GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

JUNE 2024

GRADE 11

MARKING GUIDELINES

ECONOMICS (PAPER 2)

18 pages

SECTION A (COMPULSORY)

QUESTION 1

1.1 **MULTIPLE CHOICE**

1.1.1 D – Apple pencil and an iPad ✓✓

1.1.2 C – market share ✓✓

1.1.3 B – experience diminishing marginal returns ✓✓

1.1.4 A – specifically ✓✓

1.1.5 C – rise ✓✓

1.1.6 A – marginal revenue = 0 ✓✓

1.1.7 B – a perfectly inelastic ✓✓

1.1.8 D – % change in quantity supplied ✓✓ (8 x 2) (16)

1.2 **MATCH COLUMN**

1.2.1 I – The price is determined by the forces of supply and demand ✓

1.2.2 F – The price is high as the firm has market power ✓

1.2.3 A – Only needed for what it can produce ✓

1.2.4 H – This always intersects AC at its lowest possible point ✓

1.2.5 B – The period of time where at least one input factor is fixed ✓

1.2.6 C – The result of many firms entering the market for competition ✓

1.2.7 D – Change in demand is equal to a change in price ✓

1.2.8 E – Demand is relatively unresponsive to changes in price ✓ (8 x 1) (8)

1.3 **GIVE TERM**

1.3.1 Absolute price ✓

1.3.2 Relative price ✓

1.3.3 Fixed costs ✓

1.3.4 Economies of scale ✓

1.3.5 Price elasticity of demand ✓

1.3.6 Revenue ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO questions from this section in the ANSWER BOOK.

QUESTION 2: MICROECONOMICS

2.1 Answer the following questions

2.1.1 **Name any TWO revenue curves in the long-run.**

- Marginal revenue curve ✓
- Average revenue curve ✓
- Total revenue curve

(Accept any other correct relevant response.) (2 x 1) (2)

2.1.2 **What happens to the cost of goods, ceteris paribus, if the cost of factors of production increases?**

- The cost of goods will also increase. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

2.2 Study the diagram below and answer the questions that follow.

2.2.1 **Identify the market structure in the diagram above.**

- Perfect competition ✓ (1)

2.2.2 **Name the mechanism used to determine the price in the market above**

- Market forces/forces of demand and supply ✓ (1)

2.2.3 **Briefly describe the term *collusion*.**

- Collusion occurs when sellers or buyers enter into an arrangement, agreement or understanding to limit competition, in order to fix the price of a product. ✓✓

(Accept any other correct relevant response.) (2)

2.2.4 **How is the presence of direct competition determined in a market?**

- Direct competition is present when two or more businesses offering the same products or services to the same target market can be identified. ✓✓
- Direct competition does not exist where many sellers and buyers are present in the market that simultaneously sell an identical product at the market price. ✓✓

(Accept any other correct relevant response.) (2)

2.2.5 **Why might a market be deregulated?**

- Markets are unregulated to increase efficiency through less interference by the state. ✓✓
- An unregulated market leads to control by individual producers and suppliers and leads to more investment by those sceptical of government regulation. ✓✓

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

2.3 Study the cartoon below and answer the questions that follow

2.3.1 **Which market structure do telecommunication firms belong to?**

- Oligopoly ✓

2.3.2 **Name any ONE locally controlled bank in South Africa.**

- Nedbank ✓
- ABSA Bank ✓
- FNB or First National Banks ✓
- TYME Bank ✓
- Discovery Bank ✓
- Standard Bank ✓
- African Bank ✓
- Bidvest Bank ✓
- Capitec Bank ✓
- Grindrod Bank ✓
- Investec Bank ✓
- Ithala Bank ✓
- Sasfin Bank ✓
- Ubank ✓ (1)

2.3.3 **Briefly describe the term *heterogeneous*.**

- Heterogeneity is created in the minds of the consumers and firms when they try to differentiate their product from that of their competitors. ✓✓

(Accept any other correct relevant response.) (2)

2.3.4 **Why is the bread cartel a threat to the consumer?**

- It prevents consumers from enjoying competitive bread prices and causes them to pay higher and unfair prices of bread. ✓✓
- The poor who are the main consumers of bread will be deprived of satisfying their basic needs. ✓✓

(Accept any other correct relevant response.) (2)

2.3.5 **How can a South African consumer be protected from pricing predators?**

- The South African government should create and implement anti-competitive behaviour laws. ✓✓
- Those suspected of price fixing should be investigated, charged, and sentenced if found guilty. ✓✓
- Anti-competitive behaviour watchdogs should be established, funded, and supported by the private and public sectors. ✓✓

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

2.4 **Discuss the *nature of the product* and market power as characteristics of an oligopoly.**

The nature of the product

- The product of an oligopoly are homogenous or differentiated. ✓✓
- The reason oligopolies have differentiated products is because an oligopoly doesn't only use price to compete hence its product must be varied. ✓✓

The price of an oligopoly

- The oligopolist is a price maker since it has some control over the price of the product. ✓✓
- The control an oligopolist has over the price is not absolute and this limits the power it has in the market because of the existence of other role players. ✓✓
- If an oligopolist has a large market share it may play a role in price leadership and exert some influence in the price of goods and service. This is not possible if a firm has a small market share. ✓✓

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

2.5 **How is the knowledge of price elasticity of demand beneficial to producers?**

- It tells a producer that for every action there is a reaction, thereby creating an awareness in producers of their own actions. ✓✓
- By studying the price elasticity of demand, producers can predict what the influence of change in price will be to the consumers thereby predicting the behaviour of consumers. ✓✓
- Therefore, the price elasticity of demand is useful to help producers decide how to increase their total revenue.✓✓
- To increase its total revenue the producer can either raise the price to get more revenue per product or drop the price to increase the quantity sold. ✓✓
- In studying PED the producer receives information about the sensitivity levels of consumers to price change and as a result specific knowledge of the market. ✓✓

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

[40]

QUESTION 3: MICROECONOMICS

3.1 Answer the following questions

3.1.1 **Name any TWO cost curves**

- Fixed cost curve ✓
- Average fixed cost curve ✓
- Variable cost curve ✓
- Average variable cost curve ✓
- Total cost curve ✓
- Average total cost curve ✓
- Marginal cost curve ✓ (2 x 1) (2)

3.1.2 **How does profit maximisation occur in a firm?**

- Profit maximisation occurs where the positive difference between total revenue and total cost is the greatest. ✓✓
- Profit maximisation occurs where marginal revenue is equal to marginal cost. ✓✓

(Accept any other correct relevant response.) (1 x 2) (1)

3.2 Study the extract below and answer the questions that follow.

3.2.1 **Which mineral is referred to in the extract above?**

- Ilmenite/titanium ✓ (1)

3.2.2 **Name the type of cost under which the capital cost referred to in the extract above is classified.**

- Long run/term cost ✓ (1)

3.2.3 **Briefly describe the term *marginal revenue***

- Marginal revenue refers to the additional revenue that the firm gains if it sells an additional unit. ✓✓

(Accept any other correct relevant response.) (2)

3.2.4 **Why are firms limited in the short run?**

- In the short run, a firm is constrained by at least one fixed input, such as the size of the factory in which production takes place. ✓✓
- The constraints in the short run are limiting in the decisions a firm can make. ✓✓

(Accept any other correct relevant response.) (2)

3.2.5 **Why is the cost of R14-billion titanium beneficiation worth it for South Africa?**

- South Africa is a net importer of the mineral it has in abundance due to a lack of investment in manufacturing titanium dioxide pigment. Large investments will help reverse this disadvantage. ✓✓
- South Africa will increase the gain on exporting titanium from $300/t to $3 000/t. ✓✓

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

3.3 Study the graph below and answer the questions that follow.

3.3.1 **Give the abbreviation ATC in the graph above in full.**

- Average Total Cost ✓ (1)

3.3.2 **Identify the trend of ATC between 'A' and 'B' in the graph above.**

- Remains constant ✓

(1)

3.3.3 **Briefly describe the term *scale of production*.**

- Refers to increasing the production capacity of the business to enable it to produce more. ✓✓

(Accept any other correct relevant response.) (2)

3.3.4 **What do economies of scale in S-ATC$_1$ and S-ATC$_2$ in the graph above imply?**

- The cost per unit decreases while the quantities produced increase. ✓✓
- This implies when the business produces more, the costs of the additional units will be lower than the previous units. ✓✓

(Accept any other correct relevant response.) (2)

3.3.5 **Why does a firm reach diseconomies of scale?**

- Diseconomies of scale happen when a business becomes difficult to control and coordinate because it is too large. ✓✓
- When a business expands, it puts more strain on management, the workforce and the existing machinery. ✓✓
- Workers must work overtime and machines must run for longer periods per day while electricity becomes more expensive per unit the more you use. ✓✓

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

3.4 **Discuss *explicit* and *implicit* costs as they are used by *accountants* and *economists*.**

Explicit costs

- These are all the expenses that a business must pay for the use of the factors of production. ✓✓
- Accountants are only concerned with these costs since they relate directly with the accounting profit which is important for financial reporting in the business. ✓✓

Implicit costs

- These costs include an acceptable remuneration for the entrepreneur and the opportunity cost of the factors of production. ✓✓
- Economists take these costs into consideration because economic decisions should take into account both negative and positive spill over effects. ✓✓

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

3.5 **Analyse survival as an objective of a business.**

- A business may start with an objective of merely surviving in a market without making too many losses before adjusting its objective higher. ✓✓
- It is good for a business to know about its potential cost constraints so that it can mitigate against them by taking necessary steps to fund its operations. ✓✓
- In order to survive, the business may invest in obtaining a vast knowledge about the market to minimise the shocks that may threaten its continuity. ✓✓
- To increase the chances of survival the business may need to invest in studying its potential competitors. However, this may not always be possible as it depends on the type of market and the availability of information. ✓✓

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

[40]

QUESTION 4: MICROECONOMICS

4.1 Answer the following questions

4.1.1 **Name any TWO formulas for calculating different kinds of revenues in a firm.**

- Total revenue = Price x Quantity. ✓
- Average revenue = total revenue/quantity. ✓
- Marginal revenue = change in total revenue/change in quantity. ✓

(Accept any other correct relevant response.) (2 x 1) (2)

4.1.2 **Why is the quantity demanded of habit-forming articles, price inelastic?**

- It is because consumers are used to these products, in so much that they believe that they cannot survive without them. ✓✓

(Accept any other correct relevant response.) (1 x 2) (2)

4.2 Study the graph below and answer the questions that follow.

4.2.1 **Identify the peak year of cigarette consumption in the graph above.**

- 1991 ✓ (1)

4.2.2 **At what price was the consumption of cigarette at its lowest according to the graph above?**

- R10.00 ✓ (1)

4.2.3 **Briefly describe the term *Real Price*.**

- Real price means the value after adjusting for inflation. Real price is expressed in constant rand reflecting buying power relative to a base year. ✓✓

(Accept any other correct relevant response.) (2)

4.2.4 **Why does the consumption of cigarettes increase?**

- It increases because the real price of cigarettes fell. ✓✓

(Accept any other correct relevant response.) (2)

4.2.5 **How could consumers of cigarettes improve their elasticity despite the change in the price of the cigarette?**

- If the income levels of the consumers of cigarettes correlate positively with the price of the cigarette their responsiveness would be less affected. ✓✓
- If a significantly large enough population of cigarette consumers are uncontrollably addicted, they could resort to the black market even when the price of cigarettes rises keeping, their consumption will remain constant. ✓✓

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

4.3 Study the extract below and answer the questions that follow

4.3.1 **What does SMART in the extract above stand for?**

- Specific, Measurable, Attainable, Realistic and Time related ✓ (1)

4.3.2 **Identify any ONE negative factor of SMART goals in the extract above.**

- The primary focus is on outcomes ✓ or
- without accounting for the journey ✓ (1)

4.3.3 **Briefly describe the term *Stakeholders*.**

- Stakeholders are people or groups of people with an interest in the success of the business. ✓✓

(Accept any other correct relevant response.) (2)

4.3.4 **Why are SMART goals important for a business?**

- Because a business can identify its desired outcomes with clarity and precision. ✓✓

(Accept any other correct relevant response.) (2)

4.3.5 **How are governments and environmentalists interested in a business?**

- Governments are interested in ways to benefit the government and the society it represents hence the charging of tax in business to provide for the community. ✓✓
- The interest of the environmentalists in businesses on the other hand has to do with the impact a business has on the environment and therefore the environmentalists protect the environment against careless business practices. ✓✓

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

4.4 **Distinguish between perfectly elastic supply and perfectly inelastic supply**

Perfect elastic supply

- The price elasticity of supply is equal to infinity. ✓✓
- This indicates that the quantity supplied is highly responsive to price.✓✓
- The supplier can increase output at will with no obstacles at all and this will ensure lower prices. ✓✓ (Any 2 x 2) (4)

Perfect inelastic supply

- The quantity supplied does not respond to a change in price. ✓✓
- The price elasticity of supply is equal to zero. ✓✓
- The producer cannot increase output in response to price change. ✓✓

(Any 2 x 2) (4)

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

4.5 **Analyse the benefits of producers if they produce at a level that allows them to experience economies of scale.**

- Fewer inputs are needed to produce the same number of outputs. ✓✓
- Prevents a situation of producing beyond a certain point, where a company would not be managed efficiently. ✓✓
- Producers often buy in bulk and get discounts. ✓✓
- They have a better ability to invest in advanced technology and new equipment. ✓✓
- They can afford to invest in other important business activities, such as marketing. ✓✓
- Specialisation and exploitation of economies of scale that are the most important factors in improving economic welfare. ✓✓

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

[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • 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 your introduction. • Do not repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/ Draw a graph and explain/Use the graph given and explain/ Complete the given graph/Assess/Debate **A maximum of 8 marks may be allocated for headings/ examples.** **Additional part:** Critically discuss/Evaluate/Critically evaluate/ Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest **A maximum of 2 marks may be allocated for a mere listing facts.**	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • 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 viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MICROECONOMICS 40 MARKS 40 MINUTES

- **Discuss in detail the demand and supply relationships with the aid of graphs.** (26 marks)
- **Why is the factor market necessary in the economy?** (10 marks)

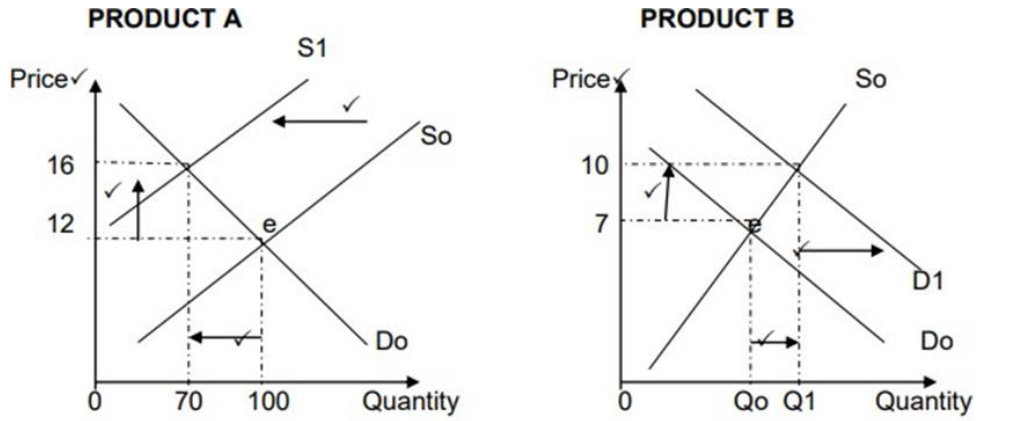
INTRODUCTION

The price elasticity of demand can be defined as the percentage change in quantity demanded if the price of a product changes or price elasticity is a measure of how responsive demand is to a change in price. ✓✓
(Accept any other correct relevant lower-order introduction.) (Max. 2)

BODY

Demand for substitutes

- An increase in the price of a good increases the demand and the price of the substitute good, ceteris paribus, and vice versa. ✓✓
- The consumer can switch between the two goods and maintain the same degree of satisfaction ✓✓

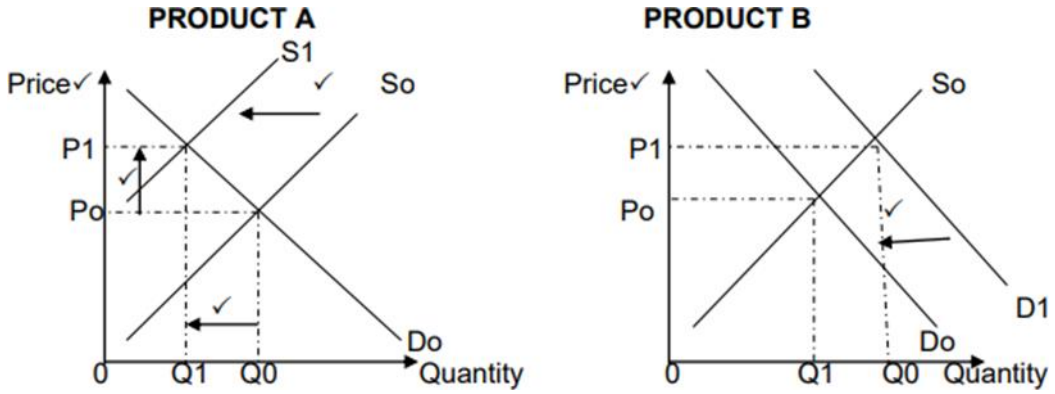


(Max 8)

- The above graphs show the markets for two goods, Product A and Product B ✓✓
- The equilibrium price of Product A is R12, while that of Product B is R7 ✓✓
- Assume there is a big decrease in the supply of Product A (So to S1) because of a severe drought. This leads to an increase in Product A's price to R16 ✓✓
- The law of demand states that when prices increase (from R12 to R16) the quantity demanded will decrease (from 100 to 70) ✓✓
- Some consumers will switch from Product A to Product B ✓✓
- According to the law of demand, a decrease in the price of a product will increase the quantity of the product demanded. ✓✓
- As more of the product is used, households will also use more of the complement. ✓✓

Demand for complimentary goods

- According to the law of demand, a decrease in the price of a product will increase the quantity of the product demanded. ✓✓
- As more of the product is used, households will also use more of the complement. ✓✓



- An increase in the price of Product A decreases the demand and the price of the complementary good, Product B, ceteris paribus, and vice versa ✓✓
- Consumers will buy less of Product A shifts the demand curve to the left from D1 to D0 and, there is a decrease in the equilibrium price of Product B ✓✓
- They can lose business and revenue if the demand for their goods falls without them being aware that it is going to happen. ✓✓
- Therefore, they need to respond to the price changes that occur to other goods that could affect them quite quickly. ✓✓

(A maximum of 8 marks for examples.) (Max. 26)
(Accept any other correct relevant response.)

Additional part:
Why is the factor market necessary in the economy?

- The necessity of the factor market in the economy lies in the significance of the factors of production it provides in the economy without which the economy would not function. ✓✓
- Capital is integral in the production of goods and services in the economy as it is used to produce consumer goods. ✓✓
- Without consumers offering labour in the factor market they would not earn a living to consume goods and services in the economy and the buyers of labour would not be able to offer the labour intensive goods in the economy. ✓✓
- Entrepreneurship thrives in the factor market and that is why it is necessary as entrepreneurs provide crucial solutions in the economy. ✓✓
- Participants in the economy need land to live, work and do business. Without the factor market the provision of land would not be possible. ✓✓

(A maximum of 2 marks may be allocated for mere listing facts.)
(Accept any other correct relevant response.) (Max. 10)

CONCLUSION

Buyers need to be on the lookout for goods that substitute their usual goods and compare their prices to take advantage of price differences. ✓✓
(Accept any other relevant correct higher-order conclusion.) (Max. 2) **40**

QUESTION 6: MICROECONOMICS 40 MARKS 40 MINUTES

- **Discuss the price elasticity of demand (PED) without the aid of graphs. (26 marks)**
- **How does brand loyalty and habit formation impact on demand elasticity? (10 marks)**

INTRODUCTION

The price elasticity of demand can be defined as the percentage change in quantity demanded if the price of a product changes or price elasticity is a measure of how responsive demand is to a change in price. ✓✓
(Accept any other correct relevant lower-order introduction.) (Max. 2)

BODY: MAIN PART

Unitary elasticity ✓

- Unitary elasticity occurs when a specific change in price causes the same change in the quantity demanded. ✓✓
- For example, when price increases by 20%, the quantity demanded will decrease by 20%. ✓✓
- Price elasticity of demand is equal to one (PED = 1). ✓✓
- When producers face a unit elastic demand curve there is no reason for them to change the price of their product. ✓✓
- Their sales income will remain constant as the quantity will decrease by the same percentage as the increase in the price of the product. ✓✓

Relative inelastic demand ✓

- Relative inelastic demand occurs when a change in price will cause a smaller percentage change in the quantity demanded. ✓✓
- Basic, necessary foodstuffs that have no close substitutes, such as maize meal are examples of a product that tends to be inelastic. ✓✓
- Other examples include goods and services which require a small portion of the consumer's income such as matches, salt etc. and habit-forming products such as cigarettes and alcohol. ✓✓
- Price elasticity of demand will be less than one (PED < 1). ✓✓
- A relatively inelastic demand encourages producers to increase the price of their products as they will be able to increase their sales income. ✓✓
- A relative inelastic demand curve can be represented by a steep curve ✓✓

Max (2 x 2) (4)

Perfectly inelastic demand ✓

- A perfectly inelastic demand refers to a demand that shows no response at all to price changes. ✓✓
- The price elasticity of demand in this situation is zero (PED = 0). ✓✓
- It implies that a change in price will cause no change in the quantity that consumers demand. ✓✓
- The demand curve will be a vertical line, parallel to the price axis. The graph shows that consumers plan to buy a fixed quantity of the product at a specific price. ✓✓
- Producers can increase their income by increasing the price of their product as the quantity demanded will not change. ✓✓

Relative elastic demand ✓

- Relative elastic demand occurs when a change in price will cause a greater percentage in quantity demanded. ✓✓
- The smallest change in price will cause a large change in the quantity demanded. This happens to products which have close substitutes. ✓✓
- A price increase will cause most consumers not to buy the original product, but rather buy the substitute e.g., hot dogs and hamburgers. ✓✓
- The price elasticity will be greater than one (PED > 1). ✓✓
- Producers will be encouraged to decrease the prices of their products as the decrease in the price will lead to a larger than proportionate increase in the quantity demanded of the product. ✓✓
- A relatively elastic demand curve can be illustrated by a relatively flat demand curve. ✓✓

Perfectly elastic demand ✓

- The smallest change in price will cause an infinitely large change in the quantity demanded. ✓✓
- The quantity demanded will drop to zero. PED = ∞. ✓✓
- A perfectly elastic demand curve can be shown with a horizontal straight line. ✓✓
- The curve illustrates that consumers are willing to buy any quantity of a product at a certain price level. ✓✓
- However, if the price increases only fractionally, there will be no demand for the product. ✓✓

(A maximum of 8 marks for headings/examples.)
(Accept any other correct relevant response.) (Max. 26)

Additional part

How does brand loyalty and habit formation impact demand elasticity?

- Both brand loyalty and habit formation can lead to inelasticity of demand due to the attachment, albeit for different reasons, the consumers have to the product. As a result the quantity demanded by consumers does not respond strongly to a change in price. ✓✓
- Loyal consumers may choose to stick to the brand due to a personal preference, a particular reason or a benefit derived from the brand regardless of a change in the price of a brand. ✓✓
- Whereas habit formation because of an automatic response activated by a context will also stick to a product even if the price changes. ✓✓
- This means those loyal to the brand will intentionally choose the brand, such as DSTV customers renewing their monthly subscription even when the fee is increased. ✓✓
- On the other hand, habitual behaviour such as the love of coffee may result in someone stopping by one coffee shop daily on their way to work irrespective of the price of coffee. ✓✓
- Furthermore, it can also be argued that brand loyalty is caused by habit formation in which case the result in respect of demand elasticity is the same, the responsiveness of demand to price change is greatly reduced. ✓✓

(A maximum of 2 marks may be allocated for merely listing facts.)
(Accept any other correct relevant response.) (Max. 2)

CONCLUSION

The price elasticity of demand is useful to producers in deciding the price and quantity of goods and services and lawmakers in determining policies in relation to products. ✓✓
(Accept any other relevant correct higher-order conclusion.) (Max. 2) **40**

TOTAL SECTION C: 40

TOTAL: 150