higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

# MARKING GUIDELINE

## NATIONAL CERTIFICATE

## ECONOMICS N4

## 8 JUNE 2018

**This marking guideline consists of 9 pages.**

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## SECTION A (COMPULSORY)

## QUESTION 1

| | | | | |
|---|---|---|---|---|
| 1.1 | 1.1.1 | C | | |
| | 1.1.2 | A | | |
| | 1.1.3 | B | | |
| | 1.1.4 | A | | |
| | 1.1.5 | B | | |
| | | | (5 × 2) | (10) |
| 1.2 | 1.2.1 | True | | |
| | 1.2.2 | True | | |
| | 1.2.3 | False | | |
| | 1.2.4 | False | | |
| | 1.2.5 | True | | |
| | | | (5 × 2) | (10) |
| 1.3 | 1.3.1 | A | | |
| | 1.3.2 | C | | |
| | 1.3.3 | A | | |
| | 1.3.4 | B | | |
| | 1.3.5 | C | | |
| | | | (5 × 2) | (10) |
| 1.4 | 1.4.1 | globalisation | | |
| | 1.4.2 | Variable | | |
| | 1.4.3 | whole | | |
| | 1.4.4 | substitute | | |
| | 1.4.5 | Regulation | | |
| | | | (5 × 2) | (10) |
| 1.5 | 1.5.1 | C | | |
| | 1.5.2 | D | | |
| | 1.5.3 | A | | |
| | 1.5.4 | E | | |
| | 1.5.5 | B | | |
| | | | (5 × 2) | (10) |
| | | | | **[50]** |

**TOTAL SECTION A: 50**

## SECTION B

## QUESTION 2

2.1 Law of diminishing returns states that as more of a variable input is added to fixed input, the returns from the variable input will decrease. (2)

2.2 2.2.1 Price elasticity of supply measures the responsiveness of quantity supplied to a change in price. (2)

2.2.2 PES = %change in quantity supplied/%change in price
Percentage change in price of cheese✓
= (R49 – R35/R35)*100% = 40%✓

Percentage change in quantity supplied of cheese
= (252 – 200/200)*100% = 26%✓✓
PES = (26%/40%) = 0,65✓✓ (6)

2.2.3
- Fixed input do not change in the short-run, therefore the Supplier is able to increase output using only the variable inputs.
- A fixed factor of production such as land and other specialised capital equipment is expensive. (Any 1 × 2) (2)

2.3
- Satisfaction is abstract because utility cannot be measured.✓ There is no standard way to measure someone's satisfaction or utility.✓
- Utility is subjective,✓ because it differs from person to person.✓
- Utility differs from one situation to the other or from time to time,✓ e.g. warm clothes provide satisfaction in winter as opposed to summer.✓
- Utility differs from place to place,✓ e.g. a swimming costume will be satisfying at the beach but not in the classroom.✓ (4 × 2) (8)

2.4 Explicit costs are all direct costs where payment is made to run the business. (2)

2.5 2.5.1
- Electricity Monopoly
- Water (2)

2.5.2
- The MC, AVC and ATC are U-shaped.✓✓
- As the number of units increases from zero, they start at high volumes, declines at a decreasing rate, reach minimum points,✓ and then increase at an increasing rate.✓
- Marginal costs also cut average total costs and average variable costs at their minimum values.✓✓ (3 × 2) (6)

2.5.3 They provide the cost per unit. (2)

2.6 Factor markets:

- They are markets for factors of production.✓✓
- These factors of production are natural resources, labour, capital and entrepreneurship.✓✓
- The supply of factors of production affects the product market.

Product markets:

- These are markets for goods and services.✓
- Product markets are divided into capital goods market,✓ consumer goods market✓ and services market✓
- A change in the product market influences demand in other markets.
- If demand for a product or services increases, the demand for factors of production will also increase in the factor market. (8)

2.7

- It measures the responsiveness of demand for one good to a change in the price of a related good.
- If an increase in the price of product A, leads to a decrease in the demand for product B, then these two are complementary goods.
- If an increase in the price of product A, leads to increase in the demand for product B, then these two are substitute products.
- A negative change shows they are complementary goods.
- A positive change shows that they are substitute products.
- A zero change shows that they are unrelated goods. (Any 5 × 2) (10)

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## QUESTION 3

3.1

- For emergencies,✓ e.g. in case of sickness.✓
- For study purposes,✓ e.g. payment of tuition fees.✓
- To buy fixed property,✓ e.g. a house.✓
- For travel purposes,✓ e.g. going on holiday.✓ (4 × 2) (8)

3.2

- There is limited competition.✓ Only few suppliers manufacture the same product.✓
- Product may be homogenous or differentiated.✓✓
- This market is characterised by mutual dependency.✓ The decision of one company will influence and will be influenced by decisions of the other companies.✓
- Oligopolies can frequently change their prices in order to increase their market share.✓✓
- Producers have considerable control over the prices of their products, although not as much as in monopoly.✓✓
- Entry is not easy in oligopolistic market. This is due to brand loyalty and it also requires large capital outlay.✓ (Any 4 × 2) (8)

3.3 3.3.1 Factors which hamper the business in the achievement of its objectives.

3.3.2 Change in total costs that arises when quantity produced increases by one more unit.

3.3.3 The quantity that buyers are willing to buy or purchase at a given price within a given period of time.

3.3.4 The entire society or all consumption seeking members (4 × 2) (8)

3.4
- Labour Relations Act (LRA)
- Basic Conditions of Employment Act (BCEA)
- Employment Equity Act (EEA)
- Skills Development Act (SDA) (4 × 2) (8)

3.5 3.5.1 16 = R6✓✓
17 = R6✓✓
18 = R6✓✓ (6)

3.5.2 R 6 (2)

3.5.3 Is what households buy to fulfil their everyday needs (2)

3.6
- Perfectly elastic
- Perfectly inelastic demand
- Relatively elastic demand
- Relatively inelastic demand
- Unitary demand (4 × 2) (8)

**[50]**

**QUESTION 4**

4.1
- Tea✓ and Coffee✓
- Butter✓ and Margarine✓ (Any 1 × 2) (2)

4.2 4.2.1 Complementary products are different products that are used together at the same time to satisfy a need or want. (2)

4.2.2
- Enables producers to predict what impact a change in the price of complements will have on the demand for their product.
- They will then be able to implement measures to counteract the effect of price change in an effort to try maximise their profit.
- That is cost effective measures like producing more output with the same amount of input. (Any 1 × 2) (2)

4.2.3
- The demand for both products X and Y decrease.✓✓
- The quantity supplied of product X decreases from Q0 to Q1,✓✓ as indicated by the arrow that points backwards.✓✓ (6)

4.3 Market economy: Ownership of factors of production
All factors of production are possessed by private persons.✓✓
The quantity that individuals may buy and possess is limited only by the means at their disposal.

Centrally planned economy: Ownership of factors of production
All factors of production are owned by state, making the state the most important participant in the economy.✓✓
The consumer has no free choice: There is limited list of standard goods and services available.

Market economy: Motivation
Owners of factors of production are motivated by the desire to maximise profit.✓✓ The motive for participating in the economic processes is purely self-orientated.
The consumers will try maximise their satisfaction of needs and wants, thus maximising their utility.

Centrally planned economy: Motivation
The state as the only owner of factors of production is motivated by the desire to benefit the greater society.✓✓ The motive for participating in the economic processes is purely to benefit the society. (8)

4.4 4.4.1 Refers to the inverse relationship between price and quantity i.e. when price is high demand is low and vice versa. (2)

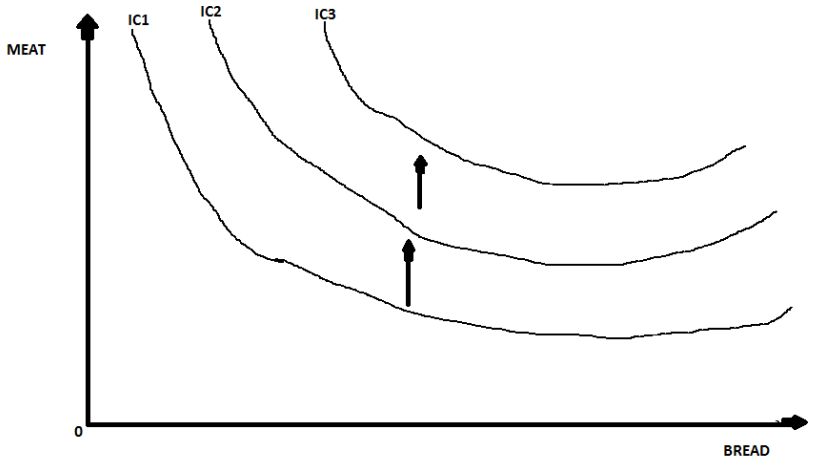
4.4.2 R10 (2)

4.4.3 It has a positive slope/upward slope/tends to slope upward from left to right (2)

4.4.4 (a) R13 (2)
(b) Demand = 8 units,✓ Supply = 30 units,✓ therefore surplus 30 – 8 = 22 units (3)

4.4.5 Producers can decrease price or cut back production. (2)

4.5




**Mark allocation:** Drawing the correct/relevant graph = 6 marks
Giving the FOUR Characteristics = 4 marks

- They do not cross✓
- Higher indifference curve are preferred to lower ones✓
- They bend inwards (convex)✓
- They are negatively sloping✓ (10)

4.6 Short-run: A period of time in which the business is faced with at least one of its production factors being fixed.✓✓ The business is unable to change one of its inputs.

Long-run: A period of time in which the business is able to change all of its inputs.✓✓ (2 × 2) (4)

4.7
- Accounting profit
- Normal profit
- Economic profit (3)

**[50]**

## QUESTION 5

5.1 The final value of goods and services produced within the borders of a country in one year. (2)

5.2
- Current prices: These are nominal values which do not take into account changes in the general price level.
- Constant prices: These are real values where changes in the price levels are taken into account. (2 × 2) (4)

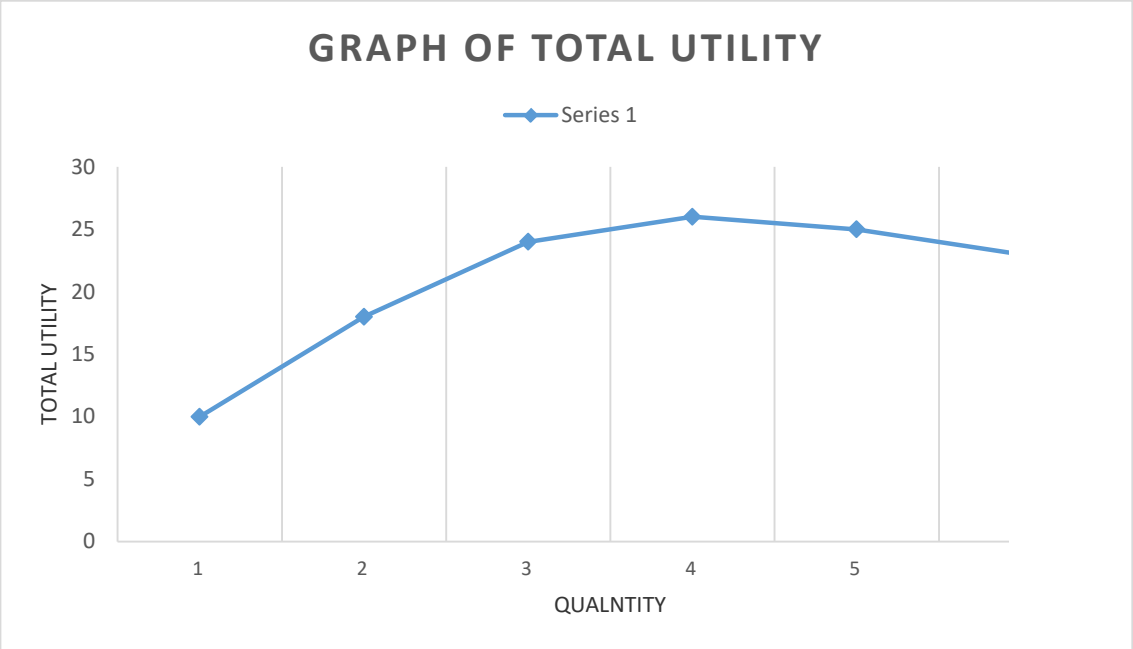
5.3 Economics of sales: It is a situation that arises when the percentage change in inputs is smaller than the percentage change in output.✓✓ In this instance the average costs will decline.

Diseconomies of scale: It is a situation that arises when the percentage change in inputs is greater than the percentage change in output.✓✓ In this instance the average cost will increase. (4)

5.4 5.4.1 A = 10 + 8✓ = 18✓
B = 24 – 26✓ = -2✓ (4)

5.4.2 Utility is the satisfaction that one gets from consumptions/use of a product. (2)

5.4.3




Mark allocation:
Drawing of X-axis (quantity) and Y-axis (total utility) = 2 marks
Plotting of the utility curve for the different values = 6 marks (8)

5.5
- Product must be homogenous/identical and should not be different in style, design and quality.
- There should be a large number of buyers and sellers and it should not be possible for one buyer to influence the price.
- There should be no preferential treatment/discrimination.
- There must be free competition.
- Buyers must be free to buy whatever they want from any firm in any quantities and sellers must be free to sell whatever they want anywhere at any price they wish.
- There must be efficient transport and communication available.
- All participants must have perfect knowledge of market.
- There must be a free access to and from markets.
- Factors of production are completely mobile. (Any 3 × 2) (6)

5.6 5.6.1 R26 (2)

5.6.2 At R26 for 4 units TR = Price × Q✓
= R26 × 4✓
= R104✓✓ (4)

5.6.3 At R24 for 4 units TR = P × Q✓
= R24 × 4)✓
= R96✓✓ (4)

5.6.3 At R26 and R24 per unit, Total Revenue is R104 and R96 respectively.✓
Loss of revenue = R96 – R104✓
Loss of revenue = R 8✓✓ (4)

5.7
- Implicit costs: These are invisible costs not incurred directly with no actual or direct payments made in the production process by the business.
- Explicit costs: These are actual expenditures paid by the business for its operation e.g. wages and interest. (2 × 2) (4)

5.8 It occurs when the business closes/ceases to operate temporarily or permanently due to other factors like bankruptcy. (2)
**[50]**

**TOTAL SECTION B: 150**
**GRAND TOTAL: 200**

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