

EXAMINATIONS COUNCIL OF ESWATINI

EGCSE

EXAMINATION REPORT

FOR

ECONOMICS (6899)

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EGCSE ECONOMICS**Paper 6899/01****General Comments**

The paper was fairly accessible though some candidates were less prepared for it. Most candidates lacked content which was evident in some of the responses, for instance some candidates would give responses that were unrelated to the concept. Such as Section B Question 2, where most candidates explained functions of the stock exchange and others explained features of public limited companies instead of explaining two influences on the price of company shares. Possible responses included interest rates, profit record, government policy etc. There were a number of candidates who were scoring very low marks overall, which was an indication that candidates were inadequately prepared for the examination. Generally, the overall performance of candidates was below average.

Section A

In this part of the paper candidates were scoring 50% on average. The correct responses were mainly in question 1,4,8,9 and 10 with C, A, A, B and D respectively.

In Question 2 candidates were required to describe the term productivity. The correct response was D which is an activity that measures the effectiveness of productive effort. Question 3 required candidates to identify which action would be classified as an invisible import to Eswatini, the correct response was D however, and most candidates chose A, which was food donations from Taiwan to Eswatini. Question 5 required candidate to identify a factor that shows economic growth, the correct response was C, an increase in real GDP. Question 6 required candidates to calculate quantity demanded using available information, the answer was C. Question 7 required candidates to identify internal costs, most candidates chose A instead of B. which was neighbours buying roses.

Section B

1. The question required candidates to state three functions of money, most candidates scored 2 marks out of 3 because they mentioned issue of currency instead of “issue of bank notes and coins” others gave functions of commercial banks.

2. This question was poorly done, most learners explained functions of the stock exchange and others explained features of public limited companies instead of explaining two influences on the price of company shares. Possible responses included interest rates, profit record, government policy etc.
3. This question proved to be difficult. Candidates were required to describe how changes in price would affect revenue for a product with an inelastic demand. Most candidates were unable to explain the “how” part of the question and ended up saying “an increase in price of a product with an inelastic demand will cause an increase revenue”, leaving the fact that this is “because demand is less responsive to price” and a decrease in price of a product with an inelastic demand will cause an decrease revenue because demand is less responsive to price.
4. Candidates were required to describe two disadvantages of a monopoly. Most candidates failed to get 4/4. Responses included that they charge high prices because there is one player in the market hence there would be abuse of market power. Lower product quality because there is no competition. Most candidates developed all points with no competition and ended up scoring a maximum of 3 marks.
5. Learners were not able to get the maximum marks in this question, they only managed to explain the definition of a quota and a tariff, which was the first difference and failed to explain the second difference which included that a quota is a more certain restriction to limit imports while a tariff is less certain to restrict imports.
6. Candidates were required to use a demand and supply diagram to explain the effects that are likely to occur in a market if government introduces a subsidy for the production of a product. A majority of candidates failed to obtain maximum marks on the diagram because they did not show the old and new equilibrium position on the diagram, they ended up scoring 2/3, others failed to show the effect of the subsidy on the supply curve, and they shifted both curves.
7. Candidates were required to state the type of tax that would be paid in the given different sets of examples, candidates gave categories of tax (direct and indirect tax) instead of capital gain, Value Added Tax and company tax respectively.

8. This question was poorly done. Candidates were expected to explain the meaning of external diseconomies of scale, they explained them as high cost incurred by a firm as a result of its growth, whereas the correct explanation involves “higher long run average costs arising from an industry growing in size”.

Section C

Question 1

- (a) This question was well done; candidates were required to explain the meaning of GDP and most candidates were able to explain it as the total value of output produced in a country.
- (b) Most candidates were able to answer this question correctly. They were able to discuss the benefits to Eswatini of exploiting the mining sector. Possible answers included:
Increases government revenue through income tax from more workers being employed or indirect tax from increased spending or tax on profits from more mines being opened. Creation of job opportunities or more miners and other mining related employees will get employed which will improve their living standards. Improves the country’s balance of payment as more is likely to be exported because more mines are opened.
- (c) The question required candidates to analyse how diversification would strengthen the Lilangeni. A majority of candidates did not manage to answer this question correctly. Possible answers included: Greater range of goods and services which leads to more exports. Greater demand for Lilangeni to pay for local products. Fewer imports needed leading to less supply of Lilangeni to pay for them which would results in further appreciation of currency.
- (d) Fairly done. Candidates were required to discuss whether it is wise for Eswatini to bring different investors to the country. Possible responses included the following:

Points for

Creation of employment leading to more EmaSwati being employed hence their living standards will be improved.

Bring in new technology resulting to advanced technology which leads to increased output.

Increases tax revenue as more firms are established there will be more corporate tax or income tax collected.

Points against

Expatriation of profits to their own countries, meaning the profits made by the investors are normally taken back to their home country instead of being reinvested in the host country.

May force competing firms out of the industry because some giant investors may be attracted which will increase competition forcing small domestic firms out of the industry.

Some investors may exploit workers as the investors are likely to pay workers low wages and they do not give them higher positions in the workplace.

Question 2

- (a) Most candidates were able to define inflation as a persistent increase in the general level of prices in a given period of time.
- (b) Candidates were required to state the section of the Balance of Payment that will record Beevaland's imported oil, most candidates were able to state that it will be recorded in the current account, others were specific to say in the trade in goods and both responses were rewarded a mark.
- (c) This question was averagely performed candidates were able to explain the meaning of redistribution of income and wealth as a policy that the government uses to try to reduce inequality in income and wealth between the rich and the poor.
- (d) This question required candidates to give two examples of direct tax from the extract, most candidates were able to answer this question. Responses included income and company tax.
- (e) Most candidates found this question to be difficult because the average score was 2/5. The question required candidates to explain the difference between direct and indirect tax. Most candidates used the definition and examples to differentiate, those candidates were awarded marks only on the definition. They were required to further state that direct tax is progressive in nature while indirect tax is regressive in nature. Direct tax can be evaded while indirect tax cannot be evaded. Direct taxes have a narrow tax base while indirect have a wider tax base.
- (f) Candidates were required to discuss whether the new tax system would raise the economy's efficiency and welfare. Most candidates found this question to be difficult, possible answers included the following:

Points for

Wider tax base therefore more tax revenue to fund government activities. Reduction in company tax will be an incentive to businesses to reinvest their profits in expansion. Increase of social benefits will close the gap between the rich and the poor as the rich will be heavily taxed to provide grants and other social benefits to the poor.

Points against

A move from direct to indirect tax may increase the burden on the poor as indirect tax is regressive. Tax on previously exempt benefits may be a threat to accessing certain basic benefits which may be harmful to citizens. This will lead to excess aggregate demand which will lead to inflation. There will also be an increase in demand for imports because of increases in incomes, this will harm the balance of payments.

EGCSE ECONOMICS

Paper 6899/02

General Comments

The total number of candidates who sat for 2022 EGCSE Economics was 3013 which indicated a great decline compared to 4894 candidates in 2021. The paper was marked out of 80 marks: 35% assessed knowledge with understanding, 35% analysis and 30% critical evaluation, judgement and decision-making. It is comprised of four structured questions. The duration was two hours, which was sufficient since all candidates managed to answer all the four questions within the allocated time for this component.

The overall performance of candidates in this paper was more or less the same compared to the 2021 cohort. There were some centres that had outstanding performance, who exhibited extensive understanding and skill to relate and assess economic concepts. Nevertheless, there were candidates who had a challenge when responding to some parts of the questions which could be that they lacked content on certain topics. Other candidates left blank spaces on some questions, hence loss of marks.

Question 2 was the most well attempted question in this paper. However, Question 3 and 4 appeared to be challenging for most candidates which was evidenced by the low marks obtained in these questions.

Comments on Specific Questions

Question 1

(a) (i) State one example of a business organisation in the private sector.

Providing correct examples of business organisations in the private sector proved to be a challenge for most candidates, they just stated names of businesses in the private sector instead of business organisations. Expected responses were: sole trader, partnership, private limited companies, public limited companies, cooperatives and multinational companies.

(ii) Explain two factors of production.

Several candidates managed to identify factors of production. However, some candidates identified stages of production instead. Expected responses included: land, labour, capital and enterprise.

(b) Explain two causes of an outward shift of a PPC.

This question was not performed well. Most candidates lacked the content on causes of shifts of a PPC, hence they explained causes of changes in demand. Expected responses included: increase in labour force, increase in stock of capital goods, advances in technology, increase in education and training, etc.

(c) Analyse what determines the value of a product's price elasticity of supply.

Most candidates struggled with this question. Instead of analysing determinants of price elasticity of supply, candidates analysed either determinants of supply or determinants of price elasticity of demand. Expected responses were: time taken to produce the product, the cost of altering its supply, feasibility of storing the product, the level capacity in the industry, availability/mobility of factors of production, etc.

(d) Discuss whether the private sector should be responsible for allocating resources.

This question was fairly performed even though some candidates discussed features of the private sector instead of the advantages and disadvantages. Other candidates discussed either the public or private limited companies which was irrelevant. Advantages of the private sector included: innovation, improved efficiency, wide choice for consumers, etc. Disadvantages included: failure to consider all costs and benefits, no provision of public goods, exploitation of consumers, overproduction of demerits goods, etc. Finally, a reasoned conclusion was required.

Question 2**(a) State three influences on consumer spending.**

This question was not performed well by most candidates. Candidates confused influences on consumer spending with reasons for consumer spending. Expected responses included: disposable income, wealth, confidence, rate of interest, advances in technology, etc.

(b) Describe two advantages of capital-intensive production.

Quite a significant number of candidates managed to describe the advantages of capital-intensive production. Expected responses included: reduced human error, greater speed, continuity in production, no labour shortages, etc.

(c) Analyse why small firms may want to expand.

This question was well attempted by a majority of the candidates as they were able to analyse why small firms may want to expand. However, some candidates contrasted their responses between small firms remaining small versus small firms expanding and finally giving a reasoned conclusion which was not necessary. Others were analysing it at macro level by considering the benefits of growth of firms to the economy instead of benefits to the individual firm. Expected responses included: technical economies, selling economies, buying economies, risk bearing economies, financial economies, etc.

(d) Discuss whether it is advisable for economies to promote perfect competition?

This is another question which proved to be challenging to the candidates. Most candidates discussed either features of the private sector or a monopoly market structure. Candidates were expected to provide a two-sided answer with a reasoned conclusion. Points for perfect competition included: chances of consumer exploitation are very low, consumers will get standardised products irrespective of the place of purchase, very little barriers to entry and exit, very little or no advertising expense, etc. Points against perfect competition included: no incentive for sellers to innovate or add more features to the product, creates external costs, reduced chances of lower cost, etc.

Question 3**(a) (i) Explain what is meant by living standards.**

Providing a correct definition of living standards proved to be a challenge for most candidates. Living standards are defined as the level of material comfort that is available to an individual or group as measured by goods, services and luxuries/the quality of life measured in terms of income, assets, wealth, etc.

(ii) Define taxation.

This is another question which proved to be a challenge to most candidates. A majority of candidates were able to identify that tax is collected by government but could not include the component of being compulsory. Taxation is defined as a compulsory transfer of money from private individuals, groups and institutions to the government.

(b) Explain what is meant by the following economic terms:**(i) The Boom phase in the economic cycle.**

This question was well attempted by a majority of candidates as they were able to demonstrate their understanding of the features of a boom phase in the economic cycle. A boom phase in the economic cycle is when an economy is working at full or near-full capacity, with strong consumer demand, low rate of unemployment, rapidly increasing prices, etc.

(ii) Cyclical unemployment

This is another question which was not answered well since a small number of candidates were able to get maximum marks. Most candidates explained seasonal unemployment instead of cyclical unemployment. Cyclical unemployment is the type of unemployment which arises due to inadequate aggregate demand in the downturn of the economic cycle.

(c) Analyse why real Gross Domestic Product per head as an indicator of living standards may not necessarily be the best indicator in an economy.

Again, this part of the question appeared to be challenging to most candidates. They demonstrated a lack of knowledge about GDP per head as an indicator of living standards. The analysis was expected to be based on the following points: real GDP is an average; higher output will obviously mean that more goods and services are being produced but not all of these may add to people's living standards, increases in real GDP per head figures may understate the products available to people due to undeclared economic activity, living standards are also influenced by other factors besides material goods and services, etc.

(d) Discuss whether public corporations are beneficial to an economy?

This question was well answered as most candidates displayed outstanding knowledge on public corporations though some candidates discussed public limited companies instead. This question required a two-sided answer with a reasoned conclusion. Benefits of public corporations to an economy included: they can be used to influence economic activity, cannot abuse market power, base their decisions on the full costs and benefits involved, etc. Drawback of public corporations to an economy included: they can be difficult to manage and control, may be inefficient, need to be subsidised if they are loss making, etc.

Question 4

- (a) (i) State the type of poverty where a group of people in society is poor compared to other groups.**

Quite a large number of candidates were able to state the correct type of poverty.

The **expected response** was: Relative poverty.

- (ii) Explain what is meant by absolute advantage in international trade.**

This question was not performed well by most candidates. A majority of candidates explained international trade instead of explaining absolute advantage. Absolute advantage is when a country can produce a product using fewer resources than other countries.

- (b) Explain two policies that can be used to alleviate poverty.**

This question was well attempted by the most candidates. They could explain the policies that can be used to alleviate poverty so well. Expected responses included: improving quality and quantity of education, increasing aggregate demand, introducing or raising minimum wage, encouraging more multinational companies, etc.

- (c) Analyse why countries still use trade protectionism.**

This part of the question was fairly answered. It was noted though that some candidates analysed methods of trade protection instead of why countries still use the methods for trade protection. Points that were expected to be analysed included: protection of infant industries, raising employment, to prevent dumping, protection of domestic industries, protection of declining industries, etc.

- (d) Discuss whether the Kingdom of Eswatini should continue being a member of the Southern African Customs Union (SACU)? Justify your answer.**

This question was fairly attempted even though some candidates discussed benefits and drawbacks of either international trade or SADC. Arguments for SACU included: benefits from tariff revenue, trade between countries is free, leads to economic integration, etc. Arguments against

SACU included: the revenue-sharing formula might not be fair for other members, a country cannot give preferential tariffs to a declining industry, a country cannot negotiate separate deals, etc. Finally, a reasoned conclusion was required.