8246
Paper 2

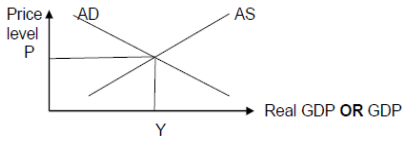
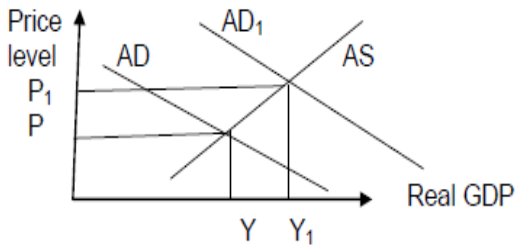
GENERAL COMMENTS

The knowledge questions were answered well. Learners struggled to apply, analyse and evaluate answers. Analysis and evaluation points should be developed sufficiently to receive up to two marks for each point.

COMMENTS ON SPECIFIC QUESTIONS

Q	Answer		Guidance
1 (a)	Learners had to state the economic definition of an entrepreneur which differs from the definition used in Business Studies and Entrepreneurship. In general, this knowledge question was answered well.		
	Define entrepreneur. **Kn** (2 marks) • Person taking on the risk/risk taker. (1) • The person combining/using (other) the factors of production. (1) • Person receiving profit as a reward. (1) Any **two**	**2**	
(b)	One knowledge mark was scored by learners. Learners did not state that invisible exports involve money flowing into/received by a country. Learners calculating the correct answer received two application marks. It is important that learners round off answers correctly.		
	Define invisible exports and calculate the percentage change in visitors from January 2020 to February 2020. Show your calculation. **Kn** (2 marks) • An invisible export is an international transaction that involves money flowing into a country. (1) • But, it does not include an exchange of tangible/physical goods/that involve a service. (1) **Ap** (2 marks) 1 990.0 – 1 242.7 (1) = 747.3 ÷ 1 990.0 x 100 = 37.55% (1)	**4**	Award the full **Kn** marks for any correct definition. Only **one** mark to be awarded for **Ap** if just the correct answer is given/ answer rounded to 38% or 37.6%.

(c)	Two knowledge marks were awarded to most learners for the correct definition of income elasticity of demand (YED), although marks were lost when defining price elasticity of demand (PED) instead. Application marks were not awarded because learners failed to apply that • travelling to Vietnam is a luxury good • for which the value of YED is greater than one. Learners writing that increased income is leading to increased spending on travelling did not receive analysis marks. An increase in income should have been linked to: • an increase in the demand for luxury goods or services • an elastic YED, where demand increases proportionally more than the increase in income.		
	Use your knowledge of income elasticity of demand to explain why an increase in income might have led to the higher number of tourists arrivals in Vietnam in January 2020, compared to December 2019. **Kn** (2 marks) • Income elasticity of demand shows the responsiveness/ sensitivity of the quantity of a good/service demanded. (1) • to a change in income. (1) **Ap** (2 marks) • Travel to Vietnam is seen as a luxury good for most people. (1) • For a luxury good, the value of YED is greater than one. (1) **An** (2 marks) • An increase in income will increase the demand for luxury goods/services (1) • by proportionately more than the increase in income explaining the increase in tourists' arrivals in Vietnam. (1)	**6**	Award full marks for the formula if it is given instead of definition. YED = % change in quantity demanded % change in income

(d)	Most learners defined the depreciation of the Vietnamese currency correctly and scored one knowledge mark. Learners failed to draw the static diagram of aggregated demand (AD) and aggregate supply (AS) and received only one application mark. The effects of a depreciation of the Vietnamese currency on the price level by using and AD and AS analysis had to be examined on a macroeconomic level. Some learners misinterpreted the question and explained the effect of the depreciation of the Vietnamese currency on tourists visiting Vietnam. Learners did not evaluate to which extent the depreciation of the country's currency affected the AD and the price level in Vietnam. No reference was made to the Marshall Learner condition and the J curve effect.		
	Use aggregate demand and aggregate supply analysis to evaluate the effects of a depreciation of the Vietnamese currency on the price level in Vietnam. **Kn** (1 mark) • Depreciation is a loss/fall in the value/price of a currency/ in relation to another currency. (1) **Ap (2 marks)**  • Correctly drawn and labelled static diagram. (1) • Depreciation leads to a fall in the price of exports/cheaper exports. (1) **OR** Depreciation leads to an increase in the price of imports/more expensive imports. (1) **An** (2 marks)  • There will be an increase in exports (1) leading to a shift/ increase of AD from AD to AD1. (1) • Cost of production increase (1) leading to cost-push inflation/higher price level. (1) • This will lead to a new equilibrium with a higher price level (in Vietnam) P – P1. (1) Any **two** **Ev** (3 marks) • Depends on the price elasticity of demand of the export. (1) • The value of exports will only increase AD/price level if the price elasticity of demand of the exports is elastic (ML condition). (1) • Depends on the time frame. (1) • Short-run AD/price level more inelastic/long-run AD/price level more elastic. (1) • In the short run AD/price level may decrease (1) due to the J curve effect. (1) Any **three**	**8**	Mark can also be awarded for fall of exchange rate. NO mark awarded for two diagrams. MUST be one diagram with equilibrium. Any missing label or equilibrium equals no marks for the static diagram.

(e)	The analysis part of the question was answered well. External benefits and costs had to be linked to third parties outside the tourism industry. Learners writing that more workers were employed and trained in the tourism industry did not receive marks. Few learners evaluated the impact of the external benefits and costs on Vietnam.		
	Assess the possible externalities that might be created by the increased number of tourists visiting Vietnam. **An** (5 marks) **External benefits** (2/3) • Employment created (not in tourism industry)/better living standard. • Development of areas/foreign investment encouraged. • Improved infrastructure for locals to use. • Foreign currency inflow and more invisible export leading to better current account. • Improved education to improve skilled labour/training that can be used outside of tourism. • Increased profit for other businesses outside of tourism. • More GDP due to more products produced because of the tourists and employed people. • More tax revenue to government (direct and indirect). • Better infrastructure. **External costs (3/2)** • Any type of pollution created by tourism that impacts on a third party. • Health problems/diseases • Crime/bad publicity. • Wasting/using up of scarce resources e.g., water/land. • Less land for citizens. • Congestion on roads/lodges etc. • More accidents. • Destruction of environment to build lodges and infrastructure. • Illegal activities e.g., drugs, human trafficking, poaching. • Loss of culture. **Ev** (5 marks) **External costs** (2/3) Extent of the external cost will depend on e.g. • The quality/quantity of the pollution control/regulation of tourism market. (1) • E.g., more police officers less cost from crime. (1) • Number of tourists increasing. (1) • Depends on the short run/long run nature of the increase. (1) **External benefits** (3/2) Extent of the external benefit will depend on e.g. • The amount of the increase in tourism. (1) • Sustainability of the increase in tourism. (1) • What the extra tax revenue is being used for. (1) • The impact of the appreciation of the exchange rate which will make exports more expensive and imports cheaper. (1)	**10**	The benefit and cost must clearly refer to **external/third party** Award any relevant benefit or cost Any type of pollution will only be given one mark Any An point can be awarded up to 2 marks if developed sufficiently. Ev - L1 (1-2) for an answer that evaluates the extent to which tourism will increase cost and benefits Ev - L2 (3-5) for a detailed assessment to evaluate the extent to which tourism will increase cost and benefits If the evaluation of an external cost is credited, the same evaluation cannot be credited for an external benefit. Allow any correct evaluative point based on the previous analysis. Any other correct external costs and benefits could be credited with analysis and evaluation marks.

<table>
<tr><td>2 (a)</td><td colspan="3">Most learners received three knowledge marks for the correct definition and formula of price elasticity of supply (PES).

The answer should have been applied to grapes, for which the PES is inelastic and, therefore, less than one.

Learners had to analyse why the supply of grapes is price inelastic. Learners analysing reasons for the inelastic demand of grapes did not receive marks.</td></tr>
<tr><td></td><td>With the use of a formula, explain price elasticity of supply and discuss whether the supply of grapes is likely to be price elastic or inelastic in the short run.

Kn (3 marks)
• Price elasticity of supply (PES) measures the responsiveness/ sensitivity of quantity supplied (1) due to a change in the price of a product. (1)
• Formula.
• Price elasticity of supply = % change in quantity supplied ÷ % change in price. (1)

Ap (2 marks)
• The supply of grapes is likely to be price inelastic. (1)
• This is because the value of PES of grapes is likely to be less than one. (1)

An (3 marks)
Supply of grapes will be price inelastic
• Because it will take a long time to increase output/ agricultural product. (1)
• Takes time from planting (vineyards) to harvesting grapes. (1)
• Factor immobility means it is difficult to switch to grapes if previously farmed with other crops/fruit. (1)
• There are not many grape producers. (1)
• Grapes are difficult/costly to store/transport/handle (1) because they are perishable. (1) Any three</td><td>8</td><td>Any An point can be answered up to 2 marks if developed sufficiently.</td></tr>
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<table>
<tr><td>(b)</td><td colspan="3">The analysis part of the question was answered well. Some learners, however, did not know that fertiliser is used as an input in the production of wheat.

Learners failed to evaluate to which extent an increase in the price of fertiliser will affect the market for wheat and the total revenue of wheat farmers. Some learners commented that the total revenue of wheat farmers was affected by the price elasticity of demand (PED) for wheat but did not comment on the:
• time scale (impact over short- and long-run).
• size of the increase of the price of fertilisers.</td></tr>
<tr><td></td><td>In country X the use of fertiliser is crucial to the production of wheat.
Evaluate the extent to which an increase in the price of fertiliser will affect the market for wheat and the total revenue of wheat farmers in country X.

An (8 marks)
• Fertiliser is an input/factor production. (1)
• Cost of fertiliser has increased, therefore, cost of production has increased. (1)
• Supply/production/output of wheat will decrease. (1)
• Market price of wheat increases (1) and quantity of wheat will decrease. (1)
• Revenue = Price x Quantity. (1)
• If price increases there could be an increase/decrease in total revenue/income. (1)

Ev (4 marks)
• Depends on the price elasticity of demand of wheat. (1)
• If the price elasticity of demand is elastic total revenue will decrease/if the price elasticity of demand is inelastic total revenue will increase. (1)
• If the price elasticity of demand is unitary elastic total revenue will remain the same. (1)
• Depends on the time scale. (1)
• In the short run, price elasticity of demand is likely to be relatively inelastic and in the long run, price elasticity of demand is likely to be relatively more elastic. (1)
• Depends on the size of the increase of the price of fertilisers. (1)
• A small increase will have a small effect and a large increase will have a large effect. (1) Any four</td><td>12</td><td>Credit a correct diagram (maximum 2 marks) if provided.
NO marks for diagram if credit is already given for increase in price and decrease in quantity of wheat.

Any An point can be awarded up to 2 marks if developed sufficiently.

Ev - L1 (1-2) For an answer that provides limited comment on the effect of the increase in the price of fertiliser.

Ev- L2 (3-4) For an answer that provides a developed comment on the effect of the increase in the price of fertiliser.

It is possible to get 4 evaluation marks from only one well-developed point, for example elasticity only.</td></tr>
<tr><td>3 (a)</td><td colspan="3">The knowledge marks were awarded to most learners
- stating that the multiplier measures the change in national income.
- giving the correct formula of the multiplier.
Few learners referred to changes in injections and withdrawals in the economy.

Most learners received two application marks for the correct calculation.

Few learners scored analysis marks for explaining the effect of investment in mining on the national income of Namibia:
- it is an injection into the economy.
- which leads to increased investment spending on capital goods (machinery) and
- increased consumption of goods and services (by more workers employed and earning an income)
- the increase in national income will be 10 times bigger than the initial investment in mining.</td></tr>
</table>

	The marginal propensity to consume (MPC) in Namibia is 0,9. Outline what is meant by the multiplier and calculate the effect of a N$6 million investment in mining on the national income of Namibia. Kn (3 marks) - The multiplier measures by how much national income changes. (1) as a result of changes in injections and withdrawals in the economy. (1) - Formula K = 1 ÷ (1 – MPC) (1) or K = 1 ÷ MPS (1) or K = 1 ÷ MPW (1) Ap (2 marks) - 1 ÷ (1 -0,9) = 1 ÷ 0,1 = 10 (1) - 10 x N$6 million = N$60 million (1) An (3 marks) - Investment in mining will be an injection. (1) - Mining companies will buy capital goods which increases investment spending. (1) - Additional workers will be employed across all related industries and will receive an income which they will mostly consume, increasing the demand for goods and services. (1) - The final increase in national income will be bigger than the size of the initial investment by a factor of 10. (1) Any three	**8**	Award 1 mark for 60 million without N$.

(b)	Analysis marks were awarded to learners explaining whether foreign investment in mining might or might not improve the standard of living in that country. Answers should have been linked to investment in the mining sector. In general, learners concentrated more on the improvement of the living standard and lost marks for not giving a balanced analysis. Few marks were awarded for evaluating to which extent foreign investment in mining would improve the standard of living. Some learners, however, commented on the employment and exploitation of unskilled workers by multinational mining companies.		
	Evaluate the extent to which foreign investment in the mining sector of a country might improve the standard of living in that country. **An** (8 marks) **Will improve** (5/4/3) • Job creation/increase in income. (1) • Offering training/education/skills. (1) • Providing housing for workers. (1) • Decrease government spending as less unemployment benefits are paid, more money to spend on social benefits/public goods/merit goods. (1) • Workers/people will afford goods and services. (1) • Better health care/longer life expectancy. (1) • Less crime/rioting/civil unrest leading to a safer environment. (1) • Increase in output/GDP/GDP per capita. (1) • Tax revenue will increase. (1) • This can increase government spending on social benefits/transfer payments/public goods/merit goods. (1) **Will not improve** (3/4/5) • Externalities/pollution from mines. (1) • Damage to the natural environment/negative influence on tourism. (1) • The type of goods being produced are of a primary nature rather than consumer goods. (1) • Over/exploitation of natural/non-reusable resources. (1) • Exploitation of workers/cheap labour/longer working hours/poor working conditions. (1) **Ev** (4 marks) • Jobs created might not benefit local people. (1) • As foreign investors employ their own skilled workers, employing locals in unskilled/low paid/exploitative jobs. (1) • Profit might be sent back to the country of the foreign investors (1) and, therefore, no expansion of GDP/GDP per capita in the local economy. (1) • Foreign investment might only benefit the country at the primary stage of production (1), without advancing later stages of production that could create better paid jobs in the manufacturing and tertiary sectors. (1) • Pollution might be reduced by strictly enforced/ environmental laws. (1) • Government might introduce carbon emission taxes to lessen pollution/stricter enforced labour laws. (1)	**12**	Accept any correct factor that will improve or not improve living standards. There must be a link from the factor to the improvement in the standard of living Any **An** point can be awarded up to 2 marks if develop sufficiently. **Ev - L1 (1-2)** for an answer that provides limited comment on the extent to which living standards might be affected. **Ev - L2 (3-4)** for an answer that provides a developed comment on the extent to which living standards might be affected. Accept the evaluation of any correct factor that will improve or not improve living standards.

<table>
<tr><td>4 (a)</td><td colspan="3">Most learners received three knowledge marks for outlining the characteristics of monopolistic competition.

Learners failed to apply that:
• profit maximisation is where marginal costs = marginal revenue (MC = MR)
• total profit is the difference between total revenue and total cost (TR - TC)

Few analysis marks were awarded because learner did not write how price, output and profit are determined by a firm in a monopolistic competitive market in the short run.</td></tr>
<tr><td></td><td>Explain how price, output and profit are determined for a firm operating under conditions of monopolistic competition in the short run.

Kn (3 marks)
• There are many small firms. (1)
• Each firm has such a small portion of the market that it can act independently of the others. (1)
• Products are not identical/product differentiation. (1)
• Barriers to entry are low. (1)
• The firm is a short run profit maximiser. (1)
• Price maker. (1) Any three

Ap (2 marks)
• Firms profit maximise where marginal cost = marginal revenue/MC = MR. (1)
• Total profit is the difference between total revenue and total cost. (1)

An (3 marks)
• The quantity/output level is determined by the MC = MR/ profit maximising condition. (1)
• The price is determined by the demand curve/average revenue curve at the MC = MR/profit maximising level of output. (1)
• The profit is determined by the difference between AR and AC at the MC = MR/profit maximising level of output. (1)</td><td>8</td><td>Accept any correct characteristic of the monopolistic competition.

A correct diagram can be awarded one mark only if that mark has not already been awarded in the explanation.

Any An point can be awarded up to 2 marks if developed sufficiently.</td></tr>
</table>

(b)	The analysis part of the question was answered well. Learners developed their answers sufficiently. Many learners did not evaluate why the points analysed might be successful or not. No marks were awarded for a discussion of economies/diseconomies of scale.		
	Evaluate the extent to which attempts by a firm to increase productivity are likely to be successful. **An** (8 marks) • Education and training by firms (1) skilled workers will produce more output. (1) • Division of labour (1) work is split; each worker does what s/he knows best which increases their output. (1) • Improvement in technology/capital goods/maintenance on existing capital goods (1) increased use of machinery could increase the output. (1) • Better working conditions/employee participation schemes/profit sharing/decision making process (1) workers morale/motivation/job satisfaction will be higher, therefore their output will increase. (1) **Ev** (4 marks) • Training may not be effective/workers may not want to be trained/ not understand the training. (1) • Workers may leave the firm after being trained. (1) • Division of labour may lead to boredom/alienation (1) and requires all workers to be present (1), therefore, does not necessarily improve output per worker. (1) • Technology may not be effective (1) because the machinery may breakdown and, therefore, not improve output. (1) • Better working conditions may not have the desired impact (1) which may lead to an abuse of the conditions and a reduction in output. (1) Any **four**	**12**	Any **An** point can be awarded up to 2 marks if developed sufficiently. Accept any correct evaluation of the previous analysis. **Ev - L1 (1-2)** for an answer that provides limited comment on the extent to which productivity will increase. **Ev - L1 (3-4)** for an answer that provides a developed comment on the extent to which productivity is likely to increase. Accept any evaluation point supporting the increase of productivity argument being more successful.

POSITIVE SUGGESTIONS TO TEACHERS

Assessment objectives

In general learners answered the knowledge part of the questions well. However, learners should also be able to apply, analyse and evaluate their knowledge in the context of the question.

Evaluation marks are awarded for a discussion of the impact or effect of the points analysed. The following should be taken into account where applicable:
- time scale (changes of the variable over the short- and long-run)
- size of the change of the variable (big or small)
- the extent to which the variable can be controlled.

Command words

Learners should be able to identify the command words which are used to test each assessment objective as explained in the syllabus.

Interpretation of questions

Questions should be read carefully to ensure learners understand what is expected of them.
Learners will not receive any marks when copying the case and questions.
Learners should be encouraged to follow local and international economic developments in the media, which should also be discussed in class.