



Education and Sport Development

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NORTH WEST PROVINCE

PROVINCIAL ASSESSMENT

GRADE 11

ECONOMICS P2

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MARKING GUIDELINE

MARKS: 150

This marking guideline consists of 13 pages.



SECTION A (COMPULSORY)
QUESTION 1**1.1. MULTIPLE CHOICE QUESTIONS**

- 1.1.1 B ✓✓ utility
- 1.1.2 B ✓✓ substitutes
- 1.1.3 D ✓✓ Relative
- 1.1.4 C ✓✓ A tomato grower in Boschpoort
- 1.1.5 A ✓✓ an oligopoly
- 1.1.6 A ✓✓ constant returns to scale
- 1.1.7 D ✓✓ diminishing marginal utility
- 1.1.8 A ✓✓ variable costs divided by number of units produced

(8 x 2) (16)

1.2. MATCHING ITEMS

- 1.2.1 I ✓ Measures the responsiveness of demand to a change in income
- 1.2.2 F ✓ Only one supplier of a unique product
- 1.2.3 G ✓ does not react to price changes
- 1.2.4 E ✓ Period of time in which a business can increase all its inputs
- 1.2.5 B ✓ To maximize profit
- 1.2.6 A ✓ The total satisfaction gained adding up all the utils
- 1.2.7 C ✓ $TFV + TVC$
- 1.2.8 D ✓ Falling average costs as the costs are divided over more units of output

(8 x 1) (8)

1.3. ONE WORD ITEMS

- 1.3.1 Scarcity ✓
- 1.3.2 Short run ✓
- 1.3.3 Unitary elastic ✓
- 1.3.4 marginal cost ✓
- 1.3.5 inferior goods ✓
- 1.3.6 Marginal revenue ✓

(6 x 1) (6)

TOTAL SECTION A : 30

Section B

Answer TWO of the three questions in the ANSWER BOOK.

QUESTION 2

2.1 2.1.1 Give TWO examples of substitute goods (2x1) (2)

- Tea ✓ and coffee ✓
Accept any other correct relevant answer

2.1.2 What would encourage a producer to continue increasing its production?

- Increase in demand ✓✓
 - Increase in marginal revenue ✓✓
- ..(1x2) (2)

2.2 DATA RESPONSE

2.2.1 Which worldwide company produces films (1)

- Ster Kinekor ✓

2.2.2 What relationship do movies have with popcorns?

- They are complementary products ✓ (1)

2.2.3 Briefly describe *complementary goods*

- They are different goods that are used together to satisfy a specific need ✓✓ (2)

2.2.4 What will happen to the demand of popcorns if the movie price decreases

- The demand for fries will increase ✓
- When movie price decreases the demand for movies will increase. ✓✓
- As popcorns are consumed with the movies, more popcorns will be demanded ✓✓
(Accept any relevant answer.) (4)

2.2.5 The movie price at Nu Metro is R75.00 and the price at Ster Kinekor is R62.00. Explain the relative price, and what it would be if I choose to watch the movie at Ster Kinekor?

- The Ster Kinekor is relatively cheaper than the Nu Metro. ✓✓
- A relative price is a price of a good or service relative to the price of another good or service. ✓✓
- If I choose Ster Kinekor, Nu Metro becomes the opportunity cost ✓✓
(Any relevant answer.) (2x2) (4)



2.3 DATA RESPONSE

2.3.1 What is the source of the table above?

- Focus Economics grade 11 page 97

2.3.2 How much was marginal utility in unit 3

- 5

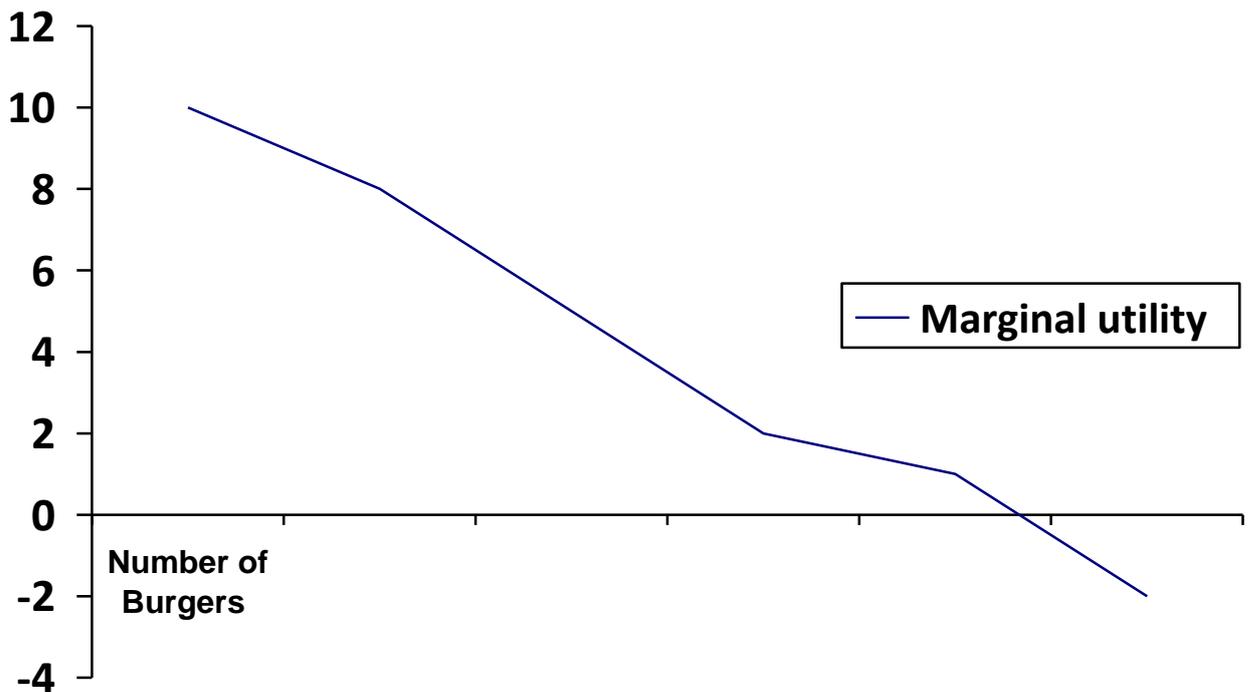
2.3.3 Briefly explain the term Marginal utility

- The utility of an additional unit consumed. √√ (2)

2.3.4 Calculate A in the above table

- $A = -2$ √√ (2)

2.3.5 Draw a marginal utility graph using the information above



Correct labelling of axis	2 marks
Proper shape and accuracy of the MU curve	2 marks

(4)

2.4 Briefly discuss the *ability to store product* and *the nature of the product* as factors affecting the elasticity of supply

The ability to store the product

- Supply will be elastic if the product can be stored easily√√
- If the product can be stored easily, supply can be adjusted to changes in price√√

The nature of the product

- Agricultural products will be inelastic in the short term√√
- The supply of agricultural products depends on several factors√√
- The supply of mining commodities will also be inelastic √√
- It takes a long time to increase the capacity of the mines√√
- The supply of manufactured goods will be more elastic√√
- It is easier for the manufacturing industries to change the supply of goods√√

2.5 Why is it important for an entrepreneur to cover implicit and explicit costs

- If only explicit costs – actual payment for the factors of production that are used in the production of goods and services √√ – are used the entrepreneur is not rewarded for his opportunity costs √√
- If implicit costs – the opportunity costs for the use of all self-owned resources in the production of goods and services√√- are covered then the entrepreneur will not take his resources elsewhere and continue with the business√√
- This is why the accounting profit differs from the economic profit. Accounting profit is calculated when revenue exceeds the explicit costs, √√ economic profit is calculated when revenue exceeds explicit and implicit costs√√

(Accept any other correct relevant response) (8)

QUESTION 3

3.1 3.1.1 Name any TWO items that are traded in the factor market

- Labour √
- Capital √
- Natural resources √

(any 2x1) (2)

3.1.2 Why will the answer always have a minus sign when calculating the price of elasticity of demand

- This is because there is an inverse relationship between the quantity demanded and price – the minus sign does not mean the answer is negative . √√

(2)

3.2 DATA RESPONSE

3.2.1 Which TWO banks have been mentioned in the extract above

- ABSA √
- Nedbank√
- First National Bank√
- Standard Bank√

(2)



3.2.2 List any TWO features of an oligopoly

- There is limited competition. ✓
- Products may be homogenous or differentiated. ✓
- This market is characterised by mutual dependence.
- Extensive use is made non-price measures to increase market share ✓
(Accept any other correct relevant response) (any 2x1) (2)

3.2.3 Briefly describe the term *oligopoly*

- A market structure controlled by a small group of businesses ✓✓
(Accept any other correct relevant response) (2)

3.2.4 How does branding assist a company operating in an oligopoly market structure?

- Branding assists in:
distinguishing a product from other competing brands ✓✓
Promoting brand loyalty ✓✓
Attracting customers ✓✓
(Accept any other correct alternative response) (2x2) (4)

3.3 DATA RESPONSE**3.3.1 Identify a natural monopoly from the cartoon above**

- Eskom ✓ (1)

3.3.2 Which word indicates that the price of electricity has increased?

- Overcharge ✓ (1)
- Huge price hike ✓

3.3.3 Briefly describe the term *natural monopoly*

- A monopoly formed because of high development costs ✓✓ (2)

3.3.4 How are competitors prevented from entering this type of market

- High development costs prevent others from entering the market. ✓✓
- Government regulation ✓✓ (4)

3.4 Briefly discuss the SMART principle in designing the objectives of business.

- **Specific:** The idea must be identified and understood, e.g. the business must become the most profitable in the country ✓✓



- **Measurable:** it must be possible to test or measure whether the goal has been reached. e.g. in order for a business to reach its goal it must make a profit of R5 000 a month ✓✓
- **Attainable:** all stakeholders must agree to the set goal ✓✓
- **Realistic:** the goal must be within reach for the business e.g. the business must be capable of reaching the required profit ✓✓
- **Time specific:** there must be a time limit on achieving a goal. e.g. the business must be the most profitable within a period of five years ✓✓ (Any 4 from the above) (4 x 2) (8)

3.5 How can oligopolies increase their market share?

- Oligopolies will use non-price competition to increase market share. ✓✓
Oligopoly firms tend not to compete in terms of the price of products. ✓✓
- They will use product branding and marketing to gain market share. ✓✓
- Firms in an oligopoly are interdependent. This means that each firm has to consider how the other firms in the industry will react to any decision made. ✓✓
- Businesses try to avoid price competition as this could lower the profitability of the different businesses. ✓✓
- Forms of non-price competition include:
 - Building brand loyalty ✓
 - Extended shopping and business hours ✓
 - Doing business via the internet ✓
 - After-sales service ✓
 - Offering additional services ✓
 - Loyalty rewards for customers ✓
 - Door-to-door deliveries ✓

(Accept any relevant answer. Examples only 1 marks each and max 2 marks (8))

QUESTION 4

4.1 4.1.1 List TWO examples of fixed costs

- Rent ✓
- Insurance premiums ✓

Accept any other correct relevant answer (any 2x1) (2)

4.1.2 What impact will an increase in the prize of maize have on the supply of maize

- The price of maize will increase ✓✓ (2)

4.2 DATA RESPONSE

4.2.1 Identify the market structure which is represented in the table above

- Perfect market ✓ (1)



4.2.2 Give the formula used to calculate profit/loss

- Profit/(Loss) = TR – TC ✓ (1)

4.2.3 Briefly describe the term marginal cost

- Additional costs incurred for producing one additional unit ✓✓ (2)

4.2.4 Why is the value of the average revenue equal to R15?

- Under perfect market conditions, price is equal to average revenue ✓✓ (2)

4.2.5 Calculate the values of A and B. Show all calculations.

- A = 15 ✓✓
- B = 30 ✓✓ (2x2) (4)

4.3 DATA RESPONSE**4.3.1 What are the full names for MC and AVC**

- MC= marginal Cost ✓ (2)
- AVC=average variable cost ✓

4.3.2 What is indicated by point F on the graph?

- Shutdown point. ✓✓ (2)

4.3.2 Why is the AVC always below the ATC?

- ATC is Average Total Cost and includes average fixed cost and average variable cost. ✓✓ (2)

4.3.4 Explain the shapes of the ATC, AVC and MC.

- The MC, AVC and ATC are U-shaped. ✓✓
- As the number of units increase from zero, they start at high values ✓✓ decline at a decreasing rate, reach minimum points ✓✓ and then increase at increasing rates. ✓✓
- Marginal cost also cuts average total cost and average variable cost at their minimum values ✓✓
(Accept any relevant answer. (4)

4.4 Briefly discuss the relationship between product and factor market

- Households present their four factors of production to business enterprises on the factor markets and receive the income. ✓✓
- The four factor market can be subdivided into markets such as the capital market, labour market, natural resources and entrepreneur market. ✓✓
- Each of these can again be subdivided further for example in the natural resource market, the following can be distinguished, the agriculture, fish, forestry and mining markets. ✓✓



- When supply of one factor production changes, it affects the rest of the factor markets and the product market. ✓✓ for example when scarcity of cotton is experienced due to drought, it will lead to less cotton available for manufacturing cotton clothing. ✓✓
- The reduced supply of cotton will have a negative effect on the factor market factories will produce less cotton clothing receive less income and less profit. ✓✓
- The goods and services of business enterprise are sold on the product market and the business enterprises receive the spending from household in return. ✓✓
- The product market is subdivided into the following markets: capital goods market (such as buildings, machinery and vehicles) consumer and goods market (such as non durable consumer goods semi-durable goods) services market (such as wholesale and retail transport and financial.) ✓✓
- When the demand for a certain product market, the demand for a certain product increase during summer, the demand for natural resource milk will also increase. ✓✓

(8)

4.5 With the aid of a diagram, explain the relationship between average and marginal revenue when price is constant at all levels of output

- Marginal revenue (MR) refers to the additional revenue that the firm gains, if it sells an additional unit. ✓
- MR can be calculated as follows: $MR = \frac{\text{Change in total revenue}}{\text{Change in units sold}}$ ✓
- In firms where the price is constant, an additional unit sold increases total revenue by the same amount which the same as the price. ✓✓
- Average revenue (AR) is the revenue per unit. AR is calculated as follows: $\frac{\text{Total revenue}}{\text{Number of units}}$ ✓
- Since the price is constant the revenue received for each unit is equal to the price. ✓✓
- Therefore MR and AR are equal to the price. $P=MR=AR$. ✓✓
- The demand curve is the same as the AR and MR curves. ✓✓

(8)



Section C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction The introduction is the lower – order response.</p> <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in the introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body Main part: Discuss in detail/In – depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain Additional part: Give own opinion/ Critically discuss/Discuss/Critically evaluate/Draw a graph and explain/Use the graph given and explain/Compare the given graph/Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/How/Suggest</p>	Max. 26 Max. 10
<p>Conclusion Any higher – order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned. • Any opinion or value judgement on the facts discussed. • Additional support information to strengthen the discussion/analysis • A contradictory view point with motivation, if required. • Recommendations. 	Max 2
TOTAL	40

QUESTION 5: MICROECONOMICS**40 MARKS – 40 MINUTES**

- Compare in detail the features of a monopoly with those of a monopolistic competitor (26)
- Why would government support of license monopolies? (10)

INTRODUCTION

Any market that does not have all the characteristics of a perfect market is called an imperfect market. This is also the case with monopolies and monopolistic markets. ✓✓

(Accept any relevant definition.)

BODY: MAIN PART

CHARACTERISTICS	MONOPOLY	MONOPOLISTIC COMPETITION
Number of firms in an industry ✓	A single supplier or firm ✓ e.g. Eskom. ✓ There is no competition. One business in the market controls the supply of the goods and services. ✓✓	A larger number of firms or suppliers ✓ e.g. KFC, Nandos and Tagos. ✓ There is an element of competition.
Product ✓	A unique product is produced. ✓ There are no close substitutes. ✓✓ The product cannot be easily replaced. ✓✓ Consumers have no choice in price and quality of the product. ✓✓	Differentiated products ✓, are similar but not identical. ✓✓ They are similar in that they satisfy the same needs of the consumer. ✓✓ There may be differences in packaging but the product is the same. ✓✓
Freedom to enter and exit The market ✓	There are barriers to entry. ✓ Entry into the market is completely blocked. ✓✓ The barriers are caused by patents and other forms of intellectual property rights. ✓	Easy entry into the market. There is complete freedom of entry and exit into the market. ✓✓
Slope of the demand curve ✓	Downward sloping demand curve for the firm ✓ and the same curve for the industry. ✓✓ It is also inelastic. ✓✓	Downward sloping demand curve for the industry, ✓ and it is elastic. ✓
Control over price ✓	The firm is a price maker ✓ The monopolist is able to influence the market through changing the quantities it supplies to the market. ✓✓	Firms have little control over the price. ✓ Each business sells at its own price. ✓✓ since a single price, cannot be determined for the differentiated product ✓
Relative market share ✓	Total market belongs to one firm. ✓✓	Relatively small share of the total market ✓✓
Information ✓	There is perfect knowledge and information is complete. ✓✓	Information is incomplete

(HEADINGS AND EXAMPLES MAX 8 MARKS)

(26)



ADDITIONAL PART**Why would government support or license monopolies?**

- To protect the intellectual skill and rights of the producer √√
 - Some products are very dangerous producing or providing the service; there needs to be a level of accountability. √√
 - To motivate the producer to continue with the skill, grow the company and employ more people √√
 - From the economic profits made, government can get more revenue in terms of tax. √√
 - To be able to monitor the company, especially if it provides an essential service like electricity, i.e. price, provision of electricity to all, e.g. in rural areas and the consistency in doing that √√
- (Accept relevant correct explanations.) (Max 10)

CONCLUSION

Both market structures tend to be inefficient because imperfect markets fail to allocate resources efficiently. √√
(Accept any relevant higher order conclusion.) (Max 2)

[40]**QUESTION 6: MICROECONOMICS****40 MARKS – 40 MINUTES**

- Fully explain the factors affecting price elasticity of demand (26)
- In addition, mention the different types of price elasticity of demand (10)

INTRODUCTION

Price Elasticity of Demand is a measure of the responsiveness of demand to changes in price. √√ (Any other relevant introduction is acceptable) (2)

BODY

The proportion of income spent on the product √

- If consumers spent a small amount of their income on a good, the demand will be unresponsive to changes in price. √√
- E.g. a 20% price reduction in TVs will cause more demand than a 40% reduction in the price of salt. √√

The frequency with which the product is purchased √

- Consumers will not respond to a change in price if it is not bought regularly. √√
- E.g. the money spent on holidays or Christmas gifts. √√
- Frequent purchases will make the consumer aware of change in prices and they will respond quickly. √√
- E.g. change in the price of food. √√

Time √

- If unlimited time is available to shop around consumers will be more responsive to changes in price. √√
- If the product is urgently needed, demand will be less responsive. √√
- More elastic in the long run than in short run. √√



Availability of substitutes ✓

- If there are no substitutes available for a product, demand will not be responsive to changes in price – inelastic. ✓✓
- E.g. consumers will not respond to changes in the price of petrol. ✓✓
- If substitutes are available, demand will be elastic. ✓✓
- E.g. consumers will respond to changes in price. ✓✓

Addictive and irreplaceable products/Habit forming ✓

- Goods that are essential daily will not respond as goods that are not needed daily. ✓✓
- E.g. petrol is an example of a product that is essential for many people. ✓✓
- Demand for addictive goods such as cigarettes will not respond even when the price doubles. ✓✓
- Demand tends to be inelastic. ✓✓

Uniqueness ✓

- Demand will be less elastic if the article is unique. ✓✓
- E.g. demand for meat will be less elastic than demand for beef and beef will be less elastic than demand for rump. ✓✓

Urgency ✓

- If the demand for an article is urgent, it will be less elastic. ✓✓

Necessity/Luxury ✓✓

- Demand will be inelastic if the article is a necessity. ✓✓
- Demand will be elastic if the article is a luxury. ✓✓

(26 max)

ADDITIONAL PART

Types of price elasticity of demand

- Perfectly inelastic ✓✓
- Perfectly elastic ✓✓
- Relatively elastic/Elastic ✓✓
- Relatively inelastic/Inelastic ✓✓
- Unitary elastic/Elasticity of one ✓✓

(10 max)

CONCLUSION

PED explains how consumers respond to a change in price which differs from one product to another and from one consumer to another. ✓✓ (2)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150

