



**LIMPOPO**

**PROVINCIAL GOVERNMENT**  
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF  
**EDUCATION**

**NATIONAL SENIOR  
CERTIFICATE**

**GRADE 11**

Stanmorephysics.com

**ECONOMICS P2**  
**NOVEMBER 2024**

Stanmorephysics.com

**MARKS: 150**

**TIME: 2 hours**

**This question paper consists of 14 pages**

## INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

SECTION A: COMPULSORY

SECTION B: Answer TWO of the three questions.

SECTION C: Answer 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 2–3 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 pocket calculator.
11. Write neatly and legibly.

**SECTION A: COMPULSARY**

**QUESTION 1**

**30 MARKS – 20 MINUTES**

1.1 Various 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 (1.1.1-1.1.8) in the ANSWER BOOK, for example 1.1.6. D.

1.1.1 There is a/an ... relationship between the price of good A and quantity demanded of a complement good B.

- A Positive
- B Negative
- C Normal
- D Usual



1.1.2 Average variable costs is calculated by ...

- A variable costs divided by units produced
- B fixed costs divided by units produced.
- C fixed costs minus variable costs.
- D total costs plus fixed costs

1.1.3 Tennis balls and tennis racquets are ... products.

- A Homogeneous
- B Substitute
- C Complementary
- D Heterogeneous

1.1.4 Trade liberalization refers to ...

- A the free movement of goods and services between countries
- B the establishment of trade barriers between countries
- C the free movement of people.
- D import and export restrictions

1.1.5 Which of the following factors is responsible for the depletion of the ozone layer?



- A Carbon monoxide
- B Ultraviolet rays
- C Carbon dioxide
- D Pollution

1.1.6 The price of one good expressed in terms of another good is called a ... price.

- A nominal
- B relative
- C basic
- D constant

1.1.7 The main aim of a business is to maximise ...

- A income
- B salaries
- C profit
- D wages



1.1.8 It measures how sensitive the supply of a product is for a change in price.

- A Price elasticity of demand
- B Income elasticity demand
- C Relative elasticity of supply
- D Price elasticity of supply

(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 numbers (1.2.1. to 1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Foreign direct investment	A change in the price of one product has no effect on the quantity demanded of another product
1.2.2 Environmental sustainability	B A form of trade integration in which a number of countries remove all trade barriers among themselves.
1.2.3 Unrelated goods	C Price increases does not influence demand because it is used for survival
1.2.4 Market equilibrium	D Aggregate demand is more than aggregate supply
1.2.5 Essential goods	E It is an institution or mechanism that brings together the buyers and sellers of a good or a service
1.2.6 Free trade areas	F exploiting natural resources without destroying the ecological balance of an area
1.2.7 Erosion	G The wearing away of natural resources
1.2.8 Market	H Aggregate demand is equal to aggregate supply I An international company invests in business in another country in physical assets

(8 x 1) (8)

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

1.3.1 The cost of an alternative that must be forgone in order to pursue a certain action.

1.3.2 It is a market structure with a large number of participants who are all price takers,

1.3.3 Programmes or activities that seek to improve the economic well-being and quality of life for a community.

1.3.4 An increase in the amount of goods and services produced over a period of time.

1.3.5 Few large sellers dominating the market

1.3.6 The extra amount of income earned when an additional unit of a product is sold.

(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**

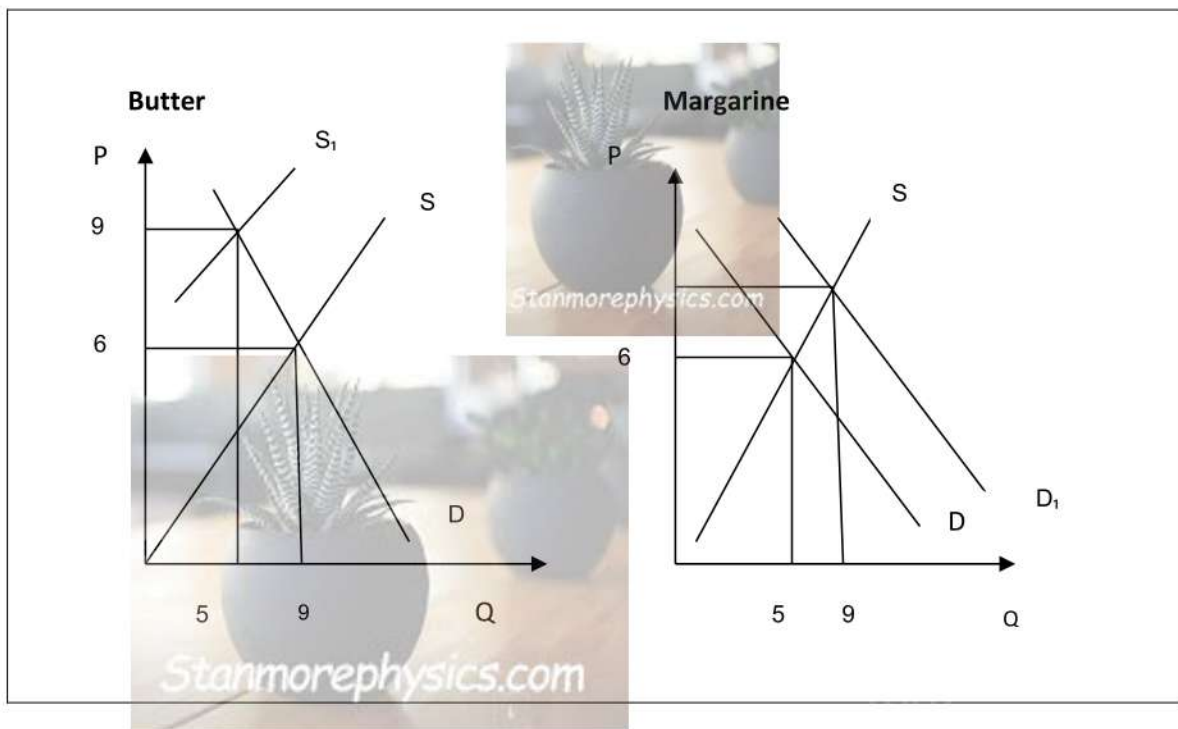
**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give any TWO examples of SMART objectives of a business. (2 x 1) (2)

2.1.2 Why does a marginal cost (MC) curve have a U shape? (1 x 2) (2)

2.2 Study the graphs below and answer the questions that follow



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

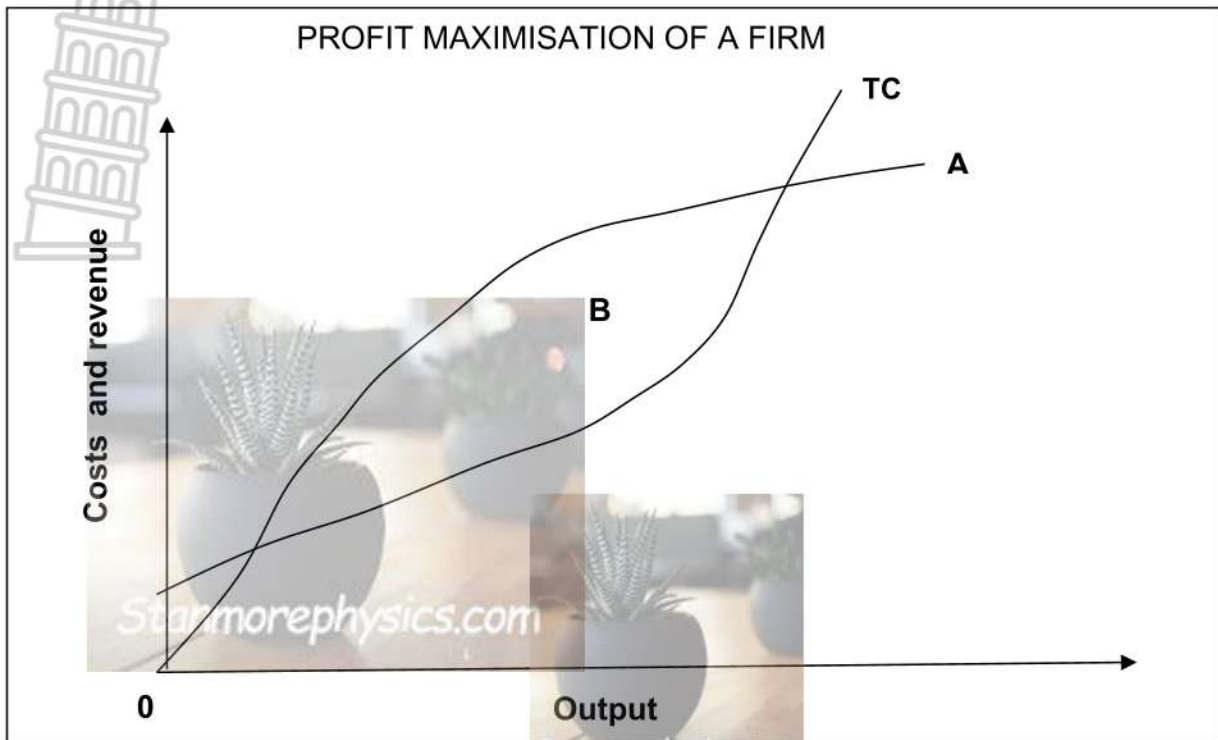
2.2.2 How much is the increase in the quantity demanded for margarine? (1)

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

2.2.4 What effect does an increase in price of butter have on the demand for margarine? (2)

2.2.5 Calculate the percentage decrease in the quantity of butter offered. Show all calculations. (4)

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



- 2.3.1 What does curve A represent? (1)
- 2.3.2 Identify the area where the firm is making profit. (1)
- 2.3.3 Briefly describe the term *Average Revenue (AV)* (2)
- 2.3.4 Why does total cost curve start above zero? (2)
- 2.3.5 What may cause a firm to make an economic loss in the long run? (4)
- 2.4 Discuss the *nature of the product* and *entry to the market* as characteristics of perfect market. (8)
- 2.5 Why is it important for an entrepreneur to cover implicit and explicit costs? (8)

[40]

**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES**

**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Give any TWO main objectives with the Millennium Development Goals (MDGs) (2 x 1) (2)

3.1.2 What will be the effect of an increase in green taxes on the environment? (1 x 2) (2)

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



3.2.1 Identify the form of media that enable people to communicate with each other. (1)

3.2.2 Name ONE main function of the World Trade Organization (WTO). (1)

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

3.2.4 Why is it beneficial for a country to engage in free trade? (2)

3.2.5 How do countries benefit from globalisation? (4)

3.3 Read the extract below and answer the questions that follow.

**COMMUNITY UP IN ARMS OVER HARMONY WASTEWATER POLLUTION**

Members of Mining Affected Communities United in Action (MACUA) staged a protest outside the gates of Harmony Target Mine at Nyakallong

in the Free State on Wednesday to voice their grievances about the Voelpan Tailings Dam which causes flooding in the area during the rainy season. This comes after the mining group was found guilty in November of illegally discharging wastewater into the Voelpan Dam since 2019.

[Adapted: <https://www.businesslive.co.za/bd/national/>]

- 3.3.1 Identify the type of pollution that the community is facing. (1)
- 3.3.2 Give ONE example of a renewable resource. (1)
- 3.3.3 Briefly describe the term *pollution*. (2)
- 3.3.4 How can the government ensure that companies reduce the production of goods that are harmful? (2)
- 3.3.5 What are the negative effects of air pollution to the community? (4)
- 3.4 Discuss social costs of globalisation in a country. (8)
- 3.5 How do people contribute to environmental deterioration? (8)
- [40]

**QUESTION 4    MICROECONOMICS AND  
CONTEMPORARY ECONOMIC  
ISSUES**

**40 MARKS – 30 MINUTES**

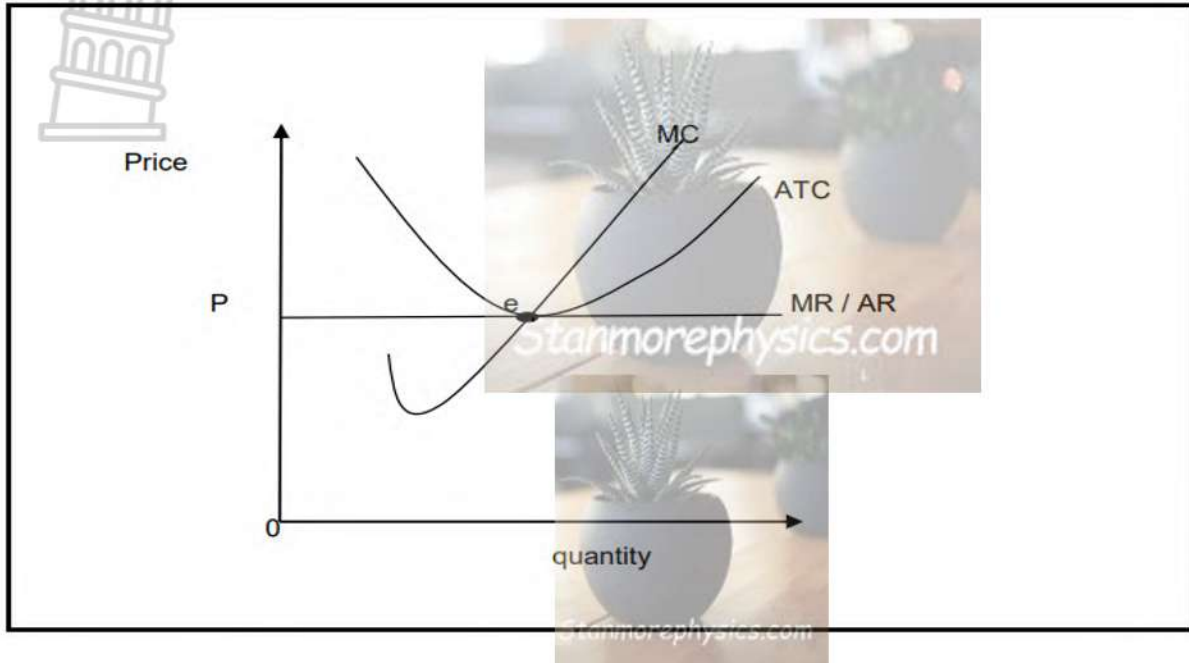
4.1 Answer the following questions

- 4.1.1 List TWO examples of variable costs that a firm may incur. (2 x 1) (2)

4.1.2 How would a decrease in the price of a product affect its quantity supplied?

(1 x 2) (2)

4.2 Read the extract below and answer the following questions



4.2.1 Which market structure is depicted above? (1)

4.2.2 What type of profit is indicated in the above graph? (1)

4.2.3 Briefly explain point 'e' on the graph. (2)

4.2.4 Explain the slope of the marginal cost curve. (2)

4.2.5 Why Marginal Revenue and Average Revenue are equal to the price (P)? (4)

4.3 Read the extract below and answer the following questions

### NORTH –SOUTH DIVIDE

North-South divide describes socio-economic and political categorisation of countries. The North of the divide is comprised of countries which have developed economies and are regarded as wealthy countries. All the members of the G8 come from the North divide. Countries in the North and South divide have different levels of economic growth.

[Adapted: www.worldatlas.com]

- 4.3.1 Name ONE country that belongs to the G8. (1)
- 4.3.2 In which side of the Divide are people expected to live longer? (1)
- 4.3.3 Briefly describe the term North – South divide. (2)
- 4.3.4 Differentiate between rich and poor countries in terms of the level of literacy. (2)
- 4.3.5 How can inequality between rich and poor countries be reduced? (4)
- 4.4 Distinguish between the short run and long run in economic activities. (8)
- 4.5 How can the improvement of communication and technology cause globalisation (8)

[40]

TOTAL SECTION B: [80]

## 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"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not include any part of the introduction in your body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<p>Body</p> <p>Main part: Discuss in detail/ In depth discussion/ Examine/ Critically discuss/ Analyse/ Compare/ Evaluate/ Distinguish/Differentiate/ Explain.</p> <p>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"> <li>• A brief summary of what has been discussed without repeating facts already mentioned.</li> <li>• Any opinion or value judgment on the facts discussed.</li> <li>• Additional support information to strengthen the discussion/ analysis.</li> <li>• A contradictory viewpoint with motivation, if required.</li> <li>• Recommendations.</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

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

- Discuss in detail the demand and supply relationships with the aid of graphs (substitutes and compliments) (26)
  - Why it is important for the product market to consider what is happening in the factor market? (10)
- [40]

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES**

**40 MARKS – 40 MINUTES**

- Discuss in detail the problems threatening the environment. (26)
  - Examine the importance of protecting the environment (10)
- [40]



**TOTAL SECTION C: [40]**

**GRAND TOTAL: [150]**



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**ECONOMICS P2  
MARKING GUIDELINE  
NOVEMBER 2024**

*Stanmorephysics.com*

**MARKS: 150**

**This Marking Guideline consists of 19 pages**

**SECTION A:**

**QUESTION 1**

**30 MARKS – 20 MINUTES**

**1.1 MULTIPLE CHOICE QUESTIONS**

- 1.1.1 B (Negative) ✓✓
- 1.1.2 A (variable costs divided by units produced) ✓✓
- 1.1.3 C (complementary) ✓✓
- 1.1.4 A (the free movement of goods and services between countries) ✓✓
- 1.1.5 D Pollution ✓✓
- 1.1.6 B (relative) ✓✓
- 1.1.7 C (profit) ✓✓
- 1.1.8 D (Price elasticity of supply) ✓✓

**(8 x 2) (16)**

**1.2 MATCHING ITEMS**

- 1.2.1 I (An international company invests in business in another country in physical assets) ✓
- 1.2.2 F (exploiting natural resources without destroying the ecological balance of an area) ✓
- 1.2.3 A (change in the price of one product has no effect on the quantity demanded of another product) ✓
- 1.2.4 H (aggregate demand is equal to aggregate supply) ✓
- 1.2.5 C (Price increases does not influence demand because it is used for survival) ✓
- 1.2.6 B (A form of trade integration in which a number of countries remove all trade barriers among themselves.) ✓
- 1.2.7 G (The wearing away of natural resources) ✓
- 1.2.8 E (It is an institution or mechanism that brings together the buyers and sellers of a good or a service) ✓

**(8 x 1) (8)**

**1.3 ONE WORD**

- 1.3.1 Opportunity cost ✓
- 1.3.2 Perfect market ✓
- 1.3.3 Economic development ✓
- 1.3.4 Economic growth ✓
- 1.3.5 Oligopoly ✓
- 1.3.6 Marginal revenue ✓

**(6 x 1) (6)**

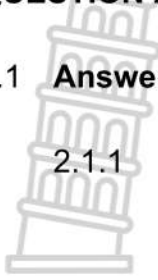
**TOTAL SECTION A: [30]**

**SECTION B**

**QUESTION 2: MICROECONOMICS**

**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.



2.1.1 Give any TWO examples of SMART objectives of a business.

- Specific✓
- Measurable✓
- Acceptable ✓
- Realistic✓
- Time specific✓

(2 x 1) (2)

2.1.2 Why does a marginal cost (MC) curve have a U shape?

During the initial stages of production, costs decline and start to rise after a certain time due to increased outputs.  
(accept any other correct relevant answer)

(1 x 2) (2)

**2.2 DATA RESPONSE**

2.2.1 What type of goods are butter and margarine according to the graphs above?

Substitute goods✓

(1)

2.2.2 How much is the increase in the quantity demanded for margarine?

4✓

(1)

2.2.3 Briefly describe the term *demand*.

It refers to the quantity of goods and services that consumers are willing and able to buy at certain price levels.✓✓  
(accept any other correct relevant answer)

(2)

2.2.4 What effect does an increase in price of butter have on the demand for margarine?

The demand for margarine will increase. ✓✓

(2)

2.2.5 Calculate the percentage decrease in the quantity of butter offered. Show all calculations.

$9 - 5 = 4$ ✓  
 $4 / 9 \times 100$ ✓  
 $44\% / 44.4\%$ ✓✓

(4)

**Note: A maximum of 2 marks should be allocated for the correct answer if there are no calculations.**

## 2.3. DATA RESPONSE

2.3.1 **What does curve A represent?**

Total Revenue ✓

(1)

2.3.2 **Identify the area where the firm is making profit.**

B ✓

(1)

2.3.3 **Briefly describe the term *Average Revenue (AV)***

Average revenue refers to the amount the enterprise earns for every unit sold. ✓✓

(accept any other correct relevant answer)

(2)

2.3.4 **Why does total cost curve start above zero?**

The firm has to pay costs irrespective of whether it sells or not. ✓✓

(accept any other correct relevant answer)

(2)

2.3.5 **What may cause a firm to make an economic loss in the long run?**

- When new firms enter the market without an increase in demand, there will be an oversupply of goods produced and as a result some firms make a loss ✓✓
  - An increase in production costs such as labour and equipment may lead to a loss in profits. ✓✓
- (accept any other correct relevant answer)

(4)

2.4 **Discuss the *nature of the product* and *entry to the market* as characteristics of perfect market.**

### **Nature of the product**

- All the products sold in the specific market are homogeneous, meaning that the products are identical in terms of the same type, quality, appearance, etc. ✓✓
  - It makes no difference to a buyer from whom or where he / she buys the product. ✓✓
- (accept any other correct relevant answer)

(2 x 2) (4)

### **Entry to the market**

- The market is totally accessible. ✓✓

- Buyers and sellers are completely free to enter or leave the market at any time. ✓✓
- There are no legal, financial or technological barriers that limit the freedom of entry and exit. ✓✓ (2 x 2) (4)  
(accept any other correct relevant answer)

(8)

2.5 **Why is it important for an entrepreneur to cover implicit and explicit costs?**

- If only explicit costs, actual payment for the factors of production that are used in the production of goods and services will be covered ✓✓ but the entrepreneur is not rewarded for his opportunity costs ✓✓
- If implicit costs – the opportunity costs for the use of all self-owned resources in the production of goods and services are covered ✓✓ then the entrepreneur will not take his resources elsewhere and continue with the business. ✓✓
- This is why the accounting profit differs from the economic profit. Accounting profit is calculated when revenue exceeds the explicit costs. ✓✓
- Economic profit is calculated when revenue exceeds explicit and implicit costs ✓✓  
(Accept any other correct relevant response)

(8)

**[40]****QUESTION 3: CONTEMPORARY ECONOMIC ISSUES****40 MARKS – 30 MINUTES**

3.1 Answer the following questions.



3.1.1 Give any TWO main objectives with the Millennium

Development Goals (MDGs)

- Eradicate poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve material health

(Accept any other correct relevant answer)

(2 x 1) (2)

3.1.2 What will be the effect of an increase in green taxes on the environment?

The production of harmful goods will be discouraged hence a clean environment. ✓✓

(accept any other correct relevant answer)

(1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 Identify the form of media that enable people to communicate with each other.

Internet ✓

(1)

3.2.2 Name ONE main function of the World Trade Organization (WTO).

To ensure that trade flows smoothly and freely. ✓

(Accept any other correct relevant answer.)

(1)

3.2.3 Briefly describe the term *globalisation*.

It is the world-wide integration of economies into one global economy mainly by free trade. ✓✓

(Accept any other correct relevant answer)

(2)

3.2.4 Why is it beneficial for a country to engage in free trade?

- It promotes international trade and foreign direct investment. ✓✓
- Consumers are exposed to different types of markets across different countries. ✓✓

(Accept any other correct relevant answer)

(2)

3.2.5 How do countries benefit from globalisation?



- It creates job opportunities due to a need to produce more goods for local and international markets. ✓✓
- Globalisation makes it possible for developing countries to establish businesses in other countries. ✓✓
- It leads to economic growth because countries have access to international markets. ✓✓
- People from different countries can communicate and visit each other because of improved technology, communication and transport. ✓✓

(4)

(accept any other correct relevant explanation)

### 3.3 DATA REPSONSE

3.3.1 **Identify the type of pollution that the community is facing.**

Water pollution ✓

(1)

3.3.2 **Give ONE example of a renewable resource.**

- Oil ✓
- Natural gas ✓
- coal ✓

(Accept any other correct relevant answer)

(1)

3.3.3 **Briefly describe the term *pollution*.**

It is the introduction of waste matter into the environment. ✓✓

(Accept any other relevant answer)

(2)

3.3.4 **How can the government ensure that companies reduce the production of goods that are harmful?**

By charging green tax ✓✓✓

(Accept any other correct relevant answer)

(2)

3.3.5 **What are the negative effects of air pollution to the community?**

- Air pollution will cause respiratory infections in human. ✓✓
- Pollution may also lead to premature death. ✓✓

(Accept any other correct relevant answer)

(4)

**3.4 Discuss social costs of globalisation in a country.**

- It can lead to drug trafficking as some people exploit the opportunities offered by globalisation. ✓✓
- Human trafficking – there is an increase in the abduction of people who are then forced to work as slaves or drug addicts. ✓✓
- Identity theft is also possible because people who use internet are exposed to cyber-crimes. ✓✓
- The person can access another person's banking details on the internet and use that information to withdraw money from his/her account. ✓✓
- Fake products can be sold and purchased due to easy access to the international markets. ✓✓ (4 x 2) (8)  
(accept any other relevant explanation)

**3.5 How do people contribute to environmental deterioration?**

- Excessive consumption especially in developed countries, results in excessive claims on nature's resources. ✓✓
- Excessive consumption leads to the depletion of non-renewable mineral resources.
- More and more productive land is consumed for urban, industrial and roads and railways. ✓✓
- Dumping of economic waste such as plastic bags, chemicals pollute the soil, water and the atmosphere. ✓✓ (4 x 2) (8)  
(Accept any other correct relevant answer)

**[40]**

**QUESTION 4 MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**

**40 MARKS – 30 MINUTES**

4.1 Answer the following questions

4.1.1 List TWO examples of variable costs that a firm may incur.

- Electricity ✓
- Labour ✓
- Water ✓

(2 x 1) (2)

(Accept any other correct relevant answer)

4.1.2 How would a decrease in the price of a product affect its quantity supplied?

There will be a decline in the quantity of goods supplied. ✓✓  
(Accept any other correct relevant answer)

(1 x 2) (2)

**4.2 DATA RESPONSE**

4.2.1 Which market structure is depicted above?

Perfect market ✓

(1)

4.2.2 What type of profit is indicated in the above graph?

Normal profit ✓

(1)

4.2.3 Briefly explain point 'e' on the graph.

It is the equilibrium point where  $MC = MR$  ✓✓  
(Accept any other correct relevant answer)

(2)

4.2.4 Explain the slope of the marginal cost curve.

It is u-shaped ✓✓

(Accept any other correct relevant answer)

(2)

4.2.5 Why Marginal Revenue and Average Revenue are equal to the price (P)?

- Income earned when an additional (extra) unit of a product is sold is the same as price of the additional product ✓✓
- Every product is sold for the same price the average revenue will simply equal the price of the product. ✓✓  
(Accept any other correct relevant answer)

(4)

### 4.3 DATA RESPONSE



4.3.1 Name ONE country that belongs to the G8.

- USA✓
- United Kingdom✓
- Japan✓
- France✓
- Germany✓
- Italy✓
- Russia✓
- Canada✓

(1)

4.3.2 In which side of the Divide are people expected to live longer?

The North✓

(1)

4.3.3 Briefly describe the term North – South divide.

It refers to the gap between the developed (north) countries and the less developing (south) countries in terms of development and wealth. ✓✓

(accept any other correct relevant answer)

(2)

4.3.4 Differentiate between rich and poor countries in terms of the level of literacy

Rich countries have a high level of literacy while poor countries have a low level of literacy. ✓✓

(Accept any other correct relevant answer)

(2)

4.3.5 How can inequality between rich and poor countries be reduced?

- Inviting rich countries to invest in poor countries ✓✓
- Sharing of information on education and health issues ✓✓
- Promoting industrialisation in developing economies ✓✓
- Introducing policies such as export promotion and import substitution ✓✓

(Accept any other relevant correct response)

(4)

4.4 Distinguish between the short run and long run.

Short run

- Short run is the period during which one or more resources cannot be changed ✓✓
- Short run costs may be fixed or variable ✓✓
- These are costs which have a short-term implication in the production process – they are used over a short range of outputs ✓✓
- They are incurred once and cannot be used again and again, such as payment of wages, costs of raw materials etc. ✓✓



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(2 x 2) (4)

**Long run**

- Long run is a period during which all resources can be changed and become variable ✓✓
- Businesses can change all the inputs used including fixed costs ✓✓
- All factors of production and intermediate inputs can be changed as the output levels change ✓✓
- Long run costs are accumulated when firms change production levels over time in response to expected economic profits/losses ✓✓
- Factors of production all vary to reach the long run costs of producing a good/service ✓✓

(Accept any other relevant correct response.)

(2 x 2) (4)

(8)

#### 4.5 How can the improvement of communication and technology cause globalisation

- The development of communication and technology has enabled countries all over the world to be connected. ✓✓
- Internet and mobile technology have allowed greater communication between different countries ✓✓
- This takes place through the use of landlines, satellites, or underwater cables. ✓✓
- The speed at which information is transferred has also increased ✓✓
- Use of modern technology such as Skype, Zoom, Google meet, Teams etc. makes it possible for people in different countries to see one another on the screen of the computer. ✓✓
- Information Communication Technology has made the world small ✓✓

(Accept any other relevant correct response.)

(4 x 2)

(8)

**[40]****TOTAL SECTION B:****[80]****SECTION C****QUESTION 5: MICROECONOMICS****40 MARKS – 40 MINUTES**

- **With the aid of graphs discuss in detail the demand and supply relationships (substitutes and compliments) (26)**
- **Why is it important for the product market to consider what is happening in the factor market? (10)**

**[40]****INTRODUCTION**

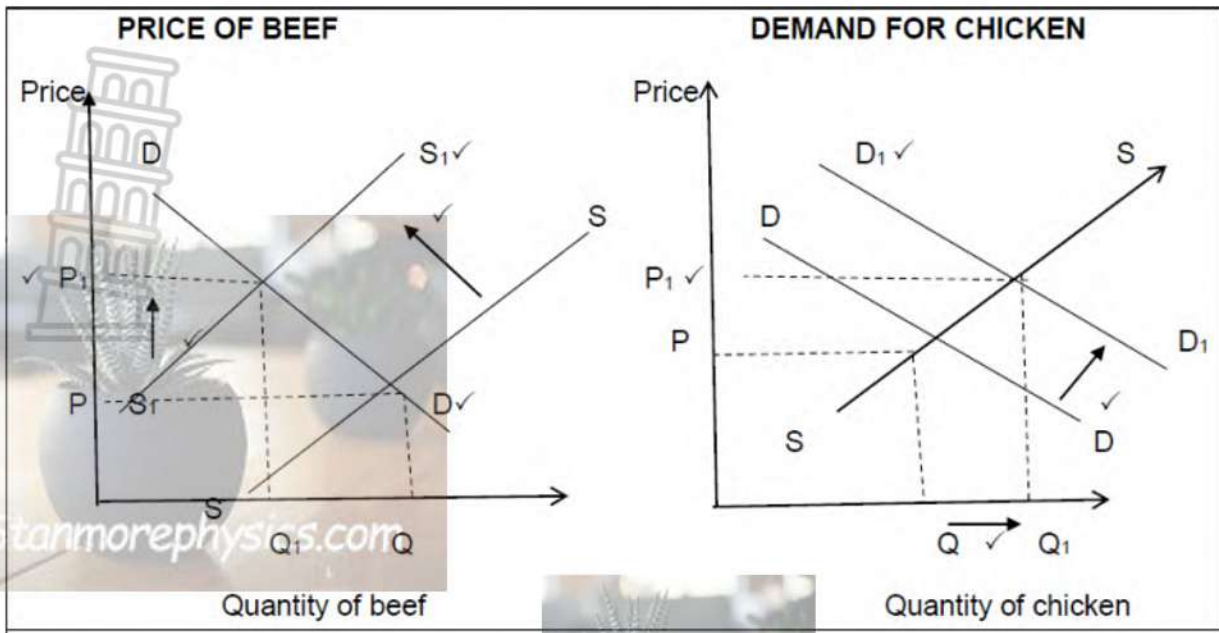
Demand relationships exists when two or more goods are used together (compliments) or replacement for each other and are interchangeable (substitutes). ✓✓ (2)

(Accept any other correct relevant response).

**MAIN PART****SUBSTITUTES**

- A substitute is a product which can be seen as an alternative to satisfy the same need ✓✓
- Goods are substitutes when an increase in the price of one product leads to an increase in the quantity demanded of the other product ✓✓
- The demand for the product is influenced by the change in the price of the goods or services ✓✓
- If the price of one product increases consumers tend to buy fewer of the specific product as they will buy a cheaper substitute ✓✓
- The demand for products with close substitutes is very sensitive to changes in the price of the product ✓✓

**SUBSTITUTE GOODS**



Maximum 4 marks each graph (Check ticks)

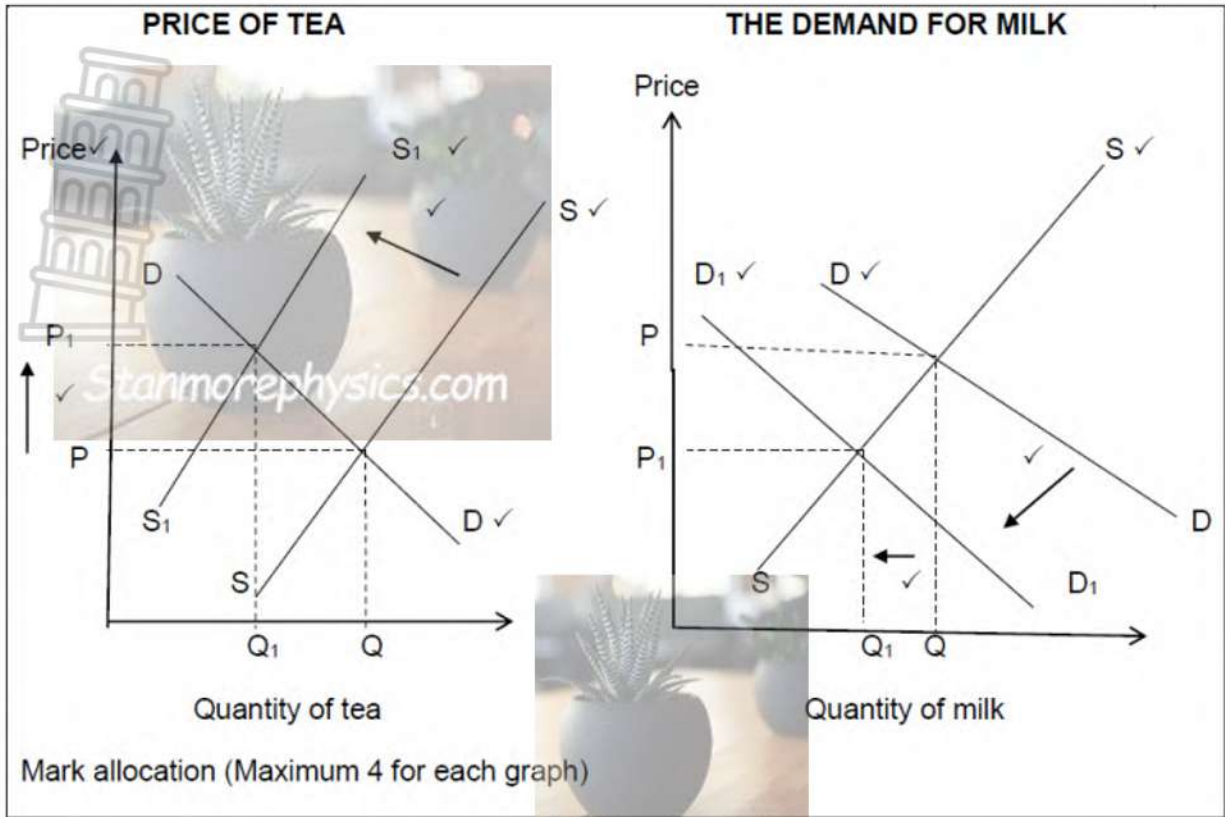
- The price of beef increases from P to P1 due to a decrease in supply (supply curve shifts from SS to S1S1). ✓✓
- Beef leads to a decrease in quantity demanded of beef from Q to Q1. ✓✓
- The demand for the substitute good, which is chicken, increases from DD to D1D1. ✓✓
- Because of the increase in demand price also increases from P to P1. ✓✓
- This implies that an increase in price of one product will cause an increase in demand of substitute products. ✓✓

(Max. 13)

### COMPLIMENTS

- A complimentary good is a good whose use is related to the use of an associated good ✓✓
- The two goods are complimentary if using more of good A requires the use of more of good B ✓✓ e.g., tea and milk. ✓
- With complementary goods, a change in the price of one will cause a change in the demand for the another ✓✓
- A change in the production cost of printers due to technological progress will make printers available at lower prices ✓✓

### COMPLEMENTARY GOODS



- The price of tea increases due to a decrease in supply. ✓✓
- Supply curve shifts from SS to S1S1. ✓✓
- The price of tea increases from P to P1. ✓✓
- Quantity demanded for tea decreases from Q to Q1. ✓✓
- The increase in price of tea will cause a decrease in demand for milk. ✓✓
- People will buy less tea, therefore they will need less milk. ✓✓
- This causes the demand curve (DD) to shift leftwards to D1D1, and quantity demanded decreases from Q to Q1 and price will decrease from P to P1. ✓✓

(Max. 13)  
 (26)

**ADDITIONAL PART**

- The factor market is a market where factors of production are bought and sold. ✓✓
- The product market is a market where goods and services are bought and sold. ✓✓
- The product market depends on the factor market for the availability of factors of production. ✓✓
- When the supply of one factor of production changes, it will affect both the factor market and the product market ✓✓
- A change in supply of skin hide would affect the hide market negatively because there would be a decrease in the supply of hide. ✓✓
- That would also affect shoe manufacturing and there would be fewer shoes and bags available in the product market for shoes and bags ✓✓
- When the demand for shoes in the product market increases, the demand for factors of production in the factor market will also increase. ✓✓

(10)

(Accept any other correct relevant answer)

**CONCLUSION**

A producer's ability to adapt to price changes is determined by the cost, availability and mobility of the factors of production ✓✓

(2)

(Accept any other correct relevant conclusion)

**[40]**

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES**

**40 MARKS – 40 MINUTES**

- **Discuss in detail the problems threatening the environment. (26)**
- **Examine the importance of protecting the environment (10)**

**[40]**

**INTRODUCTION**

Environment is the physical surroundings and physical conditions in which living and non-living organisms operate

(Accept any other correct relevant response.)

**MAIN PART**

**Natural environment degradation ✓**

- Natural environmental degradation is the process through which the environment is compromised in some way, reducing biological diversity and the general health of the environment ✓✓
- Natural environment degradation includes situations that arise from local influences such as extremes of weather, local infectious agents and physical disasters ✓✓
- There is destruction and loss of nature species and natural processes such that only certain components of the original biodiversity and ecological functions persist ✓✓
- The main impact of these changes is to simplify the earth and simplification itself leads to the danger of collapse ✓✓
- Humans alter the natural environment in three major ways:
  - Transforming the land and the sea through land clearing, forestry, grazing, mining, trawling etc. ✓✓
  - Adding or removing species and genetically distinct population via habitat alteration or loss, hunting, fishing and introduction or invasion of species ✓✓
  - Altering the major biogeochemical cycles of carbon, nitrogen, water and synthetic chemicals ✓✓

**Human induced environmental degradation ✓**

- Most degradation of natural resources result from cumulative activities of farmers, households and industries, all trying to improve their socio-economic well-being ✓✓
- These activities can be counter, productive because people may not completely understand the natural resource base ✓✓
- Badly enforced property rights may result in environmental losses, as in the case of community grazing lands, tree crops, water resources ✓✓
- Humans are constantly engaged in activities such as agriculture, industrial development, mining activities, rural settlement and urban development which often led to deforestation, land and water degradation as well as air pollution ✓✓

### **Poverty and environmental degradation✓**

- Poverty is seen as a great threat to the environment as poor health conditions limit people's capacity to produce and earn✓✓
- When people have to survive from day to day, it makes them less sensitive to maintaining the natural resources ✓✓
- Poor households in rural areas often depend on woods as a source of energy and this leads to deforestation ✓✓
- In order to survive, people cultivate erosion-prone hills and develop natural vegetation and trees to make space for houses and crops, thereby, exploiting the soil without replacing the nutrients ✓✓
- People are often ill-equipped to deal with the effects on the environment in a manner that limits damage ✓✓

### **Agricultural development and deforestation ✓**

- Expansion of agriculture and plantation forestry as well as other commercial activities threaten natural resources ✓✓
- Agricultural development needs large tracts of land that must be developed to meet the demand for food for an ever-increasing population ✓✓
- This often leads to deforestation, soil erosion, land degradation, desertification and various forms of water and air pollution ✓✓
- Farmland is therefore responsible for 80% global deforestation, corporations and local farmers take over forests and clear the trees for cattle ranching and high-demand crops such as soybeans and palm oils, and land is cleared for small family farms ✓✓
- Agriculture is one of the biggest drivers of deforestation as crops are grown for both human and animal consumption as well as clearing forests for animal grazing✓✓

### **Land degradation✓**

- Land degradation is a mismatch between land quality, usage and land productivity It is caused by multiple-forces including extreme weather conditions, particularly drought ✓✓
- It is also caused by human activities that pollute or degrade the quality of soil and land utility ✓✓
- If land is not used efficiently and effectively, it becomes eroded through deforestation, soil erosion, soil infertility and flooding ✓✓
- Due to the above, the ability of land to provide crops and feed animals decreases annually✓✓

### **Industrial development, mining and environmental degradation**

- Industrial processes contribute to water, land and air pollution ✓✓
- In South Africa, the major contributor to air pollution is the country's oil refineries which emit high levels of sulphur dioxide and several other chemicals known to cause health problems ✓✓
- Greenhouse gas emissions as a result of vehicle emission, power plants, factories and giant livestock farms have a devastating effect on climate change ✓✓
- A slight increase in world temperatures which is a direct result of greenhouse gas emissions, can cause extreme weather changes that can lead to food and water shortages and destructive floods ✓✓
- Pollution from mining activities is a direct cause of ground water pollution in South Africa ✓✓
- Mining exploitation has a negative impact on nature e.g., removal of vegetation for survey lines, vegetation damage and soil erosion from vehicle tracks, abandoned equipment and supplies ✓✓

#### **Human settlement, urbanisation and environmental degradation ✓**

- Rural-urban migration helps reduce pressure on the rural environment but puts pressure on the urban environment, such as demand for land ✓✓
  - Unplanned informal settlements are one of the consequences of large scale rural-urban migration ✓✓
  - Run-offs from storm water is a common problem in unplanned settlements due to the lack of proper signage and draining has led to a less-educated and older workforce reliant on agriculture ✓✓
- (Accept any other correct relevant response.) (26)
- (A maximum of 2 marks for mere listing and examples.)

#### **ADDITIONAL PART**

- Protecting the environment is the foundation for sustaining the planet, community and economy because it supports and houses the ecosystem, allowing them to grow and thrive. ✓✓
  - Failing to protect the environment, will put the lives of humans, animals, plants and more at risk ✓✓
  - Environmental conservation enable nature to get on with the job of keeping people and the planet healthy ✓✓
  - Conserving the environment is extremely important because a lot of environmental degradation is irreversible or will take hundreds of years to fix and can also be very dangerous to humans and animals. ✓✓
  - Good quality natural environment provides basic needs in terms of clean air and water, fertile land for food production. ✓✓
  - We have to protect and conserve natural resources as they are essential for providing a greener and cleaner environment to living creatures. ✓✓
- (Accept any other correct relevant response.) (10)

#### **CONCLUSION**

It is important to stop the misuse of natural resources but use them in a very efficient way because such rapid use cannot be tolerated by the earth anymore. (2)  
Achievement of this goal is possible only through sustainable development ✓✓  
(Accept any other correct relevant response.)

[40]

**TOTAL SECTION C: [40]**

**GRAND TOTAL: [150]**

