



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ECONOMICS N4

23 November 2023

This marking guideline consists of 8 pages.

SECTION A**QUESTION 1**

1.1	1.1.1	B		
	1.1.2	B		
	1.1.3	C		
	1.1.4	C		
	1.1.5	D		
	1.1.6	A		
	1.1.7	A		
	1.1.8	A		
	1.1.9	D		
	1.1.10	D		
			(10 × 2)	(20)
1.2	1.2.1	Total utility		
	1.2.2	Taker		
	1.2.3	Technology		
	1.2.4	Globalisation		
	1.2.5	Economic		
			(5 × 2)	(10)
1.3	1.3.1	Average		
	1.3.2	Resource		
	1.3.3	Money		
	1.3.4	Public		
	1.3.5	Mobile		
			(5 × 2)	(10)
1.4	1.4.1	B		
	1.4.2	A		
	1.4.3	C		
	1.4.4	F		
	1.4.5	D		
			(5 × 2)	(10)
				[50]
TOTAL SECTION A:				50

SECTION B**QUESTION 2**

- 2.1 Market constraints are the conditions under which it can buy its inputs and sell its output. (2)
- 2.2 2.2.1 • R30 is the equilibrium price.
• 60 units is the equilibrium quantity. (2 × 2) (4)
- 2.2.2 At the price of R10✓ and R20✓ (2)
- 2.2.3 At the price of R40✓ and R50✓ (2)
- 2.3 • A change in income✓ – Rise in the income of consumers causes a rise in demand and vice versa.✓
• Change in taste of consumers✓ – The taste of consumers can change to the advantage or disadvantage of a product.✓
• Change in the population✓ – If the population in a country increases, it will lead to an increase in demand for a product, e.g. demand for houses.✓
• Change in price of complementary products✓ – Complementary products are goods that supplement the satisfaction of a need, e.g. a car and petrol – if the petrol price increases it leads to a decrease in the demand for cars.✓
• Change in price of substitute products✓ – Substitute goods are goods used for the satisfaction of a similar need, therefore an increase in the price of a product will lead to an increase in the demand for its substitute.✓
• Expectations of consumers✓ – If consumers expect a shortage of certain goods, they will buy more units of those goods in anticipation of the shortage.✓ (6 × 2) (12)
- 2.4 2.4.1 Cross elasticity of demand refers to the percentage change in quantity demanded of product A over percentage change in price of product B.
- 2.4.2 Income elasticity of demand refers to percentage change in the quantity demanded over percentage change in the income. (2 × 2) (4)
- 2.5 • Perfectly elastic demand✓ is elastic when the percentage change in demand is smaller than the percentage change in the price.✓
• Relatively elastic demand✓ is elastic when the percentage change in demand is greater than the percentage change in the price.✓
• Unitary demand✓ is when the percentage change in the quantity demanded is equal to the percentage change in the price.✓
• Relatively inelastic demand✓ is when the percentage change in the quantity demanded is smaller than the percentage change in the price.✓ (4 × 2) (8)

- 2.6
- Durability
 - number of ways in which the product can be used
 - percentage of income spent on the product
 - type of want satisfied by the product
 - Occurrence of complements
 - Availability of substitutes
- (6)

2.7

MACROECONOMICS	MICROECONOMICS
• The study of the economy of a country as a whole or of the whole world.✓✓	• The study of the economic behaviour of individual consumers and producers, the factors that influence their choice and how prices are determined.✓✓
• Large-scale decisions made by government.✓✓	• Small-scale decisions made by individuals and businesses.✓✓
• Broad field of study focusing on the whole country, including factors that influence total spending by consumers.✓✓	• Small detailed picture focusing on consumer spending habits and how a firm makes a profit.✓✓

(Any 4 × 2) (8)

- 2.8 It is a sacrifice that a person is prepared to make in order to fulfil another need.

(2)
[50]

QUESTION 3

- 3.1 Collusion is the formal agreement between two or more businesses to increase price and limit production. (2)
- 3.2
- Monopolistic competition has only one business from which consumers can choose to buy and consumers are influenced by price changes.✓✓
 - A monopoly is the only business selling a unique product and consumers are not influenced by price changes.✓✓ (2 × 2)
- (4)
- 3.3
- Oligopolies are reluctant to change their prices due to a price war and make use of non-price competition to attract the consumers and win their market share.✓
 - They use brand loyalty,✓ product recognition✓ and product differentiation.✓
 - Other measures are extended shopping hours,✓ doing business over the internet,✓ after-sales service,✓ loyalty rewards for customers✓ and door-to-door deliveries.✓ (Any 6 × 1)
- (6)

- 3.4
- The desire to save – It is an inborn characteristic of the nation to save.
 - The means to save – The country has a national income per capita.
 - Size of the population – Number of people, especially the economic active population, has an influence.
 - Stability of the economy – Inflation discourages people to save.
 - Availability of consumer goods and their prices – If prices are high, people's savings decrease.
- (5 × 2) (10)
- 3.5
- Primary sector✓ is the sector that extracts raw material from nature.✓
 - Secondary sector✓ is processing raw material from the primary sector and making final products.✓
 - Tertiary sector✓ renders services.✓ (Any 2 × 2) (4)
- 3.6
- Transactional motive – to keep money on hand for daily transactions
 - Provisional motive – provide for unforeseen and special occasions
 - Speculative motive – keeping cash to make a profit (3 × 2) (6)
- 3.7
- Substitutes:✓ When a close substitute is available in the relevant price range, demand will be elastic.✓
 - Uniqueness:✓ The more unique a good or service is, the less elastic demand will be, because there will be fewer substitutes.✓
 - Habit-forming:✓ Some products are habit-forming, for example cigarettes, alcohol and chocolate.✓
 - Urgency:✓ It is possible to postpone the purchase of some products, for example a dishwasher.✓
 - Time period:✓ Demand tends to be more elastic in the long run than in the short run.✓
 - Necessity or luxury:✓ For staple products such as bread and milk, demand is relatively inelastic, whereas for non-necessities such as vacations and restaurant meals, demand is relatively elastic.✓ (Any 5 × 2) (10)
- 3.8
- Private ownership:✓ Private individuals own nearly all the factors of production. Business enterprises and other organisations also own factors of production, particularly land and capital.✓
 - Free enterprise and choice:✓ Owners of the factors of production, as well as producers of goods and services, have the right to buy and sell what they own through the market.✓
 - Competition:✓ Competition exists if economic units are free to use their resources as they wish. Producers have to compete for the spending votes of consumers.✓
 - Motivation:✓ In a pure market economy, consumers and producers are motivated by self-interest or private gain.✓
 - Decentralised decision making:✓ Decision making within the market economy is decentralised, because individual economic agents are free to choose how they wish to allocate their resources.✓ (Any 4 × 2) (8)

QUESTION 4

- 4.1 The production possibility curve shows production of two goods using all the available resources efficiently. (2)
- 4.2
- Social needs
 - Spiritual needs
 - Mental needs
 - Physical needs
- (4 × 2) (8)
- 4.3 The negative sloping demand curve means that more goods are sold at low prices, hence the additional revenue will decrease as more goods are sold. (4)
- 4.4
- Natural resources
 - Labour
 - Capital
 - Entrepreneurship
- (4 × 2) (8)
- 4.5
- 4.5.1
- A cartel/formal collusion is when firms make a formal agreement to stick to high prices.✓✓
 - This can involve the creation of a cartel. The most famous cartel is OPEC (Organisation of the Petroleum Exporting Countries), an organisation concerned with setting the price for oil.✓✓
- 4.5.2
- Price leadership is when firms may try to unofficially collude by following the prices set by a market leader.✓✓
 - This enables them to keep prices high without ever meeting with rival firms. With this kind of collusion it is hard to prove whether it is unfair competition or just the natural operation of markets.✓✓
- (2 × 4) (8)
- 4.6
- Human needs are multiple✓ – human needs are unlimited in nature✓
 - Needs are restricted in scope✓ – needs can be satisfied temporarily✓
 - Needs compete with one another✓ - need for butter can be replaced by margarine✓
 - Needs complement one another✓ – need for a motor car will create a need for fuel✓
 - Needs differ from time to time✓ – warm clothes are needed in winter and cool clothes in summer✓
 - They differ from place to place✓ – swimwear needed at the beach and a suit at church✓
 - They differ from person to person✓ – a second motor car is a necessity for one person but a luxury for another person✓
- (Any 5 × 2) (10)

- 4.7
- A perfect market has many sellers✓ – There are many businesses and no single business can influence price.✓
 - They are price takers✓ – Prices of goods are influenced by demand and supply.✓
 - Sell homogeneous products✓ – Products sold in a perfect market are identical.✓
 - Entry in the market is free✓ – It is easy for a business to enter or exit the market.✓
 - Information is available for both buyer and seller✓ – A perfect market has no uncertainty.✓
- (5 × 2) (10)
[50]

QUESTION 5

- 5.1 A market refers to all buyers and sellers who influence the prices of goods and services/conditions where buyers and sellers meet (interact) to negotiate business transactions. (2)
- 5.2
- Factor market – market for four factors of production or market where factors of production are bought and sold
 - Product market – market for goods and services or market where goods and services are bought or sold (2 × 2) (4)
- 5.3
- 5.3.1 Economic profit - extra profit that a firm makes
- 5.3.2 Supernormal profit - $MR > MC$
- 5.3.3 Normal profit - profit that keeps the entrepreneur in the business where $MR = MC$ (marginal revenue = marginal cost)
- 5.3.4 Accounting profit – the surplus between total revenue from sales and total cost (4 × 2) (8)
- 5.4 Profit maximisation is where the marginal revenue is equal to marginal cost. (2)
- 5.5
- 5.5.1
- Artificial monopoly – The barriers to entry are not economic in nature, but are caused by other factors,✓ for example a patent.✓
 - This is the legal right of a holder to exclusively manufacture a product.✓✓
- 5.5.2
- Natural monopoly – High development costs prevent others from entering the market.✓
 - A single business can serve the whole market at a lower price due to economies of scale,✓ being large, e.g. water and electricity.✓✓ (2 × 4) (8)

- 5.6
- There is one seller✓ – one business controls the price✓
 - Products sold are unique and there are no close substitutes✓✓
 - Entry is blocked✓ – no entry in the market✓
 - No competition✓ – only one business✓
 - Large amount of starting capital is required✓✓
 - It is possible for a monopoly to make economic profit in the long-run
(Any 5 × 2) (10)
- 5.7
- 5.7.1
- Business does not produce at the lowest possible cost.
 - Resources are not used appropriately to produce the maximum number of goods.
 - There is room to reduce cost without producing fewer goods or without producing lower quality goods.
(Any 2 × 2) (4)
- 5.7.2
- Resources are not allocated in the right proportion and product mix does not meet the consumers' tastes.
 - Some goods might be oversupplied while other goods might be undersupplied.
(2 × 2) (4)
- 5.8
- Size and composition of labour force✓ – Population size plays an important role in determining the size of the labour force. The EAP (economically active population) can increase or decrease.✓
 - Labour time✓ – Labour time is determined by the length of the workday and the workers' productivity lifespan.✓
 - Inborn aptitude✓ – There's a considerable difference in aptitude among different population groups.✓
 - Labour ability✓ – Ability is influenced by health conditions under which labourers work.✓
 - Education and training✓ – The productivity of labour is influenced by education and training.✓
(Any 4 × 2) (8)
- [50]

TOTAL SECTION B: 150
GRAND TOTAL: 200