



GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

**GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION
2015
GRADE 11**

**ECONOMICS
SECOND PAPER**

MEMORANDUM

15 pages

GAUTENG DEPARTMENT OF EDUCATION
PROVINCIAL EXAMINATION

ECONOMICS
(Second Paper)

MEMORANDUM

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE

- 1.1.1 C ✓✓ (Markets)
- 1.1.2 B ✓✓ (Considerable control over prices)
- 1.1.3 C ✓✓ (Unique)
- 1.1.4 A ✓✓ (MR = AVC)
- 1.1.5 A ✓✓ (Conservation)
- 1.1.6 A ✓✓ (CO₂)
- 1.1.7 B ✓✓ (Digital)
- 1.1.8 C ✓✓ (IMF)

(8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 C ✓ (Market structure dominated by two firms)
- 1.2.2 H ✓ (Legal rights which protect the inventor from competition)
- 1.2.3 D ✓ (Production costs decrease as outputs increase)
- 1.2.4 G ✓ (Quantity produced is below socially efficient level)
- 1.2.5 A ✓ (A variety of living organisms)
- 1.2.6 I ✓ (Gas emissions and climate change)
- 1.2.7 F ✓ (Most harmful to human health)
- 1.2.8 E ✓ (Least developed countries are not benefitting from globalisation)

(8 x 1) (8)

1.3 ONE-WORD ITEMS

- 1.3.1 Cross elasticity of demand ✓
- 1.3.2 Law of demand ✓
- 1.3.3 TU/ Total Utility ✓
- 1.3.4 MNEs/ MNCs ✓/Multinational enterprises./Multinational corporations
- 1.3.5 Kyoto Protocol ✓
- 1.3.6 Environmental sustainability ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

QUESTION 2

2.1

2.1.1 Name any TWO monopoly industries in South Africa.

Eskom/ ✓/ Rand Water ✓/ any other relevant answer

(2x1) (2)

2.1.2 What happens to the quantity demanded if the income elasticity of demand is 2 and income increases by 7%?

Demand will increase. ✓✓

(1x2) (2)

2.2

2.2.1 Identify the market structure.

Perfect market structure ✓✓

(2)

2.2.2 What is the market price?

R4.00 ✓✓

(2)

2.2.3 In your opinion, what type of profit will the above-mentioned market structure make in the long term?

Normal Profit ✓✓

(2)

2.2.4 Determine whether this business make a normal/ economic profit or a loss.

Show ALL calculations.

$$\begin{aligned} \text{TR} &= \text{PxQ} \\ &= 4(70) \\ &= \text{R}280.00 \checkmark \checkmark \end{aligned}$$

$$\begin{aligned} \text{TC} &= \text{PxQ} \\ &= 3(70) \\ &= \text{R}210.00 \checkmark \checkmark \end{aligned}$$

$$\begin{aligned} \text{PROFIT} &= \text{TI} - \text{TK} & \text{OF} &= 4 - 3 = 1 \checkmark \\ &= 280 - 210 & &= 1 \times 70 \checkmark \checkmark \\ &= \text{R}70.00 \checkmark \checkmark & &= 70 \checkmark \checkmark \end{aligned}$$

(6)

2.3**2.3.1 Complete the table by filling in the missing values, marked A–D.**

A – 19✓

B – 45✓

C – 12✓

D – -3✓

(4)**2.3.2 Identify the profit-maximising level.**

AR = AC/ Output 3✓✓

(2)**2.3.3 In your opinion, explain why monopolistic, competitive firms use advertising.**

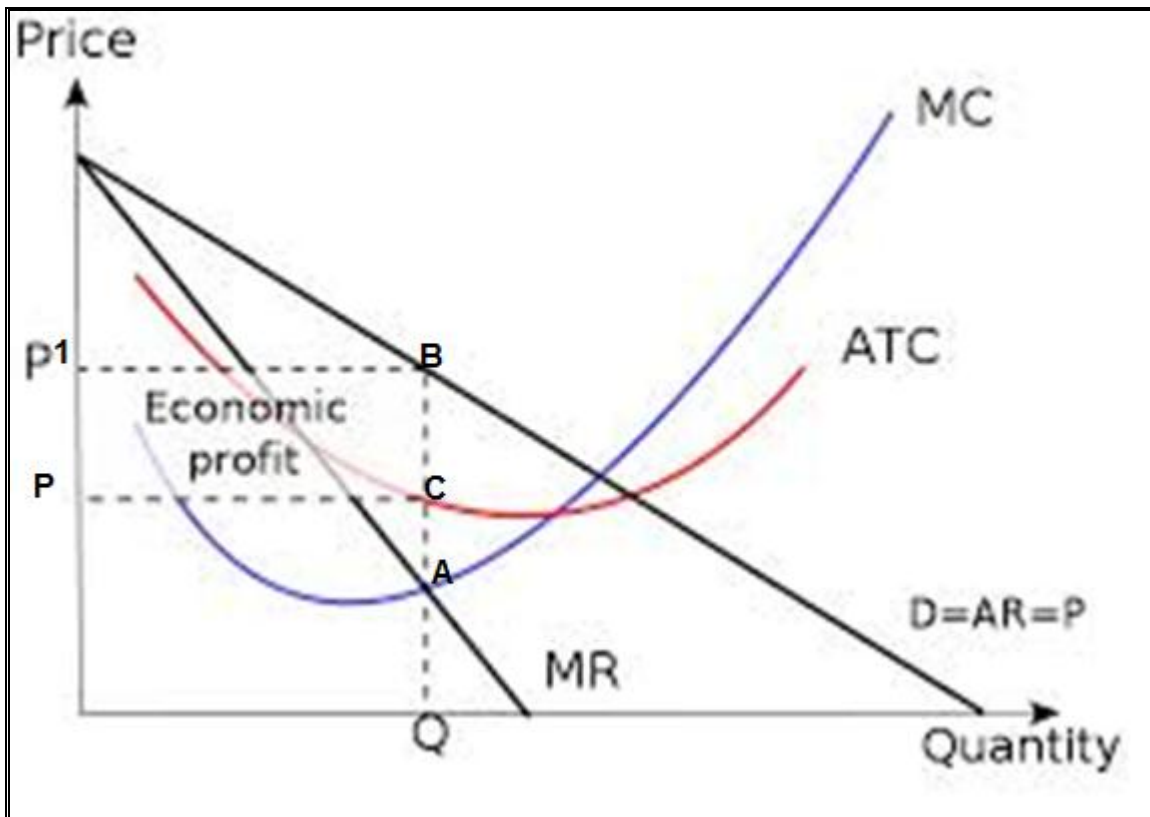
- Product differentiation ✓✓
- To ensure customer loyalty ✓✓
- To ensure market share ✓✓
- It is the only way to promote products. ✓✓
- (Accept any relevant answer)

(2 x 2) (8)**2.4 Argue how legal barriers prevent new businesses from entering a specific type of market.**

- Monopolies are protected by law when the national government argues that it is in the best interest of society/ public ✓✓
- Mail service – single price stamp will guarantee delivery anywhere in the country ✓✓
- Monopoly enables cheap local deliveries to remote places ✓✓
- Teachers, doctors, lawyers belong to professional bodies to ensure a standard – it is a type of monopoly ✓✓
- Patents, copyright, intellectual property – new ideas cannot be pirated ✓✓

(4 x 2) (8)

2.5 Use a correctly labelled graph to explain the profit situation of the monopolist.



- MAX – 4 MARKS FOR THE GRAPH
- 1 mark – D/ AR Curve
- 1 mark – AC/ATC Curve
- 1 mark – Economic profit area
- 1 mark – MC curve

- The AC curve determines the profit of the monopolist ✓✓
- Point A in this graph indicates profit-maximising, production at quantity Q. ✓✓
- The price at which the units can be sold is obtained by moving vertically upwards from point A to B (on the demand/ AR curve) ✓✓
- Price P1, is the price at which it will sell in order to maximise profit ✓✓
- Total revenue is greater than total cost ✓✓
- The profit area is P1BCP ✓✓
- MAX – 4 MARKS FOR DISCUSSION

(2 x 4) (8)
[40]

QUESTION 3**3.1****3.1.1 Name any TWO advantages of globalisation.**

- Increases employment✓
- Raised standard of living✓
- Reduced isolation✓
- More human development✓
- Economic growth✓
- Global citizens✓

(2 x 1) (2)**3.1.2 How is Nepad linked to Africa?**

- It is the economic policy framework of the African Union ✓✓

(1 x 2) (2)**3.2****3.2.1 Explain the acronym *NAFTA*?**

- North American Free Trade Area✓✓
- Consisting of the USA, Canada & Mexico✓✓

(Any 1 x 2) (2)**3.2.2 In your opinion, what is the message of this cartoon?**

- WTO must ensure free trade but it is only big corporate companies in the USA that really benefit✓✓
- US workers are losing their jobs and workers in Asia don't have any worker's rights and they earn slave wages/ minimum wages ✓✓
- Less worker rights in the USA✓✓
- Instead of the fair wages, workers in developing countries receive slave wages✓✓

(2 x 2) (4)**3.2.3 In your opinion, why do US workers not benefit from free trade?**

- It is only big corporate companies that really benefit from free trade. ✓✓
- US workers have limited rights that allow them to participate in the economy. ✓✓
(Accept any relevant answer.)

(Any 2 x 2) (4)

3.2.4 Explain the role of the WTO in terms of globalisation.

- Works to standardise international trade relationships ✓✓
- Tariffs and other forms of protection arrangements (subsidies) ✓✓
- Ownership of patents/ royalties and intellectual property ✓✓

(Any 2 x 2) (4)**3.3****3.3.1 What is the ultimate cause of global climate change?**

- Gas Emissions e.g. CFC and CO₂ ✓✓

(2)**3.3.2 What is a possible consequence of glaciers that shrink?**

- Rising sea levels leading to floods ✓✓

(2)**3.3.3 Apart from humans and their businesses, who else should be accused of failing the environment?**

- Governments ✓✓

(2)**3.3.4 In your opinion, which industry in South Africa will be most affected by unstable weather conditions? Substantiate your answer.**

- Agriculture/ primary sector ✓✓
- South Africa is a main exporter of agricultural produce and if weather conditions are extreme we will not be able to produce sufficient levels for the export markets ✓✓

(2 x 2) (4)**3.4 How does globalisation contribute to developing countries' financial instability?**

- Large capital inflows into emerging/ developing markets create turmoil when they are unexpectedly reversed ✓✓
- Their currencies depreciate ✓✓
- Borrowers have to repay loans in local currency of multiples of the amounts they had borrowed ✓✓
- Businesses and government(s) are helpless ✓✓
- MNEs and financial institutions do not know how to handle this ✓✓

(4 x 2) (8)

3.5 Tabulate TWO differences to illustrate the North-South divide.

NORTH	SOUTH
<ul style="list-style-type: none"> • Highly developed infrastructure✓✓ • High levels of production and consumption✓✓ • Industrialised countries✓✓ • Average incomes are very high✓✓ <p style="text-align: center;">MAX: 4 MARKS</p>	<ul style="list-style-type: none"> • Weak infrastructure✓✓ • Low levels of production and consumption✓✓ • Non-industrialised ✓✓ • Average incomes are low✓✓ <p style="text-align: center;">MAX: 4 MARKS</p>

(2 x 4) (8)
[40]

QUESTION 4

4.1

4.1.1 Name TWO characteristics of perfect markets.

- Price takers✓
- Homogenous products✓
- Normal profit in short and long term✓
- (Accept any relevant characteristics)

(2 x 1) (2)

4.1.2 How will you know that prices in South Africa are stable?

- No inflation for one year✓✓
- Controlled inflation

(1 x 2) (2)

4.2

4.2.1 Give an example of a substitute for milk?

- Soya milk/ Powder milk/ Cremora✓✓
- (Any other relevant answer)

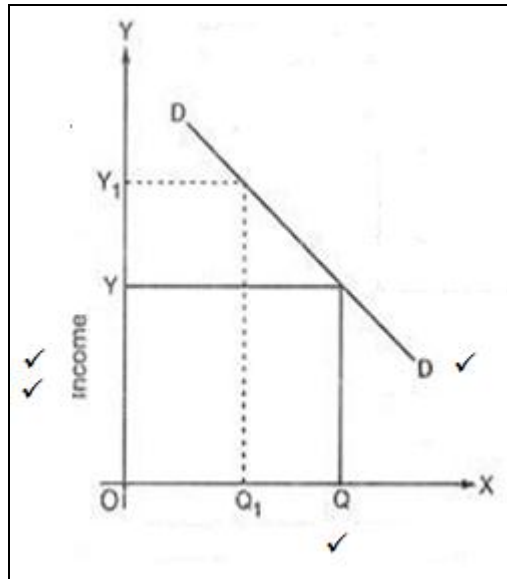
(2)

4.2.2 In your opinion, why did the demand for milk shift from D1 to D2?

- There was probably an increase in the supply of coffee/ tea/ milo (complementary goods) therefore the shift in the demand curve.✓✓
- More people will buy coffee/ tea/ milo.✓✓
- This increase in supply leads to an increase in the demand for milk.✓✓
- A drop in the price of tea will raise the demand for tea thereby causing an increase in the demand for milk. ✓✓
- (Note: Any relevant answer that describes substitution can also be accepted)

(Any 2 x 2) (4)

4.2.3 Draw a well-labelled graph to illustrate Giffen goods.



(4)

4.3

4.3.1 Provide a suitable heading for the article.

- 868 Rhinos killed ✓✓
- Rhino poaching ✓✓
- (Any other relevant answer)

(2)

4.3.2 What is significant about Hluhluwe iMfolozi Park?

- Oldest game park in South Africa ✓✓
- Involved with rhino conservation ✓✓

(Any 1 x 2) (2)

4.3.3 Which international organisation bans the trade in endangered species?

- CITES / Convention on the International Trade In Endangered Species ✓✓

(2)

4.3.4 What possible solutions can you suggest to SAN Parks to save the rhinos?

- Transfer the rhinos to an exclusive place so poachers cannot find them ✓✓
- Create community wildlife reserves where communities play an active role in saving the rhinos ✓✓
- (Any other relevant answer)

(Any 2 x 2) (4)

4.4 Compare Perfect Competition and the Monopoly in terms of *entry* and *price control*.

PERFECT COMPETITION	MONOPOLY
<ul style="list-style-type: none"> • ENTRY: Very easy ✓✓ • PRICE CONTROL: No control over price as it is set by the market ✓✓ 	<ul style="list-style-type: none"> • ENTRY: Blocked ✓✓ • PRICE CONTROL: Considerable but limited by market demand ✓✓

(2 x 4) (8)

4.5 Describe how there can be conflict in the human uses of the environment.

- The use of the environment as a productive resource reduces its amenity value ✓✓
- Mines and quarries cause air and water pollution ✓✓
- As a dump of waste, the environment can become dirtier and more unhealthy, for both animals and humans ✓✓
- Industrial development and effluents cause much of the pollution and as a result, acid rain destroy crops, natural habitats and forests ✓✓

(4 x 2) (8)

[40]

TOTAL SECTION B: 80

SECTION C

ESSAY QUESTIONS

MARK ALLOCATION FOR ESSAY RESPONSES

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max. 2
Body: Main part: Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/ Evaluate/ Distinguish/ Explain/Assess/Debate	Max. 26
Additional part: Give your own opinion/ Critically discuss/Evaluate/ Critically evaluate/ Draw a graph and explain/ Use the graph given and explain/ Complete the given graph/Calculate/Deduce/Compare/Explain/ Distinguish/ Interpret/ Briefly debate	Max. 10
Conclusion	Max. 2
TOTAL	40

QUESTION 5 (MICRO ECONOMICS)

“Several models have been developed to explain prices and quantities in oligopoly markets.”

- Discuss the Oligopoly as an imperfect market structure and pay specific attention to its characteristics and general behaviour. (26)
 - Why in your opinion, is collusion among Oligopolists illegal? (10)
- [40]**

INTRODUCTION

- An Oligopoly is an industry that is dominated by a few sellers and entry is difficult . ✓✓ (2)

BODY

- Many mathematical and graphical models of this market structure exist, however not one is generally accepted. ✓✓
- Only a small number of large businesses dominate the market. ✓✓
- Intense competition can occur which sometimes result in collusion. ✓✓
- Kinds of goods ✓/ Nature of the goods ✓
- Most of the times homogenous goods ✓
- Either differentiated goods ✓ such as motorcars and newspapers ✓ or
- Identical goods ✓ such as steel and cement ✓ are produced
- Barriers ✓
- Barriers to entry are considerable ✓✓
- Pricing ✓
- Is done interdependently ✓✓
- Pricing of one firm affects the pricing decisions of the others ✓✓
- Each business must monitor and respond to the pricing and production decisions of the other enterprises ✓✓ This is critical ✓✓
- Slope of the demand curve ✓
- It can be horizontal or it can be kinked ✓
- Slope of the supply curve ✓
- Upward sloping ✓
- Production levels ✓
- Will produce where $MR = MC$ ✓
- Price setting differs ✓
- $AR = AC =$ Sometimes price makers/ price leaders ✓
- Control over price ✓
- Considerable, but less than the monopoly ✓
- Profits ✓
- Normal profits are made unless they collude ✓

MAX 8 MARKS FOR HEADINGS**(26)****ADDITIONAL PART**

- According to the law, collusion is illegal in South Africa ✓✓
- The law is administered by the Competition Commission to check uncompetitive behaviour ✓✓
- However, in order to reduce the uncertainty in the market, businesses are tempted to collude to reduce competition ✓✓/ Strong incentives to collude ✓✓
- Hence the laws, to prevent collusion but to promote competition ✓✓
- When collusion occurs monopoly conditions enter ✓✓

- That is why we find price leaders in an oligopoly market where the business with the largest share sets its prices according to its own cost and revenue conditions and other businesses will follow the price movements of the price leaders ✓✓ (10)

CONCLUSION

- **If an Oligopolist decides to sell its product at a price below or above the fixed price, consumers only buy from another supplier and the Oligopolist will not make a profit. Accept any relevant answer.** (2)
[40]

QUESTION 6 (CONTEMPORARY ECONOMIC ISSUES)

“The environment is under pressure because human claims on the environment are greater than what nature can provide for on a long-term basis.”

- Analyse the state of the environment, highlighting the policy measures by government to ensure sustainability. (26)
- Advise how you would use technology to protect the environment. (10)
[40]

INTRODUCTION

- Governments around the world have come to realise that in order to achieve greater economic sustainability they have to pay more attention to environmental sustainability. ✓✓ (2)

BODY

Extending private property rights

- This ensure that people care for the things that belong to them ✓✓
- They will in fact try and use them profitably ✓✓
- To prevent fauna and flora species from becoming extinct we must allow people to have property rights ✓✓
- This will not cost the taxpayers more money ✓✓
- Resources that belong to no-one are not cared for and are polluted or destroyed ✓✓
- When South African farmers obtained property rights on game on their farms, they started to protect them ✓✓
- Today there is a huge population of private game in South Africa and the numbers are growing ✓✓
- Tourists from all over the world come to see them ✓✓
- Hunters make no dent in their numbers, because they have become valuable to their owners ✓✓

- Once property rights are given to e.g. Township squatters they too, will care for the environment and start planting trees to prevent soil erosion ✓✓
- Farmers tend to plant more trees if they know they will have a right to the wood and fruit for years ✓✓

ENVIRONMENTAL TAXES AND SUBSIDIES

- A tax can be imposed on the output or consumption of a product, if the use of such a product has harmful effects on the environment ✓✓
- Also known as green taxes ✓✓
- The tax has the effect of increasing the price ✓✓
- Government could also provide subsidies for the development of new techniques to reduce pollution or save energy ✓✓
- The production of cleaner substitutes, for example by reducing the fuel levy on unleaded petrol ✓✓
- Recycling of waste, e.g. bottles ✓✓

EDUCATION

- Education can play a major role as people like to contribute towards the protection of the environment ✓✓
- Both adults and children should be made more aware of environmental issues and consequences of their actions ✓✓
- Consumption habits could change ✓✓
- More pressure can be placed on enterprises to reduce the amounts of solid waste they dispose of or the volumes of emissions they create ✓✓ (26)

Charging for use of the environment ✓

- Governments in developed countries and in South Africa, impose environmental charges on consumers and enterprises. ✓✓
- Emissions charges are levied on industries and car owners for discharging carbon dioxide gas ✓✓
- In SA the Waste Management Act is setting standards for the disposal of waste ✓✓

Focus on externalities ✓

- If marginal social benefit exceeds social cost, people should do more of the activity ✓✓
- If marginal social cost exceeds marginal social benefit, people should do less ✓✓

Command and control systems ✓

- Traditional way of dealing with pollution is to allow it within some limits and to fine those who go outside those limits ✓✓

- Certain maximum levels for emissions: ✓
 - For example, in the case of carbon dioxide, expressed in parts per million ✓✓
- Maximum use permitted ✓
 - In the case of fish, a certain number of tons per season ✓✓

Voluntary agreements ✓

- Governments enter into voluntary agreements with enterprises to reduce the amount of pollution ✓✓
- Enterprises usually prefer voluntary agreements to regulations, because they can negotiate such agreements to suit their own particular circumstances ✓✓

(Maximum 8 marks for headings and sub-headings)
(26)

• ADDITIONAL PART

- Technological development should be of a kind that allows economic growth while also containing pollution ✓✓
- Substitution with products that are more environmentally friendly, e.g. degradable containers such as paper bags ✓✓
- Greater efficiency in production to reduce waste, such as substances, chemicals and gas ✓✓
- On-site treatment and controlled disposal of waste ✓✓
- Replacement of oil and coal with greener energy resources, such as hydrogen and ethanol gas, wind, sun, water and tides ✓✓

(10)

CONCLUSION

- It is important that the present generation uses its resources sparingly so that future generations benefit from environmental resources.

(2)

(40)

TOTAL SECTION C: [40]

TOTAL: 150