



education

Department:
Education
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

PROVINCIAL ASSESSMENT

GRADE 11

**ECONOMICS P2
NOVEMBER 2024
MARKING GUIDELINES**

MARKS: 150

These marking guidelines consists of 24 pages.

SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE CHOICE**

- 1.1.1 C/ relative ✓✓
- 1.1.2 A/ normal ✓✓
- 1.1.3 D/ inferior ✓✓
- 1.1.4 A/ relatively elastic ✓✓
- 1.1.5 B/ Colonialism ✓✓
- 1.1.6 B/ World Trade Organisation ✓✓
- 1.1.7 C/ Sustainable development ✓✓
- 1.1.8 D/ Green taxes ✓✓ (8 x 2) (16)

1.2 MATCH ITEM

- 1.2.1 C/ a sustained increase in the general price levels ✓
- 1.2.2 E/ not all costs can be adjusted ✓
- 1.2.3 F/ satisfaction gained from consuming goods and services ✓
- 1.2.4 H/ goods that are used in conjunction with each other ✓
- 1.2.5 G/ cutting down forests to make place for housing ✓
- 1.2.6 D/ unique products ✓
- 1.2.7 B/ wages, electricity and fuel ✓
- 1.2.8 A/ a giant company with branches in other countries ✓ (8 X 1) (8)

1.3 CONCEPTS

- 1.3.1 Derived demand ✓
- 1.3.2 Price leaders ✓
- 1.3.3 Emerging economies/Emerging markets ✓
- 1.3.4 Trade liberalisation ✓
- 1.3.5 Urbanisation ✓
- 1.3.6 Greenhouse gasses/Greenhouse emissions ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 **Name TWO factors of production.**

- Labour ✓
- Capital ✓
- Entrepreneurship ✓
- Natural resources/Land ✓ (2 x 1) (2)

2.1.2 **Why would a business have costs, when production is zero?**

- Total cost of production consists of fixed cost, example rent and salaries, that must be paid irrelevant of production taking place, and variable cost, example electricity and raw materials. ✓✓
 - When firms have no production, they still have to pay fixed costs, only when firms start producing do they start paying for variable cost. ✓✓
- (Accept any other correct relevant response)** (1 x 2) (2)

2.2 **DATA RESPONSE**

2.2.1 **Name any ONE branded product depicted in the cartoon above.**

- Coke ✓
- Pepsi ✓ (1)

2.2.2 **Identify the relationship between the products in the cartoon above.**

They are substitute products. ✓ (1)

2.2.3 **Briefly describe the term *monopolistic competition*.**

A combination of perfect and imperfect competition, characterised by many buyers and sellers. Firms in this market use product differentiation to attract customers. ✓✓

(Accept any other correct relevant response) (2)

2.2.4 **Why would suppliers of these type of products have recommended selling prices?**

- This way the producer can inform the consumer directly of the price the product should be sold for. ✓✓
 - Producers can use this as a form of price standardisation when a product is sold in many different outlets in a region. ✓✓
- (Accept any other correct relevant response)** (2)

2.2.5 How do suppliers in this market segment communicate their uniqueness to consumers.

- Producers sell products that are similar but not homogeneous, they are differentiated (ingredients, packaging, trademarks, etc.), producers communicate this to consumers. ✓✓
- If a consumer is convinced that there is differentiation or uniqueness they will be willing to pay a higher price for the product. ✓✓
- Producers can make use of advertising to inform consumers of the uniqueness of their products. ✓✓
- Producers can also use his brand name, recognition and loyalty to differentiate products, example Nike or Levi. ✓✓
- Example, toothpaste; whitening, freshness, bicarbonate of soda, charcoal, bamboo, etc. ✓

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

2.3 DATA RESPONSE

2.3.1 Identify the schedule in the table above.

Total Cost schedule/Cost schedule. ✓ (1)

2.3.2 What is the total cost (TC) of producing 35 units?

R1 260. ✓ (1)

2.3.3 Briefly describe the term *economies of scale*.

- Falling average costs as the cost are divided by more units of output. ✓✓
- Firm wants to produce a specific quantity of outputs or units that will enable it to experience a decrease in the cost of production per unit. ✓✓
- The cost advantage experienced by a firm when it increases its level of output. ✓✓

(Accept any other correct relevant response) (2)

2.3.4 Explain the concept of *long-run* in relation to cost in a business.

In the long-run all factors of production becomes variable, they can be changed or adjusted. Thus the business can now expand and again regain the advantage of economies of scale. ✓✓

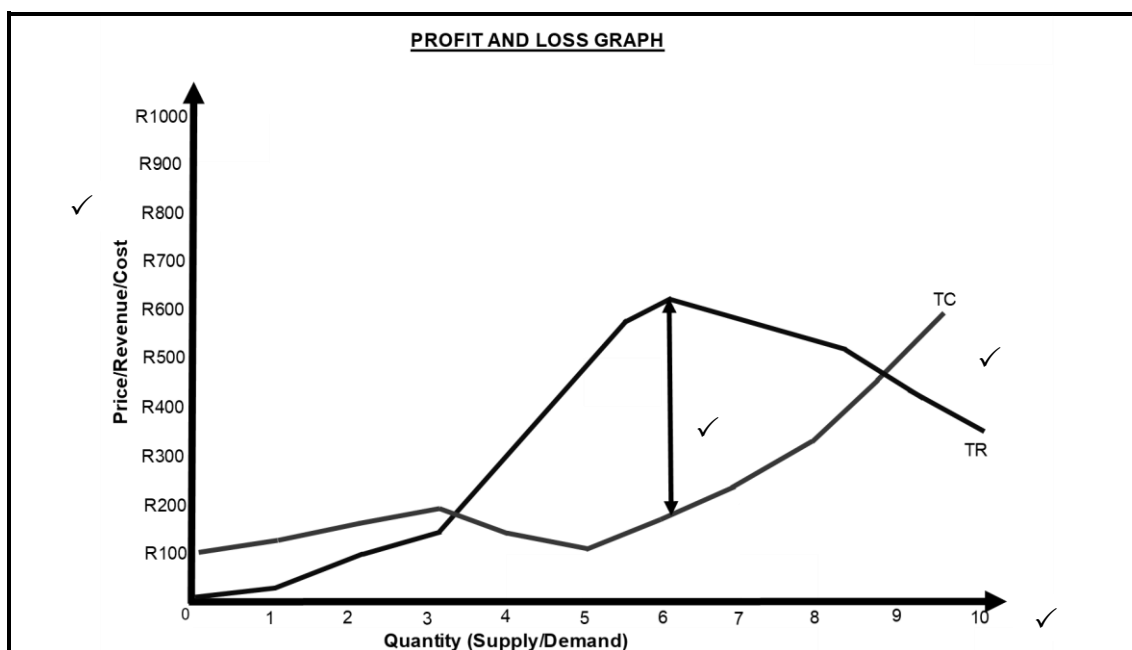
(Accept any other correct relevant response) (2)

2.3.5 Explain the shape of the marginal cost curve (MC).

- The marginal cost curve is the graphical representation of the relationship between the marginal cost and the quantity of output produced by the firm and usually has a U-shape. ✓✓
- Which means the marginal cost decreases for low levels of output and increases for larger output quantities. ✓✓
- The shape of the marginal cost curve is U shaped indicating that MC falls in the beginning due increasing return and ultimately it rises due to the operation of law of decreasing return. ✓✓
- MC will start high and reduce as more units are produced, as MC decreases, AC will also decrease. ✓✓
- AC will continue to fall, as MC starts increasing. When the MC intersects the AC, at the lowest point of the AC or where $MC = AC$, the AC will start increasing. ✓✓
- The business will now experience diminishing marginal returns (profits). ✓✓

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

2.4 With the aid of a graph, explain how a firm can determine its profit maximization level.



Mark allocation	
Correct labeling of the axis	= 1 mark
Correct labeling on the axis	= 1 mark
Correct indication of the TC and TR curves	= 1 mark
Correct indication of the profit maximisation point	= 1 mark
Total	(Max 4)

- Initially the TC curve will be above the TR curve, but as production increases and we achieve breakeven, the TR curve will intersect the TC curve and the producer will make profit ($TR > TC$). ✓✓
- At unit 6 we will maximize profit. ✓✓
- As economies of scale increases profit will increase. ✓✓
- However, when the marginal cost of production increase, the TC will again intersect the TR curve and TC will be higher than TR ($TR < TC$). ✓✓

(Max 4)

(Accept any other correct relevant response)**(Maximum 4 marks for the graph and maximum 4 marks for the explanation)****(A maximum of 4 marks may be allocated for mere listing of facts/examples)**

(2 x 4) (8)

2.5 Examine the implication of non-price competition on oligopolies.

- Oligopolies are interdependent, each firm will consider how the other firms in the industry will react to any decision made. ✓✓
- Non-price competition involves ways that firms seek to increase sales and attract custom through methods other than price. Non-price competition can include quality of the product, unique selling point, superior location and after-sales service. ✓✓
- Oligopolies make use of non-price competition example advertising to create brand awareness. If they increase their prices, they will lose customers to their competitors. ✓✓
- Due to the uncertainty in an oligopoly and the fact that products are only slightly differentiated the market price is the same, with brand-loyalty and advertising making the difference for the consumer. ✓✓
- Forms of non-price competition include: Building brand loyalty, extended shopping/business hours, doing business via the internet, after-sales services, offering additional services, loyalty rewards for customers and door-to-door deliveries. ✓✓

(Accept any other correct relevant response)**(A maximum of 2 marks may be allocated for mere listing of facts/examples)**

(4 x 2) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 **Name any TWO multinational-national enterprises operating in South Africa.**

- McDonalds ✓
- Burger King ✓
- KFC ✓
- BMW ✓
- Mercedes Benz ✓
- Volkswagen ✓

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

3.1.2 **Explain the link between poverty and environmental degradation.**

- Poverty is a massive threat to the environment, surviving day to day make people less sensitive to maintaining the natural environmental resources. ✓✓
- Poor people have large families, poor health services which increase poverty and create further environmental pressures, e.g. poor households depend on wood for energy (cooking, heat, etc.), this leads to deforestation. ✓✓
- To survive the marginalised communities cultivate erosion-prone hills and clear natural vegetation/trees making space for houses and crops, thereby exploiting the soil without replacing the nutrients.

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

3.2 **DATA RESPONSE**

3.2.1 **Identify ONE cause of globalisation from the diagram above.**

- Technology. ✓
- Multinational companies. ✓
- Lower tariffs. ✓
- Improved transport. ✓
- Labour mobility. ✓
- Capital mobility. ✓

(1)

3.2.2 **Name ONE organisation involved in the promotion of globalisation.**

- World Trade Organisation/WTO. ✓
- World Bank. ✓
- International Monetary Fund/IMF. ✓

(1)

3.2.3 Briefly describe the term globalisation.

- The process by which the people of the world are incorporated into a single world society. ✓✓
- Socio, political and economic cooperation between countries. ✓✓
- Interlinked worldwide societies are, where borders became less important, making the world smaller. ✓✓

(Accept any other correct relevant response) (2)

3.2.4 Why do countries trade?

- Natural resources are spread unequally over the world; countries will export surpluses and import resources, goods and services that they do not have. ✓✓
- Countries can improve their standard of living by importing goods cheaper than producing them locally. ✓✓

(Accept any other correct relevant response) (2)

3.2.5 Explain the importance of improving infrastructure on the growth in globalisation.

- The most important infrastructure developments leading to increased globalisation are transportation and communication. ✓✓
- Efficient transport (land, sea and air) are needed for globalisation. ✓✓
- Transportation moves goods from one part of the world to another, modern transport reduced distances and travel times, making the world smaller. ✓✓
- Developed communication technology made countries more connected. ✓✓
- Cellphones, computers and the internet provide immediate links between people and business in any part of the world, including messages and money transfers. ✓✓
- This is made possible by communication technology, using landlines, satellites or underwater cable connections. ✓✓
- Speed of information transfer is continuously increasing. ✓✓

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

3.3 DATA RESPONSE**3.3.1 Name the health organization that compiled the research in the article above.**

World Health Organisation/WHO. ✓ (1)

3.3.2 Identify the brown environmental issue discussed in the extract above.

Air pollution. ✓ (1)

3.3.3 Briefly describe the term genetically modified organisms.

- A genetically modified organism is any organism whose genetic material has been altered using genetic engineering techniques. ✓✓
- South Africa produces genetically modified maize, soybeans and cotton. ✓✓

(Accept any other correct relevant response) (2)

3.3.4 Explain the impact of CO₂ emissions on the South African economy.

Warmer temperatures can cause economic losses for a country, such as lowering agricultural yields, reducing labor productivity, and decreasing industrial output. ✓✓

(Accept any other correct relevant response) (2)

3.3.5 How can South Africa achieve their 350 – 420 MtCO₂e (metric tons of carbon dioxide-equivalent) target by 2030?

- The public and private sector should shift their resources and investment into the creation of a greener economy and a strong focus on the planning and creation of infrastructure to support a smooth transition to renewable energy. ✓✓
- Eskom coal fire electricity plants are the cheapest and most efficient way to generate electricity, however these plants are also some of the biggest generators of carbon-dioxide. South Africa has great potential for solar and wind power generation. ✓✓
- Lowering carbon-dioxide emissions from vehicles, this can be achieved by improving the public transport system and driving less. ✓✓

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

3.4 Discuss the objectives of the World Trade Organization.

- Set and enforce rules of rules for international trade. ✓✓
- Provide a forum for negotiating and monitoring further trade liberalization. ✓✓
- Resolve trade disputes. ✓✓
- Increased transparency of decision-making process. ✓✓
- Cooperate with other major international economic institutions in economic management. ✓✓
- Help developing countries benefit fully from the global trading system. ✓✓

**(Accept any other correct relevant response)
(A maximum of 4 marks may be allocated for mere listing of facts/examples) (4 x 2) (8)**

3.5 Analyse agricultural development, deforestation and land degradation as problems threatening the environment.

Agricultural development and deforestation.

- Increased demand for food and other commercial or subsistence activities threaten natural resources. ✓✓
- Agricultural development needs large tracts of land to meet the increasing demand for food, from an increasing population. This leads deforestation, soil erosion, land degradation, desertification & water & air pollution. ✓✓
- Africa’s deforestation at a rate of 1.5% pa leads to reduced habitats for plants and animals, influences rainfall patterns, lowers ability for rain to form and evaporation by the sun can’t happen as there are no trees, affecting the patterns of agriculture, food sustainability & sustainability of population settlements. ✓✓

Land degradation.

- This is the mismatch between land quality, land usage and land productivity. ✓✓
- If not used efficiently and effectively land becomes eroded through deforestation, soil erosion, soil infertility and flooding. ✓✓
- It is estimated that 14% of degraded soil results from vegetation removal, 13% from over-exploitation, 49.5% from over grazing and 24% from agricultural activities. ✓✓
- Due to deforestation, soil erosion, soil infertility and flooding, the ability of land to produce crops and feed animals decreases annually. ✓✓

(Accept any other correct relevant response)

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

(2 x 4) (8)
[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 **Name any TWO products where demand is not influenced by increases or decreases in pricing.**

- Chronic medication. ✓
- Water during a draught. ✓

(Accept any other correct relevant response)

(2 x 1) (2)

4.1.2 **How do trade liberalisation improve economic development?**

By breaking down national borders and allowing free movement of factors of production and products between countries. ✓✓

Policies that prevented trade between countries are removed. ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 **Name the type of price elasticity of supply illustrated in the graph above.**

Relatively inelastic supply. ✓

(1)

4.2.2 **Identify the quantity supplied, at the price point of R5,00.**

150 units. ✓

(1)

4.2.3 **Briefly describe the term *price elasticity of supply*.**

The responsiveness of supply to a change in price. ✓✓

(Accept any other correct relevant response)

(2)

4.2.4 **Why can a farmer not increase the supply of his product if the price increases.**

Farming agricultural goods takes times/it is seasonal, if a farmer has some surplus products left he can sell that immediately, however the next crop will take a year to produce, by which time the advantage of price elasticity of supply has declined. ✓✓

(Accept any other correct relevant response)

(2)

4.2.5 Calculate price elasticity of supply (PES), show ALL calculations.

$$\begin{aligned} \text{PES} &= \frac{\% \text{ Change in Quantity Supplied}}{\% \text{ Change in Price}} \quad / \quad \frac{\% \Delta Q_s}{\% \Delta P} \quad \checkmark \\ \% \Delta Q_s &= \frac{(150 - 100)}{100} \times \frac{100}{1} = \frac{5000}{100} = \underline{50\%} \\ \% \Delta P &= \frac{(5 - 3)}{3} \times \frac{100}{1} = \frac{200}{3} = \underline{66.67\%} \\ \text{PES} &= \frac{50\%}{66.67\%} \quad \checkmark \\ \text{PES} &= \underline{0.75} \quad \checkmark \checkmark \quad (2 \times 2) \quad (4) \end{aligned}$$

4.3 DATA RESPONSE

4.3.1 Identify the environmental day celebrated in the cartoon above.

Earth day. ✓ (1)

4.3.2 Name the importance of making people aware of the state of the environment.

- Higher levels of environmental knowledge correlate significantly with a higher degree of pro-environment and conservation behavior. ✓
- The more people know, the more likely they are to recycle, be energy efficient, conserve water, etc. ✓

(Accept any other correct relevant response) (1)

4.3.3 Briefly describe the term *sustainable development*.

- Sustainable development is an approach to growth and human development that aims to meet the needs of the present without compromising the ability of future generations to meet their own needs. ✓✓
- The aim is to have a society where living conditions and resources meet human needs without undermining planetary integrity. ✓✓

(Accept any other correct relevant response) (2)

4.3.4 Explain how South Africa use legislation to protect the environment.

- Laws can't influence natural processes that causes environmental changes, but can be used to regulate human behavior. ✓✓
- Laws about noise levels, pollution & waste management has been implemented all around the world to keep the environment safe for future generations. ✓✓

(Accept any other correct relevant response) (2)

4.3.5 How will price based methods be implemented to decrease the impact of pollution?

- Government preferred legislative instruments because, charges such as taxes and subsidies are used to persuade polluters to reduce pollution levels. ✓✓
- Price-based methods are seen as indirect and uncertain, aimed at altering conditions in which decisions are made, rather than prescribing decisions. ✓✓

(Accept any other correct relevant response)**(2 x 2) (4)****4.4 Briefly discuss the factors determining the elasticity of demand (PED).****Substitution.** ✓

- If the price of a product increase, consumers tend to buy the substitute, allowing them to satisfy their needs for the product at a lower price, e.g. butter & margarine. ✓✓
- Demand for goods with close substitutes is more sensitive to price changes (price is elastic). ✓✓
- Demand for goods with no close substitute tend to be price inelastic, e.g. fuel). ✓✓

The degree of complementarity of the product. ✓

- If the price of one product increase the demand for both products might decrease, example. the higher price of fuel can lead to a decrease in demand for fuel and vehicles. ✓✓

Nature of the commodity. ✓

- Distinction between necessities and luxuries depend on personal taste and preferences and are subjective. ✓✓
- Necessities, example food, clothing, water, etc., will be inelastic, as consumers must have these products to survive and consumers will continue buying necessities even if prices increase. Demand is more inelastic. ✓
- Luxury goods, makes people feel better, but are not essential for survival. Ex. cellphones, luxury vehicles and technology. At a specific price consumers are willing to buy these goods, however if prices increase consumers will no longer be able to afford these goods. Demand is more elastic. ✓✓

Time. ✓

- If the price of a product that a consumer usually buys increases over time (inflation), the consumer may continue buying it, but will eventually try alternative and more affordable products. ✓✓
- In the short run these products are relatively inelastic, but with time they become more elastic. ✓✓

Relative importance of an item in the total expenditure of consumers. ✓

- The largest portion of household income is spent on food, housing, transport, etc. ✓✓
- The demand for these items are more elastic to changes in price, than the demand for goods that takes up a small amount of income spend (salt and matches). ✓✓

How the product is defined? ✓

- Consumers use a broad description for goods example food or clothes. Consumers can't stop buying food if prices increase, the demand is thus inelastic. ✓✓
- But with specific food items, example beef and nuts, prices are more elastic. If they increase in prices, consumers will look for substitutes or stop buying these products. ✓✓

Advertising. ✓

- There are many goods available on the market for consumers with limited income. Producers use various forms of advertising to inform consumers of the benefits of their products. ✓✓
- Producers hope consumers will buy their products as it will satisfy their needs more specifically, even though they are more expensive. Consumers believe the price difference is justifiable. ✓✓
- The demand for less known brand is less elastic than the products that are less known brands. ✓✓

Durability of a product. ✓

- Durable goods are used for an extended period of time before they are replaced, example vehicles and refrigerators. ✓✓
- Consumers tend to keep these goods longer, if their prices increase, hoping that prices might decrease in the future, making the demand for durable goods price elastic. ✓✓
- Non-durable goods, can be used once & must then be replaced on a regular basis, consumers can't postpone until prices drop, thus the demand is inelastic. ✓✓

Habit-forming substances. ✓

- Once consumers used addictive goods a number of times, they will want to use these goods on a regular basis (tobacco, alcohol, painkillers, etc.). ✓✓
- These goods are price inelastic, consumers buy despite price increases. ✓✓

Other.

- Products with more than one use are less price elastic than prices with only one use. Consumers are willing to pay a higher price for a multiple-purpose product, example vacuum cleaners. ✓✓

(Accept any other correct relevant response)**(A maximum of 4 marks may be allocated for mere listing of facts/examples)**

(4 x 2) (8)

4.5 Evaluate foreign direct investment as a cause for globalisation.

- Despite the country's many challenges, our economy still attracted almost R100 billion in FDI inflows in 2023, equal to 1.4% of GDP. ✓✓
- Enhanced economic growth, the potential to contribute to a country's economic growth significantly. When foreign investors inject capital into a nation, it often results in increased production, improved infrastructure, and technological advancements. These factors collectively propel economic expansion, creating a ripple effect that benefits various sectors. ✓✓
- Technology transfer and innovation, advanced technologies, management practices, and expertise from the investing country. This knowledge transfer spurs innovation as domestic industries gain exposure to cutting-edge processes and methodologies. Such technological infusion fosters the development of new products, services, and processes, boosting a nation's competitiveness on the global stage. ✓✓
- Employment generation, foreign-owned businesses frequently leads to job creation within the host country. As these enterprises grow and expand their operations, they require a skilled workforce to drive their activities. This translates into increased employment opportunities for the local population, reducing unemployment rates and enhancing the overall standard of living. ✓✓
- Infrastructure development within the host nation. Foreign investors may engage in projects to develop transportation networks, energy supply systems, and communication facilities. These infrastructure enhancements support foreign enterprises' operations and provide a foundation for broader economic development. ✓✓
- Export promotion, foreign investors often use the host country as a base for their operations, which can increase exports. By leveraging the local resources and labor force, foreign companies can manufacture goods and services more efficiently, making them more competitive in the global market. This boosts a nation's export potential and can contribute to a favorable trade balance. ✓✓
- Diversification of industrial base, the introduction of foreign businesses across various sectors makes the economy less dependent on a single industry. This diversification can enhance economic resilience, reducing the risks of relying heavily on a specific sector. ✓✓
- Access to capital and financing, foreign investors bring substantial financial resources to the host country. This influx of capital can supplement domestic savings, making it easier for local businesses to access funds for expansion, research and development, and other growth-oriented initiatives. ✓✓
- Stimulated competition, the entry of foreign businesses introduces healthy competition within the domestic market. This compels local companies to improve their products, services, and operational efficiency to remain competitive. As a result, consumers benefit from better quality products and enhanced choices. ✓✓
- Political and social stability. Foreign investors are often vested in the country's stability, leading them to advocate for policies that support a conducive business environment and socio-economic progress. ✓✓

- Improved human capital. Collaboration with foreign entities can lead to a skill transfer and knowledge to the local workforce. Employees working in foreign-owned companies often receive training in advanced techniques and practices, enhancing their expertise and contributing to developing a more skilled labor force. ✓✓

(Accept any other correct relevant response)

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

(4 x 2) (8)

[40]

TOTAL SECTION B: 80

SECTION C

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

QUESTION 5: MICROECONOMICS**40 MARKS – 40 MINUTES**

- **Discuss in detail the characteristics of perfect markets and monopolies.**
(26 marks)
- **Analyse the different types of objectives that a business need to achieve.**
(10 marks)

INTRODUCTION

A market is a mechanism that brings together the buyers and sellers of goods and services market structure refers to how the market is organized. ✓✓

Market structure refers to the main characteristics of the market in which a business trade and its production costs. ✓✓

(Accept any other correct relevant response)

(Max 2)

MAIN BODY**Number of businesses.** ✓

- In perfect markets, there many buyers and sellers, all buying and selling the same product. In the imperfect market, e.g. monopolies, there are only one supplier of the product, with no close substitute, in an oligopoly, we have a few suppliers of the same product and monopolistic competition there are several suppliers of products that has the same function but are differentiated. ✓✓

Nature of the product (Degree of product differentiation). ✓

- In perfect markets, all products offered are homogeneous (the same), with no obvious difference in quality, while in a monopoly product is heterogeneous (unique), there is no close substitute, in oligopolies and monopolistic competition products are the same, but firms try to emphasise slight differentiations to consumers. ✓✓

Barriers to entry (exit) of the market. ✓

- In perfect markets there are no barriers entry or exit into this market, production cost is low and products are homogeneous, while monopolies have various barriers to entry, e.g. capital, patents, legislation, etc. giving the producer an advantage, in oligopolies, barriers to entry is less strict, but legislation, e.g. The Banks Act and the governments regulation of fuel prices are seen as barriers to entry, collusion between existing supplier can create barriers to entry for new firms. In monopolistic competition, barriers to entry is low. ✓✓

Control over prices. ✓

- In perfect markets there are many buyers and sellers of the product, but none of the buyers or sellers are able to influence the market price of the product as price is determined by forces of supply and demand and they are price takers, in the case of monopolies prices are high as the firm has market power, the producer is a price maker, in oligopolies there is a chance of collusion as firms can work together to control prices in the market. Monopolistic competition has many firms producing more or less the same product and they will try to charge higher prices by focusing on the unique characteristics of their product. ✓✓

- In perfect markets both the buyer and the producer accept the price as it is and decide how much to buy or sell at the price, in the case of monopolies once the price is determined the market demand for the product will determine the quantity sold at that price. in oligopolies, lack of knowledge of competitor activities and the kinked demand curve, leads all firms to ask more or less the same price, focussing on non-price competition. Monopolistic competition the amount of competition between firms give consumers choice on what and where to buy and at what price. ✓✓
- In perfect markets low prices will prevail, if a producer charges a higher price they will lose market share, with imperfect markets, firms have some form of control, ranging from limited to complete control over prices. ✓✓

Information (Knowledge) of the market. ✓

- In perfect markets buyers have full information about price, competition, how products are produced and where to buy them, with monopolies and oligopolies, e.g. technological knowledge is not available to new entrants, monopolistic competition, all producers in and entering the market has perfect knowledge of the market, but in some cases producers are not sure of the specific preferences of the consumer and are unable to take advantage of this. ✓✓

Demand curve. ✓

- Price in the perfect markets is determined by forces of supply and demand, there is no external forces forcing prices up or down, while monopolists face downward-sloping demand curve as they are the only supplier of a particular good or service, and the market demand curve is therefore, the monopolist's demand curve and the market demand curve is therefore, the monopolist's demand curve. Due to the uncertainty in an oligopoly, oligopolists have a kinked demand curve, where the graph before the kink is very elastic and a small increase in price will lead to a relative bigger decrease in demand, and below the kink the graph is very inelastic, a change in price will have a small impact on demand. Monopolistic competition produces where $MR=MC$, the demand curve shift as other companies enter the market and competition increases. ✓✓

Size of the profit. ✓

- In perfect markets economic profit in the short-run, but normal profit in the long-run, monopolists will achieve supernormal profits even in the long-run, oligopolies achieve economic profit, but supernatural profits in the long-run, in monopolistic competition the individual business can achieve economic profit in the short-run, but in the long-run the business will achieve normal profit. ✓✓

Output. ✓

- In the perfect market, there is high output and large choice due to the many sellers, there are no shortages, if one supplier runs out, plenty other suppliers still exist and consumers can buy where they want. In the case of a monopoly, output is limited to the individual firms output as the firm is the market, while in the case of oligopolies output is higher than under a monopoly, there are more producers under an oligopoly, but still restricted to four to five large producers. As with perfect markets, output under monopolistic competition is high due to the fact that there are many suppliers. ✓✓
- The demand for the product is still subject to the law of demand. The higher the price the lower the demand, as consumers will look for replacements (no close substitutes), or will not be able to afford it at all. ✓✓

Government intervention. ✓

- There is no government intervention in perfect markets and monopolistic competition, as no single buyer or seller can influence the price or supply of the product. Government regulate monopolies and oligopolies to protect the interests of consumers. ✓✓
- Monopolies have the market power to set prices higher than competitive markets and government will regulate monopolies through price capping (limiting price increases), in South Africa, NERSA is used to set electricity prices, while oligopolies may collude or form cartels to manipulate prices to the disadvantage of the consumer, here government investigate possible price fixing, e.g. the case with data providers. ✓✓
- While governments usually try to prevent monopolies, in certain situations, they encourage or even create monopolies themselves. In many cases, government created monopolies are intended to result in economies of scale that benefit consumers by keeping costs down. ✓✓

Examples.

- The requirements for a perfectly competitive market is very limiting and meeting this is impossible, thus you don't find a perfect market anywhere in the world. Markets that resemble the perfect competition in the agricultural (wheat, fruit and vegetables) and financial (JSE) sector. ✓
- In South Africa Eskom is a good example of a monopoly, fuel, banking and the cellular industries are all oligopolies and fast food outlets are examples of monopolistic competition. ✓

(Accept any other correct relevant response)

(A maximum of 8 marks may be allocated for mere listing of headings/examples)

(Max 26)

ADDITIONAL BODY

- Survival is the initial goal of any business as they face several challenges, including, but not limited to high set up cost, lack of information of the market and competition from other firms. If a business survives its first year it will revisit their goals. ✓✓
- Profit maximization, making as much profit as possible. Revenue – costs = profit. ✓✓
- To increase profit, business must produce at a level where cost of production is very low. This can take time and the business must be able to compete with other firms. ✓✓
- Revenue maximization, if a business has very high expenses, it will be important for business to have as much as possible income to flow through the business. ✓✓
- This can be achieved by low prices and high turnover or advertising. ✓✓
- Sales maximization, is the number of units of a good or service sold. ✓✓
- Reaching as many customers as possible can increase the size and popularity of the business. Profits might be smaller as lower prices are charged to achieve this objective. ✓✓

(Accept any other correct relevant response)

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

(Max 10)

CONCLUSION

It is important to understand the impact of the market structure where a business operates as this will influence sales and profits and how firms achieve their goals. Firms must be aware that when entering a market, they must be prepared for the challenges they will experience. ✓✓

(Accept any other correct relevant higher order conclusion)

(Max 2) [40]

QUESTION 6: MICROECONOMICS**40 MARKS – 40 MINUTES**

- **Debate the positive and negative consequences of globalisation. (26 marks)**
- **Analyse the impact of the North/South divide in globalisation. (10 marks)**

INTRODUCTION

The process by which the people of the world are incorporated into a single world society. Socio, political and economic cooperation between countries. ✓✓

(Accept any other correct relevant response)

(Max 2)

MAIN BODY**Structural changes. ✓**

- Positive effects include economic growth, cheaper goods and services, migration and Foreign Direct Investments. ✓✓
- Negative effects could be a high dependence on imports, homogenisation of cultures, economic inequality and environmental degradation. ✓✓
- Opening of borders made countries vulnerable to new diseases, ex. Covid 19. ✓✓
- Other negative effects include drug trafficking, human trafficking and cybercrimes, the brain drain and migration of professional labour. ✓✓

Economic growth. ✓

- The economies of countries involved in globalisation grow faster than economies where protectionism is used. ✓✓
- These economies have access to international markets, whereas non-participating countries are limited to local markets. ✓✓

Change in trade patterns. ✓

- Comparative advantage shifts from older industries, such as textiles, shipbuilding and steel making, towards services and high tech knowledge industries. ✓✓
- Economic trends, growth rates, exchange rates, and overall global demand can significantly impact a country's export and import activities. ✓✓
- Strong global economic growth tends to increase demand for goods and services, boosting a country's exports. ✓✓
- Prices of commodities (e.g. crude oil) are affected by changes in exchange rates and can have a huge impact on the economy of a country. ✓✓

Change in employment conditions. ✓

- Globalisation results in an increase of employment opportunities in the economy. ✓✓
- More goods must be produced for local and international markets, positively affecting local labour markets. ✓✓
- Multi National Enterprises opening in new countries creates job opportunities, increased income levels and increased productivity, but can also lead to job losses as mechanisation increases. ✓✓

Environmental deterioration. ✓

- The need to produce more goods, requires extensive exploitation of natural resources. ✓✓
- Environmental degradation includes, depletion of minerals, damage to flora and fauna (plant and animal life), land, water and air pollution. ✓✓
- Large scale production disturb nature to such an extent that natural disasters occurs more often. ✓✓

Cultural changes. ✓

- Different cultures circulate more freely in globalisation, through media and labour migration. ✓✓
- Practices that are more in tune with the times are followed, this includes the implementation of IKS. ✓✓
- We also see multinationals influencing what we eat (McDonalds), languages (English is the most spoken language, but we see Mandarin picking up as China expands), what we wear, etc. ✓✓

International cooperation has increased. ✓

Governments improve co-operation via:

- Formation of trade blocks, countries grouping together and forming power blocs, trying to increase their control of the global economy. ✓✓
- North American Free Trade Agreement (NAFTA), USA, Canada & Mexico forms NAFTA, a free trade area where the member countries negotiate custom rates with trade partners. ✓✓
- Asia-Pacific Economic Co-operation (Apec), has 21 member countries including Indonesia, Malaysia, Australia, New Zealand, Japan, Russia and Canada. ✓✓
- BRICS, a block of emerging economies including Brazil, Russia, India, China and South Africa. Six new members including Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the UAE have been invited to join the grouping of top emerging economies in January 2024. ✓✓
- Bilateral (trade agreement between two countries) and multilateral (trade agreements between more than two countries) are negotiated on various aspects of trade, to harmonise economic policies by forming interest groups where members discuss and decide on issues of importance. ✓✓

Interdependence between countries has increased. ✓

- Countries become more affected by the economic success and failures of other countries. ✓✓
- Economic, policies and political stability spread from one country to another. ✓✓
- Trade interdependence, the increased volume of trade, higher volumes of imports, exports and labour migration increases interdependence. ✓✓
- Financial interdependence, Multi National Enterprises, shares and bonds of other countries, makes countries financially interdependent, higher flow of money equals higher interdependence. ✓✓

Competition. ✓

- Improved competition in global markets, led to improved quality of products and services. ✓✓
- Local companies competing against foreign companies are forced to raise their standards in order to survive. ✓✓
- Developed unfair competition between developed and developing countries, as developing countries are not on the same level when negotiating trade agreements, (this is to the benefit of developed countries). ✓✓
- Although countries are expected to open their markets to outside competition, industrialised countries don't always do this for products from developing countries. ✓✓

(Accept any other correct relevant response)

(A maximum of 8 marks may be allocated for mere listing of headings/examples)

(Max 26)

ADDITIONAL BODY**Standard of living/Development.** ✓

- North, tend to be wealthier, less unequal, considered more democratic and developed countries, export technologically advanced manufactured products. ✓✓
- From the early 21st century, the North, with 25% of the world population controls 80% of the income earned in the world, 90% of the manufacturing industries are owned by and located in the North. ✓✓
- South, generally poorer developing countries with younger, more fragile democracies heavily dependent on primary sector exports and frequently share a history of past colonialism by Northern states. ✓✓
- The South, with 75% of the world population, has access to 20% of the world income. ✓✓
- North/South divide is often challenged and said to be increasingly incompatible with reality. Inversely, as nations become economically developed, they may become part of definitions the "North", regardless of geographical location; similarly, any nations that do not qualify for "developed" status are in effect deemed to be part of the "South". ✓✓

Globalisation inequalities. ✓

- Low levels of living and deprivations in human development in the South, countries are characterized by low levels of labour productivity throughout the South, countries levels of labour productivity (output per worker) are extremely low compared with those in the North.
- More than 80% of the population live in the South and less than 20% in the North. ✓✓
- Birth and death rates are strikingly different between the North and South. In the North birth rates are low while in the South birth rates are high. ✓✓
- The overall dependency burdens (both young and old) represents only about 33% of the populations of the North and nearly 45% of the population of the South. ✓✓
- South is characterized with a very high rate of people working in rural areas, over 65% are rurally based, compared to less than 27% in the North. ✓✓

- Agriculture contributes about 14% of the GNI in the South, but only 3% of the GNI of the North, 58 % of the labour force in the South is engaged in agriculture, compared to only 50% in the North. ✓✓
- South countries concentrate on agricultural production because since their incomes are low their first priorities are food, clothing, and shelter and also due to the primitive nature of technologies, poor organization and limited physical and human capital inputs. ✓✓
- Exports in the South are still geared towards the production of primary products which form their main efforts to other nations. In 2000 the share of Global South exports in total world trade stood at around 25 %. ✓✓

Environment. ✓

- There are many causes for these inequalities including the availability of natural resources, different levels of health and education. ✓✓
- The nature of a country's economy and its industrial sectors, its international trading policies and access to markets. ✓✓
- How countries are governed and international relationships between countries, conflict within and between countries, a country's vulnerability to natural hazards and climate change. ✓✓

(Accept any other correct relevant response)

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

(Max 10)

CONCLUSION

Due to large and constant improvements in infrastructure, (transport, communication, etc.) globalisation is constantly increasing. This is positive in most cases, e.g. the improvement in the standard of living of consumers, but can lead to the exploitation of developing countries if not monitored. ✓✓

(Accept any other correct relevant higher order conclusion)

(Max 2) [40]

TOTAL SECTION C: 40
GRAND TOTAL: 150