

*EXAMINATIONS COUNCIL OF ESWATINI*

# **EGCSE**

**EXAMINATION REPORT**

**FOR**

**ECONOMICS (6899)**

**YEAR**

**2020**

**Table of Contents**

<b><u>Subject Code:</u></b>	<b><u>Name of Component:</u></b>	<b><u>Page No:</u></b>
6899	Economics P1 .....	3 - 10
6899	Economics P2 .....	11 - 19

## **EGCSE ECONOMICS**

### **Paper 6899/01**

#### **General Comments**

The examination paper comprised of three sections A, B and C. Section A consisted of ten multiple choice questions for ten marks. Section B consisted of short answer questions for thirty marks and Section C was case study based questions for forty marks. All these sections were compulsory.

The consensus opinion from the marking team is that the paper was well balanced between knowledge, analysis, judgement and decision making skills and syllabus coverage. It was pleasing that some candidates performed well even under the Covid-19 pandemic situation. However, there were those candidates who performed below average.

Candidates should avoid the temptation of question spotting. Moreover, candidates showed very weak calculation skills yet the syllabus covers a number of topics where calculations are to be performed.

#### **Comments on Specific Questions**

##### **Section A**

In general, this section was poorly performed as most candidates were not able to score above half marks, very few candidates were scoring good marks in this section. The majority of correct answers were from question 1, 6, 7 and 10. Questions that were not performed well included the following:

##### **Question 2**

Most candidates thought land represented the factory as a factor of production instead of capital.

**Question 3**

A number of candidates were not able to calculate the opportunity cost of going to the university. They were supposed to calculate it as; E6 000\*12 months = E72 000\*4 years = E288 000.

**Question 4**

This question used the production possibility diagram to calculate the opportunity cost of increasing the output of agricultural goods from 30 to 45. The opportunity cost would be the decrease in manufactured goods from 120 to 90 which is 30 manufactured goods.

**Question 5**

Most candidates chose B instead of D. A possible reason could have been that they only concentrated only on natural resources which is land and disregarded the other factors which are labour, capital and enterprise which all increase as a country becomes more developed.

**Question 8**

This question required the calculation of elasticity of demand then its interpretation.

$PeD = \% \text{ change in quantity demanded} / \% \text{ change in price}$

$\% \text{ change in quantity demanded} = 800-600=200/800*100= 25\%$

$\% \text{ change in price} = E60-E90 = -E30/E60*100 = -50\%$

$25\%/-50\% = /-0.5/ = 0.5$

**Question 9**

Most candidates were not able to see that borrowers are the most likely group to benefit when there is an increase in inflation, hence the answer was A.

**Section B****Question 1**

- (i) This question required the definition of direct tax, which is tax levied on income and wealth. Most candidates were not defining this tax on income for both individuals and firms as they could only note that it is tax charged on earnings or salary yet both individuals and firms are charged income tax. Candidates were able to give examples such as income tax, corporation tax, inheritance tax and capital gain tax.
- (ii) The definition of regressive tax was poorly done. Most candidates were stating that it is tax that falls heavily on the poor. The expected answer was; it is the tax where the tax rate decreases as the amount of income increases. Examples could have been income of E10 000 is taxed at 20% yet income of E20 000 taxed at 15%.

**Question 2**

The question required candidates to explain the effect of imposing tax on books, using a demand and supply diagram. Some candidates did not draw the diagram but simply explained the effect which led to loss of marks allocated for the diagram. Other candidates were drawing the diagram shifting the demand curve to the left showing a decrease in demand. A tax on books will first have an impact on the producer who will decrease supply because the cost of production will now be higher shifting the supply curve to the left. The increase in the cost of production will be shifted to the price of books in terms of higher prices which will be passed on to consumers thus quantity demanded for books will decrease as shown by a movement along the demand curve to the left or a contraction in demand.

**Question 3**

This question was poorly performed. Some candidates were giving determinants of demand instead of determinants of elasticity of demand. Those who were giving the determinants of elasticity of demand ignored that the question was not open instead it had a direction. A discussion of reasons which made clothing to be price elastic. Reasons such as clothing is a

basic need could not earn marks as a basic product would lead to a price inelastic demand. The correct responses were:

Some clothes may be a luxury such as designer clothes then an increase in price will lead to a greater change in quantity demanded.

High proportion of income spent on the clothes, if the amount of income spent on the clothes is high then a change in price will lead to a greater percentage change in quantity demanded.

Frequency of purchase/ durability, clothes that are frequently bought or last for a shorter period of time will have an elastic demand.

Time period, if consumers are aware of the price change demand may be elastic.

Availability of substitutes, if the type of clothes has other substitutes then if price changes consumers can switch to the substitute resulting to demand to be elastic

#### **Question 4**

A majority of candidates were able to identify the features of a private limited company. There were some candidates who stated that it is owned by private individuals and this point could not earn any marks as it is not a unique feature to private companies, there are other business organisations that are privately owned such as sole traders and public limited companies. The correct features were:

- Limited liability as the shareholders are only liable up to the amount invested in the company.
- The number of shareholders is from 2 to 50 which allows more capital to be raised.
- Separate legal entity, the company and the shareholders are treated separately in the eyes of the law.
- Shares are sold to close friends and relatives as shares are sold privately not on the stock exchange
- Shares are not freely transferrable, sale of shares can be done after consulting with the other shareholders and agreeing on the sale

**Question 5**

This question was fairly performed, it required candidates to identify the type of unemployment defined by the given statements. The types of unemployment were search unemployment or frictional unemployment, technological/ technical unemployment and cyclical unemployment or demand deficiency respectively

**Question 6**

This was a relatively easy question for most candidates as they were able to state at least two factors that affect population growth. The most common given factors were death rate and birth rate. A number of candidates were giving immigration and emigration yet net migration is the correct factor as immigration looks only at people coming into the country and emigration is people going out of a country therefore net or the difference of the two will affect population growth. Another factor that was rarely mentioned was fertility rate.

**Question 7**

This question proved to be difficult for most candidates. The question required the calculation of elasticity of supply indicating the type of elasticity. A number of candidates could hardly give a correct formula for PeS. Those who had a correct formula could not calculate the correct percentage changes of either price or supply. A lot of answers were given in percentage (%) form e.g. 1.6% or -1.6 which was incorrect. Teachers should note that elasticity is an absolute figure.

$$2000/5000 \times 100 = 40\%$$

$$1 \div 4 \times 100 = 25\%$$

$$40\% / 25\% = 1.6 \quad \text{elastic}$$

The interpretation of the number for PeS showed that candidates were facing challenges as the answers showed little or no understanding at all. The following should be noted:

- When PeS is greater than 1 it is relatively elastic
- When PeS is less than 1 it is relatively inelastic

- When PeS is equal to 1 it is unitary
- When PeS is infinity it is perfectly elastic
- When PeS is equal to 0 it is perfectly inelastic

### Question 8

Most candidates were able to give at least two reasons for integration between firms. The correct answers were to fight competition, to secure raw materials, to secure a market for products, to increase a market share, to diversify and to gain economies of scale

### Section C

#### Question 1

- (a) Very few candidates were able to identify the type of exchange rate. Varied responses were given, some of which have never existed such as fluctuating exchange rate. The type of exchange rate was floating exchange rate because the value of one currency changes in relation to the value of other currencies.
- (b) A number of candidates failed to explain or even identify the characteristic of a developed country. Characteristics that Deeland might have could be high level of education, high GDP/ head, good infrastructure, high investment in capital goods, employment mainly in the tertiary sector, low birth rate and low death rate.
- (c) This was a poorly performed question. The majority of candidates could not convert the currency from Cowland's and Beeland's currency to Euros. Those who were able to convert could not express it correctly as the profits to be remitted were in millions therefore to express the profits as £0.9 was not correct. £0.9 million or £900 000 was the expected expression. Candidates could not realise that half of the profits were remitted back to the head office. The correct responses were:



(i) Cowland – exchange rate £1=C20

£? : 9 million Combas

$$1 \times 9 \text{ million} \div 20 = \text{£}450\,000$$

(ii) Beeland- exchange rate £1= B35

£?: 14 million Beurries

$$1 \times 14 \text{ million} / 35 = \text{£}400\,000$$

(d) Again this question was poorly performed. It required candidates to discuss whether it was beneficial for Beeland's currency to depreciate. Most candidates were not discussing the depreciation of the currency instead they were discussing multinationals. The expected answers were

**Points for:**

The value of exports will increase because the final product will be cheaper for international customers that is, the sale of more dishwashers to other countries. Encourages demand for domestic products hence aggregate demand and employment will increase.

**Points against:**

Inflationary pressure because it will be expensive to import raw materials thus becoming expensive to buy component parts from Cowland

Decrease in foreign investment fear to get less returns than what was intended when investing.

Imports will decrease as it will be expensive to buy from other countries

**Question 2**

(a) A number of candidates were able to identify the type of business organisation as a partnership or close corporation as it is owned by two partners Mac and Kat.

- (b)** Candidates were required to define fixed costs giving an example that Kitchen masters may incur. A majority of candidates were able to define fixed costs as the costs that do not change as the level of output changes e.g. salaries, rent and rates. Some candidates defined it as costs that do not change as profit changes which was incorrect.
- (c)** Most candidates were not able to calculate average cost of producing one kitchen unit, surprisingly candidates could not even write the formula which is total cost/ output. Total cost is the total fixed cost for the year was E91 000 and total variable cost was E17 000 totalling E108 000 per year. Kitchen masters produced 2 units per month therefore in a year 24 units were produced. The average cost would be  $E108\ 000/24 = E4\ 500$ .
- (d)** Candidates were expected to advise the owners of Kitchen masters on ways to maximise their profits. Most candidates could only identify that costs had to be controlled and revenue increased without applying that to kitchen masters. Reducing costs could include: finding cheaper raw material such as the boards to reduce the cost of production, find efficient ways of reducing costs such as being more efficient with electricity, water usage, reduce complaints or after sale service to reduce the costs of repairing and loss of customer loyalty, use technological advanced equipment which will improve efficiency such as drillers, training workers to add skill so as to increase productivity. Increasing revenue could include: increasing market share to gain more customers so as to gain more revenue, better service to customers to gain good reputation so as to gain repeat sales and advertising and marketing

## EGCSE ECONOMICS

### Paper 6899/02

#### General Comments

The total number of candidates who sat for 2020 EGCSE Economics was 3558 which showed an increase compared to 3129 candidates in 2019. The paper was marked out of 80 marks; 30% assessed knowledge and understanding, 35% analysis, 25% judgement and decision making and 10% critical evaluation. It comprised of six structured questions from which candidates were expected to choose four. The duration was two hours, which was sufficient for the paper and it did not compromise the candidates' performance as all candidates answered four questions.

Generally, the overall performance of the 2020 cohort was a lower compared to the performance of the 2019 cohort. It was also noted that some candidates lacked Economics content and did not adhere to the rubrics of the questions, hence lost of marks. Some candidates did not follow instructions and they answered all the six questions instead of four questions wasting time that could have been used on the chosen questions. It is commendable though, that there were some excellent responses, in which candidates exhibited brief but broad understanding, ability to apply and evaluate economic concepts exceptionally well. Further, it is praiseworthy that most candidates mastered the skill of answering evaluation questions. Where they were expected to discuss both sides of a given scenario and then come up with a reasoned conclusion.

Popular questions in this paper were questions 1, 2 and 3. However, questions 4, 5 and 6 proved to be challenging for most candidates as this was evidenced by the low marks obtained in these questions that affected negatively the overall performance of candidates on this paper.

## Comments on Specific Questions

### Question 1

**(a) Explain what is meant by the following terms:**

**(i) Price inelastic demand**

This question was fairly answered even though most candidates explained price elastic demand instead of price inelastic demand. The expected response was; Price inelastic demand is when a change in price cause an insignificant change in quantity demanded.

**(ii) Economic good**

A majority of candidates found this question quite challenging. Most candidates would confuse this term with free goods. The expected response was that it is a product which requires resources to produce and therefore has opportunity cost.

**(b) Describe two ways in which land is different from labour.**

This question was performed well even though some candidates would bring similarities instead of differences. Differences include, amongst others; that land is a natural resource while labour is a human resource; payment for land is rent while payment for labour is wages, and salaries. Land is geographically immobile while labour is geographically mobile.

**(c) (i) Explain what is shown by a production possibility curve.**

A fairly done question. Most candidates were able to explain what is shown by a production possibility curve. It is a curve which shows the maximum output of two products and combinations of these products that can be produced with existing resources and technology.

**(ii) Explain the significance of opportunity cost for a government when making its spending decisions**

This question was not performed well. Majority of the candidates were only able to identify the element of choice leaving out scarcity of resources and opportunity

cost. The expected response was that the government must recognise that a country has limited resources and if resources are devoted in one area, less can be devoted to other areas.

- (d) Discuss whether the market system is the best way to organise an economy? Support your answer.**

This question was accessible to a majority of candidates even though some could not discuss up to macro level. This question required a two-sided answer with a reasoned conclusion. Points for the market system include efficiency, there is choice, consumer sovereignty, lower prices, etc. Points against the market system include lack of other goods such as public and merit goods, production of demerit goods, etc.

## Question 2

- (a) (i) Explain any two non-wage factors that might influence a worker's choice of occupation**

This question was accessible to most candidates. Candidates were expected to explain amongst others non-wage factors such as job satisfaction, type of work, working conditions, working hours, holidays, fringe benefits, job security, career prospects, size of firm and location.

- (ii) Define the term 'bear' in relation to Stock Exchange trading.**

Providing a correct definition of a 'bear' proved to be a challenge for a majority of candidates. Some of the candidates defined a bearish market instead. A bear is someone who sells shares expecting their price to fall.

- (b) Explain why the Central Bank is considered as a lender of the last resort.**

Again, this part of the question seemed to be challenging to most candidates. Candidates were explaining the other functions of the Central bank e.g. the bankers' bank, which was incorrect. The expected response was that if one of the commercial banks runs short of money then the central bank can lend them money to prevent them going bankrupt.

**(c) Explain why individuals' borrowing may decrease.**

This question was fairly answered even though some candidates just listed the factors without indicating the direction. Factors that may cause an individual's borrowing to decrease include; a rise in interest rates will increase the cost of borrowing; a reduction in the availability of loans will make it more difficult to borrow; a rise in income may reduce the need to borrow; an increase in government subsidies to firms may reduce the need for firms to borrow from banks; a reduction in confidence about the future may mean that people will be afraid that they would not be able to repay loans and an increase in an ageing population since old people usually borrow less.

**(d) Do you think that airline pilots should be paid more than cleaners? Justify your answer.**

Most candidates struggled with this question. Most answers were one sided and concentrated only on pilots ignoring cleaners. Others only listed the factors influencing earnings without relating to the pay. This was an evaluation question and candidates were expected to discuss how the following factors influence the payment of both pilots and cleaners; demand and supply, skilled versus unskilled, relative strength of trade unions, public opinion and type of job. Finally, a reasoned conclusion was required.

### **Question 3**

**(a) State any three characteristics of a perfect competition.**

This part of the question was well attempted by most candidates even though there were few who stated characteristics of the market system. Characteristics of a perfect competition include that there must be many buyers and sellers, there must be a low degree of market concentration, there must be free entry into and exit from the industry, the product must be identical, buyers and sellers must be perfectly informed, and producers and buyers are price takers.

**(b) Explain what is meant by the term ‘external economies of scale’. Give one example.**

This question was not performed well by a majority of candidates. Candidates explained internal economies and correct examples were rare. External economies of scale are lower long run average costs or advantages resulting from an industry growing in size e.g. a skilled labour force, a good reputation, specialist suppliers of raw materials capital goods, specialist services, specialist markets and improved infrastructure.

**(c) Analyse why some firms are larger than others.**

Again, this question was not performed well. Candidates analysed why some firms remain small and gave factors such as location, owners objectives, etc., which were incorrect. Some responses were on the measures of the size of a firm such as number of employees, capital employed and output- these were also wrong. Candidates were expected to analyse factors such as the age of firms, availability of capital, type of business organisation and size of market.

**(d) Do you think that it is beneficial for a country to have monopolies in some industries? Justify your answer.**

This question was accessible to most candidates. However, a few changed the question and discussed Multinational companies. Benefits for monopolies for a country include the following: it avoids the duplication of resources especially non-renewable resources, it could be efficiency especially if it produces on large scale, its unit cost and price may be lower than that in a more competitive market, high profits may enable it to spend on research and development thus it may introduce new improved variations. On the other hand, drawbacks include inefficiency-this may be because of absence of competition, exploitation of consumers in terms of high price because they know that may not switch to rival products, lack of choice for consumers leading to lack of innovation, etc. A reasoned conclusion was required.

**Question 4****(a) State any two types of inflation.**

Quite a significant number of candidates managed to state the types of inflation. It was noted though that some mixed up the words and gave answers like demand push and cost pull. Types of inflation include cost push, demand pull, monetary and imported.

**(b) Define the following terms:****(i) full employment:**

A generally well answered question except for a few candidates who defined permanent employment. Full employment is when people who are willing and able to work can find jobs.

**(ii) privatisation:**

Again, this question was well performed and a majority of the candidates correctly defined privatisation as the sale of public sector assets to the private sector.

**(c) Analyse how the fiscal policy can result in a more even distribution of income.**

This question proved to be challenging to the candidates. A majority of the candidates did not have a clue of what a fiscal policy is, hence it was difficult to analyse how it can result in a more even distribution of income. Some candidates discussed borrowing and interest rates which was incorrect. Expected analysis was supposed to discuss both taxation and government spending such as an increase in progressive tax - taking a larger percentage of income from the rich, a decrease in regressive tax reducing the percentage of tax taken from the poor, Government spending on grants to the unemployed/pensioners, government spending on subsidies to low income earners e.g. provision of farming inputs.



**(d) Discuss whether businesses should be state-owned.**

This question was not well answered. A majority of candidates provided responses which were one sided yet this question required the argument for and against state owned businesses and a reasoned conclusion. Points for state-owned businesses include that government will base decisions on social costs and benefits, prices may be low to ensure everyone have access , If profitable, it can provide funds for the government which increase the ability of government to spend e.g. on education, fair distribution of income and wealth as every citizen benefits from the state owned businesses, allows production of merit and public goods that may not be produced by the private sector, may increase employment since government is the largest employer, etc. On the other hand, points against state-owned businesses include that there will be inefficiency due to lack of competition, lack of innovativeness as there is no profit motive, they take a long time in decision making which may sometimes be political and such decisions may not benefit everyone.

**Question 5****(a) State the other two components of Human Development Index other than Gross National per head.**

Stating the other components of HDI proved to be a challenge for most candidates. Responses such a living standards and GDP per head were stated instead yet there were incorrect. Correct responses are life expectancy at birth and education/literacy rate.

**(b) Define the following terms:****(i) economic cycle:**

This is another question that seemed to be challenging to most candidates. A majority of the candidates failed to provide the correct definition and those who tried would list the stages of the economic cycle. The economic cycle is the natural fluctuations of the economy between periods of expansion (growth) and contractions (recession).

**(ii) self-employment:**

A fairly attempted question. A majority of candidates were able to correctly define self-employment as when workers work for themselves and they earn profit as income.

**(c) Analyse the Impact of unemployment in an economy.**

This is another question that was fairly answered by the candidates although some only provided the drawbacks of unemployment yet analysis requires both the positive and the negative impacts. The positive impact of unemployment include that it makes it easier for firms wishing to expand to recruit new workers, It lowers inflationary pressure, etc. the negative impact include that it imposes opportunity cost on an economy, reduces tax revenue for the country and increases government expenditure.

**(d) Would you advise a government to use trade protection against international competitors? Discuss.**

This was a fairly attempted question by most candidates. Some candidates changed the question and discussed points for and against trade unions. Advantages of trade protection include protection of infant industries, protection of strategic industries, protection of declining industries and protection from unfair competition. However, disadvantages include that it results to lower choice for consumers, results to higher prices, inefficiency and retaliation. Finally, a reasoned conclusion was required.

**Question 6****(a) List any two sections of the balance of payments current account.**

A well performed question, as the majority of candidates were able to list any two of the following sections of the balance of payments current account: trade in goods, trade in services, income or primary income and current transfers or secondary income

**(b) Explain the following terms:****(i) Exchange rates:**

Exchange rate was well explained by the majority of the candidates as **the** price of one currency in terms of another currency.

**(ii) Embargo:**

This part of the question was fairly answered. Quite a number of candidates were able to give a correct explanation of an embargo. Expected response was that an embargo is a complete ban on imports of a product or trade with another country

**(c) Discuss how governments might deal with the difficulties resulting from a large increase in the number of elderly citizens.**

This question was not answered well. Most candidates confused consequences of an ageing population with how to cope with an ageing population. Expected responses included: raising the retirement age, making it compulsory for workers to save for retirement, raise productivity of workers, through education and training and encouraging immigration of younger skilled citizens by issuing more work permits.

**(d) Discuss whether a reduction in imports will always benefit an economy.**

This question was well attempted by the candidates. Candidates were expected to discuss benefits of a reduction in imports which include that it may improve the trade in goods/trade in service balance. This will improve the balance of payments position, may be replaced by spending on domestically produced products; this will increase the country's output/GDP, may prevent dumping whereby foreign countries will sell their products at a price below than that of their home countries. However, drawbacks of a reduction in imports will include that; it may reduce choice to consumers which results in reduction of living standards, inability to Import cheaper raw materials will raise the costs of production and might lead to high prices because of reduced competition. Finally, a reasoned conclusion was required.