

KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA



**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

Stannmorephysics.com **ECONOMICS**

COMMON TEST

JULY 2021

MARKS: 100

TIME: 1 ½ HOURS

This question paper consists of 9 pages.

INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows:
 - SECTION A: COMPULSORY
 - SECTION B: Answer any ONE question from this section.
 - SECTION C: Answer any ONE of the two questions.
2. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of each question above each answer.
4. Read the questions carefully and start EACH question on a new page.
5. Leave at least ONE line between subsections of each question.
6. Start each question on a new page.
7. Answer questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
8. Answer ONLY the required number of questions. Answers in excess of the required number will NOT be marked.
9. Use ONLY blue or black ink.
10. Non-programmable pocket calculators may be used.
11. Write legibly and present your work neatly.

SECTION A**QUESTION 1**

1.1 Various options are provided as possible answers to the following questions. Write down the question number (1.1.1 - 1.1.5) and write only letter (A - D) next to the question number in the ANSWER BOOK.

1.1.1 A hybrid market structure where there are many buyers and sellers is known as...

- A monopolistic competition.
- B hybrid competition.
- C monopoly.
- D perfect market.

1.1.2 A period of production during which a business cannot change its fixed factors, is called ...

- A long-run.
- B short-run.
- C fixed-run.
- D turnover-run.



1.1.3 Single firms are ... in a perfect market because they do not have influence over the price.

- A dominant
- B price-takers
- C decision makers
- D price-setters

1.1.4 The inverse relationship between price and quantity demanded is associated with ...


- A economies of scale.
- B law of supply.
- C law of demand
- D law of constant returns.

1.1.5 The additional satisfaction derived from consuming one extra unit of a good or service is called...

- A total utility
- B utility.
- C satisfaction.
- D marginal utility

(5 x 2) (10)

1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write ONLY the letter (A - G) next to the question number (1.2.1 – 1.2.6) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Microeconomics	A. Products that are not related in terms of changes in price and quantity.
1.2.2 Nominal price	B. Business expenses such as interests, wages and materials.
1.2.3 Break-even point	C. A market structure that is characterised by few firms and lack of competition.
1.2.4 Independent goods	D. Occurs where average revenue (AR) is less than average total cost (ATC).
1.2.5 Oligopolies	E. Income is equal to the expenses.
1.2.6 Explicit costs	F. The study of the economy as individual units.
	G. Exchange value of a product that the consumer pays for in actual rands and cents.

(6 x 1) (6)

1.3 Give ONE term each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.4) in the ANSWER BOOK. ABBREVIATION AND ACRONYMS MAY NOT BE ACCEPTED.

1.3.1 A group of firms that sell related products.

1.3.2 Products that are similar but have slight differences.

1.3.3 A negative difference when costs are subtracted from the revenue.

1.3.4 Where final goods and services are exchanged for money. (4 x 1) (4)

TOTAL SECTION A: [20]

SECTION B

Answer any ONE question of the TWO from this section in the ANSWER BOOK.

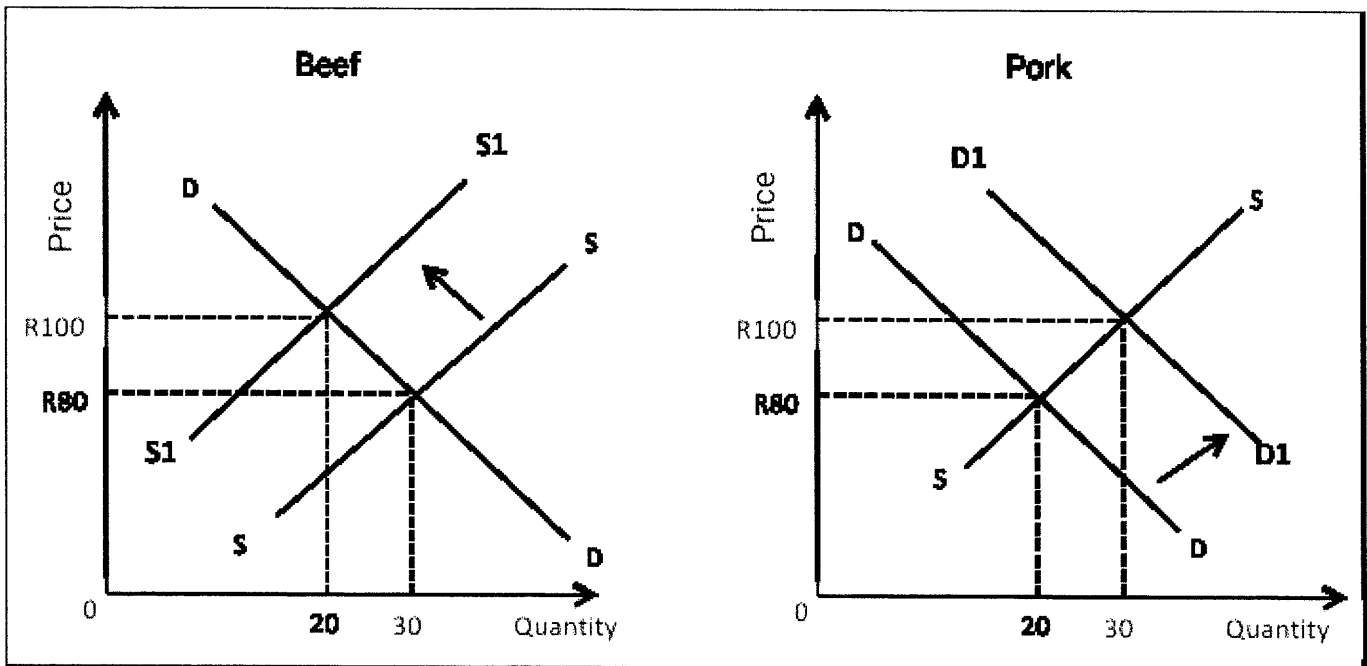
QUESTION 2

2.1 Answer the following questions.

2.1.1 Mention TWO types of utility. (2 x 1) (2)

2.1.2 Why does a firm in a perfect market make normal profit in the long-run? (2)

2.2 Study the following graph below and answer the questions that follow.



2.2.1 What type of goods are beef and pork according to the graphs above? (1)

2.2.2 How much is the increase in quantity demanded for pork? (1)

2.2.3 Briefly describe the term *demand*. (2)

2.2.4 Explain the impact of an increase in beef price on the pork market. (2)

2.2.5 How does the factor market relate with goods market for beef and pork? (2 x 2) (4)

2.3 Study the following table and answer the questions that follow.

OUTPUT	FC	VC	TC	AVC	MC
0	20	0	20	0	-
1	20	5	25	5	5
2	20	8	28	4	A
3	20	10	30	3,3	2
4	20	16	36	4	6

2.3.1. Name one example of variable costs. (1)

2.3.2. What is the total cost of producing the fourth unit of output? (1)

2.3.3. Briefly describe the term *fixed cost*. (2)

2.3.4. Explain the impact of producing the third unit of output on average variable cost? (2)

2.3.5. Calculate the value of A. Show all your calculations. (2 x 2) (4)

2.4 Briefly discuss *profit maximisation* and *survival* as objectives of the business. (8)

2.5 How can a firm achieve economies of scale? (8)

[40]

QUESTION 3

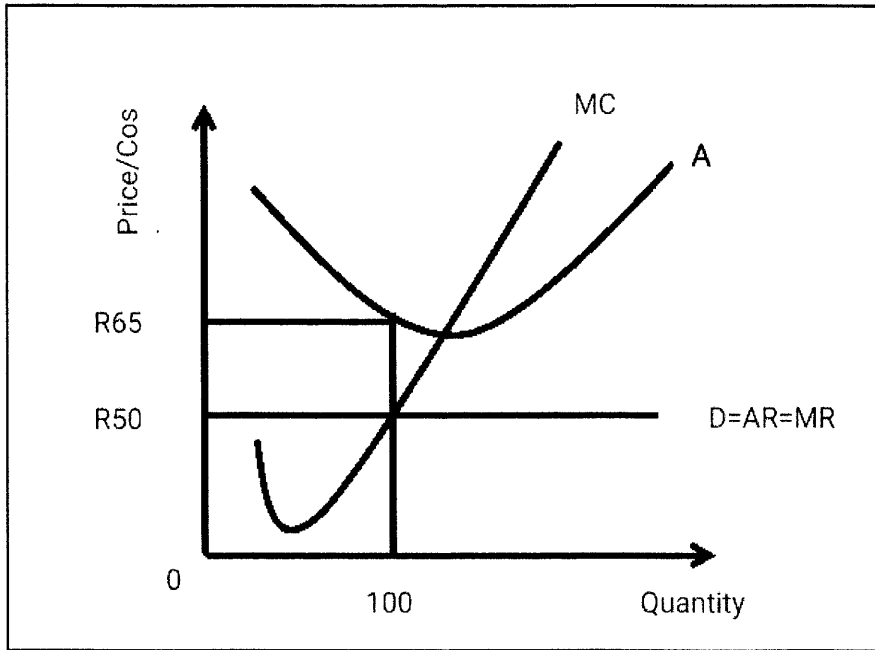
3.1 Answer the following questions.



3.1.1 Give any TWO examples of SMART goal setting guidelines for the business. (2 x 1) (2)

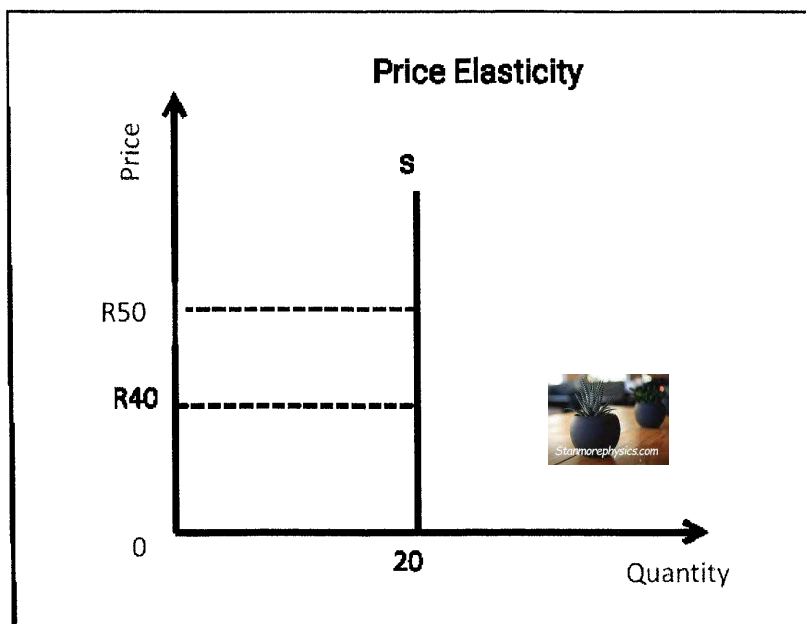
3.1.2. Why is the demand for normal goods have a positive gradient? (2)

3.2 Study the table below and answer the questions that follow.



- 3.2.1. Name the curve that is labelled 'A' in the above graph. (1)
- 3.2.2. What is the market price of this firm? (1)
- 3.2.3. Briefly describe the term *average revenue*. (2)
- 3.2.4. Why is the demand curve for the individual firm horizontal? (2)
- 3.2.5. Calculate the economic loss made by the firm in the above graph. Show all calculations. (4)

3.3 Study the following graph and answer the questions that follow



- 3.3.1 Identify the type of price elasticity in the diagram above. (1)

- 3.3.2 What is the quantity offered for sale in the graph. (1)
- 3.3.3 Briefly describe the term *price elasticity of supply*. (2)
- 3.3.4 Why is the supply curve shaped vertically? (2)
- 3.3.5 How are relative prices used in the economy? (2 x 2) (4)

3.4 Briefly discuss *total revenue* and *marginal revenue* that are generated by firms. (8)

3.5 How are new potential competitors blocked from entering a monopoly market? (8)

[40]

TOTAL SECTION B: [40]

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK. Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction</p> <p>The introduction is a lower order-response</p> <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not include any part of the introduction in your body. • Avoid saying in the introduction what you are going to discuss in the body. 	<p>Max. 2</p>
<p>Body</p> <p>Main part: Discuss in detail/ In depth discussion/ Examine/ Critically discuss/ Analyse/ Compare/ Evaluate/ Distinguish/Differentiate/ Explain. Additional part: Give 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/ How/ Suggest</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion</p> <p>Any high-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned. • Any opinion or value judgment on the facts discussed. • Additional support information to strengthen the discussion/ analysis. • A contradictory viewpoint with motivation, if required. • Recommendations. 	<p>Max. 2</p>
TOTAL	40

QUESTION 4**40 MINUTES**

- **Discuss the characteristics of a perfect market. (26)**
 - **How is the price determined in a perfect market? (10)**
- [40]**

QUESTION 5**40 MINUTES**

- **Discuss in details the types of price elasticity of demand. (26)**
 - **How can price elasticity of demand be influenced? (10)**
- [40]**

TOTAL MARKS: [100]



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GRADE 11

**ECONOMICS
COMMON TEST
JULY 2021
MARKING GUIDELINE**

MARKS: 100

TIME: 1 ½ HOURS

This marking guideline consists of 14 pages.

Economics (GR11)

2
NSC

JUNE 2021 Marking Guideline

SECTION A

QUESTION 1

1.1 MULTIPLE CHOICE

- 1.1.1 A. (Monopolistic competition) ✓✓
- 1.1.2 B. (short-run.) ✓✓
- 1.1.3 B. (price-takers) ✓✓
- 1.1.4 C. (law of demand.) ✓✓
- 1.1.5 D. (marginal utility.) ✓✓

(5 x 2) (10)

1.2 COLUMN B & COLUMN A.

- 1.2.1 F ✓
- 1.2.2 G ✓
- 1.2.3 E ✓
- 1.2.4 A ✓
- 1.2.5 C ✓
- 1.2.6 B ✓

(6 x 1) (6)

1.3

- 1.3.1 Industry ✓
- 1.3.2 Heterogeneous product ✓
- 1.3.3 Loss ✓
- 1.3.4 Products market ✓

(4 x 1) (4)

TOTAL SECTION A: [20]

SECTION B

Only ONE question to be answered.

QUESTION 2

2.1

2.1.1 Mention any TWO types of utility. (2 x 1)(2)

- Utility of form. ✓
- Utility of time. ✓
- Utility of place. ✓
- Utility of possession. ✓

2.1.2 Why does a firm in a perfect market make normal profit in the long-run? (2)

In the long-run more firms will be attracted by profit and enter the market which will decrease a market price to a point where average revenue is equal to average cost. ✓✓

(Accept any relevant and correct responses)

2.2

2.2.1 What type of goods are beef and pork according to the graphs above? (1)

Substitutes. ✓

2.2.2 How much is the increase in quantity demanded for pork? (1)

10 units. ✓

2.2.3 Briefly describe the term demand. (2)

- Demand is the quantity of goods that consumers are willing and able to buy. ✓✓
- Quantity that is purchased at by consumers at a given price, and at a given time. ✓✓

2.2.4 Explain the impact of an increase in beef price on the pork market. (2)

- It causes an increase in the quantity demanded of pork. ✓✓
- The price for pork ends up increasing as a result of the increase in demand. ✓✓

(Accept any relevant and correct responses)

2.2.5 How does the factor market relate with goods market for beef and pork? (2 x 2)(4)

- Less factors of production such as labour will be required to produce beef as a result of the decrease in demand for beef in the market. ✓✓
- The increase in demand for pork means more factors of production will be needed to increase output. ✓✓

2.3

2.3.1. Name one example of variable costs. (1)

Electricity. ✓

Raw materials. ✓

(Accept any other correct and relevant response)

2.3.2. What is the total cost of producing the forth unit of output? (1)

R 36. ✓

2.3.3. Briefly describe the term fixed cost. (2)

It's the costs of production that remain the same even if the output changes. ✓✓

2.3.4. Explain the impact of producing the third unit of output on average variable cost? (2)

- Average variable cost decreases to its lowest. ✓✓
- The impact is negative, there is a decline in average variable cost. ✓✓

2.3.5. Calculate the value of A. Show all your calculations. (2 x 2)(4)

$$\begin{aligned} \Delta TC \div \Delta Q & \checkmark \\ 28 - 25 \div 2 - 1 & \checkmark \\ 3 \div 1 & \checkmark \\ 3 & \checkmark \end{aligned}$$

2.4 Briefly discuss profit maximisation and survival as objectives of the business. (8)

Profit maximisation:

- It means making as much profit as possible. ✓✓
- Profit is the difference between revenue and the costs of production. ✓✓
- In order to maximise profit, the business must produce at a level where the costs of production are very low and the revenue earned is very high. ✓✓

Survival:

- This refers to the aim for the business to continue operating despite not making profit at the infant stage. ✓✓
- In order for the firm to survive it must be able to deal with:
 - High set up costs. ✓✓
 - Lack of knowledge of the market. ✓✓
 - Strong competition from other firms. ✓✓

(Max x 4) (8)

2.5 How can a firm achieve economies of scale?

- Using modern technology to improve efficiency. ✓✓
 - Buying raw materials in bulk in order to lower the costs of production. ✓✓
 - Using better production methods. ✓✓
 - Improving production organisation. ✓✓
 - Building or buying a larger production plant. ✓✓ (Max 4 x 2) (8)
- (Accept any other correct and relevant response)

[40]

QUESTION 3

3.1

3.1.1 Give TWO examples of SMART goal setting guidelines for the business. (2 x 1) (2)

- Specific ✓
 - Measurable ✓
 - Attainable / Agreed / Achievable ✓
 - Realistic ✓
 - Time specific ✓
- (Accept any other correct and relevant response)

3.1.2. Why is the demand for normal goods have a positive gradient? (2)

The demand for normal goods has a positive gradient because, the demand for normal goods increases with the increase in consumers' income and selling price. ✓
(Accept any relevant and correct responses)

3.2

3.2.1. Mention the amount by which the price has increase in the table. (1)

Average Cost / Average Total Cost. ✓

3.2.2. Give any ONE example of products associated with the above elasticity. (1)

R50. ✓

3.2.3. Briefly describe the term average revenue. (2)

- Average revenue is the income that is generated from selling one. ✓✓
- (Accept any relevant and correct responses)

3.2.4. Why is the demand curve for the individual firm horizontal? (2)

- The firm cannot change the market price, it is set by the industry. ✓✓
- The quantity demanded will increase and decrease at the same price. ✓✓

3.2.5 Calculate the economic loss made by the firm in the above graph.

Show all calculations.

$$\begin{aligned}
 R\ 50 - R\ 65 &= -R\ 15 \checkmark & R65 \times 100 &= R6500 \checkmark \\
 -R15 \checkmark \times 100 \checkmark & & R50 \times 100 &= R5000 \square \\
 = -R1500 \checkmark & \text{OR} & R5000 - R6500 \checkmark & \\
 = -R1500 \checkmark & & & (2 \times 2) (4)
 \end{aligned}$$

3.3

3.3.1 Identify the type of price elasticity in the diagram above. (1)

Price elasticity of supply. ✓

3.3.2 What is the quantity offered for sale in the graph. (1)

20. ✓

3.3.3 Briefly describe the term price elasticity of supply. (2)

Price elasticity of supply is the responsiveness of quantity supplied, as a result of a change in price. ✓✓

(Accept any relevant and correct responses)

3.3.4 Why is the supply curve shaped vertically? (2)

- Quantities offered for sale remain constant. ✓✓
- No matter how prices can change, the quantity supplied is unresponsive. ✓✓

3.3.5 How are relative prices used in the economy (2 x 2) (4)

- They show inflation, economic growth and economic development in a country. ✓✓
- Economist can use them to assess the performance of the economy. ✓✓
- Government and the Reserve Bank can use to decide on the correct fiscal and monetary policies to implement. ✓✓

(Accept any relevant and correct responses)

3.4 Briefly discuss total revenue and marginal revenue that are generated by firms. (8)

Total revenue

- Aggregate receipts a firm can obtain from selling goods and services to the buyers. ✓✓
- Total revenue is calculated by Price x Quantity. ✓

- The total revenue rises as quantity offered for sale increases. ✓✓

Marginal revenue

- The additional revenue that is earned from selling one extra unit. ✓✓
- Marginal revenue is calculated by Change in Total Revenue ÷ Change in quantity. ✓✓
- As long as marginal revenue is positive, it is worthwhile selling an additional unit as total revenue can be increased. ✓✓

3.5 How are new potential competitors blocked from entering a monopoly? (8)

- Natural obstacles: such as the sole ownership of natural resources, no other firm can have access to them. ✓✓
- Start-up costs: extremely high start-up costs, prevent other firms to participate in the market. ✓✓
- Patent rights: that give the inventor the exclusive rights to be the only specific product manufacturer, for as long as the patent rights are valid. ✓✓
- Economies of scale advantages: that give benefits to a large existing company, with which small companies cannot compete. ✓✓
- Licensing: can be used by government to restrict entry into a certain industry, etc. ✓✓

(Accept any relevant and correct responses)

[40]

TOTAL SECTION B: [40]

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK. Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

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<p>Introduction The introduction is a lower order-response</p> <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not include any part of the introduction in your body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body Main part: Discuss in detail/ In depth discussion/ Examine/ Critically discuss/ Analyse/ Compare/ Evaluate/ Distinguish/Differentiate/ Explain. Additional part: Give 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/ How/ Suggest</p>	Max. 26
<p>Conclusion Any high-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned. • Any opinion or value judgment on the facts discussed. • Additional support information to strengthen the discussion/ analysis. • A contradictory viewpoint with motivation, if required. • Recommendations. 	Max. 10
TOTAL	40

QUESTION 4 **40 MINUTES** **[40]**

Discuss the characteristics of a perfect market. **(26)**

How is the price determined in a perfect market? **(10)**

INTRODUCTION

A perfect competition is a market structure with a large number of buyers and sellers. ✓✓
(Accept any other relevant introduction) (Max 2)

MAIN PART

Products must be homogenous (i.e. identical) ✓

- Products must be identical. There should be no differences in style, design and quality. ✓✓
- In this way products compete solely on the basis of price and can be purchased anywhere. ✓✓

There should be a large number of buyers and sellers □

- It should not be possible for one buyer or seller to influence the price. ✓✓
- When there are many sellers the share of each seller in the market is so small that the seller cannot influence the price. ✓✓
- Sellers are price takers, they accept the prevailing market price. If they increase prices above the market price, they will lose customers. ✓✓

No preferential treatment/discrimination ✓

- Collusion occurs when buyers and sellers make an agreement to limit competition. In a perfect market no collusion takes place. ✓✓
- Buyers and sellers base their actions solely on price, homogenous products fetch the same price and therefore no preference is shown for buying from or selling to any particular person. ✓✓

Free competition ✓

- Buyers must be free to buy whatever they want from any firm and in any quantity.
- Sellers must be free to sell what, how much and where they wish. ✓✓
- There should be no State interference and no price control. ✓✓
- Buyers should not form groups to obtain lower prices, nor should sellers combine to enforce higher prices. ✓✓

Efficient transport and communication □

- Efficient transport ensures that products are made available everywhere. ✓✓
- In this way changes in demand and supply in one part of the market will influence the price in the entire market. ✓✓
- Efficient communication keeps buyers and sellers informed about market conditions. ✓✓

All participants must have perfect knowledge of market conditions □

- All buyers and sellers must be fully aware of what is happening in any part of the market. ✓
- Technology has increased competition as information is easily obtained via the internet. ✓

Free access to and from markets □

- Producers may enter and leave a market with little interference. □□
- Entering and leaving a perfect market is easy as less capital is required and there are fewer legal restrictions. ✓✓

The factors of production are completely mobile ✓

- They can move freely between markets. ✓✓ (Max 26)

Additional part

- The price in a perfect market is determined by the intersection of demand and supply. ✓✓
- The individual firm can't charge a price higher than the prevailing market price because it will lose customers to its competitors. ✓✓
- It also can't charge a price that's less than the market price because it will make less profit or even a loss. ✓✓
- The firm ends up having to charge the market price, it's a price taker. ✓✓
- It can only increase its profit by selling more units. □□ (Max 10)

(Accept any relevant and correct responses)

Conclusion

In reality there are very few markets that come close to meeting the conditions of a perfect market. These include stock market, foreign exchange markets, and agricultural market. ✓✓
(Accept any suitable and correct conclusion)

QUESTION 5

- **Discuss in details the types of price elasticity of demand. (26)**
- **How can price elasticity of demand be influenced? (10)**

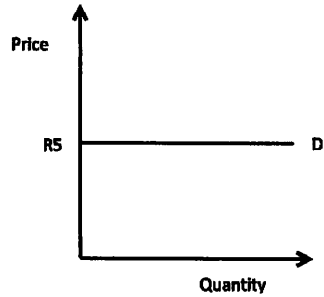
Introduction

Price elasticity of demand is a measure of how responsive demanded is to a change in price. ✓✓ (Max 2)

(Accept any suitable and relevant introduction)

Body (Main part)

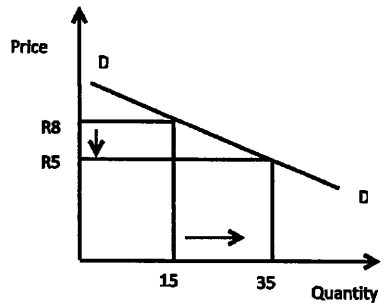
Perfectly elastic demand ✓



1 Mark – Movement of P
1 Mark – Labelling of axis

- The price of the product may stay the same, but the quantity demanded varies to an infinite amount. ✓✓
- Value of the PED is more than one to infinity. ✓✓
- Demand is exceptionally responsive to the change in price. ✓✓

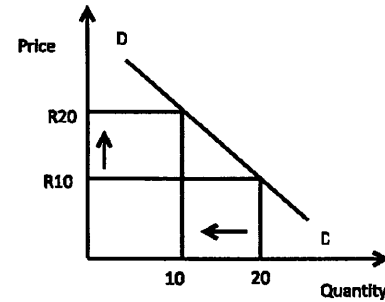
Relatively elastic demand / Elastic demand ✓



1 Mark – Movement of P
1 Mark – Labelling of axis

- Consumers are very sensitive to a change in price, and there is a large reaction. ✓✓
- Percentage change in quantity demanded is greater than percentage change in price. ✓✓
- The value of the PED is greater than one, but less than infinity. ✓✓

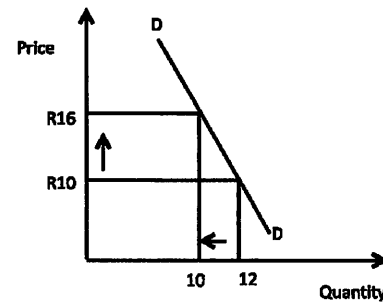
Unitary elastic demand ✓



1 Mark – Movement of P
1 Mark – Labelling of axis

- The percentage change in price is exactly equal to the percentage change in quantity demanded. ✓✓
- The value of the PED is one (not more and not less). ✓✓
- Sellers need to increase their supply to make more revenue. ✓✓

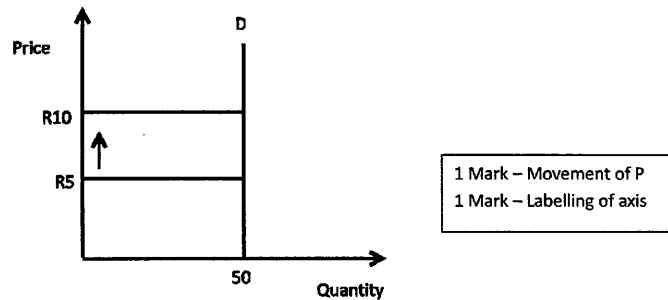
Relatively inelastic demand / Inelastic demand ✓



1 Mark – Movement of P
1 Mark – Labelling of axis

- Consumers only react slightly, so there is a small change in quantity demanded for a larger change in price. ✓✓
- The value of the PED is less than one, but more zero. ✓✓
- Demand is very unresponsive to a change price, to improve revenue, sellers can raise the market price. ✓✓

Perfectly inelastic demand ✓



- Consumers are not sensitive to a change in price. ✓✓
 - The value of the PED is zero and demand is entirely unresponsive to price changes. ✓✓
 - To improve revenue, prices have to be increased by sellers ✓✓ (Max 26)
- (Accept any relevant and correct responses)

How can price elasticity of demand be influenced? (10)

Price elasticity of demand can be influenced by the following factors:

- **Habit – forming products and service:** products such as coffee and cigarette make people develop a habit for them and that causes demand for these goods to be inelastic. ✓✓
- **The proportion of income spent on the product:** products that take up a small proportion of consumers' income make consumers not to regard any changes in their price and as a result the demand for these goods will be inelastic. If a product costs a large part of consumers' income, then changes in price makes consumers respond by buying less or more of that product. The demand for these products is therefore elastic. ✓✓
- **Availability of substitute products:** goods that have substitutes make consumers to easily change to another cheaper product when there's an increase in price. This makes the demand for these goods to be elastic. If the product has no substitute, then consumers will continue buying it regardless of the changes in price. This makes the demand to be inelastic. ✓✓

- **Time:** If consumers have unlimited time available to shop around for better prices, then changes in price will cause the demand to be elastic. □□
 - **Luxuries and necessities:** luxury goods are goods that people can live without. So changes in their price make consumers to respond positively or negatively and as a result their demand is elastic. Necessities are goods that people need on daily basis and changes in their price has no effect on the demand. So they have a price inelastic demand. ✓✓
 - **Brand loyalty and advertising:** make the demand for goods and services to be more price inelastic because when consumers are loyal to certain brands, they tend to buy same quantities at whatever prices ✓✓ (Max 10)
- (Accept any relevant and correct responses)

Conclusion

Price elasticity of demand is one of the tools that producers use to decide whether or not to increase prices. ✓✓ (Max 2)

(Answer any suitable and correct conclusion)

[40]

TOTAL MARKS: [100]