



## **Education and Sport Development**

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**NORTH WEST PROVINCE**

**PROVINCIAL ASSESSMENT**

**GRADE 10**

**MARKING GUIDELINES**

**MICRO-ECONOMICS: PAPER 2**

**JUNE: 2018**

Marks: 100

**This marking guideline consists of 12 pages including cover page.**



NW/JUNE/ECOM/ EMIS/6\*\*\*\*\*

**SECTION A (COMPULSORY)****1.1 MULTIPLE CHOICE:**

- 1.1.1 D✓✓ (market)  
1.1.2 A✓✓ (monopoly)  
1.1.3 C✓✓ (opportunity cost)  
1.1.4 C✓✓ (three)  
1.1.5 A✓✓ (welfare payments) (5 x 2) (10)

**1.2 MATCH ITEMS:**

- 1.2.1 C ✓  
1.2.2 E ✓  
1.2.3 D ✓  
1.2.4 A ✓  
1.2.5 B ✓ (5 x 1) (5)

**1.3 SUPPLY A TERM OR CONCEPTS (NO ABBREVIATIONS OR ACRONYMS):**

- 1.3.1 Law of demand ✓  
1.3.2 Black market ✓  
1.3.3 Diminishing utility / disutility ✓  
1.3.4 Indifference curve ✓  
1.3.5 (National) minimum wage ✓ (5 x 1) (5)

**TOTAL SECTION A: 20****SECTION B**

Answer any **ONE** of the two questions from this section.

**QUESTION 2**

2.1 Answer the following questions

**2.1.1 List any TWO functions of markets.**

- To bring demand and supply (buyers and sellers) together ✓
- It helps to allocate resources ✓
- Markets are self – regulatory / the market forces determine the market price ✓  
(Any 2 x 1) (2)

**2.1.2 Why perfect market suppliers do not brand or advertise their products?**

- The different producers all produce identical (homogeneous) products ✓✓
- They are price takers – prices are determined by market forces. ✓✓ (2)

**2.2 Data response:****2.2.1 Identify any two cell phone providers from the above picture.**

- Cell C✓
- Vodacom✓
- MTN✓
- 8.ta.✓
- Virgin ✓

(Any 2 x 1) (2)

**2.2.2 Distinguish between *monopoly* and *oligopoly*.**

- Monopoly – is a market structure where only one seller (producer) operates✓✓
- Oligopoly is a market structure where only a few sellers operate✓✓ (2 x 2) (4)

**2.2.3 How will you describe the *nature of oligopoly products*?**

- Products are heterogeneous✓✓ which means they differ on prices or features or bonus offer✓✓
- Examples are car dealers / cell phone providers / suppliers of electrical goods ✓ (2 x 2) (4)

**2.3 Data response:****2.3.1 Identify any TWO indirect taxes from the extract.**

- Value added tax / VAT✓
- Fuel levy✓
- Ad-Valorem✓

(Any 2 x 1) ( 2)

**2.3.2 What were the reasons for the Minister to make a harsh decision?**

- The minister wanted to increase the state revenue✓✓
- Wanted to fund the free tertiary education✓✓
- To improve the welfare of the South African citizens✓✓ (Any 2 x 2) (4)

**2.3.3 How will the Funza Lushaka graduates improve state revenue?**

- The dependence burden on government will decrease✓✓
- These teachers will be able to support themselves and their families✓✓
- The state will benefit income tax from these graduates✓✓

(Accept any other relevant response) (2 x 2) (4)



## 2.4 Differentiate between complementary goods and substitute goods.

Complementary goods	Substitute goods
<ul style="list-style-type: none"> <li>• Goods that helps to complete another In some way. ✓✓</li> <li>• Those goods that are often used together✓✓ e.g. Motor vehicle and Gasoline✓</li> </ul>	<ul style="list-style-type: none"> <li>• Goods that are used instead of a particular goods. ✓✓</li> <li>• E.g. If you decide to eat beef instead of eating chicken because they have both protein (both have the same utility). ✓✓</li> </ul>

(Accept any other correct relevant response) (2 x 4) (8)

## 2.5 Discuss any internal reasons that can move Production Possibility curve to the right (outward).

- Production Technique✓ - an improved production technique can cause an outward movement of PPC because of more efficient production✓✓
- Motivated employees✓ - the positive attitude of employees, as a result of intensive training, incentives (bonuses and recognition certificates) will improve worker productivity.✓✓
- In –house training✓ - an improvement in the skills level of the employees means they would be able to produce more✓✓
- New technological advances✓ – improved machines that work faster and more accurately. ✓✓
- Improvement in use of resources✓ – methods that reduce raw material wastage and reducing downtime on machines by maintaining them regularly✓✓

(Accept any other correct relevant response) (Max. 8)

[40]

## QUESTION 3

### 3.1 Answer the following questions

#### 3.1.1 Name any TWO types of utility.

- Utility of form✓
- Utility of place✓
- Utility of time✓
- Utility of possession✓

(Any 2 x 1) (2)

#### 3.2.1 Why the supply curve has a direct relationship?

- It shows that an increase in price result to an increase in quantity supplied✓✓ (2)



### 3.2 Data Response:

#### 3.2.1 Identify TWO products that can be produced in the graph above.

- Gun ✓
  - Butter ✓
- (2 x 1) (2)

#### 3.2.2 Describe the concept *productive efficiency*.

- Is achieved when the economy is using all available resources to the full ✓ and is producing the maximum possible output ✓ (2)

#### 3.2.3 Explain the economic concept represented by the letter A.

- Letter A represents **inefficiency**, which occurs when conditions in a market are not ideal and this results in the market not being efficient ✓✓
- It occurs because the producer is not operating at the maximum possible output with available resources (the producer does not use all his resources). ✓✓
- Or the producer is using the resources inefficiently – wasting resources. ✓✓
- To allocate scarce resources or to distribute income in a fairway. ✓✓ (Any 1 x 2) (2)

#### 3.2.4 Is it possible to achieve the production indicated by letter X? Motivate your answer.

- It is not possible to produce at point X ✓✓
- The resources (factors of production) are insufficient to produce those quantities ✓✓
- The producer will have to make choice about what quantities of butter and guns to produce with limited resources ✓✓ (2 x 2) (4)

### 3.3 Data response

#### 3.3.1 What was the initial supply of tacos at R1.50 and R3.00?

- 750 quantities supplied ✓ @ R1.50
  - 1500 quantity supplied ✓ @ R3.00
- (2 x 1) (2)

#### 3.3.2 What does the law of supply states?

- The law of supply states that as the price goes down the quantity supplied goes down and when the price goes up the quantity supplied goes up. ✓✓ (2)

#### 3.3.3 How would you illustrate the increased market supply graphically?

- It will be illustrated on the right / shift to the right ✓✓ (2)



### 3.3.4 Comment about the effects of change in quantity supplied.

- Change in supply is represented by a TOTAL SHIFT of the supply curve either to the left or the right of the original supply curve. ✓✓
- A change in quantity supplied is represented by a MOVEMENT ALONG the same supply curve towards to the left or right ✓✓ (2 x 2) (4)

### 3.4 Differentiate between an indifference curve and production Possibility curve.

#### INDIFFERENCE CURVE

- An indifference curve is a curve that shows all the combinations of two products that will supply the consumer with equal levels of satisfaction or utility ✓✓
- Deals with goods and services that can be consumed. ✓✓
- Indifference curves are bent inwards. ✓✓ (Max. 4)

#### PPC

- This is a diagram that shows what combination of two different goods the economy is capable of producing given the available limited supply of the factors. ✓✓
- Deals with goods and services that can be produced. ✓✓
- PPC curves are bent outward. ✓✓ (Max. 4)  
(2 x 4) (8)

### 3.5 Discuss any TWO conditions for a good or service to access the world markets.

- **There must be a wide demand:** ✓ some goods are of national demand like local fashion, books in local languages and staple food for indigenous people. ✓✓ Other goods are of international demand because they are basic and common necessities such as oil, wheat, wool etc. ✓✓
- **It must be transportable:** ✓ Fixed assets such as land and buildings are immovable and therefore cannot be transported. ✓✓ However, internationalisation of profession such as education, medicine, electronics, law, accounting etc. Have made possible for labour to be mobile. ✓✓
- **The cost of transport must be small in relation to the value of the good:** ✓ The value of gold and platinum exported by South Africa to other countries should be more than its transport cost; otherwise it would not make economical sense for South Africa to continue exporting or for other countries to import. ✓✓
- **It must be durable:** ✓ Goods that are long lasting and do not perish quickly will be accessible to the entire world, unlike goods that perish easily, for example milk, bread, fresh vegetables etc. These require a specialize transport system. ✓✓
- **Entry must not be restricted:** ✓ The size of goods and services that are to access the global markets depends on the government import control measure, which is desired to restrict unwanted products in countries. ✓✓ (2 x 4) (8) [40]

**TOTAL SECTION B: 40**



**SECTION C**

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<b>Introduction</b> The introduction is a lower order response: <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid stating in the introduction what you are going to discuss in the body</li> </ul>	Max. 2
<b>Body</b> <b>Main part:</b> Discuss in detail /in-depth discussion / Examine / Critically discuss / Analyze / Compare / Evaluate / Distinguish / Differentiate / Explain <b>Additional part:</b> Give own opinion / critically discuss / Evaluate / Draw a graph and explain. Use the graph given and explain / Complete the given graph / Calculate / Deduce / Compare / Explain / Distinguish / Interpret / Briefly debate / How / Suggest	Max 26  Max 10
<b>Conclusion</b> Any higher-order conclusion should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or value judgment on the facts discussed</li> <li>• Additional support information to strengthen the discussion / analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max 2

**QUESTION 4**

Discuss in detail the characteristics of a perfect market.

**(26)**

List and explain any FIVE factors that influence individual.

**(10)****[40]****INTRODUCTION**

The markets are important because they distribute goods and services for the production and make them available to consumers. There are two main types of markets, namely perfect and imperfect.

√√

**(Max 2)****BODY: MAIN PART**

**There are large number of buyers**√

No individual buyer can influence the price of the good or service by changing the demand √√

**There are large number of sellers** √

No individual seller can influence the price of the good or service by changing the supply√√

**The buyers and sellers have full information about the market.** √

- There is a detailed information about the market conditions√√ (JSE publishes detailed information about the companies 'shares)



Buyers know exactly what each seller is offering and prices√√

Neither the buyers nor sellers can influence the price of the goods or service√√

**Buyers and sellers are free to enter or leave the market.**√

- It is relatively simple and easy for new businesses to enter this market.√√

Supplier can also exit the market freely.√√

**All goods or services on the market are identical or homogenous**√

The sellers deal on the same goods or services.√√

The sellers offer the same goods at the same market price.√√

**No government interference with buyers or sellers** √

There should be no government involvement to influence the prevailing market prices, amount of goods supplied or demanded.√√

**Free movement of factors of production**√

**No collusion between sellers** √

- neither the buyers nor sellers can influence the price of the goods or service√√

Max (26)

**ADDITIONAL PART** (*List and explain any FIVE factors that influence individual*)

- The price of a product. √ - when the price falls, people buy more of the product. / They are now prepared to buy additional units that give them less satisfaction because the price is lower. √ / The total satisfaction that they get from consuming the good increases√
- The income of the prospective buyer √ - if their income increases, consumers have more money to spend. √ / If their income decreases consumers have less money to spend√
- The price of related products (substitute and complementary products) √ - example, when the price of shoes decreases the demand for socks will increase√ / As the price of petrol increases, the demand for large motor cars drops.√ / When the price of butter increases, the demand for margarine increases. √
- A successful advertising campaign√ - successful advertising leads to an increase in demand.√ / Lack of effective advertising may mean that consumers will stop buying those products√
- The change in fashion √ - changes in fashion such as for natural fibres leads to greater demand for cotton.√ / Example, there is a smaller demand for landlines telephone as cell phones have become fashionable, affordable and they are also convenient√
- New technological advances√ - the demand for cell phones is greater than the demand for landlines. / Demand for CDs and DVDs has decreased with the introduction of new technology in Flash- HD√



- The change in the climate ✓ - consumers buy more of certain goods like cool drinks and peak caps in summer. ✓ Example, consumer buys less ice cream in winter and more hot foods and beanies (winter hats) ✓  
(Any 5 x 2) (10)

## CONCLUSION

In this market the sellers are not able to exploit consumers because it is difficult to make abnormal profit ✓✓

(Accept any relevant conclusion) (Max. 2)

**[40]**

## QUESTION 5

- Without using graphs, discuss in detail the following methods of government involvement in the economy:
  - Production subsidy (8)
  - Maximum prices (8)
  - Welfare (10) (26)
- Outline any FIVE reasons why the government should be involved in the economy. (10)

## INTRODUCTION

- One of the key issues is the type of intervention governments should take to regulate market. The approach used mostly is financial intervention. ✓✓

**(Max. 2)**

## BODY: MAIN PART

### Production subsidy:

- This occurs when government compensates a supplier for a portion of their production costs. ✓✓
- This is usually done for industries or products that are considered essential and where the aim is to keep prices low. ✓✓
- A good example of this would be a subsidy on milk.
- The producer of the milk receives a subsidy and can therefore keep the price of milk at a lower price than what normal market circumstances would dictate. ✓✓
- Under the South African Spatial Development Initiative (SDI) the government will sometimes give cash grants to new companies to assist them to establish themselves in the market. ✓✓ (8)



**Maximum prices (8)**

- It is done to keep the prices of necessities and basic food low in order to ensure the poor have access to a good√√
- Maximum prices are set to prevent consumers from being exploited and having to pay excessive prices √√
- Governments impose price ceilings in the hope that they will keep prices low and control inflation. √√
- In South Africa we see these price ceilings on petrol and paraffin. √
- To limit the production of certain goods and services when resources are scarce. √√
- The cost of borrowing money is sometimes capped through an interest rate ceiling, i.e. the banks cannot charge more than a certain amount of interest on a loan√√

**Welfare**

- Is a social effort to promote the physical and material well-being of people. √√
- Services and products have social benefits greater than the direct benefits derived by the user of the goods or services are seen as merit goods that contribute to the welfare of a society. √√
- Welfare is about providing the most basic of life sustaining needs of people. √√
- Through the welfare system the government supplements the incomes of the needy by way of child support grants, old age grants and care dependency grants for disabled children. √√
- It is because of high inherent social benefit of these goods and services that government intervention is necessary to ensure that the needs of society are met. √√

(10)

**(Max.26)****ADDITIONAL PART**

The reasons for government involvement in the economy:

- When market failure (productive and allocative inefficiencies) occurs it results in insufficient supply of essential goods and services. √√
- When the citizens suffer because of the effects of business cycles, such as during recession. √
- When there are inequalities in the distribution of wealth, such as when there are many wealthy but also many poor people. √√
- When there are economic inequalities in jobs, management structures and ownership due to discrimination. √√
- When high capital outlay is required for essential goods and services, such as roads, dams, railroads and the supply of electricity. √√



- When the wellbeing of citizens is in danger, such as when private enterprise is not willing or able to provide necessary goods and services. ✓✓

(Accept any other correct relevant response) **(Max. 10)**

## CONCLUSION

- The government has to intervene so as to close the gap and provide the goods and services that are not sufficiently produced by the market. ✓✓ (Max. 2)

**(Accept any relevant conclusion but not a repeated fact) [40]**

**TOTAL SECTION C: 40**

**GRAND TOTAL: 100**



**COGNITIVE LEVEL GRID: ECONOMICS GRADE 10 Paper 2 June 2018**

MAIN TOPICS		Section A			Section B					Section C	
		Multiple choice	Matching	Identify the concept	Short items		Data response	Short Questions		Essay Questions	
		10	5	5	Lower	Middle	Middle	Middle	Higher	Lower	Higher
PAPER 2	Dynamics of market	2x2 = 4	1x1 = 1	2x1 = 2	2x1 = 2	2x1=2	2x10 = 20	8	8		30
	Production possible curve	1x2 = 2	2x1 = 2	2x1 = 2	2x1 = 2	1x2 = 2	1x10 = 10	8	8	10	
	Public Sector	2x2=4	2x1=2	1x1=1			1x10 = 10			10	30
	<b>TOTAL</b>	<b>10</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>40</b>	<b>16</b>	<b>16</b>	<b>20</b>	<b>60</b>

NOTE: THE 10 LOWER ORDER MARKS IN SECTION C ARE FOR:

- 2 Marks – Introduction
- 2 Marks – Conclusion

