ECONOMICS

**8246
Paper 1**

NOTE: If more than one feature is required, the first two for instance are marked, even if they are in the same numbered feature.

GENERAL COMMENTS

The first AS examination was fair with a moderate standard. Instructions were clear.
Most learners attempted to answer all questions.

COMMENTS ON INDIVIDUAL QUESTIONS

		Answer		Guidance
1		Well answered. Most learners scored full marks.		
		Define scarcity. **Kn** (2 marks) • When there are limited/not enough/lack resources. **(1)** • But unlimited wants. **(1)**	**2**	**Two** marks for a correct definition.
2 (a)		Poorly answered. Most learners used "various" combination in stead of "maximum" possible combination.		
		Define production possibility frontier. **Kn** (2 marks) • A curve which shows the maximum possible combinations of the amount of goods which can be produced. **(1)** • when the given resources/technologies are fully utilised. **(1)**	**2**	For correctly defining production possibility frontier - up to **two** marks NOT various combinations
	(b)	Well answered.		
		Calculate the opportunity cost in terms of agricultural goods of the country moving from point C to point B on the PPF. **Ap** (1 mark) • 25 units of agricultural goods (100 – 75). **(1)**	**1**	Award a mark if just the answer "25" is given.
3		Fairly well answered. Most learners confused the free goods with the public goods. Most centres have "streetlights" as an example instead of "air, rain water".		
		State two features of a free good and give one example. **Kn** (2 marks) • Goods without an opportunity cost. **(1)** • Goods that a price cannot be charged for. **(1)** • Goods that are abundant/unlimited/not scarce. **(1)** Any **two** **Ap** (1 mark) - Air (1) - Water from the river/rain (1) Any **one**	**3**	Accept any two correct features and any one correct example. Do not accept e.g., free education, free health services, serviced land, naturally given goods.

4	Well answered, but most learners gave price of a commodity instead of price of substitute/or complementary goods.		
	Identify two factors that cause a change in demand for a good or service. **Kn** (2 marks) • Income **(1)** • Taste/fashion/preferences **(1)** • Price of substitutes **(1)** • Price of complementary goods **(1)** • Availability of substitutes **(1)** • Advertising **(1)** • Population size **(1)** • Expectations of the economy **(1)** • Consumer confidence **(1)** Any **two**	2	
5	Most learners struggled to define "joint supply". They used the production process instead of increase in supply.		
	Define joint supply and give an example of goods that are in joint supply. **Kn** (2 marks) • A product or process whereby an increase in the supply of one goods (1) leads to an increase in the supply of another good. (1) **Ap** • An increase in the supply of cattle/sheep/goats can lead to an increase in the supply of milk/meat/hide (1) Wheat and straw, zinc and lead	3	**Kn Two** marks for correct definition Accept decrease in both goods. Award marks for link.
6	Fairly well answered, but most learners left out the formula so they did not receive the knowledge mark.		
	Calculate the marginal revenue of the firm when three units are sold. Show your calculations. **Kn** (1 mark) MR = Δ TR $\div$ Δ Q (1) **Ap** (2 marks) 8 ÷ 1 (1) = N$8 (1)	3	**Kn One** mark for correct formula **Ap Two** marks for correct calculation and correct final answer. If the answer is wrong but correct formula is used = **two** marks. Correct formula, wrong calculation, wrong data used = **one** mark only. Only correct answer given without calculations = **two** marks Calculations must be shown. N$ not necessary to be shown
7	Well answered. Most learners scored full marks.		
	List two possible causes of inflation. **Kn** (2 marks) • Demand-pull inflation **(1)** • Cost-push inflation **(1)** • An increase in the money supply faster/too much/too fast than the growth in real output **(1)** Any **two**	2	**Kn One** mark for each correct cause. Accept an example of either cost-push or demand-pull inflation such as an increase in labour cost or an increase in income. Award marks if examples are only from one side.

8	Fairly well answered. Most learners from different centres used GDP or economic growth instead of GDP per capita. Some learners used national income.		
	Identify two factors that influence living standards. Kn (2 marks) • Education/literacy (1) • Health/life expectancy (1) • Income/GDP per capita (1) • Employment/unemployment (1) • Productivity of the economy (1) • Population distribution (1) • Technology • Income distribution • Absolute levels of income • Sanitation and water as well as electricity Any **two**	2	Award **one** mark for any correct factor. Only award **one** mark for each factor e.g. health and low infant mortality will only score one mark.
9 (a)	Well answered. Most learners were able to define opportunity cost.		
	Define opportunity cost. Kn (2 marks) • Opportunity cost is to sacrifice/forgo/give up (1) • the next best choice/alternative (1)	2	**Two** marks for a correct definition
(b)	Fairly well answered. Most learners could define fiscal policy, but some learners struggled to apply knowledge with reference to the case study on how government could use fiscal policy to repair damaged infrastructure.		
	Define what is meant by fiscal policy and with reference to the extract, describe how the government might use fiscal policy in order to repair the damage to the infrastructure. Kn (2 marks) • Fiscal policy is the means by which a government adjusts its spending levels (1) and tax rates (1) Ap (4 marks) • Government increase expenditure (1) • on repairs to roads/bridges/rail (1) • Government might have to increase (1) • direct taxes/indirect taxes/taxation/tax rates (1)	6	For two marks both government spending and taxation must be mentioned in the definition. Both government spending and taxation must be included in the answer to gain full marks. Up to **four** marks
(c)	The first part of the definition to define subsidy was fairly answered. Most learners could describe a subsidy as money from the government, but could not explain the use of a subsidy to lower production cost. The diagram was fairly well answered but some learners failed to label the diagram.		
	Outline what a subsidy is and draw a diagram to show the effect of the proposed government subsidy to milk farmers on the market for milk. Kn (1 mark) • Grant/money/aid from government to producers to reduce production costs/market price. (1) Ap (2 marks) • Original labels Price + Quantity + D + S (1) • Equilibrium P + Q (1) An (2 marks) • Shift from S to S1 (1) • New equilibrium P1 + Q1 (1)	5	Accept any correct outline of a subsidy. Ap (2 marks) static/original diagram **One** mark for all four correct labels **One** mark for correct equilibrium P + Q/E An (2 marks) dynamic/shifted diagram **One** mark for shift S to S1 **One** mark for the new equilibrium P1 + Q1/E1

(d)	Not well answered. Learners could define a quota, but failed to link it to milk import quota. The learners failed to analyse the impact of a lower import quota on GDP and employment in the Namibian economy.			
	Analyse how the introduction of a lower milk import quota might positively impact on GDP and employment in the Namibian economy. **Kn** (1 mark) • A milk import quota sets a limit on the quantity of milk that can be imported. **(1)** **OR** • Limit on the milk imported from outside/another country. **An** (5 marks) **GDP** • Reduced imported milk supply **(1)** • Demand/output for local milk will increase **(1)** • GDP will increase **(1)** **Employment** • Derived demand for workers in the dairy industry will increase **(1)** • Employment in the Namibian economy will increase **(1)**	6	Award **two** marks maximum out of five for a wholly micro answer. Both GDP **and** employment must be analysed in the answer to gain the full **5** analysis marks. Must be derived from/linked with milk.
(e)	Poorly answered. Most learners could explain that output reduction would lead to fewer (less) exports and a current account deficit, but could not analyse further to show the implication of output reduction on the current account. Most learners failed to evaluate the impact of a reduction of output on the current account.			
	The drought in Namibia has caused a lack of animals at abattoirs and subsequently a reduction in the output of Meatco. **Evaluate the extent to which a reduction in the output of Meatco will impact on the current account of the balance of payments of Namibia.** **An** (4 marks) • The **input** of cattle to Meatco has decreased/less input **(1)** • There will be subsequent fall in the **volume** of exports from Meatco **(1)** • This will lead to a reduction in the **value** of exports from Namibia **(1)** • This will have a negative **impact** on visible/trade balance of the current account of the balance of payments of Namibia **(1)** **Ev** (4 marks) • The larger the decrease in the number of cattle at abattoirs/exports of meat the larger the negative impact on the visible/trade balance (size) **(1)** • The current account may not move into deficit if the invisible account is in significant surplus **(1)** • The extent of the impact will depend upon the importance/value of meat as an export relative to other exports that may have increased/not have decreased in value **(1)** • If the exported meat is relatively price inelastic in demand, then the price increase that results from the decrease in supply will lead to an increase in export revenue and a positive impact on the current account of the balance of payments of Namibia (elasticity)	8	**Ev - L1 (1 - 2)** for an answer that shows **some** knowledge of the **effect** of the reduced output of Meatco on the current account of the balance of payments. **Ev - L2 (3 - 4)** for an answer that shows **detailed/developed knowledge** of the effect of the reduced output of Meatco on the current account of the balance of payments.

(f)	Poorly answered. Most learners could not explain that consumption is a component of aggregate demand and, therefor, a fall in consumption would lead to a fall in aggregate demand and a fall in demand pull inflation. Most learners answered from a micro- economic perspective instead of macro-economic perspective.		
	Explain how a fall in consumption might lead to a fall in the rate of inflation. **An (3 marks)** • Consumption is a component of aggregate demand **(1)** • If consumption falls, aggregate demand will fall **(1)** • This will decrease the rate of demand-pull inflation **(1)**	3	AD diagram not required, but credit with one mark if correctly produced and the mark has not been awarded in the explanation. Macro NOT micro

POSITIVE SUGGESTIONS TO TEACHERS

Teachers must also test the learners on different levels: define, analyse, application and evaluation.

Teachers must expose their learners to different economic scenarios and ask learners for their comments.

Give case studies to practise analysis and evaluation.

Teachers must encourage learners to link definitions to case studies.