higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ECONOMICS N4

29 September 2020

This marking guideline consists of 8 pages.

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SECTION A

QUESTION 1

1.1	1.1.1	A		
	1.1.2	C		
	1.1.3	B		
	1.1.4	B		
	1.1.5	D		
	1.1.6	A		
	1.1.7	A		
	1.1.8	A		
	1.1.9	B		
	1.1.10	C		
			(10 × 2)	(20)
1.2	1.2.1	Secondary sector/industries		
	1.2.2	Negative		
	1.2.3	Utility		
	1.2.4	M~~m~~aximisation		
	1.2.5	Takers		
			(5 × 2)	(10)
1.3	1.3.1	Health		
	1.3.2	Four		
	1.3.3	%ΔQD/%ΔP		
	1.3.4	Food		
	1.3.5	Does not change		
			(5 × 2)	(10)
1.4	1.4.1	C		
	1.4.2	A		
	1.4.3	B		
	1.4.4	E		
	1.4.5	F		
			(5 × 2)	(10)
				[50]

TOTAL SECTION A: 50

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SECTION B

QUESTION 2

2.1 Market constraints are limiting factors that determine the selling or buying of goods and services in the market, e.g. competitors. (2)

2.2 2.2.1 Equilibrium price is R30✓✓
Equilibrium quantity is 60✓✓ (4)

2.2.2 At the prices of R10✓and R20✓ (2)

2.2.3 At the prices of R40 ✓and R50✓ (2)

2.3
- A change in income:✓ R~~r~~ise in the income of consumers causes a rise in demand.✓
- Change in tastes of consumers:✓ If the tastes of consumers change, the demand of the products also changes.✓
- Change in the population:✓ If population in the country increases, it will lead to an increase in demand of products or services.✓
- Change in price of complementary products:✓ A~~a~~ change in the price of complementary products also lead to a change in demand.✓
- Change in prices of substitute products:✓ I~~i~~f prices of goods that satisfy similar needs change, demand for such goods will also change.✓
- Expectations of consumers: I~~i~~f consumers expect a shortage for a certain product, then in anticipation, they will buy more of that product.

(Any 5 × 2) (10)

2.4 Cross elasticity of demand refers to a percentage change in quantity demanded of product A over a percentage change in the price of product B,✓✓ whereas income elasticity of demand refers to a percentage change in the quantity demanded over percentage change in the income.✓✓ (4)

2.5
- Perfectly elastic demand:✓ any price increase will cause quantity demanded to fall to zero, and decrease in price will not increase sales.✓
- Relatively elastic demand:✓ a relatively small change in price causes a relatively large change in quantity demanded.✓
- Unitary elastic demand:✓ the proportion of change in demand is equal to the proportion change in price.✓
- Perfectly inelastic demand:✓ a change in price, causes no change in the quantity demanded.✓
- Relatively inelastic demand:✓ the percentage change in quantity demanded is smaller than the percentage change in price of the product.✓

(5 × 2) (10)

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2.6
- Nature of the commodity
- Availability of substitutes
- Income level
- Level of price
- Postponement of consumption
- Number of uses
- Time period
- Share in total expenditure (Any 6 × 1) (6)

2.7

MACRO ECONOMICS	MICRO ECONOMICS
• It is the study of the economy of a country as a whole or of the whole world. • There are large scale economic decisions which are made by the government. • There is a broad field of economic study focusing on the whole country, including factors that influence total spending by consumers.	• It is the study of economic behaviour of individual consumers and producers. • There are small scale decisions made by individuals and businesses. • There are small detailed pictures focusing on consumer spending habits and how firms make profit.

(Any TWO relevant differences between Macro-Economics and Micro-Economics.) (8)

2.8 Opportunity cost is a sacrifice that one is prepared to make when one alternative is selected over another. (2)

[50]

QUESTION 3

3.1 Using up of goods and services to satisfy wants or needs. (2)

3.2 3.2.1 Satisfaction that one derives from using up of goods and services. (2)

3.2.2 A = 18✓ + 6✓
= 24✓✓ (4)

3.2.3 Marginal utility is the additional satisfaction that one gets from consuming one additional unit of a good or service. (2)

3.3
- Interest rates:✓ higher interest rates will encourage people to save more.✓
- Availability of appropriate saving schemes:✓ with more options, people will be attracted to save more.✓
- Size of real disposable income:✓ when money is left after paying taxes, people will be encouraged to save.✓
- Advertising:✓ knowledge of what is available at financial institutions can make people to want to save more.✓
- Confidence:✓ trust in financial institutions can encourage people to save.✓
- Rate of inflation: when inflation is high people will save less.
- The desire to save: some people desire to save than others. (Any 5 × 2) (10)

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3.4
- Utility of time
- Utility of place
- Utility of possession
- Utility of convenience (4)

3.5
- For emergency purposes
- For bad times
- For educational purposes
- For buying a house
- For financial freedom
- For travel purposes
- For retirement purposes (Any 5 × 2) (10)

3.6

Short-run costs	Long-run costs
• Period of time in which the business is faced with at least one of its production factor being fixed.✓✓ • Business is unable to change one of its inputs.✓✓	• Period of time where all factors of production can be changed.✓✓ • Business is able to increase or decrease all of its inputs.✓✓

(4 × 2) (8)

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3.7 Explicitly cost: Direct payment✓ made to others✓ in the course of running a business.✓ e~~E~~.g. payment for wages,✓ whereas i~~I~~mplicit cost is any cost or opportunity cost that has already occurred✓✓ but is not necessarily shown or reported as a separate expense.✓ e~~E~~.g. the wages that the employee could have earned had the vacation/leave not taken.✓
Actual expenditure of business e.g. wages and interest. (8)
[50]

QUESTION 4

4.1 Perfect competition: A market structure where a large number of buyers and sellers are present✓ and all are engaged✓ in the buying and selling of the homogeneous products✓ at a single price prevailing in the market.✓ (4)

4.2 Quantity Q1 (2)

4.3 The price rises/increases✓ from P1✓ to P2.✓ (3)

4.4 Between prices P1 and P2. (2)

4.5 Quantity supplied will increase✓ from Q1✓ to Q2.✓ (3)

4.6
- It is a market with large number of buyers and sellers.✓ It should not be possible for one seller or buyer to influence the price of the product.✓✓
- Products sold are homogenous (identical).✓ The product should not be different in style, design and quality.✓✓
- There should be no preferential treatment or no discrimination.✓ There is no collusion between buyers and sellers.✓✓
- There is freedom of entry and exit in the market.✓✓ There are no barriers to enter and leave the market.✓
- All participants have perfect knowledge of the market.✓ All buyers and sellers have full information of what is happening in the market.✓✓ (5 × 3) (15)

4.7
- There is one seller.
- Product sold is unique and no substitute.
- Entry to the market is blocked.
- There is no competition.
- Large amount of starting capital is required.
- It is possible for monopoly to make economic profit in the long-run.

(Any 5 × 2) (10)

4.8
- Legal barriers
- Natural barriers (2)

4.9
- Land/Natural resources:✓ All resources which are from nature.✓✓
- Labour:✓ All human effort used in the production of goods.✓✓
- Capital:✓ All money or equipment used in the production process.✓✓
- Entrepreneur: A person who starts a business taking on financial risks with the aim of making a profit. (Any 3 × 3) (9)

[50]

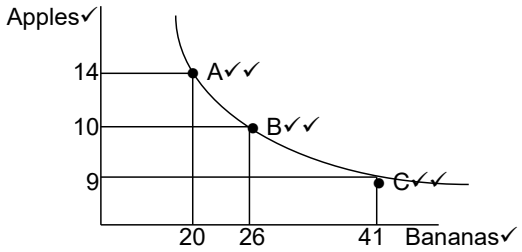
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QUESTION 5

5.1 5.1.1 An indifference curve is a graph✓ showing a combination of two goods✓ that give the consumer equal satisfaction✓ and utility.✓ (4)

5.1.2
- Indifference curves slope downwards from left to right.
- Higher indifference curves are preferred to lower ones.
- Indifference curves cannot intersect.
- Indifference curves are convex in shape (bowed inward). (4 × 2) (8)

5.1.3



Mark allocation: For drawing correct graph = 3 marks
For correct labelling as indicated above = 8 (11)

5.2
- Physiological needs
- Safety needs
- Social needs
- Esteem needs
- Self-actualisation needs (5 × 1) (5)

5.3
- Human wants are unlimited:✓ Man is never satisfied as new wants appear one after another in quick succession.✓✓
- A particular want is satiable:✓ Although human wants are unlimited, and cannot be satisfied all at once, but one particular want is satiable.✓✓
- Wants are recurring:✓ Some wants can be satisfied for the time being, but after some time~~s~~ they revive and there is a recurrence thereof.✓✓
- Wants are complementary:✓ Some goods can satisfy wants when they are used jointly together, not as a single unit.✓✓
- Wants are competitive:✓ Human wants cannot be satisfied at a time
- because of limited resources, as they compete among~~st~~ themselves to be satisfied.✓✓
- Wants are alternative: Some wants may be satisfied in alternative ways.
- Wants vary in urgency: Some wants are more urgent than others and should be satisfied first.
- Wants differ according to person, place and time: Some wants depends on the environment, attitude and social status of the individual. (Any 5 × 3) (15)

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5.4 Capitalism is an economic system that affords economic freedom,✓ consumer choice✓ and economic growth,✓ whereas✓ socialism is an economy controlled by the state✓ and planned by a central planning authority,✓ providing for a greater social welfare.✓ (7)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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