



## **Education and Sport Development**

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**NORTH WEST PROVINCE**

### **PROVINCIAL ASSESSMENT**

**GRADE 10**

**MARKING GUIDE**

**ECONOMICS P2**

**JUNE 2019**

MARKS: 100

Marking Guide consists of 8 pages including cover page



**SECTION A (COMPULSORY)****MULTIPLE CHOICE QUESTIONS****QUESTION 1.1**

- 1.1.1 B Price ✓✓
- 1.1.2 D inverse relationship between price and quantity ✓✓
- 1.1.3 A various combination of goods and services in order of preference ✓✓
- 1.1.4 C a benefit ✓✓
- 1.1.5 A Sin Taxes ✓✓ (2 x 5) (10)

**1.2 MATCH THE COLUMNS**

- 1.2.1 F The world economic interfacing with trade as an important element. ✓
- 1.2.2 A combination of goods that can be purchased by a consumer with a given income, facing given prices. ✓
- 1.2.3 E Trade - off between two goods. ✓
- 1.2.4 D Illegal trading, sometimes in goods which are subject to price control or high taxation. ✓
- 1.2.5 C supplied by the government e.g. education ✓ (1 x 5) (5)

**1.3. GIVE ONE TERM**

- 1.3.1 Utility ✓
- 1.3.2 Equilibrium prices ✓
- 1.3.3 Market failure ✓
- 1.3.4 Pareto Efficiency ✓
- 1.3.5 Social benefits ✓ (1 x 5) (5)

**TOTAL SECTION A: 20**

**SECTION B****QUESTION 2**

2.1 Answer the following questions

**2.1.1 Name any TWO characteristics of perfect market**

- There are many suppliers ✓
- There are no barriers to entry ✓
- There is complete information available ✓
- Products are homogeneous ✓

(any 2 x1) (2)

**2.1.2 Why is it important for global market to communicate effectively?**

To share new information and knowledge about global market ✓✓ (2 x 1) (2)

**2.2 Data response****2.2.1 Identify the type of business from the cartoon**

Butchery ✓

(1)

**2.2.2 What do you understand by the statement “sold the last T bone”?**

The price of the product is affordable or has decreased and there is increase in demand. ✓✓

(2)

**2.2.3 How would an increase in price affect the demand for meat?**

Negatively ✓

The demand will decrease because consumers cannot afford goods due to price increases. ✓✓

(3)

**2.2.4 In your opinion, what role does the marginal utility play in demand for goods?**

- Demand curve has marginal utility as basis ✓✓
- Consumers will buy a good if the benefit(MU)he receives from the last unit exceeds the sacrifices he makes to obtain it ✓✓
- Consumers marginal utility reflects his demand ✓✓

(Any 2 x 2) (4)

**2.3 Data response****2.3.1 Identify the product supplied by member countries.**

Oil ✓

(1)

**2.3.2 Write the acronym OPEC in full.**

Organisation of Petroleum Exporting Countries ✓

(1)

**2.3.3 Name the type of market structure in which OPEC operates**

Oligopoly ✓✓

(2)



**2.3.4 Why firms in this market structure regarded as price makers?**

- They are able to influence prices ✓✓ (2)  
 Decrease supply and increase prices ✓✓ (Any 1 x 2)(2)

**2.3.5 In your own opinion, why would member countries want to manage the supply of oil?**

- To limit the supply of oil with the aim forming monopolies ✓✓  
 To create market share in the global market ✓✓  
 Create cartel amongst member countries. ✓✓  
 keep the prices high ✓✓ (Any 2 x 2) (4)

**2.4 Discuss in detail factors that determine value of a good or services.**

- Goods must be able to satisfy a consumer's want. ✓✓
- It determines the scarcity of a product. If the product is abundantly available it does not attract value ✓✓
- There must be a demand for goods. The greater the demand, the higher the exchange value (price). ✓✓
- Natural cyclical fluctuations in the economy play a role ✓✓ (4 x 2) (8)

**2.5 What negative impact would globalisation have on world market?**

- Companies move to where factors of production are the cheapest this can result in job losses and lower wages. ✓✓
- Interconnected economies can experience problems if one of them fails. ✓✓
- Opportunities in other countries i.e. high wage can lead to a "brain drain" e.g. doctors find better wages in other countries. ✓✓
- Management of natural resources can be put in danger where regulation is not strict. ✓✓
- Cheap competition means that environmental controls may be neglected. ✓✓ (4 x 2) (8)

**QUESTION 3**

3.1 Answer the following questions

**3.1.1 List TWO characteristics of public goods**

- Non-rival in consumption ✓
- Public goods cannot be denied to non-payers ✓ (2 x 1) (2)

**3.1.2 Why is important for government to impose tax on business and individuals**

- To collect more revenue and provide necessary goods to the public. ✓✓ (2 x 1) (2)

**3.2 Data response****3.2.1 Give an appropriate heading for the graph.**

Indifference curves ✓ (1)



**3.2.2 Identify the maximum amount of satisfaction point from the graph.**  
B ✓ (1)

**3.2.3 Differentiate between curve  $U_1$  and  $U_3$ .**

- $U_1$  represent a lower level of satisfaction and intersect budget line. ✓✓
- $U_3$  it does not intersect the budget line and is beyond consumer's satisfaction or means. ✓✓

(2 x 2) (4)

**3.2.4 How can indifference curve and budget line be used to determine a consumer's maximum satisfaction point?**

- Budget line determines the prices of goods in relation to affordability ✓✓
- Indifference curve shows the combination of two products which provide the same level of satisfaction. ✓✓
- The choice of product depends on price and affordability though the Consumer has interest in both products. ✓✓
- Optimum consumption is attained where indifference curve is exactly equal to the slope of the budget. ✓✓

(4 x 2) (8)

**3.3 Data response**

**3.3.1 Identify the type of social grant where government allocate more funds?**  
Family and children support grant ✓ (1)

**3.3.2 Name the agency responsible for provision of social grants.**  
Sassa or South African Social Security Agency ✓ (1)

**3.3.4 Briefly explain the reasons for government to pay social welfare grants?**  
To close the inequality gap that exists in the society ✓✓  
To alleviate poverty and provide for vulnerable groups  
e.g. children ✓✓

(2 x 2) (4)

**3.3.5 Critically evaluate the negative effects of social grants on society with special reference to child support grant.**  
People become too much dependent on grants. ✓✓  
Funds allocated may not directly benefit the intended beneficiaries  
i.e. children ✓✓

(2 x 2) (4)

**3.4 Discuss productive inefficiency and allocative inefficiency as effects of market failure.**

**Allocative inefficiency**

Product mix does not reflect consumer's taste. ✓✓  
The quantities required by consumers are not available. ✓✓  
Resources are not allocated in the right proportions. ✓✓

**Productive inefficiency**

Business does not produce goods at the lowest possible cost. ✓✓

Costs can be reduced without producing fewer goods or lower quality. ✓✓

(2 x 2) (4)

### 3.5 Argue why government should not intervene in the labour market and impose minimum wage?

- Minimum wage increases labour costs for business. ✓✓
- Business may be forced to retrench workers due to labour costs. ✓✓
- Labour laws result in an increase in unemployment. ✓✓
- Levels of poverty increases. ✓✓

[40]

**TOTAL SECTION B: 40**

## SECTION C

### QUESTION 4

Market forces are economic factors that affect the availability of goods and the demand for them.

- **Discuss the factors that influence demand and quantity.** (26)
  - **Critically evaluate the shift along the demand curve.** (10)
- [40]

### INTRODUCTION

Demand is defined as the quantity of a good or service that consumers are willing and able to purchase over a given period of time . (2)

### MAIN PART

#### Consumer's level of income ✓

When consumers' income increases, their purchasing habits change and they will buy more goods or different goods than before. ✓✓

#### Taste (including influences such as advertising, fashion and trends) ✓

When fashion changes, consumer spending and demand will also change. ✓✓  
Effective advertising can greatly influence consumer demand. ✓✓

#### Population Size ✓

When the size of population increases due to immigration factor, the size of market increases and demand increases ✓✓

#### Changes in economic climate ✓✓

Economic climate can affect consumer spending, and consequently demand. ✓✓  
During recession consumers spend less money. ✓✓

#### Changes in the price of substitutes ✓

An increase in the price of one product will result in an increase in demand for a



competing product. ✓✓ E.g. increase in the price of coffee will cause an increase in demand for tea. ✓

### Changes in technology ✓

Consumers always want to experience with new products and technological innovations. ✓✓  
Changes in technology increases demand for product. ✓✓

E.g. demand for smart cellphones ✓

(26)

## ADDITIONAL PART

### Critically evaluate movement along the demand curve.

- When the price of the product changes, quantity demanded changes. ✓✓
- Movement from one point to another on the same demand curve illustrate a change in the quantity demanded ✓✓
- When price increases demand decrease vice versa ✓✓
- The demand curve has a negative slope caused by inverse relations ✓✓
- Change in price of the product is the only factor that cause a change in demand ✓✓

(10)

## CONCLUSION

In a market the changes in demand is determined by change in prices. The situation will determine how consumers react or respond to such changes. ✓✓

(2)

[40]

## QUESTION 5

### Discuss the reasons for implementing maximum prices and the effect of maximum prices.

(26)

#### Introduction

Maximum price is the highest price at which producers can sell a product. The state may intervene in a market and set a maximum price also known as price ceilings.

(2)

## MAIN PART

### REASON FOR IMPLEMENTING MAXIMUM PRICES

- Maximum prices are set to keep the prices of necessities and basic food low ✓✓  
e.g. bread, ✓
- Prevent consumers from being exploited and pay excessive price ✓✓
- To improve the welfare of poor people ✓✓
- Keep prices low and control inflation ✓✓
- Limit the production of certain goods and services when resources are scarce ✓✓ e.g. petrol and paraffin ✓
- The objective of government is to achieve economic equity in the market. ✓✓

#### Effect of maximum prices

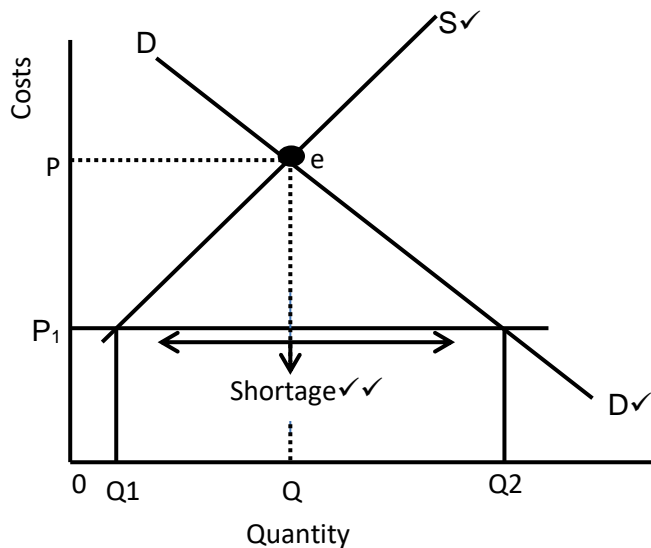
Unfair market prices may prevail than if prices were determined by market forces. ✓✓

- There is a shortage of the product in the market ✓✓ i.e. the quantity demanded is greater than the quantity supplied ✓✓



- Maximum prices often lead to black market ✓✓ i.e. the illegal selling of the product at a higher price ✓✓
- Cheap and inferior goods may be produced due to shortage in the market. ✓✓
- Depletion of resources may occur due to increase in demand. ✓✓
- Products may not be fairly distributed in the market due to maximum prices. ✓✓

### Additional Part



### Explanation

- Equilibrium price at point e is determined by interaction between demand and supply ✓✓
- Government intervention cause price to change form P to  $P_1$  ✓✓
- Quantity expected to increase from Q to  $Q_2$  ✓✓
- Supply decrease from Q to  $Q_1$  and this create shortage in the market ✓✓

(Any 3 x 2) (6)

### CONCLUSION

Maximum prices improve the welfare of the consumers who are able to purchase the products since they are able to buy the product for less than the market equilibrium price. ✓✓

(2)

**SECTION C: [40]**

**GRAND TOTAL MARK: 100**

