



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ECONOMICS N4

7 June 2023

This marking guideline consists of 8 pages.

SECTION A (COMPULSORY)**QUESTION 1**

1.1	1.1.1	D✓✓	(10 × 2)	(20)
	1.1.2	B✓✓		
	1.1.3	A✓✓		
	1.1.4	A✓✓		
	1.1.5	B✓✓		
	1.1.6	C✓✓		
	1.1.7	B✓✓		
	1.1.8	B✓✓		
	1.1.9	D✓✓		
	1.1.10	A✓✓		
1.2	1.2.1	inflation✓✓	(5 × 2)	(10)
	1.2.2	mining royalties✓✓		
	1.2.3	fixed/elastic✓✓		
	1.2.4	fixed✓✓		
	1.2.5	diminishing return✓✓		
1.3	1.3.1	economics✓✓	(5 × 2)	(10)
	1.3.2	substitute✓✓		
	1.3.3	utility✓✓		
	1.3.4	length✓✓		
	1.3.5	natural✓✓		
1.4	1.4.1	B✓✓	(5 × 2)	(10)
	1.4.2	A✓✓		
	1.4.3	D✓✓		
	1.4.4	C✓✓		
	1.4.5	F✓✓		
				[50]
TOTAL SECTION A:				50

SECTION B**QUESTION 2**

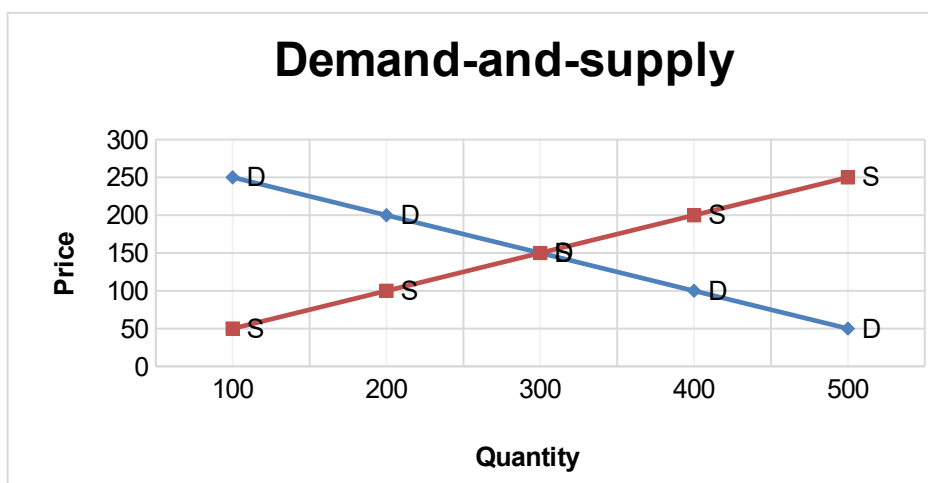
- 2.1
- Perfect
 - Monopolistic
 - Monopoly
 - Oligopoly
- (Any 2 × 1) (2)

2.2

CHARACTERISTICS	PERFECT MARKET	MONOPOLY
1. Number of sellers✓	Many sellers✓✓	One seller✓✓
2. Nature of product✓	Homogenous products✓✓	Unique products✓✓
3. Entry and exit✓	Freedom of entry and exit✓✓	Blocked entry✓✓
4. Control over price✓	Price taker✓✓	Price maker✓✓
5. Collusion✓	No collusion✓	No collusion✓✓

(14)

- 2.3 2.3.1



(6)

- 2.3.2 R150✓✓ (2)

- 2.3.3 300✓✓ (2)

- 2.4 Movement along a demand curve occurs when price changes and quantity demanded increase or decrease on the same demand curve. It either moves up or down.✓✓ Shifting on a demand curve occurs when consumers need a product, which will cause a decrease or increase in demand that can lead to two curves shifting either left or right of the original curve.✓✓ (2 + 2) (4)

- 2.5
- Availability of substitutes:✓ If people have an alternative product, the demand for that product becomes elastic.✓
 - Budget of consumers:✓ Consumers' budgets can increase or decrease a demand for a product.✓
 - Nature of a product:✓ Normal goods sometimes can be replaced by inferior goods while the price of necessity is inelastic.✓
 - Habit-forming products:✓ If a product is causing a habit, like alcohol, the demand for that product becomes elastic because of addiction.✓
 - Size of the household:✓ If the number of members of a household increases, that will increase the demand.✓
 - Influence of time✓✓
 - Durability and uniqueness of a product✓✓ (Any 5 × 2) (10)
- 2.6 If the price is low,✓ the quantity supplied will be low.✓ If the price is high,✓ the quantity supplied will be high.✓ (4)
- 2.7 Oligopolies use nonprice competition✓ to win their market share due to fear of price wars.✓ They use methods like advertising,✓ brand loyalty,✓ after-sales services, extended shopping hours,✓ free delivery, etc.✓ (6)
[50]

QUESTION 3

- 3.1 A goods market is where goods are bought or sold.✓✓ A money market is where money is bought or sold – especially short-term loans.✓✓ (2 + 2) (4)
- 3.2 Economic profit
- Economic profit is the extra profit that a firm makes.✓
 - Economic profit is the profit that a business makes in addition to normal profit.✓
 - Economic profit = revenue – explicit + implicit cost✓✓
- Accounting profit
- Accounting profit is the surplus between total revenue from sales and total costs.✓✓
 - Accounting profit = revenue – explicit costs✓✓ (4 + 4) (8)
- 3.3 Normal profit is the minimum return required by the owner to continue with the business.✓✓ It is when revenue is equal to explicit costs plus implicit costs.✓✓ Economic profit is the extra profit that a firm makes.✓✓ It is the profit that the business makes in addition to normal profit.✓✓ (4 + 4) (8)

- 3.4 Natural monopoly
- High development costs prevent others from entering the market.✓✓
 - A single business can save the whole market at lower price due to economy of scale, e.g. electricity.✓✓
- Artificial monopoly
- Barriers keep opponents from entering a market.✓✓
 - For example patents,✓ which are legal rights of holding to exclusively manufacture of products.✓✓ (4 + 4) (8)
- 3.5
- A market fails if it fails to produce the quantities of goods and services people want at the price reflecting marginal utility and relative scarcity.✓✓
 - It fails because of externalities.✓✓
 - It fails because of productive and allocative inefficiency.✓✓ (Any 2 × 2) (4)
- 3.6
- Productive inefficiency means that a business does not produce goods at the lowest possible cost.✓✓ There is no room to reduce costs without producing fewer goods or without producing a lowest quality good.✓✓ Allocative inefficiency means that the product mix does not reflect consumers' tastes and therefore resources are not allocated in the right proportions.✓✓ The quantities required by consumers are not available.✓✓ (4 + 4) (8)
- 3.7
- Labour Relations Act (LRA)
 - Basic Conditions of Employment Act (BCEA)
 - Employment Equity Act (EEA)
 - Skills Development Act (SDA) (4)
- 3.8
- Utility is abstract✓ because there is no way to measure satisfaction.✓
 - Utility is subjective✓ as it differs from person to person.✓
 - Utility differs from time to time,✓ e.g. ice cream can be as good in winter as in summer.✓
 - Utility differs from place to place,✓ e.g. a swimming costume will be satisfactory at the beach, but not in a classroom.✓ (Any 3 × 2) (6)
- [50]

QUESTION 4

- 4.1 Economics is the study of how people choose to use limited means to satisfy unlimited wants in a manner that is efficient and effective.✓✓ (2)
- 4.2
- Has order of preference
 - Does not touch or intersect
 - Convex on the side of origin
 - Infinite in number
 - Slopes downwards (Any 4 × 1) (4)

- 4.3
- Product market
 - Factor market
 - Financial market
 - Foreign exchange market
 - Money market
 - Capital market
- (Any 4 × 1) (4)

- 4.4
- Indicate economic activity within a country
 - Measure economic growth from one year to the next
 - Determine the standard of living in a country
 - Compare prosperity level among countries
- (4)

4.5

MACROECONOMICS	MICROECONOMICS
The study of the economy of a country as a whole or of the entire world✓✓	The study of economic behaviour of individual consumers and producers, the factors that influence their choice and how price is determined✓✓
Large-scale decisions made by government✓✓	Small-scale decision made by individual and business✓✓
Broad field of study focusing on the whole country, including factors that influences total spending by consumers	Small detailed picture focusing on consumer spending habits and how firms make profits

(Any 2 × 2 + any 2 × 2) (8)

- 4.6
- Free goods
- Unlimited in nature
 - Not paid for
 - Utility but no usage value
 - Do not belong to anyone
- Economic goods
- Scarce in nature
 - Paid for
 - Utility and usage value
 - Belong to someone
- (4 + 4) (8)

- 4.7
- (a) 0✓✓
 (b) 300✓✓
 (c) 150✓✓
 (d) 200✓✓
 (e) 450✓✓
- (5 × 2) (10)

- 4.8
- Nondurable goods✓ are used once,✓ e.g. food.✓
 - Semidurable goods✓ are used more than once but not for a long period,✓ e.g. textbook.✓
 - Durable goods✓ are used for a long period of time,✓ e.g. furniture.✓
 - Services,✓ e.g. education/health.✓
- (10)

[50]

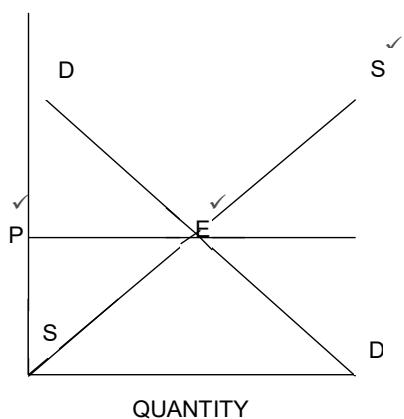
QUESTION 5

- 5.1 Model that illustrates the flow of income and expenditure in the economy✓✓ (2)
- 5.2
- Economic profit:✓ Extra profit that a firm makes✓
 - Normal profit:✓ Profit that keeps the entrepreneur in the business where $MR = MC$ ✓
 - Accounting profit: The surplus between total revenue from sales and total cost (Any 2 × 2) (4)
- 5.3 It always sloped downwards to the right,✓ which means the country can only use available resources producing one or two products at any given time.✓ The curve is bowed outwards,✓ which indicates an increase in the slope of the curve.✓ (4)
- 5.4 Needs are things which one cannot live without.✓✓ Wants are desires for something you can survive without even if your wants are not satisfied.✓✓ (2 + 2) (4)
- 5.5 Commercial rent is the price paid as remuneration for use of natural resources in the production process.✓✓ Commercial rent is rent paid for buildings, houses, land, etc.✓✓ Economic rent is payment for services of economic resources based on its value to the user.✓✓ Economic rent is rent paid from the sale of factors of production which are scarce.✓✓ (4 + 4) (8)
- 5.6
- Natural resources:✓ Rent✓
 - Labour:✓ Wages✓
 - Capital:✓ Interest✓
 - Entrepreneurship:✓ Profit✓ (4 × 2) (8)
- 5.7
- Natural monopoly occurs where there is a unique source of supply of a raw material or when one firm can supply the entire market at a lowest price than two or more firms can do.✓✓
 - Natural monopoly can also arise because of economies of scale.✓✓
 - Entry to the market is accompanied by large financial demand which could prohibit many potential competitors.✓✓
 - A government license controls entry into particular occupations, professions and industries.✓✓
 - A monopoly could be the sole owner of certain raw materials which are used to produce products, so an outside firm cannot produce the product because it does not get the raw materials.✓✓
 - A monopoly may place a patent or copyright on product, which makes it impossible for competitors to enter the market. Competitors may not by law duplicate a protected product. (Any 5 × 2) (10)

5.8

GRAPH OF AN INDUSTRY

INDIVIDUAL GRAPH



- The industry shows the interaction of demand and supply.
- Market forces are in equilibrium at point E.
- At equilibrium the quantity demanded is equal to the quantity supplied.
- The individual producer is a price taker.
- The demand curve of individual producer is horizontal.

(10)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200