higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ECONOMICS N4

31 MAY 2019

This marking guideline consists of 9 pages.

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SECTION A

Answer ALL the questions in SECTION A.

QUESTION 1

1.1	1.1.1	A		
	1.1.2	A		
	1.1.3	A		
	1.1.4	C		
	1.1.5	C		
	1.1.6	A		
	1.1.7	A		
	1.1.8	C		
	1.1.9	C		
	1.1.10	A		
			(10 × 2)	(20)
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	Average variable costs		
	1.3.2	Income		
	1.3.3	Return of scale		
	1.3.4	Economy		
	1.3.5	GDP (Gross Domestic Product)		
			(5 × 2)	(10)
1.4	1.4.1	Market forces of demand and supply		
	1.3.2	Wages		
	1.4.3	Recovery		
	1.4.4	Relative		
	1.4.5	Globalisation		
			(5 × 2)	(10)
				[50]

TOTAL SECTION A: 50

SECTION B

Answer any THREE of the four questions in SECTION B.

QUESTION 2

2.1 It is the quantity of goods and services that consumers are willing and prepared to buy at a given price, within a particular period of time. (2)

2.2
- Macroeconomics – is a study of the behaviour, structure and decision making of the country's economy as a whole.
- Microeconomics – is a study of the behaviour of individuals and firms in making decisions regarding allocation of resources. (2 × 2) (4)

2.3
- The price of the product✓ If the price is high, supply will be high and vice versa.✓
- The price of alternative products✓ If the price of the alternative products increases, supply will increase and vice versa.✓
- Cost of production✓ If cost of production is high, supply will be low and vice versa.✓
- Expected future prices✓ If future prices are expected to decrease, supply will decrease and vice versa.✓
- Government policy✓ Government policy can either cause supply to increase or decrease.✓
- Number of suppliers✓ If there are many suppliers of a particular product, supply will be high and vice versa.
- Natural conditions.✓ Natural conditions can either cause supply to increase or decrease.✓
- Technology✓ Introduction of new technological methods causes supply to increase.✓ (Any 5 × 2) (10)

2.4 2.4.1 The equilibrium price is R150✓ and equilibrium quantity is 300.✓ (2)

2.4.2 It is the point where quantity demanded is equal to quantity supplied. (2)

2.4.3 500 units (2)

2.4.4 Supply = 400 and demand = 200
= 400✓ minus 200✓
= 200✓ Excess of supply.✓✓ (5)

2.5
- Income/Income distribution
- Rate of interest/Tax
- Changes in expectations/Expectations by consumers
- Demographic factors
- Financial policies
- Fiscal policy (Any 4 × 2) (8)

2.6
- Perfectly elastic demand
- Relatively elastic demand
- Unitary elastic demand
- Perfectly inelastic demand
- Relatively inelastic demand (5)

2.7
- Products are unique and there is no close substitute.✓ NO other products come close to the resemblance of the product offered or supplied.✓
- There is only one seller of the product.✓ NO other industry/business supplies this kind of product.✓
- There are barriers to entry.✓ NO other industries are allowed to enter the market due to patents and other forms of intellectual property rights.✓
- There is no competition.✓ One business in the market will control the supply of goods and services.✓
- Large amounts of starting capital are required.✓ Large industries like Eskom and Sasol require millions of starting capital.✓
- Monopolies have legal considerations.✓ New inventions are protected by patent rights.✓ (Any 5 × 2) (10)

[50]

QUESTION 3

3.1 3.1.1 Total satisfaction received upon consumption of a product or service. (3)

3.1.2
- Utility of form:✓ To satisfy a want/desire, the product should be in a particular form or shape.✓✓
- Utility of place:✓ Products/Goods must be readily available at a particular place for consumers.✓✓
- Utility of time:✓ Products/Goods must be readily available at a convenient time when consumers need them.✓✓
- Utility of possession:✓ The consumer must have a sense of ownership of the product/service he/she has bought.✓✓

(Any 3 × 3) (9)

3.1.3 It is the additional satisfaction✓ a consumer gains✓ from consuming one more unit of the goods or service.✓ (3)

3.2 3.2.1 The production possibility curve shows combinations of any two goods or services that can be produced or offered when the available resources are fully and efficiently employed. (3)

3.2.2 No,✓ it is unattainable because resources are not available at that point.✓✓ (3)

3.2.3 Point W,✓ because resources are not fully utilised.✓✓ (3)

3.2.4 600 apples (2)

3.3
- They do NOT cross.
- Higher indifference curves are preferred to lower ones.
- They bend inwards (convex).
- They are negatively sloping. (4 × 2) (8)

3.4

CAPITALISM	PLANNED ECONOMIC SYSTEM
Ownership: • Private individuals own all factors of production. • Business enterprises and other organisations also own factors of production, particularly land and capital. **Motivation**: • Consumers are producers and they are motivated by pure self-interest or private gain. • Consumers aim to maximise their individual welfare or utility. • Producers aim to maximise their profit. • Government is motivated by consideration of the good of the community.	**Ownership**: • All factors of production, except labour are owned by the state. • Labour services are directed by the state and there is no private ownership of property as this is nationalised. **Motivation**: • Consumers, enterprises (workers) and government are all assumed to be selfless, cooperating together to work for the common good of the community. • This is marked contrast with most economic agents in market economics who are assumed to be motivated only by their own self-interest.

(Ownership: 4 × 2 = 8)
(Motivation: Any 4 × 2 = 8) (16)
[50]

QUESTION 4

4.1
- Price elasticity of demand
- Promotional/Advertising elasticity of demand
- Cross elasticity of demand
- Income elasticity of demand (4)

4.2 4.2.1 A = 10 + 18✓
= 28✓

B = 24/6✓
= 4✓ (2 × 2) (4)

4.2.2
- Fixed costs are costs that the business always has to pay,✓ whether production took place or not and do not change.✓
- Variable costs are costs that change as the number of units produced changes✓ and do not remain constant.✓ (2 × 2) (4)

4.2.3 Marginal costs are additional costs incurred✓ on producing one additional unit of a product.✓ (2)

4.3 4.3.1 Short-run: A period of time in which the business is unable/cannot change✓ at least one of its production factors/input✓ as it is fixed.✓

Long-run: A period of time in which the business is able to change✓ all of its production factors/inputs.✓✓ (2 × 3) (6)

4.3.2 It is the amount that the business earns for each unit of a product sold. (2)

4.3.3 TR (Total Revenue) = P (Price) × Q (Quantity) (2)

4.4 Economic profit is the profit that the business makes in addition to the normal profit,✓✓ a situation where revenue is above the explicit plus implicit costs.✓✓ It is also known as surplus or excess or extra profit.

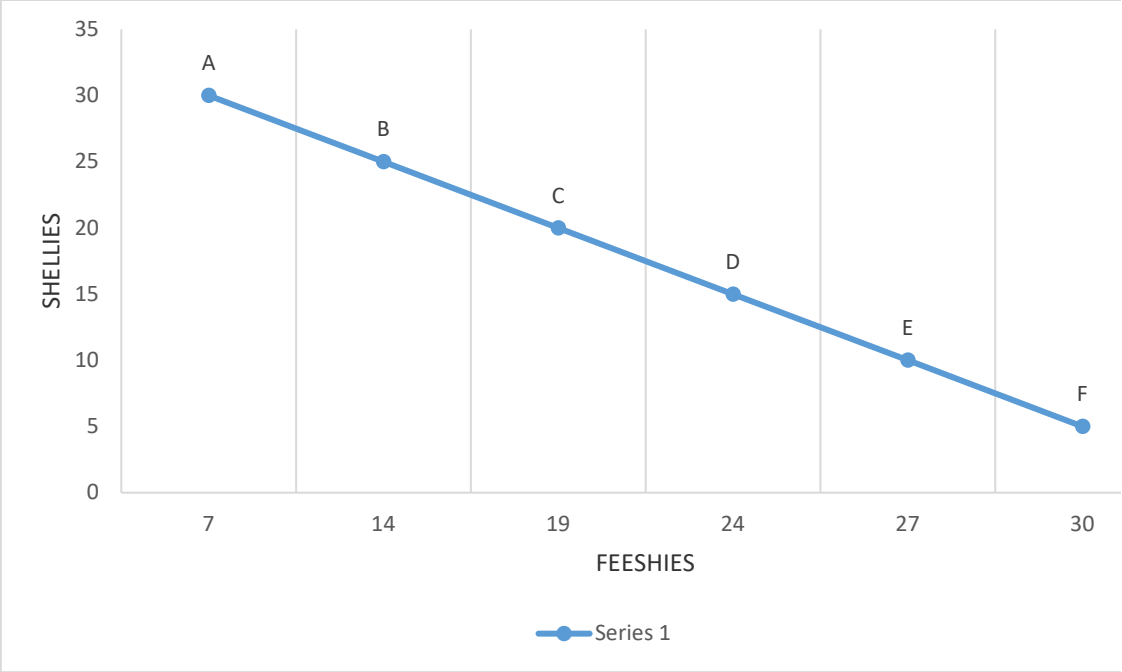
Normal profit is the minimum return required by the owners to continue with the business,✓✓ a situation where revenue equals explicit costs plus implicit costs.✓✓ (2 × 4) (8)

4.5 Normal goods are goods for which the demand rises when income increases✓ and the demand decreases✓ when income decreases.✓

Inferior goods are goods for which the demand decreases when income rises✓ and the demand increases✓ when income decreases.✓ (2 × 3) (6)

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4.6



Allocation of marks

Labelling Feeshies (7–30) on horizontal axis (2)
Labelling Shellies (5–35) on the vertical axis (2)
Plotting the combinations for Feeshies and Shellies for points A–F and drawing of a curve/line on plotted points (6)

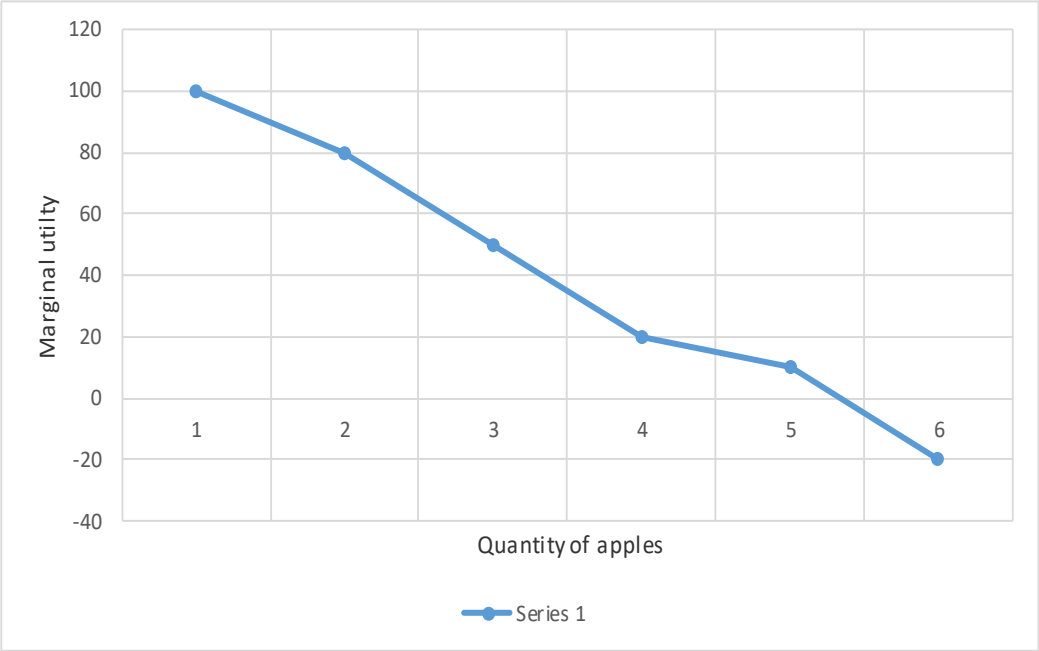
4.7 The law of diminishing returns states that as a person consumes more and more of a given commodity (goods or services), the marginal utility will increase,✓ reach a maximum and decrease.✓ (2)

[50]

QUESTION 5

5.1
- Perfect competition market:✓ It is a market characterised by many different buyers and sellers.✓✓
- Monopoly:✓ Is a market where there is only one seller of a particular good or service and there is no substitute.✓✓
- Monopolistic competition:✓ It combines elements of perfect competition and those of monopoly.✓✓
- Oligopoly:✓ There are few sellers of a product or service.✓✓
- Monopsony:✓ It is a market where there is only one buyer of a product or service.✓✓ (Any 4 × 3) (12)

5.2



Allocation of marks

Drawing of graph showing quantity of apples on the horizontal axis (2)
Drawing of graph showing marginal utility on the vertical axis (2)
Drawing of a marginal utility curve labelling it at various points (6)

5.3 5.3.1 Marginal revenue is the additional revenue that will be generated by increasing product sales by one unit.

5.3.2 Average revenue is revenue generated per unit of output sold.
(2 × 3) (6)

5.4 Total revenue: (Q) Quantity of product x (P) Price per unit (2)

5.5
- Products are homogeneous (identical).
- There should be a large number of buyers and sellers.
- There should be no preferential treatment/discrimination.
- There should be free competition.
- There should be efficient transport and communication.
- All participants must have perfect knowledge of market conditions.
- Factors of production are completely mobile. (Any 5 × 2) (10)

5.6 Natural monopoly:✓ High development costs prevent others from entering the market. A single business can serve the whole market at lower prices due to economics of scale, e.g. water and electricity.✓✓

Artificial monopoly:✓ The barriers to entry are not economic in nature, but are caused by other factors, for example a patent (legal right of a holder to exclusively manufacture a product).✓✓ (2 × 3) (6)

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5.7
- The availability of substitutes
- The budget of the consumer
- The nature of products
- The influence of time
- Habit-forming products
- Durability and uniqueness of the product (Any 4 × 1) (4)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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