GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

JUNE 2019

GRADE 10

ECONOMICS
PAPER 2

MARKING GUIDELINES

15 pages

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

ECONOMICS
(Paper 2)

MARKING GUIDELINES

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 C ✓✓ - Utility

1.1.2 C ✓✓ - Monopoly

1.1.3 A ✓✓ - Budget

1.1.4 D ✓✓ - Allocative efficiency

1.1.5 D ✓✓ - Income Tax (5 x 2) (10)

1.2 MATCHING ITEMS

1.2.1 E - One person's consumption of a public good does not reduce the quantity or quality available to other citizens✓

1.2.2 F - The use of scientific knowledge for practical purposes ✓

1.2.3 A - The wage that ensures that all workers earn decent wages that cover their basic cost of living ✓

1.2.4 B - The buyers and sellers of a good or service who influences its price ✓

1.2.5 C - Extra resources used in production result in smaller increase in products ✓

1.2.6 G - Additional satisfaction gained from consuming one extra unit of a good ✓
(6 x 1) (6)

1.3 **IDENTIFY THE CONCEPT**

1.3.1 Market economy ✓

1.3.2 Marginal rate of substitution ✓

1.3.3 Price ceiling / maximum price ✓

1.3.4 Subsidies ✓

(4 x 1) (4)

TOTAL SECTION A: 20

SECTION B

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

QUESTION 2: MICROECONOMICS

2.1 **Answer the following questions.**

2.1.1 **Give any TWO internal factors that may cause movement of the Production Possibility Curve.**

- Production techniques ✓
- Technological advances ✓
- Workers motivation✓

(Any 2 x 1) (2)

2.1.2 **What determines the position of PPC?**

- The position of PPC depends on the availability and efficient use of the factors of production ✓✓ (1 x 2) (2)

2.2 **DATA RESPONSE**

2.2.1 **Provide another name for Production Possibility Curve.**

- Production possibility frontier✓ (1)

2.2.2 **What is the above curve used for?**

- Economists use it to assess whether markets can provide the goods and services that consumers want the most. (1)

2.2.3 **Use points a and b to explain the concept of *choice*.**

- Scarcity of resources forces individuals and households to make choice e.g. because of scarcity the government is forced to choose between producing more power at point **a** or guns at point **b**✓✓ (2)

2.2.4 **Why is point C referred to as technical inefficiency?**

- Because there is potential to produce more than the combination of products represented by point **C**. ✓✓ (2)

2.2.5 **Clearly distinguish between *increasing worker productivity* and *implementing better production techniques* as internal factors causing movement of PPC**.

- Worker productivity can be achieved by training workers ✓✓ and giving them incentives like bonuses that can motivate them✓✓
- Implementing better production techniques can be associated with the use of mechanical processes in place of manual processes, specialisation and division of labour or the use of production lines to improve production flow ✓✓ (4)

2.3 **DATA RESPONSE**

2.3.1 **Which form of tax is displayed above?**

- Indirect tax✓ (1)

2.3.2 **List ONE example of the above tax.**

- Sin tax✓/ excise duty✓/ VAT✓/ customs duty✓ (1)

2.3.3 **What is the effect of tax on the price of goods and services?**

- Tax increases the price of goods and services ✓✓ (2)

2.3.4 **Why does the government levy excise duty?**

- To decrease the consumption of goods regarded as harmful ✓✓ (2)

2.3.5 **Differentiate between *excise duty* and *customs duty*.**

- Excise duty is an indirect tax that the government levies on certain locally produced goods to discourage their consumption because they are not good for consumers' health✓✓, such as cigarettes and alcoholic beverages ✓
- Customs duty is an indirect tax that the government levies on imported goods ✓✓ to reduce their consumption and restrict the outflow of money from the country ✓✓ (2x2) (4)

2.4 **Briefly discuss how the effect of scarce resources affect the consumers and producers**.

Effect to consumers

- Scarcity of resources force consumers to make choices ✓✓
- Consumers need to plan carefully and choose the goods and services on which to spend their income ✓✓
- Making a choice means they sacrifice an option they cannot afford to satisfy an option that they can afford ✓✓

Effect to producers

- Scarcity of resources is also a problem to producers such as business and government ✓✓
- The scarce factors of production allow producers to produce a specific maximum number of any goods or service ✓✓
- The scarcity of resources forces producers to choose how they will use their factors of production and what variety and quantity of goods and services they will produce ✓✓
  (Accept any other correct relevant response)
  (A maximum of 4 marks should be allocated for mere listing of facts / examples) (2 x 4) (8)

2.5 **Analyse the reasons why the imperfect market can manipulate prices.**

The imperfect market can manipulate prices because of the following reasons:

- There is only one supplier or a few large suppliers of a good or service ✓✓
- The single supplier or few suppliers have complete control over the price ✓✓
- The good or service supplied is unique and it has no close substitutes ✓✓
- Entry into the market is restricted so that new suppliers cannot enter the market. ✓✓
- There is incomplete information. ✓✓
  (Accept any other correct relevant response)
  (A maximum of 2 marks should be allocated for mere listing of facts / examples) (8)

[40]

QUESTION 3: MICROECONOMICS

3.1 **Answer the following questions**

3.1.1 **Mention any TWO properties of indifference curve**.

- Consumers prefer higher indifference curves to lower ones✓
- Indifference curves slope downward because of an increased use of one good, results in a decrease of the other✓
- Indifference curves on the map never cross✓
- Indifference curves are convex✓ (Any 2 x 1) (2)

3.1.2 **What will happen to the demand curve if a consumer's income increases?**

- The demand curve will shift to the right ✓✓ (2 x 1) (2)

3.2 **DATA RESPONSE**

3.2.1 **What does the above graph illustrate?**

- It illustrates a decrease in supply✓ (1)

3.2.2 **Identify the initial equilibrium price from the above graph.**

- P_0 ✓ (1)

3.2.3 **State the law of supply**.

- The law of supply states that the quantity of a good supplied over time will rise as its price increases and will fall as its price falls, other things stay the same✓✓ (2)

3.2.4 **Explain the positive slope of the supply curve.**

- The slope is positive because of the direct relationship between price and quantity supplied✓✓ (2)

3.2.5 **How will a graph that explains change in quantity supplied, differ from the one that illustrates change in supply?**

- A change in quantity supplied came as a result of a change in price and will cause an upward or downward movement of quantity supplied along the same supply curve✓✓
- A change in supply came as a result of a change in non-price and will cause a shift of the supply curve resulting in a new supply curve✓✓ (4)

3.3 **DATA RESPONSE**

3.3.1 **Identify the curve in the graph that illustrates maximum utility.**

- U_1 ✓ (1)

3.3.2 **Why does curve U in the graph become flatter at the bottom moving to the right?**

- This is because of the law of substitution✓ (1)

3.3.3 **How do we determine a consumer's optimum choice of combinations of two goods?**

- To determine a consumer's optimum choice or combinations of two goods, we have to combine the consumer's indifference map with his or her budget line ✓✓ (2)

3.3.4 **What does a shallow slope of the indifference curve indicate?**

- It indicates a lesser willingness to give up the scarce good✓✓ (2)

3.3.5 **Differentiate between a budget line and an indifference curve.**

- A budget line is a line which indicates how much of each good or service the consumer can afford✓✓ and indifference curve is a curve that shows all the combinations of two goods about which a consumer is indifferent ✓✓ (2 x 2) (4)

3.4 **Briefly distinguish between production subsidy and employment subsidy**

Production subsidy.

- A production subsidy encourages producers to provide more of a certain good or service. ✓✓ Production subsidy can prevent a decline in the supplies of an essential product or service ✓✓
- It helps producers when the market price is very low, to make the product affordable and encourage an increase in employment ✓✓

Employment subsidy

- Employment subsidies encourage businesses to create more job opportunities by means of wage subsidies. ✓✓These are available for employing people with disabilities, employing unskilled workers or providing skills training. ✓✓
  (Accept any other correct relevant response)
  (A maximum of 4 marks should be allocated for mere listing of facts / examples) (2 x 4) (8)

3.5 **Evaluate the conditions that the economy must meet before it can achieve productive efficiency**.

- The economy must produce its goods and services at the lowest possible cost. ✓✓ This occurs when it is not possible to lower costs any further without producing fewer goods and services or lowering the quality of the goods and services ✓✓
- All businesses in the economy must operate using the best technological and managerial processes. ✓✓ By improving these processes, an economy can move its PPC outwards ✓✓
- The marginal cost must be the same for all producers in the same market ✓✓ If any single producer is able to produce an additional good or service at a lower cost than the other producers in the same market, then all the other producers have not yet achieved productive efficiency ✓✓
  (Accept any other correct relevant response)
  (A maximum of 2 marks should be allocated for mere listing of facts / examples) (8)

[40]

TOTAL SECTION B: 40

SECTION C

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

QUESTION 4: MICROECONOMICS

- Discuss in detail, with the aid of graphs, the following methods of government intervention to prevent market failure in our economy.
    - Maximum prices (13 marks)
    - Minimum prices (13 marks) (26)
- How successful is the SA government's welfare programme as a form of public sector involvement? (10)

INTRODUCTION

- Government intervenes in the market by using price controls to stabilise the economy. ✓✓
- The public sector or government includes all aspects of local, regional and national government. ✓✓
  (Accept any other correct, suitable introduction) (Max 2)

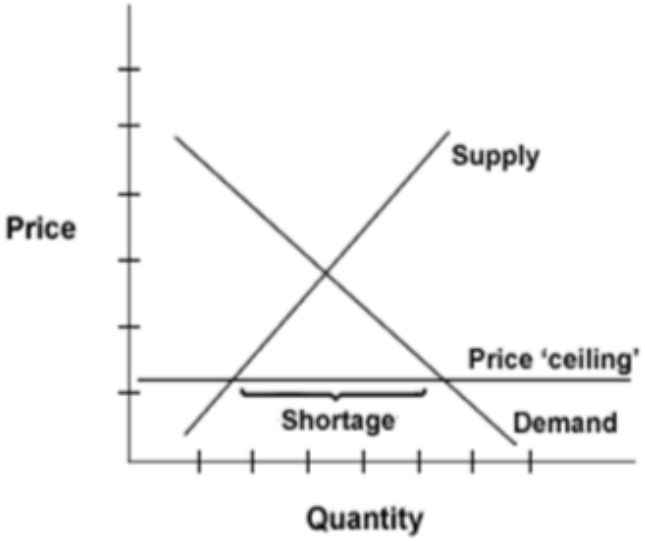
BODY: MAIN PART

MAXIMUM PRICES

- Governments impose price ceilings to protect consumers against price increases ✓✓
- In the graph below equilibrium is achieved where demand intersects the supply curve ✓✓
- The equilibrium price is at P and quantity at Q ✓✓
- Suppose the government imposes a price ceiling at a price below equilibrium price ✓✓
- The price is prevented by law from rising to the market price / equilibrium-price ✓✓
- At the maximum price / price ceiling we do not have equilibrium as the quantity demanded exceeds the quantity supplied ✓✓
- The government, however, has prevented the prices from rising and a persistent excess demand exists in the market ✓✓
- The government will intervene in the market to control the price of a good or service by setting maximum prices or price ceilings ✓✓

- The maximum price of a good or service is set below the market price to enable poor consumers to afford a good or service ✓✓
- With price ceilings prices are prevented from rising above a certain level ✓✓

MAXIMUM PRICES



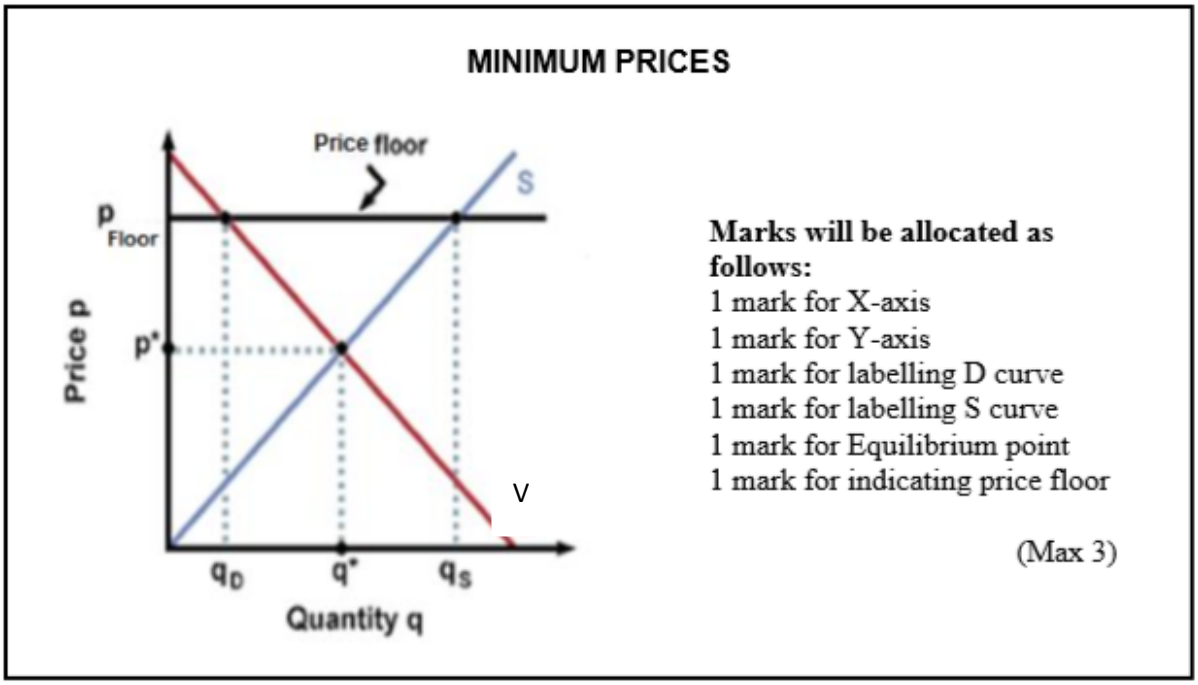
Marks will be allocated as follows:
1 mark for X-axis
1 mark for Y-axis
1 mark for labelling D curve
1 mark for labelling S curve
1 mark for equilibrium point
1 mark for indicating price ceiling

(Max 3)

(Max 13)

MINIMUM PRICES

- Governments impose price floors to prevent prices from falling below a certain level ✓✓



- In the graph above equilibrium is achieved where demand intersects the supply curve✓✓
- The equilibrium price is at p* and quantity at q* ✓✓
- Suppose the government imposes a price floor at a price above equilibrium- price ✓✓
- The price is prevented by law from falling to the market price / equilibrium price ✓✓
- At the minimum price / price floor we do not have equilibrium as the quantity supplied exceeds the quantity demanded ✓✓
- The government, however, has prevented the prices from falling and a persistent excess supply exists in the market ✓✓
- The government will intervene in the market to control the price of a good or service by setting minimum prices or price floors ✓✓
- With price floors prices are prevented from falling below a certain level ✓✓
  (Accept any other correct relevant response) (Max 13)

ADDITIONAL PART

How successful is the SA government's welfare program as a form of public sector involvement?

The SA government welfare is successful in the following ways:

- The formal welfare sector provides services such as homes for the aged ✓✓
- Special schools are provided for people with disabilities ✓✓
- Child support grants are provided ✓✓
- RDP houses are provided ✓✓
- Free health care for elderly and children is provided ✓✓
- Social welfare benefits in the form of merit goods is provided ✓✓
  (Accept any other correct relevant response)
  (A maximum of 4 marks should be allocated for mere listing of facts / examples)
  (Max 10)

CONCLUSION

- Maximum prices may be harmful; however government involvement can benefit consumers during times of recession and market failures. ✓✓
  (Any other correct relevant higher order response) (Max 2)

[40]

QUESTION 5

- Discuss the characteristics of perfect and imperfect markets. (26)
- Briefly explain the composition of markets. (10)

INTRODUCTION

- Both perfect and imperfect markets are examples of market structure. ✓✓
  Market structure refers to how markets are organised ✓✓
  (Accept any other correct relevant introduction) (Max 2)

BODY: MAIN PART

Number of buyers✓

- In a perfect market there are many producers of goods or service✓✓ e.g. many farmers produce maize ✓
- In an imperfect market e.g. Monopoly there is only a single large producers of the item or service✓✓ e.g. Eskom✓
- Between these two extremes are markets in which there are only a few producer of a good or services ✓✓e.g. Oligopoly ✓

The nature of the product✓

- In a perfect market goods produced are homogeneous. ✓✓ Such goods are mass-produced goods such as crockery, shoes and toothpaste ✓
- In an imperfect market products are unique ✓✓

Barriers to entry✓

- In a perfect market entry and exit is completely free. ✓✓
- In an imperfect market entry may be completely blocked ✓✓e.g. Monopoly, relatively free e.g. Monopolistic✓ or entry may be limited e.g. Oligopoly ✓

Availability of information✓

- In a perfect market participants have full and complete information ✓✓
- In an imperfect market information is incomplete ✓✓
  (A maximum of 8 marks are allocated for headings, sub-headings and examples)
  (Accept any other correct relevant response) (Max 26)

ADDITIONAL PART

Composition of markets are as follows:

- Participants: ✓ these are buyers and sellers ✓✓
- Communication: ✓ the interaction between the participants can be direct or indirect✓✓
- Commodities: ✓ these are the goods or services traded✓✓
- Location: ✓ the market or their participants can be spread all over the world ✓✓

(Max 10)

CONCLUSION

- Markets are established by the interaction between buyers and sellers. ✓✓ Buyers as group determine the demand and sellers as a group determine the supply✓✓
  (Any other correct relevant higher order response) (Max 2)

[40]

TOTAL SECTION C: 40