higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ECONOMICS N4

31 May 2021

This marking guideline consists of 7 pages.

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SECTION A

QUESTION 1

1.1	1.1.1	D		
	1.1.2	B		
	1.1.3	A		
	1.1.4	A		
	1.1.5	B		
	1.1.6	C		
	1.1.7	B		
	1.1.8	B		
	1.1.9	B		
	1.1.10	C		
			(10 × 2)	(20)
1.2	1.2.1	Inflation		
	1.2.2	Mining royalties		
	1.2.3	Limited/Fixed/Inelastic		
	1.2.4	Fixed		
	1.2.5	Right		
			(5 × 2)	(10)
1.3	1.3.1	Economics		
	1.3.2	Substitute		
	1.3.3	Utility		
	1.3.4	Length		
	1.3.5	Natural		
			(5 × 2)	(10)
1.4	1.4.1	B		
	1.4.2	A		
	1.4.3	D		
	1.4.4	C		
	1.4.5	F		
			(5 × 2)	(10)
				[50]

TOTAL SECTION A: 50

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SECTION B

QUESTION 2

2.1
- Natural resource✓ – Rent✓
- Labour✓ – Wages✓
- Capital✓ – Interest ✓
- Entrepreneur✓ – Profit✓ (4 × 2) (8)

2.2
- Households provide factors of production to businesses or firms.
- Households buy goods and services from businesses or firms and this improves economic development.
- Households pay tax to the government and this provides revenue.
- Households produce goods and services as they offer their services to businesses or firms. (4 × 2) (8)

2.3 2.3.1 The production possibility curve is used to show the production of two goods with the maximum use of the available resources given. (2)

2.3.2
- 90 tons of wheat
- 75 tons of steel (2)

2.3.3
- Because available resources are not fully utilised.
- There are still possibilities of producing more tons of wheat and steel as resources to produce them are available. (2 × 2) (4)

2.4 Budget line shows all the combinations of two commodities that a consumer can afford or buy at a given market price with a given income. (3)

2.5
- Income:✓ When households' income increases or decreases, their spending also increases or decreases.✓✓
- Income distribution:✓ Unequal distribution of income between the rich and the poor lowers the overall propensity to consume as the rich have already fulfilled most of their basic wants.✓✓
- Rates of interest:✓ If the rate of interest rises, people will consume less and save more in order to gain from lending on the higher rate of interest, and vice versa.✓✓
- Changes in expectations:✓People's expectations regarding future events can affect the propensity to consume.✓✓
- Holding of liquid assets:✓ When people have large amounts of liquid assets, they tend to spend more on consumption.✓✓
- Terms of credit on consumer durables: Terms of credit relating to electric gadgets constitutes an important influence on consumption expenditure.

(Any 5 × 3) (15)

2.6 Complementary goods are goods that are used together with other goods e.g. tea and sugar,✓✓ whereas substitute goods are goods that are used instead of others or goods that replace another goods.✓✓ (4)

2.7
- Right to choose a product
- Right to fair and honest dealing
- Right to fair and responsible marketing
- Right to fair value, good quality and safety
- Right to disclosure of information

(Any 2 × 2) (4)
[50]

QUESTION 3

3.1
- Perfect market
- Monopoly market
- Oligopoly market
- Imperfect market

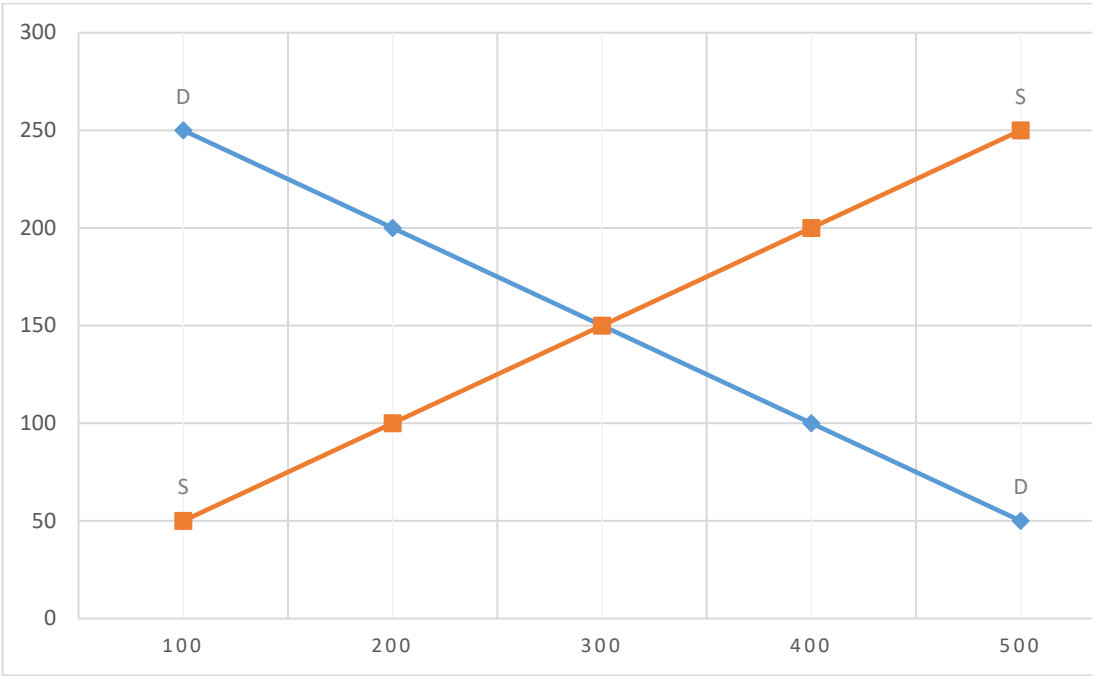
(Any 2 × 1) (2)

3.2

PERFECT MARKET	MONOPOLY MARKET
• Many sellers • Homogenous products • Freedom of entry and exit • Price taker • Perfect knowledge of the market	• Single/One seller • Unique product • Entry is blocked • Price maker • Specialised information about production techniques or the market

(5 × 4) (20)

3.3 3.3.1



Mark allocation: For drawing the correct demand and supply curves (6)

3.3.2 R 150 (2)

3.3.4 400✓– 200✓ = 200✓✓ (4)

3.4
- Availability of substitutes
- The budget of consumers
- Nature of the product
- The influence of time
- Habit forming products
- Durability and uniqueness of the product
- Size of the household (Any 5 × 2) (10)

3.5 The law of supply states that, other factors held constant, an increase in price results in an increase in quantity supplied.✓✓ This means that there is a direct relationship between price and quantity. ✓✓ (4)
[50]

QUESTION 4

4.1 Are costs that changes according to output; if output is more, cost will be more. (2)

4.2 4.2.1 At quantity 15 MR = R75 – R75 = R0✓✓
At quantity 16 MR = R80 – R75 = R5✓✓ (4)

4.2.2 R5 (2)

4.2.3 Because negative sloping✓✓ means that more goods are sold at a lower price, hence additional revenue will decrease as more goods are sold.✓✓ (4)

4.3 4.3.1 At point B (2)

4.3.2 Total Profit = Total Revenue – Total Costs✓✓
TR = R25 × 100 = R2 500✓✓
TC = R19 × 100 = R1 900✓✓
Total Profit = R2500 – R1 900 = R600✓✓ (8)

4.4
- Short-run cost refers to 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 cost refers to a period of time where the business is able to change all its inputs.✓✓ The business can increase or decrease all of its inputs.✓✓

(4 × 2) (8)

4.5
- Labour is perishable.
- Labour cannot be separated from the labourer.
- Supply of labour is inelastic.
- A labourer sells his labour and not himself.
- A labourer is not a machine, but a person. (Any 4 × 2) (8)

4.6 Nominal wages is the actual amount of money received by the worker in a specified period.✓✓ It does not take into account changes in price level (inflation).✓ Real wages is the quantity of goods and services a worker can buy with his or her nominal wages.✓✓ This refers to the purchasing power of money.✓ (6)

4.7
- Natural resources are found in nature:✓ they are the free gifts of nature and cannot be made by man.✓✓
- Supply of natural resources is limited:✓ natural resources are found in limited quantities.✓✓
- Natural resources are found in different quantities and qualities: different parts of the world have different quantities and qualities of natural resources.
- Natural resources are either renewable or non-renewable: some natural resources can be renewed e.g. trees, but gold and other minerals are not renewable. (Any 2 × 3) (6)

[50]

QUESTION 5

5.1 Capital market: It is a market where buyers and sellers engage in trade✓✓ of financial securities✓ like bonds, shares, etc.✓ (4)

5.2
- Provide finance at reasonable cost.✓
- Facilitate economic growth.
- Perform market operations in a free, fair, competitive and transparent environment.
- Provide sufficient information to investors.
- Allocate capital productively. (5 × 2) (10)

5.3
- Monopoly firms exploit consumers since they do not face any competition.
- Monopolist causes social waste as other resources are under-utilised.
- Monopoly firms are inefficient as they do not produce at the minimum point of the average cost curve.
- Monopoly firms often resort to unfair practices to eliminate rival firms by fixing very low prices below cost.
- Monopoly firms by virtue of their capital and wealth are able to influence the political affairs of the economy.
- Monopoly firms allocate resources inefficiently.
- Monopoly leads to price discrimination. (Any 5 × 2) (10)

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5.4
- Economies of scale
- Natural/Geographical barriers
- Brand loyalty through advertising
- Limiting pricing
- Predatory pricing
- Vertical integration
- Legal patents
- Knowledge and expertise (Any 5 × 2) (10)

5.5
- Incomplete markets:✓ Markets for certain things like public goods are incomplete or missing.✓✓
- Indivisibilities:✓ The sharing of costs of maintenance on certain goods like a public road is not divisible.✓✓
- Common property resources:✓ This leads to wasteful exploitation in which a user ignores the effect of his action on others.✓✓
- Imperfects markets:✓ There is no efficiency in imperfect competition.✓✓
- Asymmetric information:✓ Sometimes buyers and sellers do not have sufficient information regarding market behaviour due to ignorance.✓✓
- Externalities:✓ Sometimes the market offers no price for service or disservice, leading to misallocation of resources.✓✓ (Any 4 × 3) (12)

5.6
- Increasing production function
- Decreasing production function (2 × 2) (4)

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TOTAL SECTION B: 150
GRAND TOTAL: 200

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