Accept any other correct relevant response)

Max. 4 (8)

4.5 Evaluate the success of social grants on poverty alleviation in SA?

**Successful**

- Serve as a source of income to the beneficiaries such as elderly people who can no longer be employed. ✓✓
- Beneficiaries can afford basic needs and improve their standard of living. ✓✓
- Provides a safety net for the orphans and disabled, etc. ✓✓
- Supporting not only the beneficiaries but having a broader support – where the whole household depend on the grant. ✓✓

**Not successful**

- The grant is not only used by the beneficiary but the whole household as a result the standard of living does not improve. ✓✓
- Granting of social grants leads to people becoming lazy to get or create employment and that results in them being trapped in poverty. ✓✓

(Accept any other 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.

**QUESTION 5**

- **Discuss in detail the characteristics of a perfect market.** (26)
- **Examine the positive impact of competition on markets.** (10)

**INTRODUCTION**

A perfect market is a hypothetical model of a market where there is no single consumer or producer that has an impact on the market price. Buyers and sellers have no preference where to buy or sell the product because the products are the same. ✓✓

(Accept any other correct response.)

(2)

**MAIN PART****CHARACTERISTICS OF A PERFECT MARKET****Number of buyers and sellers** ✓

- The number of buyers and sellers is so large that individual market participants are insignificant in relation to the market as a whole. ✓✓
- No individual buyer or seller has an influence on the market price in that everyone is a price-taker. ✓✓

**Nature of the product** ✓

- All products sold in the specific market are homogenous. ✓✓
- They are the same in all respects regarding quality, appearance and any distinctive characteristic. ✓✓
- It makes no difference to the buyer where or from whom to buy the product. ✓✓

**Freedom of entry and exit** ✓

- There are no factors limiting the producer's decisions to enter or leave the market. ✓✓
- Enterprises are free to enter the market where there are opportunities of making profits and free to withdraw where losses are occurring. ✓✓
- The market is totally accessible, there are no legal, financial nor technological barriers that can hinder entry and exit. ✓✓

**Mobility of factors of production** ✓

- All factors of production are totally mobile as they can freely move between markets without any limitations. ✓✓
- Labour can move between jobs at any time. ✓✓
- Producers have access to production technology and resources, no producer pays more for a factor of production than the other. ✓✓

**Perfect knowledge** ✓

- Buyers have complete knowledge about the prices, quality and availability of goods and services. ✓✓
- Sellers have complete knowledge about production costs and market opportunities. ✓✓
- If one business ventures to raise its price above the market price, buyers will immediately become aware of it and would switch their purchases to businesses still charging the lower market price. ✓✓

**No collusion** ✓

- Collusion does not occur in a perfect market because sellers act independently of the others. ✓✓

**Unregulated market** ✓

- Buyers and sellers are not influenced by government intervention. ✓✓

**(Allocate a maximum of 8 marks for listing of facts and examples.)**  
**(Accept any other relevant correct response.)**

(26)

**ADDITIONAL PART**

Competition has a positive impact on the markets because:

- Promoting competition yields the best allocation of resources, lowest prices, highest quality and the greatest material progress. ✓✓
- Competition improves productivity and international competitiveness of markets and promotes dynamic markets and economic growth. ✓✓
- Markets faced with vigorous competition are continually forced to become more efficient and more productive. ✓✓ They know that their competitors are constantly seeking ways to reduce costs in order to increase profits. ✓✓
- Competition results in markets being innovative because innovation is crucial to success. ✓✓ Innovation leads to new products and new production technologies being developed. ✓✓
- Competition allows new firms to enter into the market usually dominated by few firms. ✓✓
- Competition forces decisions to be based on market factors such as demand, costs, technologies rather than incomplete information. ✓✓

(Accept any other relevant correct response.)

(5 x 2) (10)

**CONCLUSION**

Perfect markets are really rare to find and they serve as a benchmark for the imperfect markets. ✓✓

(Accept any other relevant high order conclusion.)

(2)

**[40]**

**QUESTION 6**

- **Discuss public sector interventions as measures to ensure sustainable development.** (26)
- **Examine the negative impact of international trade on the environment.** (10)

**INTRODUCTION**

Environmental sustainability means the ability of the environment to survive its economic use of economic activities. ✓✓

(Accept any other suitable response.)

(2)

**BODY****PUBLIC SECTOR INTERVENTIONS MEASURES TO ENSURE SUSTAINABLE DEVELOPMENT****Granting of property rights ✓**

- The above has a conservation effect as people take care of things that belong to them. ✓✓
- To prevent plant and animals from being extinct, people can be given property rights over them. ✓✓
- The plants and animals would then be preserved at little cost to the taxpayer. ✓✓
- If property rights could be expanded to common goods like clean air, government could charge the polluters for the right to pollute. ✓✓

**Charging for the use of the environment ✓**

- Consumers and producers pay a monthly fee to the government for the waste they produce and disposal of it in the environment. ✓✓
- Consumers pay municipal charges for rubbish collection and sewage disposal. ✓✓
- Industries might also be levied emission charges and vehicle owners for gas emissions when they buy new vehicles. ✓✓
- The charges should be proportional to the waste produced. ✓✓
- A fixed total charge such as a monthly charge will not encourage waste producers to reduce waste. ✓✓

**Environmental subsidies ✓**

- Government can provide subsidies to encourage activities that reduce environmental damage. ✓✓

Subsidies could be for:

- Developing a new technique or equipment e.g. to save energy, reduce smoke or to use environmentally friendly energy such as wind, tide or sun energy. ✓✓
- Encouraging the producing of environmentally friendly substitutes such as unleaded petrol. ✓✓
- Encouraging recycling of wastes such as bottles, cans and cardboard. ✓✓

**Environmental taxes / green taxes ✓**

- This tax will increase the price of the harmful goods and people will look for alternatives, e.g. the levy on tyres. ✓✓
- In order to achieve socially efficient output, the rate of tax should be equal to the marginal external cost. ✓✓

**Marketable permits ✓**

- The government give each business a license to pollute to a certain degree. ✓✓
- Businesses sell their licenses to other businesses. ✓✓
- In South Africa marketable permits are granted by the Department of Minerals and Energy ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 8 marks for mere listing of facts/examples)

(26)

**ADDITIONAL PART**

International trade negatively affects the environment through:

- Expanded trade which increases the sale of production for the world as a whole resulting in total volume of pollution and environmental damage likely to increase. ✓✓
- Increasing air pollution and other environmental impacts through energy use for transportation. ✓✓
- Increasing agricultural cultivation which results in land degradation and soil erosion owing to over cultivation. ✓✓
- Trading in specific kinds of trade such as toxic waste and endangered species have obvious environmental impact. ✓✓
- Wide spread subsidies on chemical fertilisers and pesticides promote environmental harmful farming methods. ✓✓

(Accept any other relevant correct response)

(5 x 2) (10)

**CONCLUSION**

For environmental sustainability to be achieved there need to be a real commitment from governments, markets and international communities for changing their actions against the environment. ✓✓

(Accept any correct relevant higher order response.)

(2)

**[40]**

**TOTAL SECTION C: 40**

**GRAND TOTAL: 150**