



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

ECONOMICS N4

14 June 2024

This marking guideline consists of 8 pages.

SECTION A

ALL the questions in this section should be answered.

QUESTION 1

1.1	1.1.1	D	(10 × 2)	(20)
	1.1.2	B		
	1.1.3	C		
	1.1.4	B		
	1.1.5	D		
	1.1.6	B		
	1.1.7	A		
	1.1.8	C		
	1.1.9	B		
	1.1.10	A		
1.2	1.2.1	True	(5 × 1)	(5)
	1.2.2	False		
	1.2.3	True		
	1.2.4	True		
	1.2.5	False		
1.3	1.3.1	C	(10 × 2)	(20)
	1.3.2	D		
	1.3.3	B		
	1.3.4	A		
	1.3.5	E		
	1.3.6	I		
	1.3.7	J		
	1.3.8	F		
	1.3.9	K		
	1.3.10	H		
1.4	1.4.1	Fixed costs	(5 × 1)	(5)
	1.4.2	Saving		
	1.4.3	Equilibrium price		
	1.4.4	Vertical		
	1.4.5	Profit		
				[50]

TOTAL SECTION A: 50

SECTION B

Any THREE of the four questions in this section should be answered.

QUESTION 2

- 2.1 The indifference curve is a graph that shows all the combinations of two products that will give the consumer an equal level of satisfaction. (2)
- 2.2
- The indifference curve slopes downwards.
 - The indifference curve is convex.
 - Consumers prefer high indifference curves to low ones because of the level of satisfaction.
 - Indifference curves never cross. (4)
- 2.3 Economic profit
- is where marginal revenue is greater than marginal cost
 - is the profit which is above zero
 - is also called supernatural profit (Any 2 × 2) (4)
- Natural profit
- is where marginal revenue is equal to marginal cost
 - is the profit that keeps the entrepreneur in the business (Accept any relevant answers) (2 × 2) (4)
- 2.4
- A tacit collusion involves price wars on the equilibrium path.
 - It is where firms make informal agreements or collude without actually speaking to their rivals.
 - Price leadership can also be called implicit collusion which is a collusion between competitors that do not explicitly exchange information and achieving an agreement about the coordination of a contract.
 - In this type of collusion the price is set by market leaders. (Any 2 × 2) (4)
- A cartel is also known as an explicit collusion where firms secretly share their private information to avoid price wars.
 - It is a formal collusion where firms make formal agreements to increase prices and reduce production. (Accept any relevant answers) (2 × 2) (4)
- 2.5 Short-run period
- This is a period of production where only variable costs can change.
 - This is a period of production that does not allow firms to either exit or enter the market.
 - In this period the factor of production is fixed. (4)
- (Accept any relevant answers) (2 × 2)
- Long-run period
- This is a production period where both variables and costs can change.
 - This is a production period that allows firms to either exit or enter the market.
 - All the factors of production of a firm are variable. (Accept any relevant answers) (2 × 2) (4)

- 2.6 2.6.1 A production possibility curve shows the different combinations of two goods or services being produced using all resources efficiently. (2)
- 2.6.2
- Productive efficiency is concerned with producing goods and services with the optimal combination of inputs to produce maximum output for the minimum cost.
 - Allocative efficiency occurs when there is an optimal distribution of goods and services taking into account consumers' preferences. (2 × 2) (4)
- 2.6.3
- Productive inefficiency occurs when a firm is not producing at its lowest unit cost. ✓✓
 - Scarcity means limited means to satisfy unlimited wants. (2 × 2) (4)
- 2.6.4 There are no resources to produce goods or services. (2)
- 2.6.5
- Lack of employment opportunities meaning many people are unemployed
 - Slow economic development
 - Insufficient human resource development
 - Ineffective government policies and administration
 - Poor state of infrastructure
- (Accept any other relevant responses) (Any 4 × 2) (8)
- [50]**

QUESTION 3

- 3.1
- Natural resources
 - Labour
 - Capital
 - Entrepreneur
- (4)

- 3.2
- | MACROECONOMICS | MICROECONOMICS |
|---|--|
| <ul style="list-style-type: none"> • Study the process of production consumption and exchange to the economy • Looks at the behaviour of the economy as a whole (2 × 2) | <ul style="list-style-type: none"> • Study the process of production consumption and exchange to the individual consumer and business • Deals with a small section of the economy✓ (2 × 2) |
- (Accept any relevant answers) (2 × 4) (8)

- 3.3
- Factor market
 - Product market
 - Money market
 - Capital market
 - Financial market
 - Foreign exchange market (Any 2 × 1) (2)
- 3.4
- It provides the economy with four factors of production that can be used to produce goods and services✓✓
 - and pays tax to the government that can be used to produce public goods and services.✓✓ (2 × 2) (4)
- 3.5
- It makes use of goods and services. (2)
- 3.6
- Provide for the future
 - Plan for retirement
 - Financial independence
 - Pay off/settle debts (Accept any other relevant answers) (4)
- 3.7
- 3.7.1
- The law of diminishing states that as a person increases consumption of a product✓✓
 - there is a decline in the marginal utility that the person derives from consuming each additional unit of that product.✓✓ (2 × 2) (4)
- 3.7.2
- Form utility
 - Utility of place
 - Utility of time
 - Possession utility (4)
- 3.8
- 3.8.1
- To measure economic growth
 - To measure the standard of living of the country
 - To compare prosperity level of different countries (Any 2 × 2) (4)
- 3.8.2
- By real national income (figures) (2)
- 3.9
- Caused high unemployment
 - Decreased production
 - Decreased standard of living
 - Increased poverty
 - Caused the decline in the economic growth (Accept any relevant answer) (4 × 2) (8)
- 3.10
- Provided the citizens who were not working with a R350 relief grant.✓✓
 - Increased social grants.✓✓ (2 × 2) (4)
- [50]**

QUESTION 4

4.1 It is a system where the four factors of production are owned and controlled by the government. (2)

4.2 Karl Marx (2)

4.3

FREE-MARKET ECONOMY	COMMUNISM
- Factors of production are owned and controlled by private individuals✓✓ - There is freedom of choice✓✓ - Self-interest and profit are the driving forces in a free-market economy✓✓ - Competition acts as a controlling mechanism✓✓ - Government's intervention is very little✓✓	- Factors of production are owned and controlled by the government✓✓ - Government fixes all prices and takes the profits✓✓ - Private initiative is discouraged✓✓ - Competition among producers is discouraged. ✓✓

(Any 5 points × 2) (10)

4.4

- Greater stability, economic growth and employment with government intervention.
- Private ownership, profit motive, self-interest and competition in the private sector ensure the availability of a wide variety of goods and services.
- The comparison between the private and the public sector ensures the maximum utilisation of resources.
- The government formulates policies to intervene in the private sector because the market mechanism cannot regulate certain mergers on its own. (Accept any relevant answer) (4 × 2)

(8)

4.5

- Complementary goods are used together with other goods. Complementary goods supplement other goods. (2 × 2) (4)
- Substitute goods are used instead of other goods. Substitute goods replace other goods. (2 × 2) (4)

4.6

- Size of income - The higher the income the higher the consumption
- Influence of advertisements - people spend more on goods that are advertised
- Interest rate - when the interest rate increases people spend less
- Liquid assets and wealth - consumers spend more on durable goods whenever they have access to money, security or bonds
- Expected future income - the higher the household's expected future income the greater the consumption expenditure
- Availability of credit - if consumers have access to credit, they will buy more (Any relevant answer) (4 × 2)

(8)

- 4.7
- Fixed costs do not change for long periods.
 - Variable costs change when output changes.
- (2 × 2) (4)

4.8

OWNERSHIP	MOTIVATION
Free-market - factors of production are owned and controlled by individuals.	Free-market economy - its motive is to make maximum profit
Mixed economic system - factors of production are owned and controlled by individuals and government	Mixed economic system - its motive is to satisfy the needs of the citizens and make maximum profit

(4 × 2) (8)
[50]

QUESTION 5

- 5.1 A market is a place where buyers and sellers meet for the purpose of exchanging goods and services for money. (2)
- 5.2
- Number of sellers – A perfect market has many buyers and sellers.
 - Nature of products – A perfect market sells homogeneous products.
 - Entry and exit – There is freedom of entry and exit.
 - Control over price – A perfect market has no control over prices because the businesses are the price takers.
 - Collusion – There is no collusion as in a perfect market as the businesses are the price takers. (Accept any other relevant answer) (5 × 2) (10)
- 5.3 Natural monopoly
- This type of monopoly is established due to natural causes.
 - It has high product and development costs. (2 × 2) (4)
- Artificial monopoly
- This type of monopoly has entry barriers.
 - Laws prohibit competition. (2 × 2) (4)
- 5.4 Factor market
- In this type of market factors of production are traded.
 - It is a market where services are bought and sold for natural resources, capital, labour and entrepreneurs. (2 × 2) (4)
- Product market
- In this market goods and services are bought and sold.
 - In this market non-durable, semi-durable and durable goods and services are traded. (2 × 2) (4)

5.5	CLOSED ECONOMY	OPEN ECONOMY		
	An economy without the operation of a foreign sector	An economy with four participants, where the foreign sector is included	(2 × 2)	(4)
5.6	Constant price			
	• Constant prices are in real value.			
	• Prices are adjusted according to the inflation rate.		(2 × 2)	(4)
	Current price			
5.7	• Current prices are set to be in nominal value✓✓			
	• meaning prices are not adjusted according to the inflation rate.✓✓		(2 × 2)	(4)
	• Market with one seller.			
	• It sells unique products with no close substitutes.			
	• Entry and exit are blocked. No one is allowed to enter or exit the market.			
	• There is no competition because there is only one seller.			
	• A monopoly makes economic profit in the long-run and short-run.			
	(Accept any relevant answer) (5 × 2)			(10)
			TOTAL SECTION B:	150
			GRAND TOTAL:	200