



Province of the
EASTERN CAPE
EDUCATION

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NATIONAL SENIOR CERTIFICATE

GRADE 11

NOVEMBER 2024

ECONOMICS P2 MARKING GUIDELINE

MARKS: 150

This marking guideline consists of 16 pages.

SECTION A**QUESTION 1**

- 1.1 1.1.1 B (profits) ✓✓
- 1.1.2 A (kinked) ✓✓
- 1.1.3 A (positive) ✓✓
- 1.1.4 D (variable costs) ✓✓
- 1.1.5 B (non renewable) ✓✓
- 1.1.6 C (indigenous knowledge) ✓✓
- 1.1.7 D (Basel Convention) ✓✓
- 1.1.8 C (North-South divide) ✓✓ (8 x 2) (16)
- 1.2 1.2.1 F – The difference between a firm's total income and explicit costs ✓
- 1.2.2 I – They operate in an oligopoly market structure ✓
- 1.2.3 E – Long enough for all factor inputs to be varied ✓
- 1.2.4 A – The cost per unit increases while quantities produced increase ✓
- 1.2.5 C – Firms that produce goods and services in several countries ✓
- 1.2.6 G – Purchasing financial assets that can easily be converted into cash ✓
- 1.2.7 D – International agreements aimed at reducing greenhouse gases ✓
- 1.2.8 B – The variety of plant and animal life in a specific area ✓ (8 x 1) (8)
- 1.3 1.3.1 Law of diminishing marginal utility ✓
- 1.3.2 Homogeneous ✓
- 1.3.3 Profit ✓
- 1.3.4 Carbon credits ✓
- 1.3.5 Trade block ✓
- 1.3.6 Global warming ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions from this section in your ANSWER BOOK.

QUESTION 2: MICROECONOMICS

2.1 Answer the following questions.

2.1.1 **Name any TWO examples of perfect competitors.**

- JSE ✓
- Fresh produce market ✓

(Accept any other correct and relevant response.)

(2 x 1) (2)

2.1.2 **Why do producers continue to increase their production?**

- They continue to increase their production as long as additional revenue earned from selling an additional unit is greater than the additional cost incurred for producing the extra unit. ✓✓ (1 x 2) (2)

2.2 **DATA RESPONSE**

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

- Imperfect market ✓ / Monopoly ✓

(1)

2.2.2 **Name ONE characteristic of the market structure identified in QUESTION 2.2.1.**

- Unique product with no close substitute ✓
- Technical and allocative inefficiency ✓
- Perfect information ✓
- Economic profit in the long run ✓
- Downward sloped demand curve ✓
- Just one supplier ✓
- No competition ✓
- Very hard to enter the market ✓
- Monopolist controls prices ✓

(Accept any other correct relevant response.)

(1)

2.2.3 **Briefly describe the term *market structure*.**

- Market structure refers to the manner in which a market is organised. ✓

(2)

2.2.4 **Why are perfect competitors price-takers?**

- Perfect competitors are price-takers because there are many sellers in the market and a single firm plays an insignificant role in the market. ✓✓
- Prices are determined through the market forces of demand and supply in the industry and an individual firm takes the price determined in the industry. ✓✓

(2)

2.2.5 How do consumers benefit in perfectly competitive firms?

- Consumers benefit because there are many sellers and they are able to choose across various sellers. ✓✓
- Consumers have an advantage of buying at low prices. ✓✓
- Because there are many sellers the quality of the products sold in the market improves. ✓✓
- Consumers are not exploited by producers because they are able to choose from which producer to buy from. ✓✓ (2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 Identify the quantity when the firm maximises its profits in the table above.

- Quantity 4 ✓ (1)

2.3.2 What is the average revenue when only one unit is sold?

- R7 ✓ (1)

2.3.3 Briefly describe the term *marginal revenue*.

- Marginal revenue refers to the additional or extra revenue earned from selling additional unit. ✓✓
(Accept any other correct relevant response.) (2)

2.3.4 Why is the Average Fixed Cost (AFC) curve downward sloped from left to right?

- Average fixed cost is downward sloped because it decreases the fixed cost of producing a single unit as more units are produced. ✓✓ (2)

2.3.5 Calculate marginal cost for quantity 4 using the information in the table above. Show ALL calculations.

Change in TC ÷ Change in Q ✓

8 – 1 0/4 – 3 ✓

– 2/1 ✓

– 2 ✓

(2 x 2) (4)

2.4 Distinguish between *accounting profit* and *economic profit*.

ACCOUNTING PROFIT	ECONOMIC PROFIT
<ul style="list-style-type: none"> Also known as total profit ✓✓ It is the difference between total revenue from sales and total cost ✓✓ Accounting profit = Revenue minus explicit costs ✓✓ (Max. 4) 	<ul style="list-style-type: none"> It is the extra profit that the firm makes ✓✓ Is the profit that the business makes in addition to normal profit ✓✓ It's also known as surplus or excess or extra profit ✓✓ Economic profit = revenue minus explicit costs plus implicit costs ✓✓ (Max. 4)

(Accept any other correct and relevant response.)

(Allocate a maximum of 4 marks for mere listing of facts.) (Max. 8) (4 x 2) (8)

2.5 Analyse the role of profits in a business.

- Profits are essential for motivating businesses, guiding resource allocation, encouraging innovation and ensuring economic growth. ✓✓
- It helps the business to continue to exist in the market, by meeting their explicit and implicit costs. ✓✓
- Business operates with an aim to earn more than what has been invested and profit is the excess of revenue over cost. ✓✓
- Profits enable the businesses in measuring the financial success and enabling growth. ✓✓
- Profit also influences the allocation of resources, it is an efficiency indicator, and it is a reward for innovation and for risk taking. ✓✓

(Accept any correct and relevant response.)

(Allocate a maximum of 2 marks for mere listing of facts.) (4 x 2) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES**3.1 3.1.1 Name any TWO characteristics of globalisation.**

- Trade ✓
- Internationalisation ✓
- Regionalisation ✓
- Key infrastructure ✓

(2 x 1) (2)

3.1.2 How do green taxes contribute towards environmental sustainability?

- Green Taxes discourage the use of resources that cause environmental damage because they cause an increase in pollution. ✓✓

(Accept any correct relevant response.)

(1 x 2) (2)

3.2 DATA RESPONSE**3.2.1 Identify the type of pollution in the cartoon above.**

- Air pollution ✓

(1)

3.2.2 Identify the environmental issue in the cartoon above.

- Green environmental issue ✓

(1)

3.2.3 Briefly describe the term *pollution*.

- Pollution is the introduction of contaminants into the natural environment that cause adverse change. ✓✓

(Accept any other correct relevant response.)

(2)

3.2.4 How does human activity cause environmental deterioration?

- Direct and indirect human activity such as extraction of resources from nature is a major cause of environmental deterioration. ✓✓
- Human activity causes erosion of natural environment through the depletion of resources, destruction of ecosystems and the extinction of animal and plant species. ✓✓

(Accept any other relevant correct response.)

(2 x 1) (2)

3.2.5 How can producers contribute to economic growth while protecting the environment?

- Producers should use more of renewable resources than non-renewable resources. ✓✓
- Waste water generated by industries should be recycled to produce clean water. ✓✓
- Natural resources should be used cautiously so that economic growth and ecological conservation go together. ✓✓

(Accept any other correct relevant response.)

(2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 Identify any ONE trade block in the extract above.

- African Continental Free Trade Area (AfCFTA) ✓
- Southern African Customs Union (SACU) ✓ (1)

3.3.2 Name the organisation that regulates trade between countries.

- World Trade Organisation (WTO) ✓ (1)

3.3.3 Briefly describe the term *free trade*.

- Free trade refers to the free movement of goods and factors of production amongst countries. ✓✓
- When producers and consumers are free to buy goods and services from anywhere in the world without the interference of government ✓✓
(Accept any other correct relevant description.) (2)

3.3.4 Explain the main objective of the organisation mentioned in QUESTION 3.3.2.

- The main objective of the WTO is to help its members to use trade as a means to raise living standards, create jobs and improve people's lives. ✓✓ (2)

3.3.5 Examine the positive impact of free trade on the South African economy.

Free trade has:

- enabled consumers to access higher quality and low-priced goods. ✓✓
- increased economic growth and help improve the standard of living. ✓✓
- improved efficiency and innovation in the production of goods and services. ✓✓
- promoted competition and fairness resulting in more jobs being created. ✓✓

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

3.4 Briefly discuss the granting of property rights as a measure to sustain the environment.

- Granting of property rights has a conservation effect as people take care of things that belong to them. ✓✓
- Give people property rights over plants and animals to prevent them from becoming extinct. ✓✓
- Plants and animals may then be preserved at little cost to the taxpayer. ✓✓
- When farmers get property rights to hunt on their farms, they will look after the game and also earn income from tourists viewing the game. ✓✓
- It is impractical to extend private property rights to air ✓✓
- But the principle of polluters paying victims to reduce pollution is sometimes followed by governments ✓✓.

(Accept any other correct relevant response.)

(A maximum of 4 marks will be given for mere listing.) (4 x 2) (8)

3.5 Analyse the importance of taking care of forests for the economy and the environment.

Forests should be taken care of because:

- human beings depend on forests because they generate oxygen for the air they breath. ✓✓
- the wood is used for the production of furniture, books and all other timber products. ✓✓
- they provide habitats for animals and offer watershed protection ✓✓
- they prevent soil erosion and assist in sustaining the environment. ✓✓
- they mitigate climate change and provide conducive conditions for agricultural activities. ✓✓

(Accept any other relevant correct response.)

(Allocate a maximum of 2 marks for a mere listing of facts/examples.)

(4 x 2) (8)
[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**4.1 4.1.1 Name any TWO methods of protecting the environment.**

- Price based method ✓
- Market based method ✓
- Use of laws and regulations ✓ (2 x 1) (2)

4.1.2 Why is it important for businesses to set goals?

- Setting goals helps the business to be able to define the direction it will take – goals should align with the business's mission and vision statements ✓✓

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

4.2 DATA RESPONSE**4.2.1 Identify the original demand curve in the cars market in the diagram above.**

- D_1 ✓ (1)

4.2.2 Which market represents the factor market in the diagram above.

- Steel market ✓ (1)

4.2.3 Briefly describe the term *substitute goods*.

- Substitute goods are goods that are used in the place of other goods that satisfy the same need or want. ✓✓ (2)

4.2.4 What caused a shift of D_1 to D_2 in the steel industry?

- The increase in the demand of cars caused an increase in the demand of steel in the steel market. ✓✓

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

4.2.5 What is the impact on the employees in the steel market if the demand for cars increases from D_1 to D_2 ?

- Employment in the steel industry will increase and there will be more opportunities for promotion. ✓✓
- Employees will earn more income due to overtime worked. ✓✓
- Employees standard of living will improve because they will be able to buy more goods and services. ✓✓ (2 x 2) (4)

4.3 DATA RESPONSE

- 4.3.1 **Identify the year in which rhino poaching was at its highest.**
• 2014 ✓ (1)
- 4.3.2 **What is the main reason for the poaching of rhinos?**
• Rhino horns ✓
• Money ✓ (Any ONE) (1)
- 4.3.3 **Briefly describe the term ecosystem.**
• Ecosystem is a localised group of independent organisms together with environment that they inhabit and depend on. ✓✓
(Accept any other correct relevant response.) (2)
- 4.3.4 **How can the awareness of the importance of flora and fauna be created?**
• Making children and adults more aware of environmental issues through the media such as radio and television as well as school visits ✓✓
• Setting up community wildlife reserves as national parks ✓✓
• Organising field trips and guided environmental tours ✓✓
• Use social media like Facebook, Twitter, Instagram and Tik-Tok to create more awareness ✓✓
(Accept any other correct relevant response.) (2)
- 4.3.5 **How does climate change affect the economic environment?**
• Loss of habitats and biodiversity negatively affects the tourism sector because tourists are attracted by the beauty of nature and indigenous plants ✓✓
• The agricultural sector is negatively affected as dry seasons are becoming longer, and wet seasons start late ✓✓
• The manufacturing of timber decreases because forests can be entirely lost ✓✓
(Accept any other correct relevant response.) (2 x 2) (4)

4.4 **Briefly discuss the relationship between factor and product market.**

- The factor market is a market where factors of production such as natural resources, labour, capital and entrepreneurial skills are bought and sold. ✓✓
- Producers use these factors of production to produce goods and services that are bought and sold in the product market such as durable, semi- durable and non durable consumer goods and services. ✓✓
- When the demand for a certain product decrease in the product market, this may also cause a decrease in the demand for factors of production in the factor market. ✓✓
- If the supply of one factor of production decreases in the factor market, this may result in firms producing less and that will result in price increases in the product market. ✓✓
- Changes in the factor market will cause changes in the product market and vice versa as these markets are interdependent. ✓✓

(Accept any other correct and relevant response.)

(4 x 2) (8)

4.5 **What problems would be experienced in the economy if non-renewable resources were consumed excessively?**

Overuse of these resources would:

- Lead to them drying up and therefore negatively affect the manufacturing sector ✓✓
- Decrease the amount of food production which may lead to food insecurity. ✓✓
- Leads to a serious decline in economic activity ✓✓
- Leads to retrenchments and job losses being experienced in the economy ✓✓
- Causes excessive air pollution due to extraction of these resources ✓✓
- Causes acid rain which leads to global warming ✓✓

(Accept any other correct relevant response.)

(A maximum of 2 marks may be allocated for mere listing of facts.)

(4 x 2) (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.

QUESTION 5: MICROECONOMICS

- **Discuss in detail the price elasticity of demand without the aid of graphs.** (26 marks)
- **Why is the elasticity of demand important to producers?** (10 marks)

INTRODUCTION

Price elasticity of demand measures how many consumers respond to a change in the price of a product/measures how sensitive the demand of the product is to a change in the price of the product / Price elasticity of demand will determine the sensitivity of a product when there is a change in price. ✓✓
(Accept any other correct relevant introduction.) (2)

BODY: MAIN PART**Perfectly elastic demand** ✓

- The smallest change in price will result in an infinite change in quantity demanded. ✓✓
- It is also referred to as infinite elasticity. ✓✓
- This price elasticity is equal to infinity. ✓✓
- Producers cannot change the price but must find other ways to increase revenue. ✓✓

Perfectly inelastic demand ✓

- The demand will show no response to any or all price changes. ✓✓
- Price elasticity of demand is zero. ✓✓
- The implication is that a change in price will cause no change in the quantity that consumers demand. ✓✓
- Producers can increase prices to increase revenue as demand will not change. ✓✓

Unitary elastic demand ✓

- Occurs when a specific change in price causes exactly the same change in demand. ✓✓
- If the price increases by 10%, the quantity demanded will increase by 10%. ✓✓
- The value of elasticity is equal to 1. ✓✓
- Producers may need to consider other methods to increase revenue. ✓✓

Relatively inelastic ✓

- The value is less than 1 but more than 0. ✓✓
- Demand is very unresponsive to changes in price. ✓✓
- To improve revenue, increase price only. ✓✓
- Goods and services with a relatively inelastic demand are things such as salt, medical care, tobacco products and petrol (fuel). ✓✓
- They all have an elasticity coefficient of less than 1, meaning that the quantity demanded is not highly sensitive to a change in the price. ✓✓

Relatively elastic ✓

- Occurs when a small change in price causes a large change in quantity demanded. ✓✓
 - Price elasticity is greater than one, but less than infinity. ✓✓
 - To improve revenue, prices should be reduced. ✓✓
- (Max. 26)

ADDITIONAL PART**Why is the elasticity of demand important to producers?**

- It tells a producer that for every action there is a reaction. ✓✓
- By studying price elasticity of demand, we can predict what the change in price will be for the producers. ✓✓
- Price elasticity of demand is useful to help firms decide how to increase their total revenue. ✓✓
- To increase its total revenue the producer can raise the price to get more revenue per product; ✓✓ and drop the price to increase the quantity sold. ✓✓
- If the buyers are sensitive to the price (elastic demand), they will buy more if the price drops, ✓✓ so the producers should drop the price. ✓✓
- If the buyers are not sensitive to price (inelastic demand) they will not buy much less even if the price goes up, ✓✓ so the producers should increase the price. ✓✓
- To increase sales, raise the price when the demand is inelastic, ✓✓ or drop the price when the demand is elastic. ✓✓
- Producers want to know how sensitive the market supply is to a change in the price of the product. ✓✓

(Accept any other correct relevant high order response)

(A maximum of 4 marks will be allocated for mere listing/facts) (Max. 10)

CONCLUSION

It is important for producers to study the buying patterns of consumers so as to plan accordingly. ✓✓

(Accept any other correct relevant high-order conclusion) (Max. 2)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

- **Discuss in detail the causes of globalisation.** (26 marks)
- **In which way is South Africa negatively affected by the North-South divide?** (10 marks)

INTRODUCTION

Globalisation is the process of interaction among the countries of the world to bring their economies and societies together to develop the global economy/globalisation is the interaction and interfacing of economies for purposes of trade. ✓✓
(Accept any other correct relevant introduction.) (2)

BODY: MAIN PART**Causes of globalisation****Trade liberalisation** ✓

- Trade liberalisation is the removal or reduction of trade barriers between countries, e.g. import duties. ✓✓
- The purpose of trade liberalisation was to stimulate international trade ✓✓
- It started after World War II with the establishment of GATT by the United Nations. ✓✓
- GATT members negotiated for the removal of trade restrictions and barriers as well as to find methods of increasing international trade. ✓✓
- This role was taken over by the WTO in 1994. ✓✓
- The WTO ensures that trade agreements between countries are honoured and acts as a mediator in trade disputes. ✓✓
- Removal of trade restrictions are aimed at encouraging foreign direct investment to further develop industries and increase consumers' purchasing power. ✓✓
- The outflow of these actions was the formation of export processing zones (EPZs) by many countries in which no trade tariffs were levied. ✓✓
- Through trade liberalisation, some countries formed free-trade areas (FTA), where agreements were reached whereby participating countries remove all trade barriers among themselves on goods/services traded. ✓✓
- The effect of an FTA is that the total volume of trade has increased because countries can specialise in the products they produce the cheapest. ✓✓

Multinational enterprises

- Multinational enterprises are companies that establish manufacturing, servicing and trading businesses in several countries. ✓✓
- Multinational corporations developed because it was very expensive to establish factories during the industrial phase. ✓✓
- In many cases, businesses started to work together, forming huge corporations that were mostly joint stock companies owned by shareholders. ✓✓
- These multinational corporations used links around the world to expand their markets and produce mass quantities of goods. ✓✓

Capital liberalisation ✓

- Money can be moved around the world with speed and ease. ✓✓ for example financing new technology in developing countries. ✓
- Development of technology and artificial intelligence ✓
- Modern technology has changed the way production is implemented and how manufacturing is managed. ✓✓
- Machine learning has improved software for businesses to be able to predict consumer behavior all around the globe. ✓✓

Standardisation ✓✓

- As countries became industrialised, a large supply of products flooded the markets as a result of mass production. ✓✓
- This resulted in development of mass marketing structures. ✓✓ •
- Aspects of mass marketing include the development of massive stores and mass advertising that could reach large audiences through broadcast technology and printed media ✓✓ for example Coca-Cola, Nike, etc. ✓

Scarcity of resources ✓

- World trade refers to the buying of goods and services by governments, companies and individuals across the world. ✓✓
- The reason for world trade is scarcity of resources and products. ✓✓
- No country has all the goods it needs, and neither can any one country produce everything that it needs. ✓✓

Development of transport ✓

- New technologies developed in the field of transport, including modern infrastructure such as highways linking countries, transport networks and fast modes of transport by sea, air and land. ✓✓
- Harbours and airports have grown bigger with more capacity to connect different countries. ✓✓

Development of technology systems ✓

- The development of communication technology has enabled countries all over the world to become connected. ✓✓
- Some of these developments include: cellphones, computers, and the internet which provide immediate links to people or businesses in any place in the world to talk, send messages and transfer money. ✓✓
- The links are made possible by new communication technology using landlines, satellites, or underwater cable connections. ✓✓
- The speed at which information is transferred has vastly increased. ✓✓
- Radio, television and social media can now send information in real time. ✓✓
- Electronic finance markets allow for money to be easily transferred. ✓✓

(Accept any other correct relevant response.)

(Max. 26)

(26)

ADDITIONAL PART

In which way is South Africa negatively affected by the North-South divide?

- Dependency on the primary sector – South Africa still depends largely on the primary sector as a source of income / minerals are exported to Northern countries . ✓✓
- The countries in the South, including South Africa, are still densely populated in certain areas. ✓✓
- Large unemployment levels – South Africa has a large group of youth which is unemployed – even graduates do not easily find jobs / lack of funds for skills . ✓✓
- Low life expectancies in the country – factors such as TB / malaria / HIV and Aids are major problems / insufficient healthcare, especially in rural areas . ✓✓
- Increasing levels of poverty – estimates are that 50% of the South African population is in poverty / inability of government to create economic growth and FDI's. ✓✓
- Lack of economic growth and development – aspects such as droughts, corruption, mismanagement and disinvestments are major concerns. ✓✓
- Low literacy levels and high school and tertiary dropout rates – lack of direction, motivation, funds, etc. are negative factors. ✓✓

(Accept any other correct relevant high order response)

(A maximum of 4 marks will be allocated for mere listing/facts) (Max. 10)

(10)

CONCLUSION

The world has become a global village and integration and trade are important for any economy to grow. All countries need to compete against each other for market share and the developing countries cannot compete with the highly subsidised developed countries' industries. ✓✓

(Accept any other correct relevant high-order conclusion)

(Max.2)

(2)

TOTAL SECTION C [40]

GRAND TOTAL: 150