



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 11**

**NOVEMBER 2020**

**ECONOMICS P2  
(EXEMPLAR)**

**MARKS: 150**

**TIME: 2 hours**



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This question paper consists of 13 pages.

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**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. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully.
5. Start EACH question on a NEW page.
6. Leave 2–3 lines between subsections of questions.
7. 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.
8. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
9. Use only black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.

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

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

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

- A negative
- B positive
- C zero
- D normal

1.1.2 A/An ... is a hybrid market structure.

- A monopoly
- B oligopoly
- C monopolistic competition
- D perfect competitor

1.1.3 Total costs equal fixed costs plus ... costs.

- A variable
- B average
- C marginal
- D rising

1.1.4 A negative income elasticity coefficient shows that the product is a/an ... good.

- A inferior
- B normal
- C luxury
- D basic

1.1.5 A system which is used to process waste into useful products is called ...

- A production.
- B redistribution.
- C recycling.
- D dumping.

1.1.6 An economic system that is a contributor to the North-South divide is ...

- A socialism.
- B capitalism.
- C mixed economic system.
- D communal system.

1.1.7 Resources that may become exhausted if they are not managed in a sustainable manner are known as ... resources.

- A natural
- B man-made
- C finite
- D renewable

1.1.8 In South Africa, household waste is the responsibility of the ...

- A central government.
- B provincial government.
- C households.
- D local government.

(8 x 2) (16)

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

| COLUMN A |                            | COLUMN B |  |
|----------|----------------------------|----------|--|
| 1.2.1    | Market equilibrium         | A        | extension of economic activities across national borders                               |
| 1.2.2    | Accounting profits         | B        | transfer payments to the needy   |
| 1.2.3    | Cross elasticity of demand | C        | aggregate demand is equal to aggregate supply  |
| 1.2.4    | Unrelated goods            | D        | a community of organisms together with their environment                               |
| 1.2.5    | Social grants              | E        | difference between total income from the sale of goods and explicit costs              |
| 1.2.6    | Trade barriers             | F        | change in the price of one good has no effect on the quantity demanded of another good |
| 1.2.7    | Internationalisation       | G        | sensitivity of demand of one good to a change on the price of another good             |
| 1.2.8    | Ecosystem                  | H        | restrictions put on international trade  |
|          |                            | I        | responsiveness of the quantity supplied to a change in price of 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 numbers (1.3.1–1.3.6) in the ANSWER BOOK.

1.3.1 Enterprises producing the same kind of goods

1.3.2 The value of inputs owned by the entrepreneur and used in the production process

1.3.3 The actual price of an individual item at a certain time

1.3.4 A cost or benefit of a good or service that is ignored in the price charged to a third party

1.3.5 Knowledge that has practical application for the daily survival of local communities

1.3.6 Variety of plant and animal species in a specific area

(6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

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

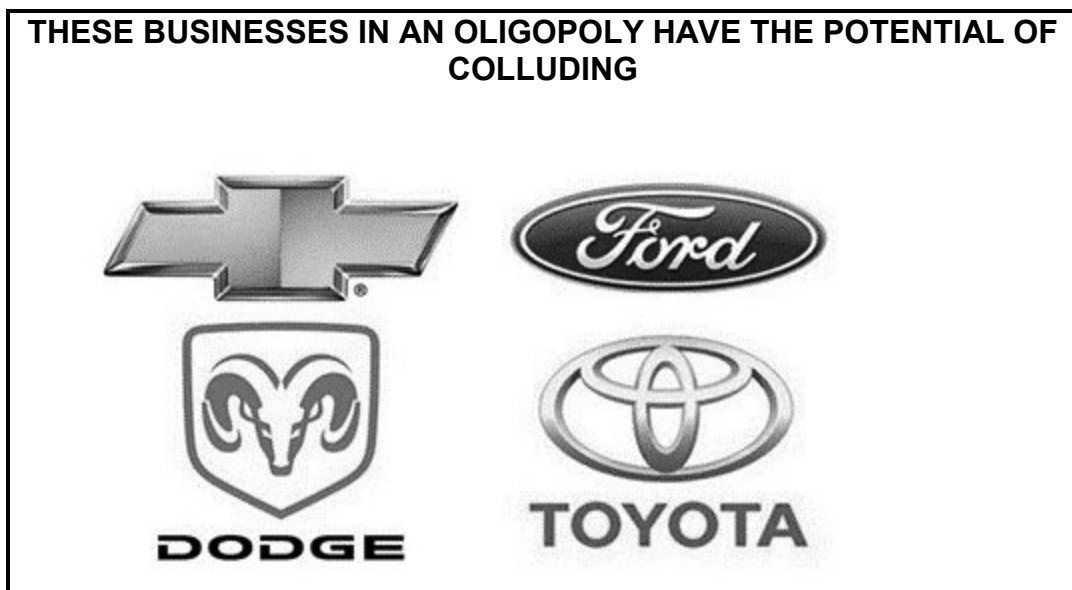
**QUESTION 2: MICROECONOMICS****40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO examples of substitute goods. (2)

2.1.2 How are the factor and product markets related to one another? (2)

2.2 Read the following information and answer the following questions.



2.2.1 In which industry are the above businesses? (1)

2.2.2 Name the market structure with only two producers. (1)

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

2.2.4 Briefly explain *non-price competition* as a feature of an oligopoly. (2)

2.2.5 Why do businesses often collude, though it is illegal in South Africa? (4)

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

| TOTAL UTILITY AND MARGINAL UTILITY SCHEDULE |               |                  |
|---|---------------|------------------|
| UNITS CONSUMED                              | TOTAL UTILITY | MARGINAL UTILITY |
| 0   | 0             | -                |
| 1   | 10            | 10               |
| 2   | 16            | 6                |
| 3   | <b>A</b>      | 5                |
| 4   | 23            | 2                |
| 5   | 24            | 1                |
| 6   | 24            | 0                |
| 7   | 20            | -4               |
| 8   | 14            | -6               |

- 2.3.1 What is used to measure utility? (1)
- 2.3.2 What is the value of **A**? (1)
- 2.3.3 Briefly describe the term *marginal utility*. (2)
- 2.3.4 Explain the phrase *utility is subjective*, as a characteristic of utility. (2)
- 2.3.5 Use the information provided in the table above to draw fully labelled total and marginal utility curves. (4)
- 2.4 Briefly explain *relatively inelastic supply* and *unitary elastic supply* as a degree of price elasticity of supply, without the use of diagrams. (8)
- 2.5 Examine the importance of relative prices in the economy. (8)
- [40]**



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

3.1 Answer the following questions.

3.1.1 Name any TWO examples of non-renewable resources. (2)

3.1.2 How have global markets benefitted from improved competition? (2)

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

**INTERNATIONAL TRADE AND GLOBALISATION**

At the Bretton Woods conference, politicians agreed to lay down rules for international trade and finance and for the funding of international institutions to oversee the process of globalisation. These institutions include the World Bank, International Monetary Fund and the WTO. The global expansion of corporations in the United States and Europe and other developments in science and technology drives globalisation.

[Adapted from *Clever Economics*, p83]

3.2.1 What is the currency of the United States? (1)

3.2.2 What does the abbreviation WTO stand for? (1)

3.2.3 Briefly describe the term *international trade*. (2)

3.2.4 Briefly explain the role of the International Monetary Fund (IMF). (2)

3.2.5 How would developed countries benefit from trading with African countries? (4)

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



[Adapted from <https://wilbrink.co.za/inspection-authority/regulations>]

- 3.3.1 Name the type of pollution which could be caused by dumping waste in the environment. (1)
- 3.3.2 Name the type of waste depicted in the picture above. (1)
- 3.3.3 Briefly describe the term *environment*. (2)
- 3.3.4 Explain the Kyoto Protocol as an international agreement to reduce climate change. (2)
- 3.3.5 Examine the impact of plastic pollution on the environment. (4)
- 3.4 Explain increased *foreign trade* and *cultural changes* as consequences of globalisation. (8)
- 3.5 How can non-renewable resources be protected from depletion? (8)

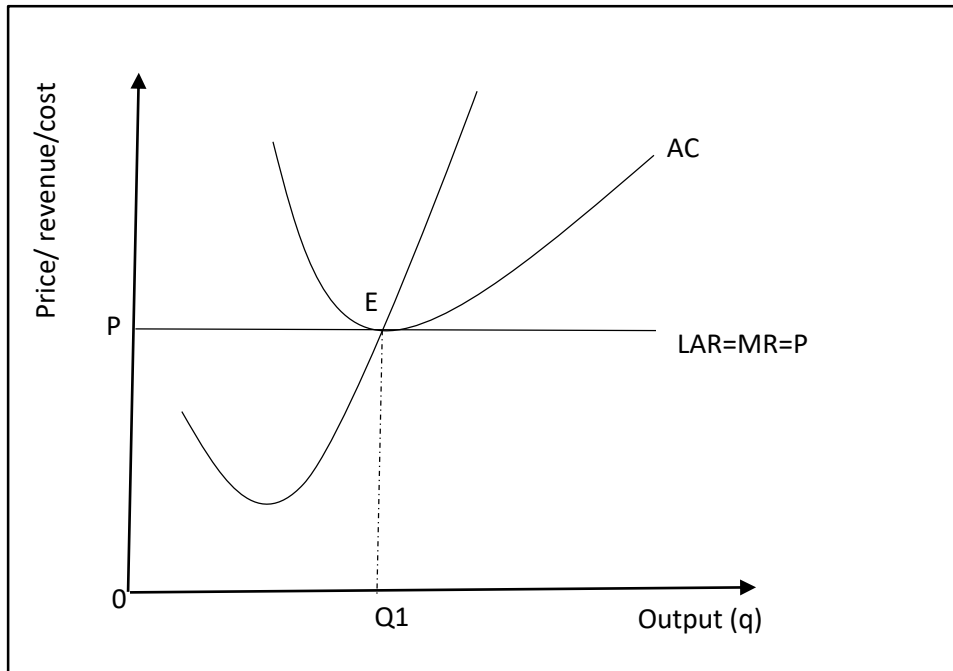
**[40]**

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

4.1 4.1.1 Name any TWO examples of fixed costs. (2)

4.1.2 How can taxes be used to ensure environmental sustainability? (2)

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



4.2.1 What is point **E** called? (1)

4.2.2 How does the demand curve of the business look like in a perfect market? (1)

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

4.2.4 Briefly explain the *nature of products* as a feature of a perfect market. (2)

4.2.5 Why does a perfect competitor make normal profits only in the long run? (4)

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

### 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.

The North-South divide is criticised for being a way of segregating people along economic lines and is seen as a factor of the widening gap between developed and developing economies. The UN has been at the forefront of diminishing the North-South divide through policies highlighted in its Millennium Development Goals.

[Source: [www.worldatlas.com](http://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 *economic growth*. (2)
- 4.3.4 Explain the objective of the Millennium Development Goals. (2)
- 4.3.5 Why is it difficult for the countries in the South divide to compete with those in the North divide? (4)
- 4.4 Distinguish between the *short run* and *long run*. (8)
- 4.5 Examine the role played by humans in damaging the ecosystem. (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:

| <b>STRUCTURE OF ESSAY</b>   | <b>MARK ALLOCATION</b>                                 |
|---|--|
| <b>Introduction</b><br>The introduction is a lower-order response. <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 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   |
| <b>Body</b><br><b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain<br><b>Additional part:</b> 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/Distinguish/Interpret/Briefly debate/How/Suggest                                    | Max. 26<br><br><br><br><br><br><br><br><br><br>Max. 10 |
| <b>Conclusion</b><br>Any higher-order conclusion should include: <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 judgement 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 following factors determining the elasticity of demand.
    - Nature of the product (10)
    - Durability of the product (8)
    - Time period (8) (26)
  - Examine the effect of price inelasticity of demand on revenue. (10)
- [40]**

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES**

- Discuss the causes of globalisation by focussing on the following:
    - Trade liberalisation (10)
    - Multinational enterprises (10)
    - Standardisation (6) (26)
  - Evaluate the negative impact of globalisation on the environment. (10)
- [40]**

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





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**ECONOMICS P2  
MARKING GUIDELINE  
(EXEMPLAR)**

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**MARKS: 150**

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This marking guideline consists of 19 pages.

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

- 1.1.1 B ✓✓ positive
- 1.1.2 C ✓✓ monopolistic competition
- 1.1.3 A ✓✓ variable
- 1.1.4 A ✓✓ inferior
- 1.1.5 C ✓✓ recycling
- 1.1.6 B ✓✓ capitalism
- 1.1.7 D ✓✓ renewable
- 1.1.8 D ✓✓ local government (8 x 2) (16)

**1.2 MATCHING ITEMS**

- 1.2.1 C ✓ aggregate demand is equal to aggregate supply
- 1.2.2 E ✓ difference between total income from the sale of goods and explicit cost
- 1.2.3 G ✓ sensitivity of demand of one good to a change in the price of another good
- 1.2.4 F ✓ change in the price of one good has no effect on the quantity demanded of another good
- 1.2.5 B ✓ transfer payments to the needy
- 1.2.6 H ✓ restrictions put on international trade
- 1.2.7 A ✓ extension of economic activities across national borders
- 1.2.8 D ✓ a community of organisms together with their environment (8 x 1) (8)



1.3 GIVE ONE TERM

1.3.1 industry ✓

1.3.2 implicit cost ✓

1.3.3 nominal price ✓

1.3.4 externality ✓

1.3.5 indigenous knowledge systems ✓

1.3.6 biodiversity ✓

(6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

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

**QUESTION 2: MICROECONOMICS****2.1 Answer the following questions.****2.1.1 Name any TWO examples of substitute goods.**

- Butter and margarine ✓
- Tea and coffee ✓
- Beef and mutton ✓
- Coca-Cola and Pepsi ✓

(Accept any other relevant correct response.)

(2)

**2.1.2 How are the factor and product markets related to one another?**

- The product market cannot exist without the factor market ✓✓
- Producers use the factors of production from the factor market to produce goods and services in the product market ✓✓
- A shortage in the factors of production in the factor market, e.g. land due to drought, will reduce food production in the product market thus pushing up food prices ✓✓

(2)

**2.2 2.2.1 In which industry are the businesses above?**

Motor vehicle / Car industry ✓

(1)

**2.2.2 Name the industry with only two producers.**

Duopoly ✓

(1)

**2.2.3 Briefly describe the term cartel.**

A cartel is a group of producers whose goal it is to form a collective monopoly. ✓✓

(Accept any other relevant correct response.)

(2)

**2.2.4 Briefly explain non-price competition as a feature of an oligopoly.**

- Non-price competition involves ways that firms seek to increase sales and attract customers through methods other than price, e.g. advertising, quality of the product. ✓✓
- It is a market strategy in which one firm tries to distinguish its products from competing products on the basis of attributes like design. ✓✓

(Accept any other relevant correct response.)

(2)

2.2.5 **Why do businesses often collude though it is illegal in South Africa?**

- To fix prices or set output levels to maximise joint profits. ✓✓
  - To have control of the market supply. ✓✓
  - To lower the cost of competition to prevent marketing wars which would cost millions of Rands. ✓✓
- (Accept any other relevant correct response.)

(4)

2.3 **DATA RESPONSE**

2.3.1 **What is used to measure utility?**

Utils ✓

(1)

2.3.2 **What is the value of A?**

21 ✓

(1)

2.3.3 **Briefly describe the term *marginal utility*.**

Additional degree of satisfaction that the consumer receives from using one extra unit of a product. ✓✓  
(Accept any other relevant correct response.)

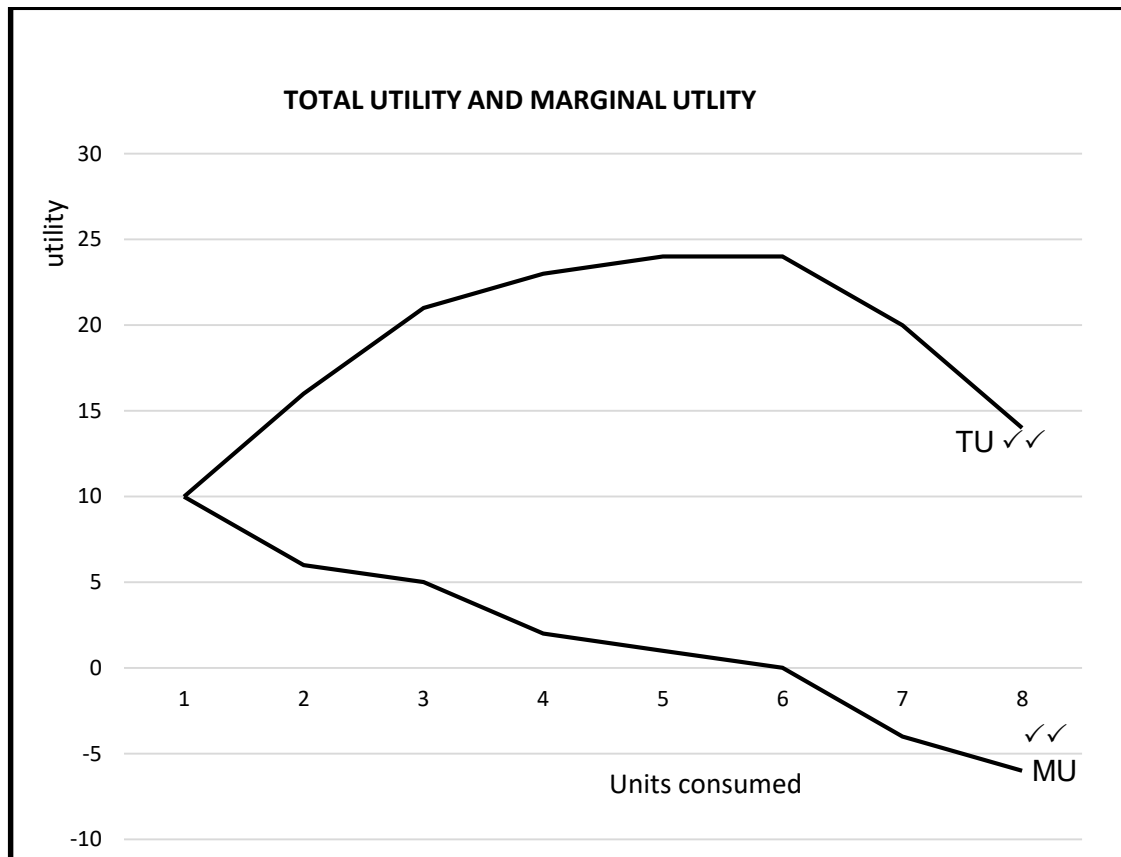
(2)

2.3.4 **Explain the phrase, *utility is subjective*, as a characteristic of utility.**

Utility varies from person to person. ✓ It depends on the preferences of a person. ✓ For example, garlic has utility for one person but no utility for another. ✓  
(Accept any other correct relevant response.)

(2)

2.3.5 Use the information provided in the table above to draw fully labelled total and marginal utility curves.



(4)

2.4 Briefly explain *relative inelastic supply* and *unitary plastic supply* as a degree of price elasticity of supply, without the use of diagrams.

**Relative inelastic supply**

- Price elasticity is less than one ( $PES < 1$ ) ✓✓
- A change in price will cause a smaller percentage change in quantity supplied ✓✓
- Producers would struggle to adapt to the price increase, particularly in the short run ✓✓

**Unitary elastic supply**

- Price elasticity is equal to one ( $PES = 1$ ) ✓✓
- A change in price will cause exactly the same percentage change in quantity supplied ✓✓
- The supply curve looks like the normal supply curve with a positive slope from left to right ✓✓

(Accept any other relevant correct response.)

(8)

**2.5 Examine the importance of relative prices in the economy.**

- Relative prices convey important information about the scarcity of particular goods ✓✓
- Are used by consumers, businesses and the government to decide which goods and resources to purchase ✓✓
- Transmit important information necessary for the efficient allocation of resources throughout any market economy ✓✓
- The government is able to determine the level of inflation, economic growth and economic development in the country ✓✓
- They can be used by economists to assess the economic performance and compare it to other countries ✓✓
- The government uses the relative prices to check in which direction the economy is heading, i.e. whether the state of the economy is worsening or improving ✓✓
- Relative prices are important for the Reserve Bank and the government to make effective decisions on the correct use and implementation of both the fiscal and monetary policies ✓✓
- As relative prices are the centre of dynamics of markets, policy makers make their decisions based on them ✓✓

(Accept any other relevant correct response.)

(8)  
**[40]**

**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES****3.1 Answer the following questions.****3.1.1 Name any TWO examples of non-renewable resources.**

- Oil ✓
- Natural gas ✓
- Coal ✓
- Nuclear energy ✓

(Accept any other relevant correct response.)

(2)

**3.1.2 How have global markets benefitted from improved competition?**

- Global markets benefitted from improved quality of goods and services ✓✓
- Markets will have access to new customers ✓✓
- Firms will generate economies of scale that lower overall and average production costs ✓✓

(Accept any other relevant correct response.)

(2)

**3.2 DATA RESPONSE****3.2.1 What is the currency of the United States?**

US dollar ✓

(1)

**3.2.2 What does the abbreviation WTO stand for?**

World Trade Organisation ✓

(1)

**3.2.3 Briefly describe the term *international trade*.**

The exchange of products and services from one country with another. ✓✓

(Accept any other relevant correct response.)

(2)

**3.2.4 Briefly explain the role of the International Monetary Fund (IMF).**

- Responsible for the general supervision of the international financial system ✓✓
- Facilitate international payments between countries ✓✓
- Lend to countries with balance of payment difficulties ✓✓

(Accept any other relevant correct response.)

(2)

**3.2.5 How would developed countries benefit from trading with African countries?**

- They benefit from cheaper labour from African countries ✓✓
- African countries, in particular South Africa, have endowments of mineral resources which are scarce in developed countries ✓✓

(Accept any other relevant correct response)

(2 x 2)

(4)

- 3.3 3.3.1 **Name the type of pollution which could be caused by dumping waste in the environment.**  
Land/environmental pollution ✓ (1)
- 3.3.2 **Name the type of waste depicted in the picture above.**  
Solid waste ✓ (1)
- 3.3.3 **Briefly describe the term *environment*.**  
Environment refers to the physical surroundings and physical conditions that affect people's lives and includes land, sea and atmosphere. / It encompasses all living and non-living things occurring naturally. ✓✓  
(Accept any other relevant correct response.) (2)
- 3.3.4 **Explain the Kyoto Protocol as an international agreement to reduce climate change.**
- It is a legally binding agreement whereby industrialised countries have agreed to reduce the emission of greenhouse gases. ✓✓
  - It pledges to stabilise greenhouse gas concentrations at levels that would prevent climate change. ✓✓
- (Accept any other relevant correct response.) (2)
- 3.3.5 **Examine the impact of plastic pollution on the environment.**
- Plastics are made from crude oil which emits significant amounts of pollution and is non-degradable ✓✓
  - They kill marine animals as they mistake them for food ✓✓
  - Plastics overflow at landfills and require fossil fuel for production which damages the environment ✓✓
  - They cover the ocean surface leading to the destruction of habitat and wildlife ✓✓
  - Plastic pollution causes harm to humans, animals and plants through toxic pollutants. ✓✓
- (Accept any other relevant correct response.) (4)

3.4 Explain increased *foreign trade* and *cultural changes* as consequences of globalisation.

**Increased foreign trade**

- International trade grew enormously due to globalisation. ✓✓
- Foreign trade increased due to trade agreements, removal of trade barriers and the intervention of institutions aimed at enhancing international trade. ✓✓
- The increase in foreign trade provided access to a wide range of foreign products and services to consumers in all countries. ✓✓
- Businesses are able to access foreign raw materials and components. ✓✓ (2 x 2) (4)

**Cultural changes**

- Globalisation has resulted in several cultures coming together. ✓✓
  - Some countries tend to adopt the culture of other countries and neglect their own. ✓✓
  - Cooking styles, music styles, art form, languages and customs have spread internationally due to globalisation. ✓✓
  - People of one culture discover shortcomings in their culture when they come into contact with other cultures. ✓✓
  - Societies have expanded as they have taken in people from other cultures and backgrounds and created a whole new culture of their own and this may lead to a world with a global culture. ✓✓ (2 x 2) (4)
- (Accept any other relevant response.) (8)



**3.5 How can non-renewable resources be protected from depletion?**

Non-renewable resources can be protected by:

- managing resources such as water efficiently by using only the required amount and not leave taps running unattended ✓✓
- treating black and grey water to return to their original state for both domestic and industrial use ✓✓
- conserving electricity, as it is made from coal and natural gas, by unplugging things when they are not in use and using more energy-efficient appliances and light bulbs ✓✓
- reducing the use of plastics such as plastic grocery bags, straws etc. and substitute them with more durable items. This will avoid the use of resources to make plastic and prevent plastic waste from harming the environment ✓✓
- using sustainable agricultural practices by rotating crops and planting cover crops to keep the soil healthy and also using fewer chemicals and integrating biological pest control and natural fertilisers ✓✓
- applying laws and regulations which will enlighten people on the need to conserve the resources for future generations and impose heavy penalties to individuals who do not adhere to the laws ✓✓

(Accept any other correct relevant response.)

(4 x 2)

(8)

**[40]**

**QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**

4.1 4.1.1 **Name any TWO examples of fixed costs.**

- Rent ✓
- Insurance premiums ✓
- Interest on loans ✓
- Depreciation ✓
- Wages and salaries ✓

(Accept any other relevant correct response.)

(2)

4.1.2 **How can taxes be used to ensure environmental sustainability?**

- The government levies green tax and environmental tax on products associated with high pollution levels ✓✓
- Use tax revenue to promote environmentally friendly products e.g. solar geysers ✓✓
- Taxes are imposed on economic waste, such as used tyres ✓✓
- Tax is also imposed on non-degradable plastic shopping bags to increase price in order to discourage their use ✓✓

(Accept any other relevant correct response.)

(2)

4.2 **DATA RESPONSE**

4.2.1 **What is point E called?**

Profit maximisation point ✓

(1)

4.2.2 **How is the demand curve of the business in a perfect market?**

Horizontal ✓

(1)

4.2.3 **Briefly describe the term *market*.**

Market is a mechanism that brings together the buyers and sellers of a good or service ✓✓

(Accept any other relevant correct response)

(2)

4.2.4 **Briefly explain *nature of products* as a feature of a perfect market.**

- All the products sold in the specific market are homogenous ✓✓
- They are identical in every respect regarding quality, appearance etc. ✓✓
- No buyer has any preference for the product of any individual seller over others ✓✓

(Accept any other relevant correct response.)

(2)

4.2.5 **Why does a perfect competitor make only normal profits in the long run?**

- Economic profits in the short run attract new firms to enter the market ✓✓
- The industry supply therefore increases ✓✓
- The market price fall for all firms until only normal profits are made ✓✓

(Accept any other relevant correct response.)

(4)

4.3 **DATA RESPONSE**

4.3.1 **Name ONE country that belongs to the G8.**

Italy/Japan/France/Russia/Canada/USA/Germany/Britain ✓

(1)

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

North ✓

(1)

4.3.3 **Briefly describe the term *economic growth*.**

The increase in the productive capacity of a country measured by real GDP ✓✓

(Accept any other relevant correct response.)

(2)

4.3.4 **Explain the objective of the Millennium Development Goals.**

- Seeks to address poverty and ensure sustainable development ✓✓
- Achieve primary education everywhere in the world ✓✓
- Develop a global partnership for development ✓✓

(Accept any other relevant correct response.)

(2)

4.3.5 **Why is it difficult for the countries in the South divide to compete with those in the North divide?**

- The main economic activity of the countries in the South is agriculture which makes it difficult for them to compete in this area, because the North subsidise their agricultural activities ✓✓ therefore, the South cannot compete with the lower Northern prices ✓✓
- The South has to pay high interest rates if they wish to borrow funds from the North ✓✓
- They have to pay high prices to be allowed to use new technology which they import from the North ✓✓

(Accept any other relevant correct response.)

(4)

#### 4.4 Distinguish between the *short run* and the *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. ✓✓ (Max. 4)

##### Long run

- Long run is a period during which all resources can be changed ✓✓
- All long run costs are 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 ✓✓ (Max. 4)

(Accept any other relevant correct response.)

(8)

#### 4.5 Examine the role played by humans in damaging the ecosystem.

- The exploitation of natural resources and the production of waste and other pollutants by humans have caused severe deterioration of many of the environment's ecosystem ✓✓
- For example, mining, deforestation, fossil fuel burning and pollution are some of the human activities that have led to environmental damage ✓✓
- Moreover, industrial pollution has contaminated the earth, water and air, the use of chlorofluorocarbons (CFC) has destroyed some of the ozone layer, and the excessive carbon dioxide (CO<sub>2</sub>) released into the atmosphere has contributed to a greenhouse effect that results in global warming ✓✓
- By using certain products such as aerosols, people cause environmental damage without realising it ✓✓
- Humans often care less about their practices that harm the environment because of self-interest ✓✓
- Some humans pollute the environment through littering, disposal of waste, etc. and the costs are borne by others ✓✓ The use of the environment as a dump for waste causes it to become dirtier, uglier and unhealthier ✓✓
- The use of the environment as a productive resource reduces its amenity value, e.g. the use of land that is converted to agricultural use with woods and hedges destroyed, spoil the beauty of the country and lead to a decline in animal and plant species ✓✓

(Accept any other relevant correct response.)

(8)

[40]

**TOTAL SECTION B: 80**

**SECTION C****QUESTION 5: MICROECONOMICS**

- **Discuss in detail the following factors determining the elasticity of demand.**
  - **Nature of the product**
  - **Durability of the product**
  - **Time period**
- **Examine the effect of price inelasticity of demand on revenue.**

**INTRODUCTION**

Price elasticity of demand measures how much consumers respond to a change in the price of a product/measures how sensitive the demand of the product is to a change in the price of the product. ✓✓

(Accept any other correct relevant introduction.)

(2)

**MAIN PART****Nature of the product**

- Price elasticity of demand for essential products like basic foodstuff, electricity and medicine tend to be inelastic ✓✓
- The change in price is unlikely to impact on the demand ✓✓
- These are important products for survival, so consumers will keep on buying them in spite of price changes/increases ✓✓
- Luxury products make people feel better and give them a more comfortable lifestyle, therefore their demand tends to be more elastic ✓✓
- E.g. restaurant meals, overseas holiday etc. They are not essential for survival; therefore they are sensitive to any price changes ✓✓
- A price increase in luxury products will cause a large decrease in the quantity demanded of such goods ✓✓ (Max. 10)

**Durability of the product**

- The more durable the product is, the more elastic the demand will be. ✓✓
- If the product lasts for a long time, consumers will be influenced by price increases and be more hesitant to buy the product ✓✓
- E.g. clothing, when the price of clothes increases consumers will use their old clothes and not buy more expensive clothes ✓✓
- With price increases, consumers will postpone their purchase till a later date and hope that prices will drop before they have to buy the product ✓✓
- For non-durable products, the demand tends to be more inelastic as their purchase cannot be postponed for a future date ✓✓ (Max. 8)

**Time**

- Demand tends to be more elastic in the long run than in the short run. ✓✓
  - This is because it takes consumers time to adjust to price changes. ✓✓
  - For example, if the price of electricity rises, people may try to reduce their consumption by economising on heating in the short run. ✓✓
  - In the long run, the consumption of electricity will fall to a greater extent as people replace electric cookers and heating systems with gas. ✓✓
- (Accept any other relevant correct response) (Max. 8)

**ADDITIONAL PART**

- Total revenue may be higher if the price is increased and the same quantities are demanded. ✓✓
  - Therefore, firms selling inelastic goods can increase price, sell less but make higher revenue. ✓✓
  - Price elasticity offers better flexibility in establishing pricing strategies without lowering profits. ✓✓
  - Extra costs of production could be transferred to consumers without adversely affecting demand. ✓✓
  - On the other hand, price inelasticity may reduce the total revenue if the price of an inelastic good (e.g. cigarettes) is lowered and there is no change in demand (i.e. demand not increased). ✓✓
  - This indicates that the firm should not reduce the price as it would not benefit from such an action. ✓✓
- (Accept any other relevant correct response.) (10)

**CONCLUSION**

Studying price elasticity of demand is very important because economists, producers and the government can use it to make valuable predictions about what will happen when the price of a product increases/decreases. ✓✓

The government adjusts its policy on taxes according to the elasticity of demand of the product that it wants to tax. ✓✓

(Accept any other relevant correct response.)

(2)  
**[40]**

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES**

- **Discuss the causes of globalisation by focussing on the following:**
  - **Trade liberalisation**
  - **Multinational enterprises**
  - **Standardisation**
- **Evaluate the negative impact of globalisation on the environment.**

**INTRODUCTION**

Globalisation is the process of interaction among the countries of the world to bring their economies and societies together to develop the global economy/globalisation is the interaction and interfacing of economies for purposes of trade. ✓✓

(Accept any other relevant correct response.)

(2)

**BODY****Trade liberalisation**

- Trade liberalisation is the removal or reduction of trade barriers between countries, e.g. import duties. ✓✓
- The purpose of trade liberalisation was to stimulate international trade ✓✓
- It started after World War II with the establishment of GATT by the United Nations. ✓✓
- GATT members negotiated for the removal of trade restrictions and barriers as well as to find methods of increasing international trade. ✓✓
- This role was taken over by the WTO in 1994. ✓✓
- The WTO ensures that trade agreements between countries are honoured and acts as a mediator in trade disputes. ✓✓
- Removal of trade restrictions are aimed at encouraging foreign direct investment to further develop industries and increase consumers' purchasing power. ✓✓
- The outflow of these actions was the formation of export processing zones (EPZs) by many countries in which no trade tariffs were levied. ✓✓
- Through trade liberalisation, some countries formed free trade areas (FTA), where agreements were reached whereby participating countries remove all trade barriers among themselves on goods/services traded. ✓✓
- The effect of an FTA is that the total volume of trade has increased because countries can specialise in the products they produce the cheapest. ✓✓

(Max. 10)

### Multinational enterprises

- Multinational enterprises are companies that establish manufacturing, servicing and trading businesses in several countries. ✓✓
- When they produce goods/services in another country, they do not have to export to that country, so they save in transportation costs. ✓✓
- They facilitate FDI as well as the migration of specialised labour when it is not available in the foreign market. ✓✓
- They also play a major role in distributing and implementing new technologies. ✓✓
- MNEs are companies that deliver products and services in at least two countries. ✓✓
- They produce products in several countries where the costs of production is the lowest and then distribute the products globally. ✓✓
- MNEs expose countries to international products which promotes globalisation through international trade. ✓✓ (Max.10)

### Standardisation

- Refers to making rules the same all over the world, making it easier for countries and businesses to trade and invest internationally. ✓✓
  - Those who are subjected to the rules behave in a similar manner which promotes globalisation. ✓✓
  - Globalisation was promoted by a number of facilitating rules, procedures and norms that were laid down by international institutions. ✓✓
  - Examples of such rules include, trade relations, investments, health matters, labour and environment. ✓✓
- (Accept any other relevant correct response.) (Max. 6)

### ADDITIONAL PART

Globalisation has negatively impacted on the environment by:

- Putting pressure on the environment while causing pollution because of increased production and consumption. ✓✓
  - Putting strain on non-renewable sources of energy, e.g. gasoline due to increased consumption of fuel used in producing goods/services and transporting them between countries. ✓✓
  - Increasing dumping of waste and harmful chemicals in oceans, oil spillage that has been generated as a result of increased production, killing underwater organisms. ✓✓
  - Putting pressure on the available land and resources by cutting into mountains to make way for a passing tunnel or highway and encroaching land to pave way for buildings, i.e. restructuring the land. ✓✓
  - Carelessly using various chemicals in the soil due to improved industrialisation, which has resulted into the growth of many noxious weeds and plants. ✓✓
  - Increasing use of plastic during packaging which is a major pollutant as it is non-biodegradable, causing widespread environmental pollution. ✓✓
- (Accept any other relevant correct response.) (Max. 10)



**CONCLUSION**

Globalisation has played a vital role in all countries of the world as it has helped many countries to grow faster than they would otherwise have done. ✓✓

Employment opportunities and economic growth have improved, particularly in developing countries. ✓✓

(Accept any other relevant correct higher order conclusion.)

**TOTAL SECTION C: 40**

**GRAND TOTAL: 150**













