



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2017**

**ECONOMICS P2  
MARKING GUIDELINE**

**MARKS: 150**

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This marking guideline consists of 18 pages.

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

1.1.1 B income elasticity ✓✓

1.1.2 A absolute ✓✓

1.1.3 A oligopolistic ✓✓

1.1.4 C total ✓✓

1.1.5 C black market ✓✓

1.1.6 B France ✓✓

1.1.7 A capitalism ✓✓

1.1.8 B ultraviolet rays ✓✓

(8 x 2) (16)

**1.2 MATCHING ITEMS**

1.2.1 H (responsiveness of quantity demanded for one good to a change in price of another good.) ✓

1.2.2 A (product used in conjunction with another) ✓

1.2.3 G (making as much profit as possible) ✓

1.2.4 B (period of time in which a producer can vary all its factors of production) ✓

1.2.5 C (difficulty experienced by people to survive) ✓

1.2.6 D (a tax levied on imports) ✓

1.2.7 E (the permanent destruction of woodlands) ✓

1.2.8 F (cost or benefit of a good or a service that is ignored in prices charged to third parties) ✓

(8 x 1) (8)

1.3 1.3.1 Unit elasticity ✓

1.3.2 Integration ✓

1.3.3 collusion ✓

1.3.4 sustainability ✓

1.3.5 Foreign direct investment ✓

1.3.6 Free trade ✓

(6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B****QUESTION 2**2.1 2.1.1 **List any TWO features of utility**

- It is abstract ✓
  - It is subjective ✓
  - Varies from one person to the other ✓
  - Differs from one situation to the other ✓
- (2 x 1) (2)

2.1.2 **How do imperfect market structures occur?**

Imperfect markets occur when one of the conditions of perfect markets is not met. ✓✓  
(Accept any relevant correct response.) (2)

2.2 **Data response**2.2.1 **Identify a private monopoly from the extract**

South African Breweries ✓ (1)

2.2.2 **Identify ONE characteristic of a monopoly from the extract**

There is one seller / supplier of the product. ✓ (1)

2.2.3 **Briefly explain a *natural monopoly***

A monopoly that comes about because of high capital costs/  
geographical location, ✓ has no close substitute. ✓ (2)

2.2.4 **When is a good called a substitute good?**

It is used as a substitute good when it is used in place of another  
good. ✓✓ (2)

**2.2.5 How are competitors prevented from entering this type of market?**

They are prevented by:

- Natural obstacles such as sole ownership of natural resources like owning a diamond mine. ✓✓
- Economic scale advantages that give benefit to large existing companies, large companies have natural scale cost advantages which small companies cannot compete with. ✓✓
- Government may restrict entries in an industry through licensing. ✓✓
- Patent rights that give the innovator exclusive rights to manufacture a product for as long as the patent rights are valid. ✓✓

(2 x 2) (4)

**2.3 Data response: graph**

**2.3.1 Provide labels for curves 'a' and 'b'**

A – total revenue ✓

B – average revenue ✓

(2)

**2.3.2 Briefly explain the term *marginal revenue***

It is extra revenue received from selling an extra unit. ✓✓

(2)

**2.3.3 How is value of b calculated?**

$$\text{Average revenue} = \frac{\text{Total revenue} \checkmark}{\text{Quantity sold} \checkmark}$$

(2)

**2.3.4 What is the relationship between curve 'a' and marginal revenue?**

When marginal revenue is positive, total revenue increase, ✓✓ when the marginal revenue curve intersects the horizontal axis, MR = 0, ✓✓ when MR is negative, TR starts to decline. ✓✓

(4)

2.4 Explain interdependency and non-price competition as characteristics of an oligopoly

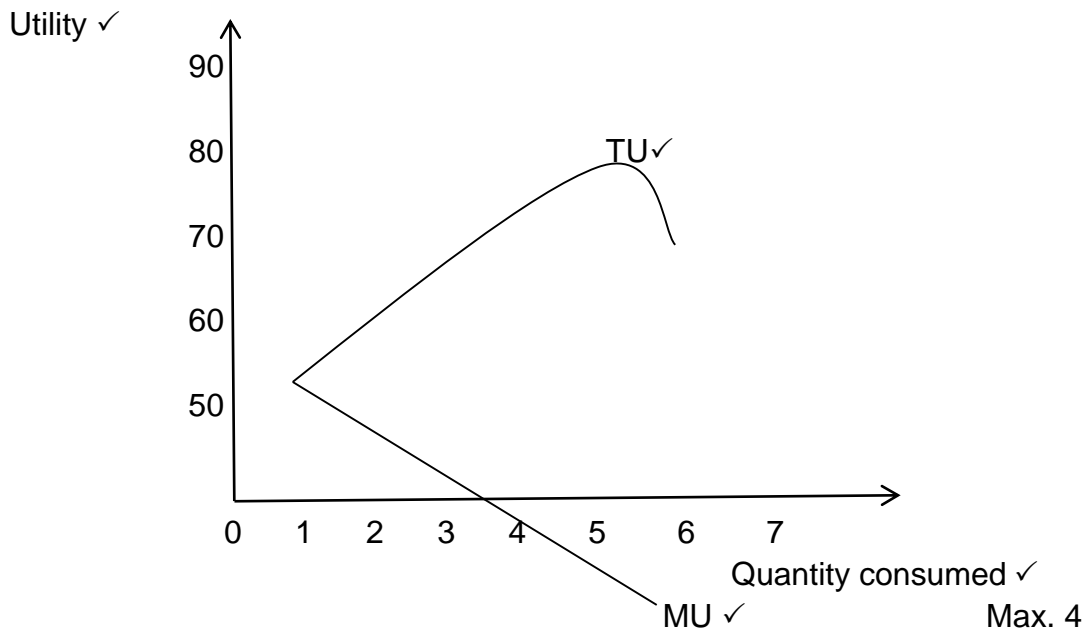
**Mutual dependence**

- One seller’s action will influence the other sellers. ✓✓
- Each firm is aware of each other’s actions since the market is dominated by a few firms, e.g. cars. ✓✓ (4)

**Non-price competition**

- Oligopolists are reluctant to change prices, this is to prevent price wars. ✓✓
- They make use of other measures to attract customers and increase their market share, ✓✓ for example after sales service, building brand loyalty ✓ etc. (4) (8)

2.5 With the aid of a graph, explain the relationship between an increase in consumption, total utility and marginal utility



**Graphical explanation**

- As the units consumed increases, total utility increases at a lower rate ✓✓ while marginal utility decreases at a faster rate ✓✓
  - The total utility curve slopes upwards as the marginal utility curve slopes downwards. ✓✓
  - As consumption continues to unit 5, marginal utility becomes negative while total utility declines. ✓✓
- (Accept any relevant correct explanation.)

Max. 4 (8) [40]

**QUESTION 3****3.1 3.1.1 List any two member states of SADC**

Angola; ✓ Botswana; ✓ Democratic Republic of Congo; ✓ Lesotho; ✓ Madagascar; ✓ Malawi; ✓ Mauritius; ✓ Mozambique; ✓ Namibia; ✓ Seychelles; ✓ South Africa; ✓ Swaziland; ✓ United Republic of Tanzania; ✓ Zambia; ✓ Zimbabwe ✓

(2 x 1) (2)

**3.1.2 What impact does HIV/aids have on poverty?**

HIV/aids affects people who are still at a working age of 20–45. This leads to a significant decline in incomes, thereby resulting in poverty. ✓✓

(Accept any correct relevant response.)

(2)

**3.2 Data response****3.2.1 From the cartoon identify TWO conditions for rich countries to be able to commit to eradicating world poverty**

- Do not change anything ✓
- Do not prevent the rich world from dominating the world global economy. ✓

(2)

**3.2.2 Briefly explain *relative poverty*.**

Relative poverty is when one is relatively poor compared to those who have more in the society one lives in. ✓✓

(2)

**3.2.3 Explain unemployment as a cause of poverty.**

Without a decent income, people cannot fulfil their basic needs, children cannot go to school, and this lack of income generates more poverty. ✓✓

(Accept any relevant correct response.)

(2)

**3.2.4 How do you think poverty can be eradicated?**

Poverty can be eradicated by:

- Providing free education and bursaries to the poor because education is a powerful tool for alleviating poverty. ✓✓
- Provide basic services and other non-financial transfers in the form of social wages and grants. ✓✓
- Provide access to land, housing and capital, including public infrastructure. ✓✓
- Economic opportunities to be created to ensure that the economy generates chances for poor households to earn improved incomes. ✓✓

(Accept any other relevant answer.) (2 x 2) (4)

**3.3 Data response****3.3.1 Identify TWO factors contributing the most to soil erosion**

- Overgrazing ✓
- Deforestation ✓

(2)

**3.3.2 How can technological innovation be used to protect the environment?**

- Replace fossil fuels with sustainable energy resources such as wind tide movement, wave movement, sun energy, hydro energy, ✓✓
- Develop systems to reduce waste in all forms, such as recycling or the production of by-products. ✓✓
- Provide specifications to product developers to produce substitute products that are environmentally friendly. ✓✓ (2 x 2) (4)

**3.3.3 How does agriculture contribute to soil degradation?**

- By cultivating land over and over again without any break periods in between. ✓✓
- When farm land is ploughed, the exposed top soil is often blown away by wind or washed away by rain. ✓✓  
(Accept any other relevant response.)

(4)

3.4 **Explain improvement of communication and technology as a cause of globalisation**

**Improvement of communication and technology**

- The development of communication and technology has enabled countries all over the world to be connected. ✓✓
- Internet and mobile technology have allowed greater communication between different countries ✓✓
- This takes place through the use of landlines, satellites, or underwater cables. ✓✓
- The speed at which information is transferred has also increased ✓✓
- Use of modern technology such as Skype makes it possible for people in different countries to see one another on the screen of the computer. ✓✓
- Information Communication Technology has made the world small ✓✓  
(Accept any relevant correct response.) (2 x 4) (8)

3.5 **What challenges would society face if the government would not intervene in alleviating poverty?**

**Society would face the following challenges**

- Many people would not be able to meet their basic needs. ✓✓
- Few people would be educated. ✓✓
- This would lead to the country not being able to generate enough skills for growing and developing the economy. ✓✓
- There would be more crime. ✓✓  
(Accept any relevant response.) (8)

**[40]**



**QUESTION 4**4.1 4.1.1 **List any TWO examples of renewable resources**

- Forests ✓
- Fish ✓
- Recycled water ✓
- Oxygen ✓

(Accept any relevant correct response.)

(2 x 1) (2)

4.1.2 **Why is the quantity demanded of habit forming articles price inelastic?**

It is because consumers are used to these products, in so much that they believe that they cannot survive without them. ✓✓

(Accept any relevant correct response.)

(2)

4.2 **Data response: Cartoon**4.2.1 **Give TWO continents mentioned in the extract.**

- (Western) Europe ✓
- Africa ✓

(2)

4.2.2 **Briefly explain the concept *per capita income***

- It is income per head in the population ✓✓ **OR**
- It is the national income of a country divided by its population ✓✓

(2)

4.2.3 **Differentiate between rich and poor countries in terms of the level of development.**

Rich countries are developed countries ✓ while poor countries are less developed or developing countries. ✓

(2)

4.2.4 **How do you think, can inequality between rich and poor countries be reduced?**

Inequalities can be reduced by:

- Inviting rich countries to invest in poor countries ✓✓
- Sharing of information on education and health issues ✓✓
- Promoting industrialisation in developing economies ✓✓
- Introducing policies such as export promotion and import substitution ✓✓

(Accept any relevant correct response)

(2 x 2) (4)

4.3 **Data response: Graph**4.3.1 **Provide the correct label for curve 'a'**

Demand curve ✓✓

(1)

4.3.2 **If the price would increase from 10 to 15, what is the quantity of goods that would be demanded?**

50 units ✓✓ (1)

4.3.3 **Briefly explain price elasticity of demand for luxury goods**

- Luxury goods are price elastic because they respond to price changes ✓✓
- A price increase in luxury products will cause a large decrease in quantity demanded since they are not essential ✓✓ (2 x 2) (4)

4.3.4 **Using information from the graph, calculate and indicate the type of price elasticity of demand**

$$\begin{aligned} \text{PED} &= \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} \\ &= \frac{50/50 \times 100}{5/15 \times 100} \quad \checkmark \quad = \frac{100}{33,3} \\ &= 3 \quad \checkmark \quad \text{Relative elastic demand} \quad \checkmark \checkmark \quad (4) \end{aligned}$$

4.4 **Discuss time and availability of labour as factors that determine price elasticity of supply**

***Time taken to produce***

- The capacity of producers is fixed in the short run. ✓✓
- They cannot produce more products overnight. ✓✓
- Therefore the supply is more inelastic in the short run. ✓✓ (Any 2)

***Availability of labour***

- If producers use unskilled labour, it will be easier for them to adapt to price changes. ✓✓
- If producers want to increase production, it will be easier to employ unskilled workers than skilled workers. ✓✓
- Therefore supply is more elastic if production needs unskilled labour as there is a shortage of skilled labour in South Africa. ✓✓ (Any 2) (8)

4.5 **What problems would be experienced in the economy if non-renewable resources were consumed excessively?**

Many problems would be experienced if non-renewable resources are used excessively since:

- Non-renewable resources are mostly natural resources that cannot be used more than once e.g. oil, coal, minerals, natural gas. ✓✓
- They are mostly used by the secondary sector for manufacturing. ✓✓

Overuse of these resources would:

- Lead to them drying up and therefore negatively affect the manufacturing sector ✓✓
- Lead to a serious decline in economic activity ✓✓
- Lead to retrenchments and job losses being experienced in the economy ✓✓
- Cause excessive air pollution due to extraction of these resources ✓✓
- Cause acid rain which leads to global warming ✓✓

(8)  
[40]

**TOTAL SECTION B: 80**

**SECTION C**

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

<b>STRUCTURE OF ESSAY</b>	<b>MARK ALLOCATION</b>
<b>Introduction</b>	Max. 2
<b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/ Compare/Evaluate/Distinguish/ Explanation/Assess/Debate	Max. 26
<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	Max. 10
<b>Conclusion</b>	Max. 2
<b>TOTAL</b>	<b>Max. 40</b>

**QUESTION 5: MICROECONOMICS****40 MARKS - 40 MINUTES**

*One of the important functions of a market is to ensure that the right product is produced at the right time.*

- With reference to the above statement, explain the demand side of relationships with the aid of graphs and examples
- Why is it important for the product market to consider what is happening in the factor market?

**INTRODUCTION**

A demand relationship occurs when two or more goods and services are demanded at the same time, due to the fact that they can be used together. ✓✓

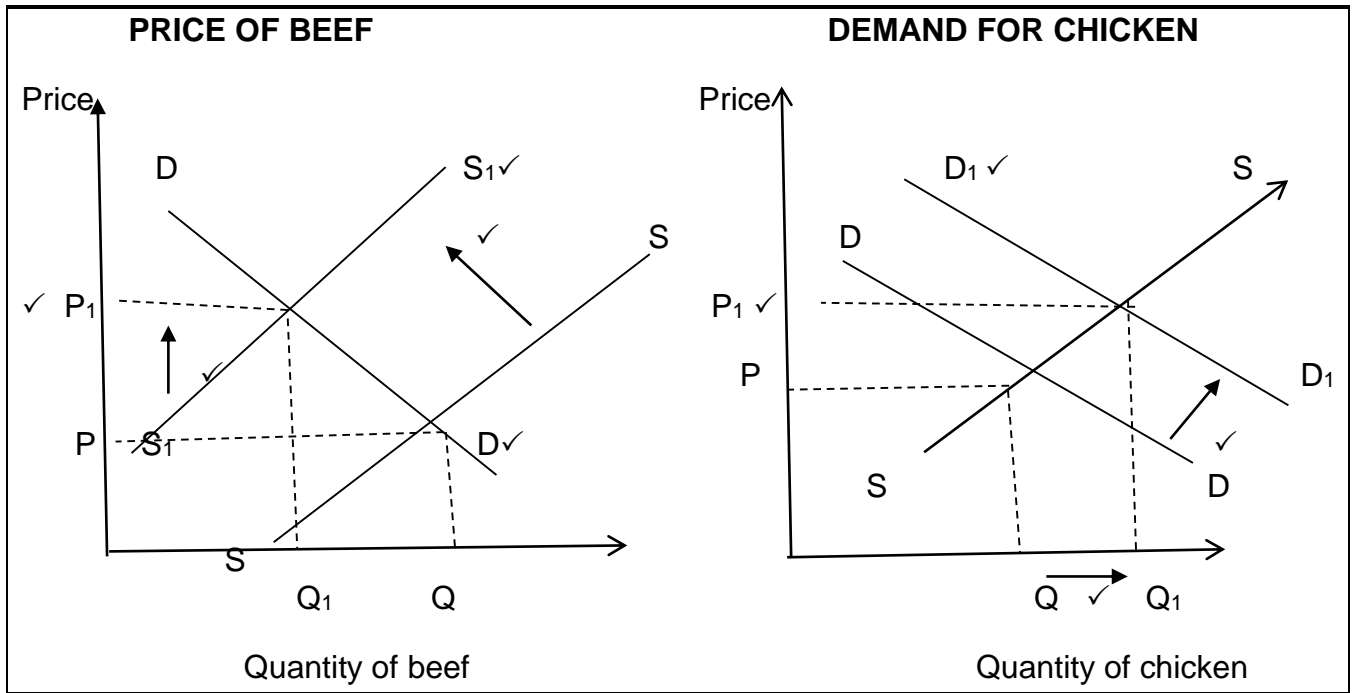
(Accept any relevant introduction.)

**BODY**

There are two types of demand relationships i.e. substitutes and complements. ✓✓

***Substitutes***

- A substitute product is a product that is used in place of another product. ✓✓
- Some products have specific relationships that will affect demand. ✓✓
- Example: if you want to buy beef but it is too expensive, you tend to buy a cheaper alternative, e.g. chicken. In this instance, chicken is the substitute product. ✓✓



Maximum 4 marks each graph (Check ticks)

**EXPLANATION OF THE GRAPH**

**Price of beef**

- The price of beef increases from P to P1 due to a decrease in supply (supply curve shifts from SS to S1S1). ✓✓
- Beef leads to a decrease in quantity demanded of beef from Q to Q1. ✓✓

**Demand for chicken**

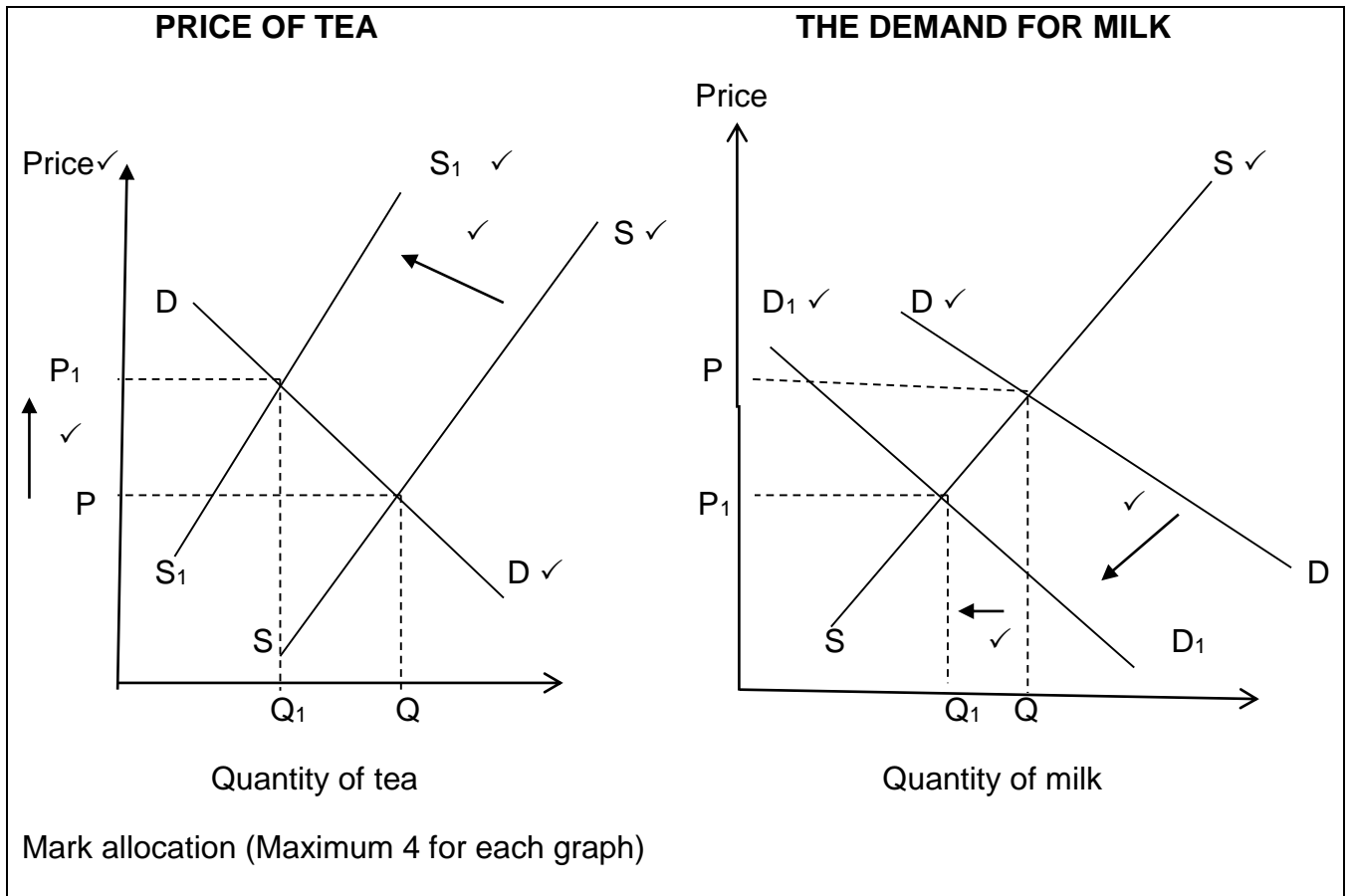
- The demand for the substitute good, which is chicken, increases from DD to D1D1. ✓✓
- Because of the increase in demand price also increases from P to P1. ✓✓

This implies that an increase in price of one product will cause an increase in demand of substitute products. ✓✓

**Max. 13**

**Complements**

Products are complementary products when they are used together to satisfy a need or a want ✓✓ e.g. tea and milk. ✓



**EXPLANATION OF THE GRAPH**

**Price of tea**

- The price of tea increases due to a decrease in supply. ✓✓
- Supply curve shifts from SS to S1S1. ✓✓ The price of tea increases from P to P1.
- Quantity demanded for tea decreases from Q to Q1. ✓✓

**The demand for milk**

- The increase in price of tea will cause a decrease in demand for milk. ✓✓
- People will buy less tea, therefore they will need less milk. ✓✓
- This causes the demand curve (DD) to shift leftwards to D1D1, and quantity demanded decreases from Q to Q1 and price will decrease from P to P1. ✓✓

For complementary goods, when the price of one good increases, the demand for the complementary product will decrease. If the price of one product decreases, the demand for complement products will increase. ✓✓ (Max. 13) (26)

**ADDITIONAL PART**

- The factor market is a market where factors of production are bought and sold. ✓✓
  - The product market is a market where goods and services are bought and sold. ✓✓
  - The product market depends on the factor market for the availability of factors of production. ✓✓
  - When the supply of one factor of production changes, it will affect both the factor market and the product market ✓✓
  - A change in supply of skin hide would affect the hide market negatively because there would be a decrease in the supply of hide. ✓✓
  - That would also affect shoe manufacturing and there would be fewer shoes and bags available in the product market for shoes and bags ✓✓
  - When the demand for shoes in the product market increases, the demand for factors of production in the factor market will also increase. ✓✓
- (10)

**CONCLUSION**

It is important that product and factor markets work closely with one another and understand each other, because they are interdependent; one cannot exist without the other. ✓✓

(Accept any correct relevant conclusion.)

(2)  
**[40]**

**QUESTION 6**

***The environment is a priceless asset which the economy and society cannot survive without.***

- **Discuss the various approaches that can be used to sustain the environment.**
- **What role can society play in trying to save the environment from global warming?**

**INTRODUCTION**

The environment is all living and non-living organisms that occur naturally on earth including the atmosphere, water, land, minerals, plants and animals. Sustainability means managing the environment in a proper manner. ✓✓

(Accept any relevant introduction.)

(2)

**BODY****Environmental management approach**

The South African government has passed laws to implement environmental management as its contribution to sustainability of the environment. Some of the laws are as follows; ✓

*Integrated Coastal Management Act, Act 24 of 2008* which is responsible for sustainability of fresh water and oceans. ✓✓

*Air Management Act, Act 39 of 2004:* for the sustainability of the atmosphere.

*Protected Areas Act, Act 57 of 2003:* for the sustainability of land. ✓✓

**Private property right**✓

People do not normally care for things that they do not own. ✓ The government tries to resolve this by giving people property rights. ✓ This changes people's attitudes and they in turn use land carefully and efficiently. ✓✓

**Focus on externalities** ✓

Externalities apply when some of the costs or benefits of an activity spill over to third parties, ✓ e.g. when children in the vicinity of a coal-fired power station get asthma as a result of smoke. ✓

This brings additional social costs to the residents who have to pay the doctors' bills for the negative externality (smoke). ✓✓



**Command and control systems ✓**

This strategy deals with environmental issues that rely on legislation, prescriptive legislation and strict enforcement of compliance, ✓✓ e.g. allowing for a certain maximum level of emission. ✓

**Voluntary environmental agreements ✓**

This approach allows organisations to agree to comply voluntarily with environmental laws and regulations. ✓✓ An organisation designs and implements an environmental management system, ✓✓ it is certified by a controlling body, and is regularly audited to ensure compliance with the environmental regulations. ✓✓

**Environmental charges, taxes and subsidies ✓** This approach uses market mechanisms and economic incentives to achieve goals in environmental management. ✓✓ Local authorities in South Africa impose environmental charges on consumers, businesses and other organisations of sewage disposal and rubbish collection. ✓✓

**Ecosystems approach ✓**

This approach aims to consider the entire system in decision-making, rather than to respond to specific issues and challenges. ✓✓ The decision-making processes will be a collective approach that involves stakeholders from the government departments, representatives from industries and environmental groups and communities. ✓✓

**Education ✓**

People generally would like to contribute towards protecting the environment if they know more about the consequences of their actions and the devastation that will be caused by environmental deterioration. ✓✓

**Management of human consumption approach ✓**

People are a major contributor to environmental deterioration. ✓✓ Consuming fewer resources will result in a lower production output and reduced waste. ✓✓ This approach involves educating people to make individual commitments to change their lifestyles and consumption patterns. ✓✓

(26)

**ADDITIONAL PART**

Society should do the following:

- Learn about global warming. It is important to find and implement sources that do not pollute the environment. ✓✓
- Avoid veld fires as they lead to the emission of CO<sub>2</sub>. ✓✓
- Recognise the consequences of global warming and inspire change. ✓✓
- Save energy, e.g. turning of the lights when there is no one in the room. ✓✓
- Eliminate wasteful activities during gardening. ✓✓
- Play the role of environmental activist. ✓✓
- Convince people around you to save energy e.g. recycle; this saves energy in manufacturing. ✓✓

(10)

**CONCLUSION**

Protecting the environment against global warming is a very selfless and noble act. It is very important so that future generations can also enjoy the environmental space that we are enjoying now and even better. ✓✓

(Accept any relevant conclusion.)

(2)

**TOTAL SECTION C: [40]**

**GRAND TOTAL: 150**