



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2013

**ECONOMICS P2
MEMORANDUM**

MARKS: 150

This memorandum consists of 12 pages.

SECTION A (Compulsory)**QUESTION 1**

- 1.1 1.1.1 B ✓✓ utility.
- 1.1.2 C ✓✓ substitute
- 1.1.3 C ✓✓ oligopoly.
- 1.1.4 A ✓✓ relative
- 1.1.5 B ✓✓ returns
- 1.1.6 A ✓✓ globalisation.
- 1.1.7 B ✓✓ Multinational companies
- 1.1.8 C ✓✓ green (8 x 2) (16)
- 1.2 1.2.1 E ✓
- 1.2.2 G ✓
- 1.2.3 D ✓
- 1.2.4 A ✓
- 1.2.5 F ✓
- 1.2.6 H ✓
- 1.2.7 B ✓
- 1.2.8 C ✓ (8 x 1) (8)
- 1.3 1.3.1 TRUE ✓
- 1.3.2 FALSE ✓
- 1.3.3 TRUE ✓
- 1.3.4 global warming ✓
- 1.3.5 marginal revenue ✓
- 1.3.6 explicit cost ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B (ANSWER ANY TWO QUESTIONS FROM THIS SECTION)

QUESTION 2

[40 marks]

- 2.1
- Car and petrol ✓✓
 - Tea bags and cups ✓✓
 - Any appropriate example can be credited (Any 2 x 2) (4)

2.2 DATA RESPONSE

2.2.1 Elastic demand/Relative elastic demand ✓✓ (2)

- 2.2.2
- Percentage change in the quantity demanded will be more than the percentage change in price. ✓✓✓
 - E.g. 10% change in price will lead to more than 10% change in quantity demanded ✓✓✓
 - Demand will be very sensitive to changes in price. ✓✓✓
 - $E_d > 1$ ✓✓✓ (Any 2 x 3) (6)

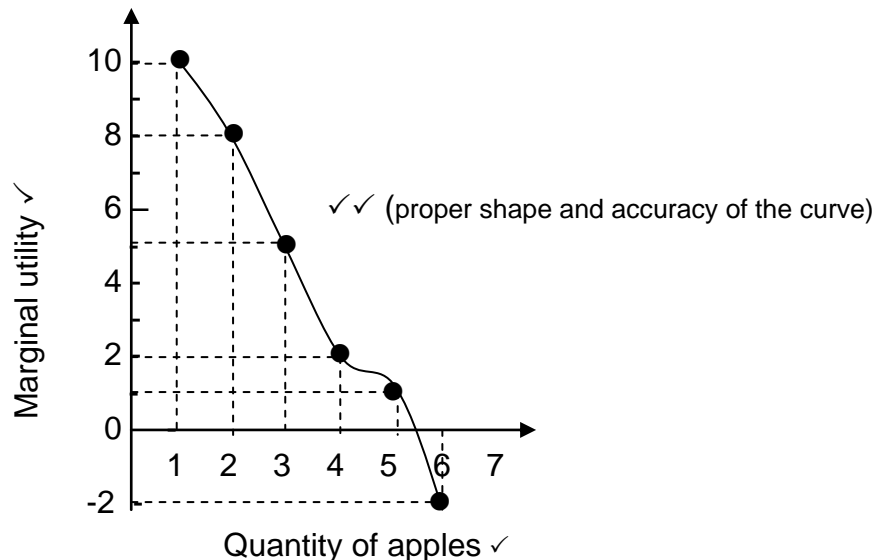
2.2.3 Luxury goods – washing machines, dish washers, big screen TVs (Any other appropriate example) ✓✓ (2)

2.3 DATA RESPONSE

- 2.3.1
- $A = 18$ ✓✓
 - $B = -2$ ✓✓ (4)

2.3.2 The utility of an additional unit consumed. ✓✓ (2)

2.3.3



(4)

- 2.4
- It measures the responsiveness of demand for one good to a change in the price of a related good. ✓✓
 - $XEd/CED = \frac{\% \text{ change in the quantity demanded of product A}}{\% \text{ change in the price of product B}}$ ✓✓
 - If an increase in the price of A leads to a decrease in the demand for B, then these two are complementary goods. ✓✓
 - If an increase in the price of A leads to an increase in the demand for B, then these two are substitute products. ✓✓
 - A positive change shows that they are substitutes. ✓✓
 - A negative change shows they are complementary goods. ✓✓
 - A zero change shows that they are unrelated goods. ✓✓ (Any 4 x 2) (8)
- 2.5
- It is the erosion of the natural environment through depletion of resources. ✓✓
 - It is the destruction of the ecosystems and the extinction of plant, fresh water and animal species. ✓✓
 - It is mainly caused directly or indirectly by humans. ✓✓
 - Caused by mining, deforestation, pollution, burning of fossil fuels. ✓✓
 - It is also caused by natural events such as earthquakes or volcanic activities. ✓✓
 - Globalisation is damaging the planet. ✓✓
 - The state of our environment is continuously declining. ✓✓
 - Consumption patterns of the richer countries are the main source of environmental destruction and lead to global warming. ✓✓ (Any 4 x 2) (8)
- [40]**

QUESTION 3**[40 marks]**

- 3.1
- Monopoly ✓✓
 - Oligopoly ✓✓
 - Monopolistic competition ✓✓ (Any 2 x 2) (4)
- 3.2 **DATA RESPONSE**
- 3.2.1 Eskom ✓✓ (or any other relevant example) (2)
- 3.2.2
- Firms in this market can influence output and price. ✓✓
 - Price makers ✓✓
 - They will reduce output to increase the price. ✓✓ (Any 1 x 2) (2)
- 3.2.3
- Market power ✓✓
 - Price makers ✓✓
 - Products are heterogeneous ✓✓
 - Not many producers/sellers ✓✓
 - Barriers to entry ✓✓
- (Accept any appropriate characteristic) (Any 3 x 2) (6)

3.3 DATA RESPONSE

- 3.3.1
- Coal ✓✓
 - Diesel ✓✓
- (4)

- 3.3.2 It reduces emissions/pollution ✓✓ (2)

- 3.3.3
- Technological innovations ✓✓
 - Pricing policy ✓✓
 - Public opinion ✓✓
 - Government action ✓✓
 - Reduction of vehicle emissions ✓✓
 - Reduction and recycling of industrial waste ✓✓
- (Any 2 x 2) (4)

- 3.4
- Prices are determined by the forces of demand and supply. ✓✓
 - There are no external forces making it higher or lower. ✓✓
 - Entry of new firms will bring the prices down. ✓✓
 - Price of an individual firm is the same as the market. ✓✓
 - If the firm charges a higher price, it will lose all the customers. ✓✓
 - Firms under perfect competition are price takers. ✓✓
- (Any 4 x 2) (8)

- 3.5
- Many buyers ✓✓
 - There are many buyers for the same product. ✓✓
 - There are many sellers ✓✓
 - There are many sellers for the same product. ✓✓
 - Low prices prevail ✓✓
 - Producers cannot charge higher prices as it will result in losing market share. ✓✓
 - Sellers are price takers. ✓✓
 - High output and bigger choice. ✓✓
 - Since there are many sellers, there is no shortage and consumers have plenty of sellers to choose from. ✓✓
 - No collusion ✓✓
 - No government intervention ✓✓
 - Factors of production are mobile ✓✓
 - Homogenous products ✓✓
 - Products offered are identical with no obvious difference in quality. ✓✓
 - Barriers to entry/exit ✓✓
 - Low barriers to entry/exit ✓✓
 - Nothing can stop new producers from entering the market ✓✓
 - Perfect information ✓✓
 - Buyers and sellers have perfect knowledge of the characteristics and the prevailing price of the product. ✓✓
 - (Accept any other characteristic) (Any 2 x (2 + 2)) (8)

QUESTION 4**[40 marks]**

- 4.1
- Scarcity of resources ✓✓
 - Mass production and mass marketing ✓✓
 - Development of transport ✓✓
 - Development of communication and technology and global information systems ✓✓
 - Emergence of multinational companies ✓✓
 - Free movement of capital ✓✓
 - Development of technology ✓✓
- (Any 2 x 2) (4)

4.2 DATA RESPONSE

- 4.2.1
- $A = R20/20$ ✓✓
 - $B = R6,50/6,50$ ✓✓
- (4)

- 4.2.2
- Fixed costs
 - Costs that the business always has to pay/costs that do not change with output. ✓✓
 - Variable costs
 - Costs that change with the number of units produced. ✓✓
- (4)

- 4.2.3 The additional cost of producing an additional unit of a product. ✓✓ (2)

4.3 DATA RESPONSE

- 4.3.1
- Short-run
 - A period of time in which the business is faced with at least one of its production factors being fixed/The business is unable to change one of its inputs. ✓✓✓
 - Long-run
 - A period of time in which the business is able to change all of its inputs. ✓✓✓
- (6)

- 4.3.2 It is the amount that the business earns for every unit sold. ✓✓ (2)

- 4.3.3 $TR = Price \times Quantity$ ✓✓ (2)

- 4.4
- **Accounting profit** ✓✓
 - Also known as total profit ✓✓
 - It is the difference between total revenue from sales and total costs. ✓✓
 - Accounting profit = Revenue minus explicit costs ✓✓

 - **Normal profit** ✓✓
 - It is the minimum return required by the owners ✓✓ to continue with the business. ✓✓
 - It is the remuneration for entrepreneurship. ✓✓
 - It is included in the total cost of production. ✓✓
 - When revenue is equal to explicit cost plus implicit costs. ✓✓

 - **Economic profit** ✓✓
 - It is the extra profit that the firm makes. ✓✓
 - It is the profit that the business makes in addition to the normal profit. ✓✓
 - It is also known as surplus or excess or extra profit. ✓✓
 - Economic profit = Revenue minus explicit plus implicit costs ✓✓
(Any 2 (2 + 2)) (8)
- 4.5
- Absolute advantage
 - Refers to the ability of a country to produce more of a good or service ✓✓ than its competitors can produce using the same amount of resources. ✓✓
 - Developed countries with their large capital resources have absolute advantage over developing countries. ✓✓
 - E.g. South Africa is producing gold at an absolute advantage ✓✓

 - Comparative advantage
 - Refers to the ability of a country to produce the same output using fewer resources. ✓✓
 - It occurs when a country specialises in a product that it can make more efficiently compared to other products. ✓✓
 - Countries benefit more by producing and exporting goods they can produce more efficiently. ✓✓
 - E.g. both South Africa and Brazil can produce maize and coffee at a comparative advantage. ✓✓
(Any 2 x (2 + 2)) (8)
- [40]

TOTAL SECTION B: 80

SECTION C (ANSWER ANY ONE QUESTION FROM THIS SECTION.)

MARK ALLOCATION FOR ESSAY RESPONSES

STRUCTURE OF THE ESSAY	Mark allocation
Introduction	Max 3
Body	
<ul style="list-style-type: none"> Main part: For example discuss/explain/detailed essay/analyse/evaluate 	Max 20
<ul style="list-style-type: none"> Additional part: For example draw a graph or diagram/refer/indicate 	Max 10
Conclusion	Max 2
Interpretation	Max 5
TOTAL	40

QUESTION 5

ESSAY RESPONSE

**Fully explain the factors affecting price elasticity of demand.
In addition mention the different types of price elasticity of demand.**

[40]

INTRODUCTION

Price Elasticity of Demand is a measure of the responsiveness of demand to changes in price. ✓✓✓ (Any other relevant introduction is acceptable) (3)

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. ✓✓ (Any 10 x 2) (20)

Types of price elasticity of demand

- Perfectly inelastic ✓✓
- Perfectly elastic ✓✓
- Relatively elastic/Elastic ✓✓
- Relatively inelastic/Inelastic ✓✓
- Unitary elastic/Elasticity of one ✓✓ (Any 5 x 2) (10)

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)

Use the following assessment table together with the above to assess the discussion.

MARKS	INTERPRETATION OF TOPIC
0	Candidate has shown no understanding of the topic.
1	Candidate has shown some understanding of topic but missed important aspects of topic. (1 – 10 marks)
3	Candidate has interpreted topic correctly but has not linked facts to topic. (11 – 20 marks)
5	Candidate has interpreted topic correctly and has linked facts to topic. (21 – 35 marks)

(5)
[40]

QUESTION 6**ESSAY RESPONSE**

**Fully explain the effects/consequences of globalisation.
In addition briefly explain the 'north-south divide'.**

[40]**INTRODUCTION**

The impact of globalisation can be seen as the rich industrialised countries dominate trade because most of the trade takes place between them. ✓✓✓

(Any other relevant introduction is acceptable) (3)

BODY

Interdependence between countries has increased ✓✓

- Because of globalisation countries are more and more affected by the economic success and failures of other countries. ✓✓

Trade interdependence ✓✓

- There is an increase in the volume of trade between countries. ✓✓
- Higher interdependence is the effect of higher volumes of trade and labour movements between countries. ✓✓

Financial interdependence ✓✓

- The financial transactions make countries interdependent. ✓✓
- There are large scale investments in businesses and shares of other countries. ✓✓

Increase in competition ✓✓

- It has led to improved quality of products and services. ✓✓
- Local manufactures are forced to improve their quality to compete with foreign companies. ✓✓

Unfair competition ✓✓

- The levels of competition between developed and less developed countries are not the same. ✓✓
- Industrialised countries have not opened their markets to developing countries. ✓✓
- Subsidies in developed countries enable them to sell their products at a lower price on the international markets. ✓✓
- Technical difficulties and stricter health conditions make it difficult for developing countries to compete. ✓✓

Increase in employment opportunities/changes in employment conditions ✓✓

- Expansion of industries to other countries led to the increase in employment opportunities. ✓✓
- It also contributed to higher wage levels and productivity. ✓✓
- MNEs create many job opportunities across the world. ✓✓

Increase in international cooperation ✓✓

- Formation of trade blocs like North America Free Trade Agreement, European Union, Asia-pacific economic cooperation, BRICS and other bilateral and multilateral agreements. ✓✓

Spread of education and technical knowhow ✓✓

- There is a constant flow of information between countries. ✓✓
- One of the positive effects of globalisation is the spread of education. ✓✓

Spread of culture/cultural change ✓✓

- Different cultures can also circulate freely through labour migration. ✓✓
- People can pick up and practise positive things from other cultures. ✓✓

Increase in environmental concerns/environmental degeneration ✓✓

- Increased production leads to increased damage to the environment. ✓✓
- Exhaustion of resources such as water. ✓✓
- Rich countries are the main cause. ✓✓

Manipulation by multinational corporations ✓✓

- The ownership of companies across the world is in the hands of the multinational corporations. ✓✓
- These corporations can influence economic and political decisions. ✓✓
- They can also influence employment and production in the global economy. ✓✓

Economic growth ✓✓

- The economies that are involved in globalisation grew faster than other economies. ✓✓
- It is because of their access to international markets. ✓✓

Changing pattern of trade/increased foreign trade ✓✓

- The pattern of trade has changed due to trade agreements, removal of trade barriers, etc. ✓✓
- Increased trade provided access to a wide range of foreign goods. ✓✓

Free movement of people/labour ✓✓

- Globalisation brought free movement of people of different nations. ✓✓
- Because of the influence of the MNEs there is free movement of labour between countries. ✓✓

Changing structure of economies ✓✓

- Innovations of developed countries have spread to developing countries. ✓✓
- It also changed the structure of economies and improved the people of the country. ✓✓

(Any 10 x 2) (20)

North-South divide

- This is an imaginary separation between the developed countries and the less developed countries. ✓✓
- The developed countries collectively known as the 'north' because most of them are in the northern hemisphere. ✓✓
- The developing countries are generally known as the 'south' as they are from the southern hemisphere. ✓✓
- The causes of the north-south divide are:
 - Colonialism ✓✓
 - Dependence on natural resources ✓✓
 - Influence of MNEs ✓✓
 - Economic and political reasons ✓✓
 - Level of education ✓✓
 - Number of population ✓✓
 - Etc.

(Any 5 x 2) (10)

CONCLUSION

- Globalisation can affect the lives of people all over the world in positive and negative ways. ✓✓ (Any appropriate conclusion is acceptable) (2)

Use the following assessment table together with the above to assess the discussion.

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(5)
[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150

