



# PROVINCIAL EXAMINATION

**JUNE 2023**

**GRADE 11**

**ECONOMICS**

**PAPER 2**

**TIME: 2 hours**

**MARKS: 150**

**15 pages**



**INSTRUCTIONS AND INFORMATION**

1. Answer THREE questions as follows in the ANSWER BOOK:  
SECTION A: COMPULSORY  
SECTION B: Answer any TWO of the three questions.  
SECTION C: Answer only ONE of the two questions.
2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 1 – 2 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable calculator.
11. Write neatly and legibly.



**SECTION A (COMPULSORY)****QUESTION 1****30 MARKS – 20 MINUTE**

1.1 Four options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A – D) next to the question number (1.1.1 to 1.1.8) in the ANSWER BOOK, for example 1.1.9 E.

1.1.1 A perfect market firm should consider liquidation when:

- A MR=MC
- B TR=TC
- C MR=ATC
- D MR=AVC

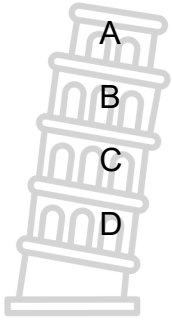
1.1.2 A business will combine a specific quantity of fixed inputs with a quantity of ...

- A total variable costs.
- B variable inputs.
- C total fixed costs.
- D average variable costs.

1.1.3 If the bank charges of Capitec bank increase, potentially, the demand for FNB products will ...

- A increase.
- B decrease.
- C stay the same.
- D stop.

1.1.4 The top segment of an oligopoly is ...



- A relatively inelastic.
- B perfectly elastic.
- C relatively elastic.
- D downward sloping.

1.1.5 Production and employment decisions by firms are determined by the ... position.

- A profit maximisation
- B marginal revenue
- C average total cost
- D marginal profit



1.1.6 World oil supplies are mostly controlled by the:



- A World Health Organisation (WHO)
- B United Nations (UN)
- C Organisation of Petroleum Export Countries (OPEC)
- D World Petroleum Council (WPC)

1.1.7 ... tend/s to be more elastic in the long run than in the short run.

- A Substitutes
- B Time periods
- C Uniqueness
- D Urgency

1.1.8 The cost of production plays an important role in achieving ...

- A economic profit.
- B marginal product.
- C factors of production.
- D business objectives.



(8 x 2) (16)

- 1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – I) next to the question number (1.2.1 to 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Economies of scale	A Products sold in a perfect market and pure oligopoly
1.2.2 Marginal revenue	B Shows the firms lowest cost per unit at each level of output
1.2.3 Duopoly	C Cost reductions that occur when firms increase production
1.2.4 Market forces	D Additional receipts earned for every additional unit sold
1.2.5 Cost curves	E Market structure dominated by two firms
1.2.6 Accounting profit	F Factors that determine the allocation of scarce resources
1.2.7 Homogeneous	G The difference between total revenue and total costs
1.2.8 Long run average cost	H The relationship between cost of production and total quantity produced
	I Actual cost of producing a good

(8 x 1)

(8)



1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 Refers to the number of customers to which the business has access

1.3.2 A situation where the monopolistic competitor's total costs are equal to its total revenue

1.3.3 A cost that will change according to the level of production

1.3.4 Exists if a given percentage increase in input gives rise to a proportionally larger increase in output

1.3.5 The amount of satisfaction that a consumer receives from the use of a good or service

1.3.6 The percentage change in the quantity supplied is exactly equal to the percentage change in the price

(6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

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

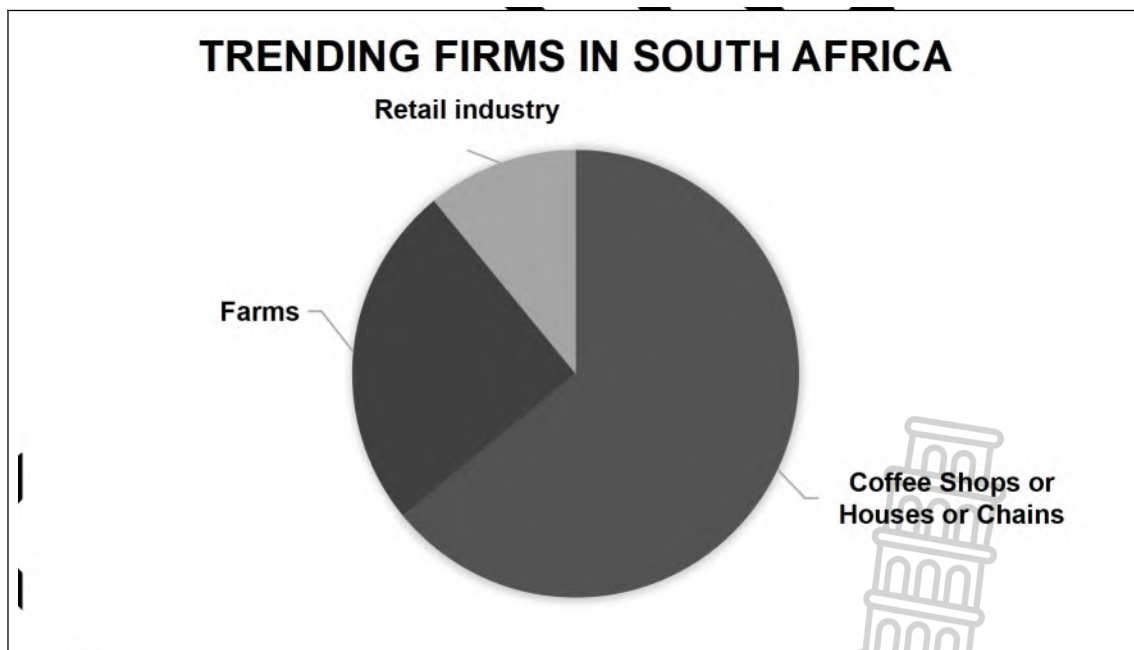
**QUESTION 2: MICROECONOMICS****40 MARKS – 30 MINUTE**

2.1 Answer the following questions.

2.1.1 Name any TWO factors that influence price elasticity of supply. (2) (2)

2.1.2 How would a firm benefit from considering the price elasticity of demand before changing prices? (1) (2)

2.2 Study the diagram below and answer the questions that follow.



[Source: Google images]

2.2.1 Identify the business with low start-up costs. (1)

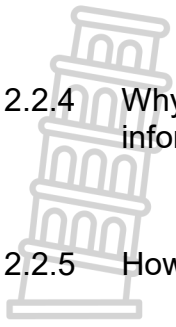
2.2.2 Which market structure has negligible power over prices that are determined by the markets? (1)

2.2.3 Briefly describe the term *hybrid structure*. (2)

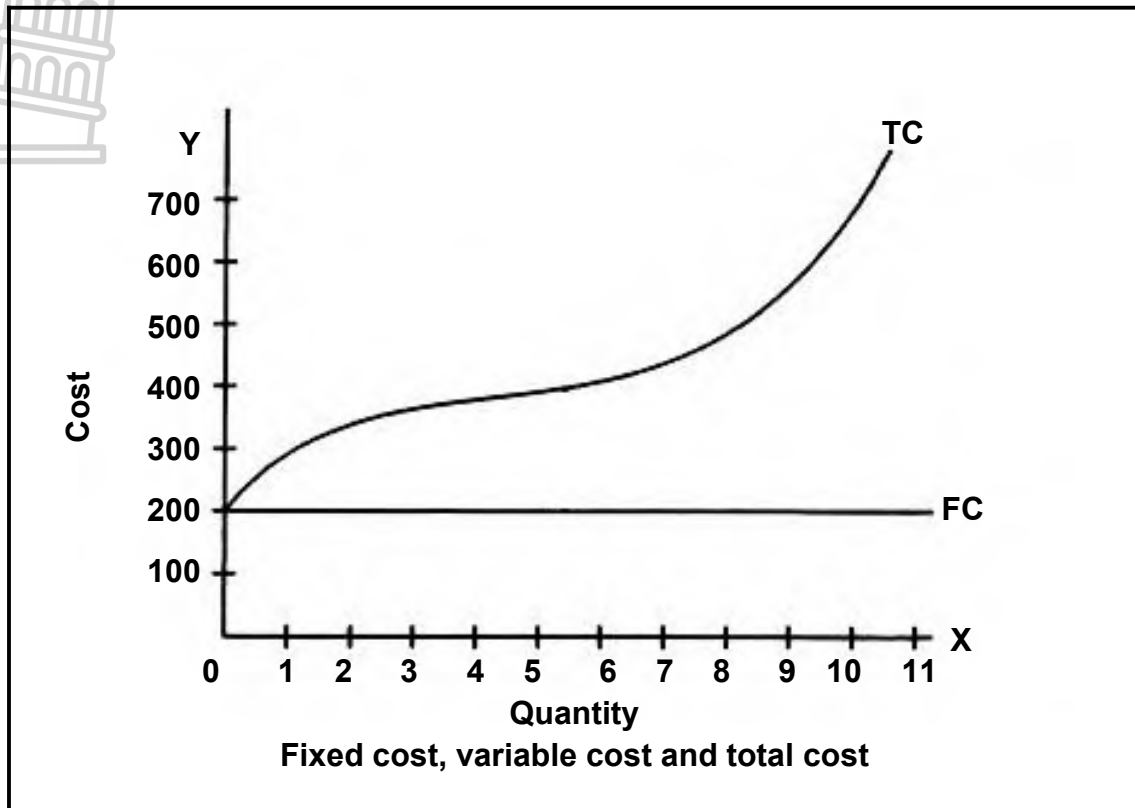


2.2.4 Why do monopolistic firms use different approaches to communicate information to consumers? (2)

2.2.5 How is efficiency possible in the monopolistic market structure? (2 x (4))



2.3 Study the graph below and answer the questions that follow.

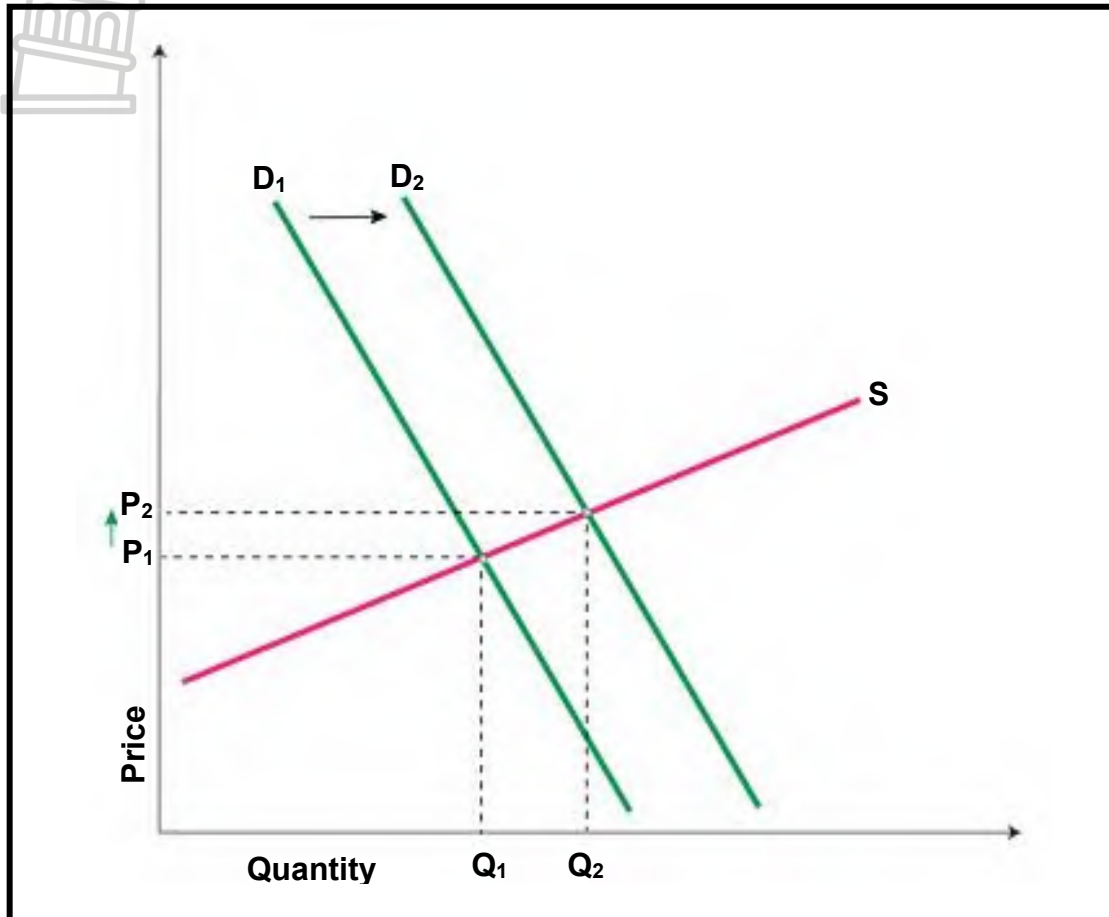


- 2.3.1 Identify the total amount of fixed costs in the graph. (1)
- 2.3.2 Provide the formula to calculate total cost. (1)
- 2.3.3 Briefly describe the term *total variable costs*. (2)
- 2.3.4 Why is the line FC a horizontal line? (2)
- 2.3.5 The price of the product sold in the above graph is R100. What would the profit/loss of producing NO products be? Show ALL calculations. (2 x (4))

2.4 Briefly explain elastic supply using the graph below.

(4 x 2)

(8)



2.5 How does loadshedding impact on extended services as a strategy of non-price competition of oligopoly?

(8)

[40]



## QUESTION 3: MICROECONOMICS

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO types of supply elasticity. (2 x 1 = 2)

3.1.2 What is the ultimate purpose of setting SMART objectives for businesses? (1 x 2 = 2)

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



(Source: Google Images 2022)

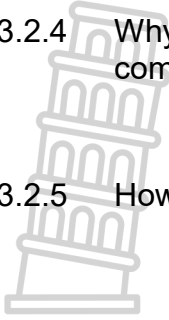
3.2.1 Which illegal activity is depicted in the cartoon above? (1)

3.2.2 Name the type of profit made by oligopolies in the market. (1)

3.2.3 Briefly describe the term *cartel*. (2)

3.2.4 Why is it more beneficial for firms to collude instead of engaging in competition? (2)

3.2.5 How does government protect consumers from oligopolies? (2 x 2) (4)



- 3.3 Study the information below and answer the questions that follow.

#### HOW THE PETROL PRICE HAS CHANGED IN SOUTH AFRICA IN 2022



South Africans with petrol vehicles are now paying R3,85 (19,6%) more for a litre of petrol, while diesel motorists are spending a significant R6,68 (38,7%) more for a litre since the start of the year when the price of 95 octane petrol was R19,61 and diesel was R17,24.

[Source: <https://businesstech.co.za/news/energy/649709/how-much-the-petrol-price-has-changed-in-south-africa-in-2022/>]

- 3.3.1 On what level is the fuel tank in the picture above? (1)
- 3.3.2 Name any ONE factor that determines the absolute price of a good. (1)
- 3.3.3 Briefly describe the term *relative prices*. (2)
- 3.3.4 What will happen to the revenue of the fuel supplier if the price of fuel increases? (2)
- 3.3.5 Why is it not possible for South African consumers to adjust their use of fuel in the short term? (2) (4)

- 3.4 Briefly discuss the relationship between product and factor markets. (4 x 2) (8)
- 3.5 How do natural disasters influence price elasticity of supply? (8)

**[40]**

**QUESTION 4: MICROECONOMICS****40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO examples of fixed costs. (2 x (2))

4.1.2 What impact would an increase in the price of maize have on the supply of maize? (1 x 2) (2)

4.2 Study the information below and answer the questions that follow.

**SMART PRINCIPLE**

1. The business must become the most profitable business within five years.
2. The business must be capable of generating the required profit.
3. There will be many stakeholders who are people with an interest in the success of the business.
4. To reach its specific goal, the business must make a profit of R1 million every month.

[Source: Focus Economics Grade 11; page 137]

4.2.1 Which statement describes time specific as a SMART principle? Write down ONLY the number of the statement from the information above, for example 4.2.1 STATEMENT 5. (1)

4.2.2 What is the objective of a firm in a market economy? (1)

4.2.3 Briefly describe the term *revenue*. (2)

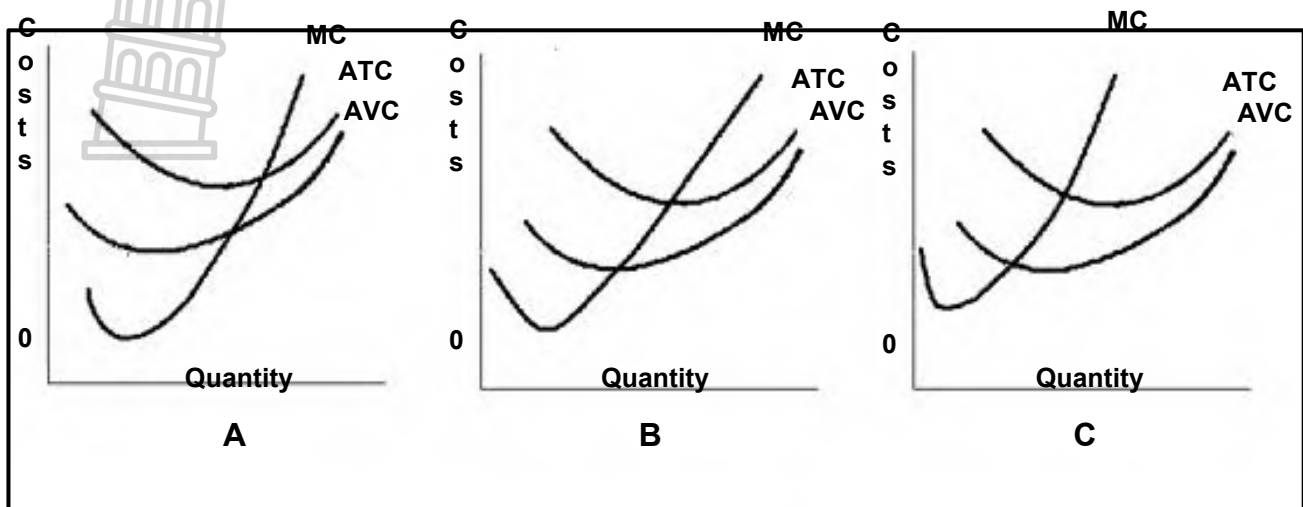
4.2.4 Explain the role of a measurable variable as an objective of a business. (2)

4.2.5 Why does a firm prefer sales revenue maximisation rather than profit maximisation? (2 x 2) (4)





4.3 Study the graph below and answer the questions that follow.



4.3.1 Identify the cost curve linked to the shutdown point. (1)

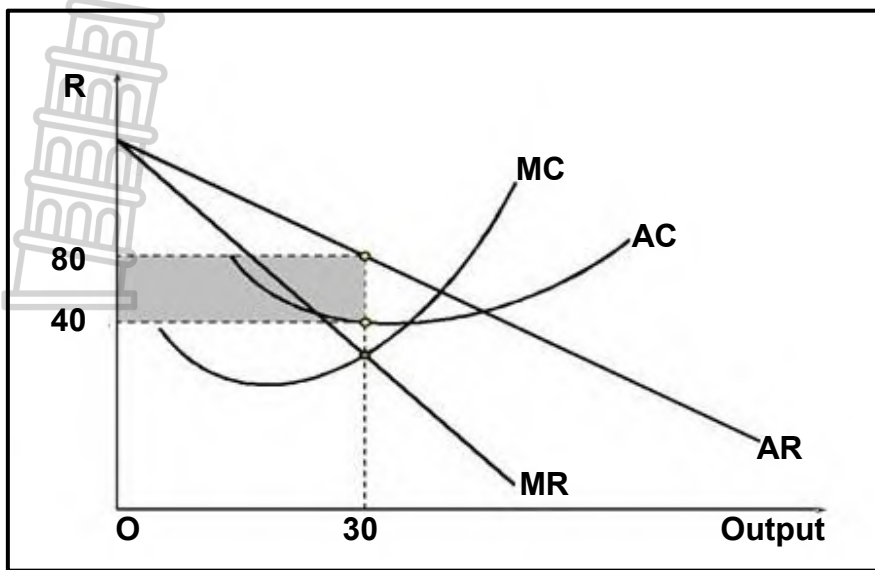
4.3.2 Which of the graphs above is correctly drawn? (1)

4.3.3 Briefly describe the term *long run costs*. (2)

4.3.4 Why do economists plot the graph of the MC at the midpoints? (2)

4.3.5 How is the law of diminishing marginal returns related to the shape of the short-run marginal cost curve? (2 x 2) (4)

4.4 Using the graph below, discuss in detail the economic profit of a monopoly. (4 x 2) (8)



4.5 Analyse the effect of tax on price elasticity.

(8)

[40]

**TOTAL SECTION B: 80**



## SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p><b>Introduction</b> The introduction is a low-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to define or explain a concept or key word that appears in the question.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<p><b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/ Explain/Assess/Use the graph given and explain/Complete the graph given/Debate <b>A maximum of 8 marks can be awarded for headings/examples.</b></p> <p><b>Additional part:</b> Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Calculate/Deduce/Compare/Distinguish/Interpret/ Briefly explain/How?/Suggest/Draw a graph <b>A maximum of 2 marks can be awarded for merely listing of facts.</b></p>	Max. 26  Max. 10
<p><b>Conclusion</b> Any higher-order conclusion must include the following:</p> <ul style="list-style-type: none"> <li>• The conclusion is a wrap-up of the discussion of the topic without repetition of facts already mentioned</li> <li>• The conclusion can take the form of an own opinion or value judgement with examples to support your discussion</li> <li>• Additional information that strengthens your discussion/analysis</li> <li>• The conclusion can take a contradictory viewpoint with motivation, if requested</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

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

- Discuss, in detail, the demand and supply relationship with the aid of graphs (substitutes and complements). (26 marks)
- Examine the importance of complementary goods in the economy. (10 marks) **[40]**

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

- Discuss the price elasticity of demand (PED) without the aid of graphs. (26 marks)
- Evaluate how a monopolistic enterprise like Eskom can benefit from using the price elasticity of demand for their product. (10 marks) **[40]**

**TOTAL SECTION C: 40****TOTAL: 150**



**GAUTENG PROVINCE**  
EDUCATION  
REPUBLIC OF SOUTH AFRICA

**PROVINCIAL EXAMINATION**  
**JUNE 2023**  
**GRADE 11**  
**MARKING GUIDELINES**

**ECONOMICS (PAPER 2)**

**18 pages**



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

1.1.1 D – MR=AVC ✓✓

1.1.2 B – variable inputs ✓✓

1.1.3 A – increase ✓✓

1.1.4 C – relatively elastic ✓✓

1.1.5 A – profit maximisation ✓✓

1.1.6 C – Organisation of Petroleum Export Countries (OPEC) ✓✓

1.1.7 B – Time periods ✓✓

1.1.8 D – business objectives ✓✓

(8 x 2) (16)

**1.2 MATCHING ITEMS**

1.2.1 C – Cost reductions that occur when firms increase production ✓

1.2.2 D – Additional receipts earned for every additional unit sold ✓

1.2.3 E – Market structure dominated by two firms ✓

1.2.4 F – Factors that determine the allocation of scarce resources ✓

1.2.5 H – The relationship between cost of production and total quantity produced ✓

1.2.6 G – The difference between total revenue and total costs ✓

1.2.7 A – Products sold in a perfect market and pure oligopoly ✓

1.2.8 B – Shows the firms lowest cost per unit at each level of output ✓

(8 x 1) (8)

1.3 **GIVE A TERM**

1.3.1 Market share/target market/market size ✓

1.3.2 Normal profit ✓

1.3.3 Variable cost ✓

1.3.4 Increasing returns to scale ✓

1.3.5 Utility ✓

1.3.6 Unitary elastic supply ✓

(6 x 1) (6)

**TOTAL SECTION A: 30**





**SECTION B**

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

**QUESTION 2: MICROECONOMICS****2.1 Answer the following question.****2.1.1 Name any TWO factors that influence of price elasticity of supply.**

- The level of employment ✓
- The ability to store the good ✓
- Time ✓
- The industrial nature of the goods ✓

(Accept any other correct relevant response.)

(2 x 1) (2)

**2.1.2 How would a firm benefit from considering the price elasticity of demand before changing prices?**

- Business will benefit from potentially maximising profits without the risk of overcharging consumers and therefore losing them. ✓✓

(Accept any other correct relevant response.)

(1 x 2) (2)

**2.2 DATA RESPONSE****2.2.1 Identify the business with low start-up costs.**

- Coffee business ✓

(1)

**2.2.2 Which market structure has negligible power over prices that are determined by the markets?**

- Perfect market ✓

(1)

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

- It is a combination of imperfect markets and perfect markets. ✓✓
- (Accept any other correct relevant response.)

(2)

**2.2.4 Why do monopolistic firms use different approaches to communicate information to consumers?**

- To increase their market share. ✓✓

(2)



2.2.5 **How is efficiency possible in the monopolistic market structure?**

- Faced with a lower average cost curve, the firm can beat competition on price – lower than that of the monopolist. ✓✓
- Firms in a monopolistic market choose technologies and technical processes which are cost-efficient to allow expanding the production set of the firm at the respective level of factor usage. ✓✓

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

2.3 **DATA RESPONSE**

2.3.1 **Identify the total amount of fixed costs in the graph.**

- 200 ✓ (1)

2.3.2 **Provide the formula to calculate total cost.**

- $TC=FC+VC$  ✓ (1)

2.3.3 **Briefly describe the term *total variable costs*.**

- Costs that change as output changes. ✓✓  
(Accept any other correct relevant response.) (2)

2.3.4 **Why is the line FC a horizontal line?**

- Because fixed costs remain the same no matter the quantity produced. ✓✓  
(Accept any other correct relevant response.) (2)

2.3.5 **The price of the product sold in the above graph is R100. What would the profit/loss of producing NO products be? Show ALL calculations.**

Profit/Loss = total revenue – total cost

or

= (price x quantity) – (total fixed cost + total variable cost)

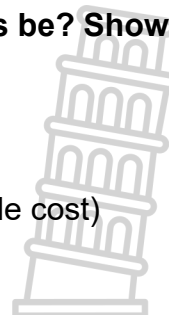
= (100 x 0) – (200 + 0) ✓✓

or

= 0 – 200 ✓✓

= -R200 ✓ (loss) ✓

(2 x 2) (4)





2.4 **Briefly explain elastic supply using the graph below.**

- When supply is elastic, then the percentage change in quantity exceeds the percentage change in price. ✓✓
- A change in price causes a bigger proportional change in supply. ✓✓
- When price increases from P1 to P2, quantity demanded will increase from Q1 to Q2.
- Demand curve (D1 to D2) – right shift along the supply side when price increases. ✓✓
- In the long run, supply will be more elastic because capital can be varied. ✓✓
- For example, elastic supply is the supply of non-necessity goods such as soft drinks where there are many substitutes and choices. ✓✓

(Accept any other correct relevant response.)

(Maximum of 2 marks for mere listing and examples.)

(4 x 2) (8)

2.5 **How does loadshedding impact extended services as a strategy of non-price competition of oligopoly?**

- Profit will decline as firms close early due to loadshedding. ✓✓
- Consumers will face network problems when purchasing online which will decrease sales. ✓✓
- Increased costs in alternative power supplies which reduce working hours. ✓✓
- Consumers will find alternative shops/malls with back-up power to spend their disposable income. ✓✓
- Firms may use the loadshedding app/schedule to intensify their services. ✓✓

(Accept any other correct relevant response.)

(Maximum of 2 marks for mere listing and examples.)

(8)  
[40]



**QUESTION 3: MICROECONOMICS**

3.1 Answer the following questions.

3.1.1 Name any **TWO** types of supply elasticity.

- Perfect elastic ✓
- Relative elastic ✓
- Unit elastic ✓
- Relative inelasticity ✓
- Perfect inelastic ✓

(Accept any other correct relevant response.)

(2 x 1) (2)

3.1.2 What is the ultimate purpose of setting **SMART** objectives of business?

- The ultimate purpose of setting SMART objectives is to clarify ideas, focusing time, resources, and efforts in a more productive manner. ✓✓

(Accept any other correct relevant response.)

(1 x 2) (2)

3.2 **DATA RESPONSE**

3.2.1 Which illegal activity is depicted in the cartoon above?

- Price fixing/Collusion ✓

(1)

3.2.2 Name the type of profit made by oligopolies in the market.

- Economic profit ✓

(1)

3.2.3 Briefly describe the term *cartel*.

- When two or more firms agree formally on influencing market prices to maximise their profits and market share. ✓✓

(Accept any other correct relevant response.)

(2)

3.2.4 Why is it more beneficial for firms to collude instead of engaging in competition?

- Profit is maximised under a colluding environment – when other firms are involved, there is less effort required in protecting market share. ✓✓

(Accept any other correct relevant response.)

(2)



3.2.5 **How does government protect consumers from oligopolies?**

- By incentivising new companies, by providing tax relief, special grants etc. ✓✓
- Price ceilings can be implemented to limit how high prices in an oligopoly are set. ✓✓
- Imposing strict penalties for the breaching of antitrust laws can deter firms from excessive price manipulation. ✓✓

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

3.3 **DATA RESPONSE**

3.3.1 **On what level is the fuel tank in the picture above?**

- Empty ✓ (1)

3.3.2 **Name any ONE factor that determines the absolute price of a good.**

- Income ✓
- Competition in the market ✓
- Demand of the product ✓

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

3.3.3 **Briefly describe the term *relative prices*.**

- The ratio of the price of a specific product in one period to the price of the same product in some other period. ✓✓

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

3.3.4 **What will happen to the revenue of the fuel supplier if the price of fuel increases?**

- Revenue will decrease as fewer consumers will purchase at higher prices. ✓✓

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

3.3.5 **Why is it not possible for South African consumers to adjust their use of fuel in the short term?**

- South Africans' short term demand for petrol is relatively inelastic – short-term demand for fuel because of a lack of alternative transport systems. ✓✓
- As well as unreliable transport services due to strikes for wages or retrenchment. ✓✓

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

3.4 **Briefly discuss the relationship between the product and factor markets.**

- Factors of production are sold on the factor market, whilst products are sold on the goods market. ✓✓
- Without the factors of production, goods and services cannot be produced. ✓✓
- As the cost of the factors of production increase, so too will the price of products. ✓✓
- Shortages in the factor market will result in shortages in the goods market. ✓✓
- The product market is highly dependent on the factor market. ✓✓
- Any changes in the factor market will result in an influence in the goods market. ✓✓

(Accept any other correct relevant response.)

(Max 4 marks for discussion of product and/or factor markets.)

(4 x 2) (8)

3.5 **How do natural disasters influence price elasticity of supply?**

- The higher demand inevitably triggers price increases as availability decreases. ✓✓
- Production costs will increase which results in retrenchment of workers and lower supply and higher demand of the product. ✓✓
- Natural disasters may lead to the formation of black markets in the economy. ✓✓
- It will decrease the supply to international markets which will result in products being cancelled, delayed or looted. ✓✓
- Unemployment in the tertiary sector will increase as fewer companies will be supplying products. ✓✓

(Accept any other correct relevant response.)

(8)  
**[40]**



**QUESTION 4: MICROECONOMICS**

4.1 Answer the following questions.

4.1.1 Name any **TWO** examples of fixed costs.

- Rent ✓
- Insurance ✓
- Loan payments ✓

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

4.1.2 What impact would an increase in the price of maize have on the supply of maize?

- The supply would increase as producers are willing to maximise profits. ✓✓

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

4.2 **DATA RESPONSE**

4.2.1 Which statement describes time specific as a SMART principle? Write down only the number of the statement from the information above, for example 4.2.1 STATEMENT 5.

- Statement 1 or 1 ✓ (1)

4.2.2 What is the objective of a firm in a market economy?

- To maximise its profits. ✓ (1)

4.2.3 Briefly describe the term *revenue*.

- The income earned by a business from the sale of goods and services. ✓✓

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

4.2.4 Explain the role of a measurable variable as an objective of a business.

- It must be possible to test or measure whether the goal has been reached. ✓✓

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

4.2.5 Why does a firm prefer sales revenue maximisation rather than profit maximisation?

- It may be difficult to identify the cost to cut since all costs may be essential in the production process. ✓✓
- Firms will concentrate on maximising the company's revenue to maximise their returns. ✓✓

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

## 4.3 DATA RESPONSE

## 4.3.1 Identify the cost curve linked to the shutdown point.

- Average Variable Cost/AVC ✓✓ (1)

## 4.3.2 Which of the graphs above is correctly drawn?

- B ✓ (1)

4.3.3 Briefly describe the term *long run costs*.

- It is the period in which all factors of manufacturing and costs are variable. ✓✓  
(Accept any other correct relevant response.) (2)

## 4.3.4 Why do economists plot the graph of the MC at the midpoints?

- It is the equilibrium quantity and firms do not want to deviate from the point of equilibrium. ✓✓  
(Accept any other correct relevant response.) (2)

## 4.3.5 How is the law of diminishing marginal returns related to the shape of the short-run marginal cost curve?

- Beyond some point, the MP decreases as more of a variable factor is added to a fixed factor of production. ✓✓
- As production increases, diminishing marginal returns for the variable production factors mean that each additional unit of output will require more of the variable factors, so marginal costs go up when diminishing returns set in. ✓✓  
(Accept any other correct relevant response.) (2 x 2) (4)

## 4.4 Using the graph below, discuss in detail the economic profit of a monopoly.

- A monopoly makes economic profit in the short and long run. ✓✓
- The level of output that maximises a monopoly's profit is when the marginal cost equals the marginal revenue. ✓✓
- Average revenue is above the average cost which indicates economic profit (shaded area). ✓✓
- R80 represents revenue made by the firm and R40 represents costs that should be covered by the firm. ✓✓
- Profit maximisation will be determined at MC=MR. ✓✓  
(Accept any other correct relevant response.) (4 x 2) (8)



4.5 **Analyse the effect of tax on price elasticity.**

- If demand is inelastic, a higher tax will cause only a small fall in demand. ✓✓
- Placing a tax on a good shifts the supply curve to the left. ✓✓
- When demand is inelastic, governments will see a significant increase in their tax revenue. ✓✓
- The consumer will be paying the tax in cases where the supply is more elastic than the demand. ✓✓
- The producer's burden is the decline in revenue due to taxes, as fewer consumers will purchase goods and services.
- Luxury items will develop a more inelastic demand as these items will not be required by consumers. ✓✓

(Accept any other correct relevant response.)

(Maximum of 2 marks for mere listing of examples.)

(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:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p><b>Introduction</b> The introduction is a low-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to define or explain a concept or key word that appears in the question.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<p><b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/ Explain/Assess/Use the graph given and explain/Complete the graph given/Debate <b>A maximum of 8 marks can be awarded for headings/examples.</b></p> <p><b>Additional part:</b> Give own opinion/Critically discuss/Evaluate/ Critically evaluate/Calculate/Deduce/Compare/Distinguish/ Interpret/ Briefly explain/How?/Suggest/Draw a graph <b>A maximum of 2 marks can be awarded for merely listing facts.</b></p>	Max. 26  Max. 10
<p><b>Conclusion</b> Any higher order conclusion must include the following:</p> <ul style="list-style-type: none"> <li>• The conclusion is a wrap-up of the discussion of the topic without repetition of facts already mentioned</li> <li>• The conclusion can take the form of an own opinion or value judgement with examples to support your discussion</li> <li>• Additional information that strengthens your discussion/analysis</li> <li>• The conclusion can take a contradictory viewpoint with motivation, if requested</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5: MICROECONOMICS**

- Discuss, in detail, the demand and supply relationship with the aid of graphs (substitutes and complements). (26 marks)
- Examine the importance of complementary goods in the economy. (10 marks)

**INTRODUCTION**

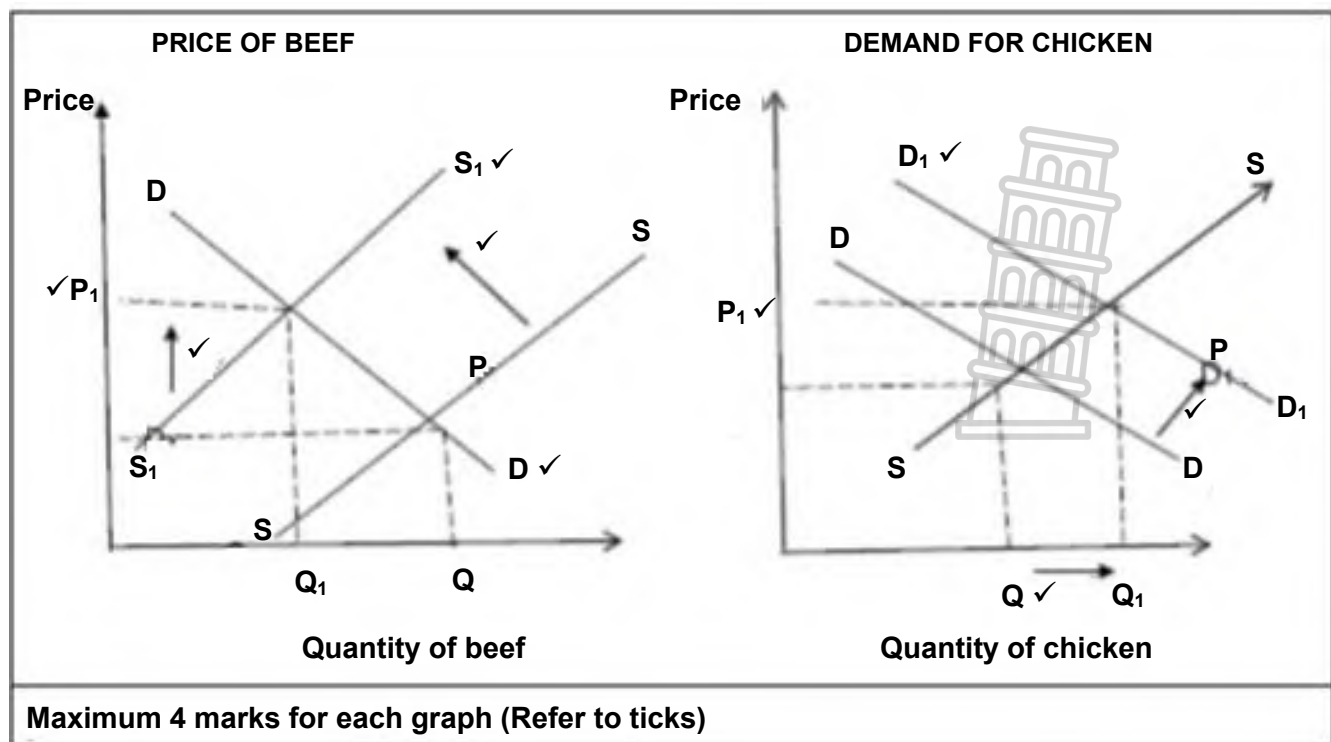
A demand relationship occurs when two or more goods and services are demanded at the same time, due to the fact that they can be used together. ✓✓ (Max. 2)  
(Accept any other correct relevant introduction.)

**BODY: MAIN PART**

- The main difference between a substitute and a complement is that substitute goods are consumed in place of each other, whereas complements are consumed together. ✓✓
- If the cross-price elasticity of demand of the two goods is positive, then the goods are substitutes. On the other hand, if the cross-price elasticity of the two goods is negative, then the goods are complements. ✓✓

**Substitutes**

- A substitute product is a product that is used in place of another product.
- Some products have specific relationships that will affect demand.
- Example: If you want to buy beef but it is too expensive, you tend to buy a cheaper alternative, e.g. chicken. In this instance, chicken is the substitute product.



**EXPLANATION OF THE GRAPH****Price of beef**

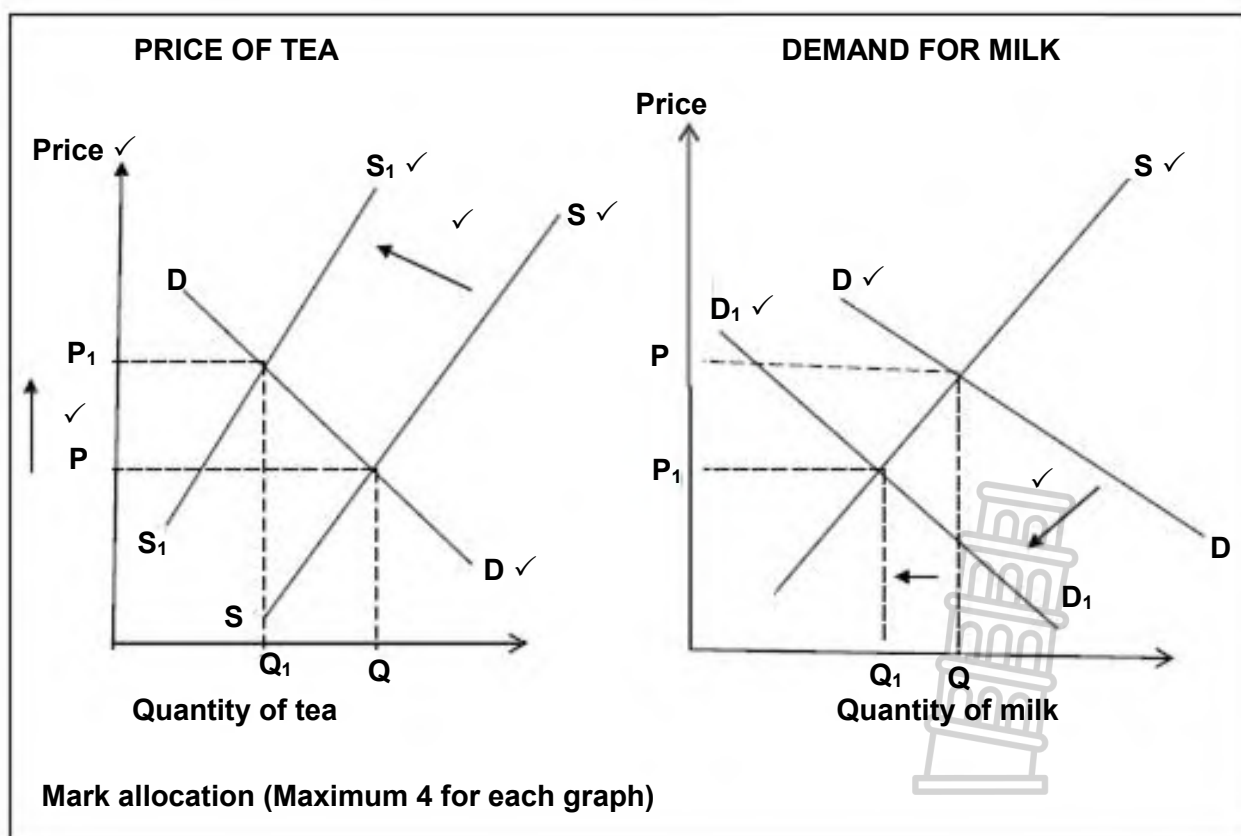
- The price of beef increases from  $P$  to  $P_1$  due to a decrease in supply (supply-curve shifts from  $SS$  to  $S_1S_1$ ).
- Leads to a decrease in quantity demanded of beef from  $Q$  to  $Q_1$ .

**Demand for chicken**

- The demand for the substitute good, which is chicken, increases from  $DD$  to  $D_1D_1$ .
- Because of the increase in demand, price also increases from  $P$  to  $P_1$ .
- This implies that an increase in the price of one product will cause an increase in demand of the substitute product.

**Complements**

Products are complementary products when they are used together to satisfy a need or a want ✓✓ e.g. tea and milk. ✓

**EXPLANATION OF THE GRAPH****Price of tea**

- The price of tea increases due to a decrease in supply.
- Supply curve shifts from  $SS$  to  $S_1S_1$  while the price of tea increases from  $P$  to  $P_1$ .
- Quantity demanded for tea decreases from  $Q$  to  $Q_1$ .

**Demand for milk**

- The increase in the price of tea will cause a decrease in the demand for milk.
- People will buy less tea; therefore they will need less milk.
- This causes the demand curve (DD) to shift leftwards to  $D_1D_1$ , and quantity demanded decreases from  $Q$  to  $Q_1$  and price will decrease from  $P$  to  $P_1$ .
- For complementary goods, when the price of one good increases, the demand for the complementary product will decrease. If the price of one product decreases, the demand for complementary products will increase.

(Accept any other correct relevant response.)

(Allocate a maximum of 8 marks for mere listing of facts/examples.)

(Max. 26)

**ADDITIONAL PART****Examine the importance of complementary goods in the economy.**

- The complementary product usually adds to the overall value of another product, thus sharing a beneficial relationship. ✓✓
- Complementary products are usually affected by the prices of the products they are used with. If the price rises, consumers do not see the need to use the products, resulting in a drop in demand. ✓✓
- Complementary products increase sales as they are more lucrative to producers as compared to substitute goods since the demand for one results in a demand for the other. ✓✓
- Complementary products reduce product switch overs since it maximises brand image. ✓✓
- Complementary products help in reaching consumer expectations, and marketers do not need to spend a lot of time researching and analysing. ✓✓
- Companies producing the complementary products can predict the market demand and price fluctuation, thus controlling prices effectively. ✓✓
- Complementary products do not need a lot of advertising and there are few barriers in terms of entering and exiting a market. ✓✓

(Accept any other correct relevant response.)

(Max. 10)

**CONCLUSION**

Consumption patterns and price levels are all inter-related with each other. ✓✓

(Accept any other relevant correct higher-order conclusion.)

(Max .2)

**[40]**

**QUESTION 6: MICROECONOMICS**

- Discuss the price elasticity of demand (PED) without the aid of graphs. (26 marks)
- Evaluate how a monopolistic enterprise like Eskom can benefit from using the price elasticity of demand for their product. (10 marks)

**INTRODUCTION**

Price elasticity of demand will determine the sensitivity a product when there is a change in price. ✓✓

(Accept any other correct relevant introduction.)

(Max. 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. ✓✓ (Max. 26)

**ADDITIONAL PART**

Evaluate how a monopolistic enterprise like Eskom can benefit from using the price elasticity of demand for their product.

**Positives**

- Eskom is the sole supplier of electricity, meaning they are a monopoly. ✓✓
- They have full market power and will decide on prices they wish to charge, ergo they are price makers. ✓✓
- Electricity is a necessity amongst households and businesses, therefore consumers have no choice but to pay the price. ✓✓

**Negative**

- There are however, alternative products such as gas, solar and wind. ✓✓
- Should Eskom use price elasticity of demand before determining their market price, they will be able to charge a maximum price that consumers will be willing to pay and therefore ensure maximum revenue from consumers, whilst maintaining maximum demand. ✓✓
- If Eskom continues to charge more for electricity than the price of alternate goods, consumers will eventually sacrifice the convenience of electricity for a cheaper alternative. ✓✓

(Max. 10)

(Accept any other correct relevant response.)

**CONCLUSION**

Price elasticity of demand speaks indirectly to the overall health of the economy in which a product is sold into and relates to both demographics (i.e., the size of the addressable population) and the income levels of the constituents that populate that consumption market. ✓✓

(Max. 2)

(Accept any other relevant correct higher order conclusion.)

**[40]****TOTAL SECTION C: 40****TOTAL: 150**