



EXAMINATIONS COUNCIL OF SWAZILAND
Swaziland General Certificate of Secondary Education

ECONOMICS

6899/01

Paper 1

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MARK SCHEME

{6899/01}

MARKS: 80

This document consists of 7 printed pages.

Section A

1. D
2. A
3. B
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6. A
7. D
8. D
9. A
10. D

[Total marks: 10]

Section B

1 Primary sector or Public sector [1]

2 External benefits are the benefits that accrue to a third party (1) as a result of an economic activity (1) or production and consumption (1). [2]

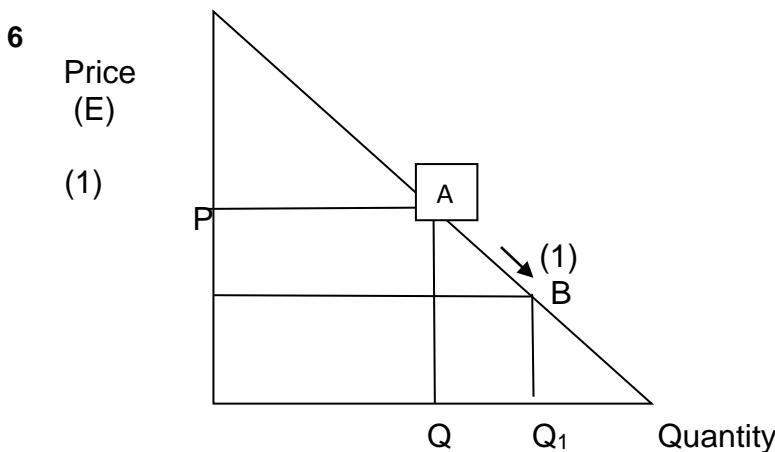
3 - birth rate (1) is the average number of the children born in a country within a year (1).
 - death rate/ infant mortality rate (1) is the number of people who die each year (1)
 - net migration (1) is the rate of people moving into a country against the number of people moving out of a country (1).
 - fertility rate (1) is the average number of children per women (1)

Candidates may also explain the effect of the factor to earn the other mark [4]

4 Internal economies of scale are the advantages that a firm enjoys in the long-run (1) as it grows to be big in size (1), while external diseconomies are the disadvantages to a firm in the long-run (1) due to the growth of the industry (1).

Minus one mark if the command word is not adhered to [4]

5 Candidates may analyse as follows
 - Increase in interest rate will increase the opportunity cost of borrowing (1) investment will decline (1)
 - foreign direct investment will increase (1) as investors borrow in their countries at lower interest rate to invest the funds in the country with higher interest rates for the higher returns (1)
 - Increase in interest rate will mean that people will save more of their incomes rather than spending it (1) hence consumption will decrease (1)
 - An increase in interest rates will make saving more attractive than buying of shares (1) hence investment will decline (1)
 - It could lead to an increase in instalments for long term debts (1) hence consumption will decline (1)
 candidates should analyse for both consumption and investment. [4]



Movement along the demand curve (1) and quantity demanded will increase (1) [4]

7 characteristics of a good tax system could include any of the following.

- Equity (1) tax should be according to ability to pay (1).
- Convenience (1) tax payment process should be easy (1)
- Certainty (1) tax should be easy to understand and calculate (1)
- Economy (1) tax should be cheap to collect (1)
- Flexibility (1) tax should be possible to change if economic activity changes (1)

Any 2 described

[4]

8 capital, enterprise, labour and land

[2]

Any 2 identified

9 When revenue from the exports of services (1) is less than the expenditure on import of Services (1). [2]

10 - Allocative efficiency

- Productive efficiency
- Competition and incentive
- Dynamic efficiency
- Reallocation of resources
- Free entry and exit
- Autonomy (consumer sovereignty)
- Competition (choice, lower prices, high quality)

Any 3 points identified

[3]

Section C

1 (a) Southern African Customs Union is a an international union that allows tariff free trade for member countries. [1]

(b) Sources of income may include
Borrowing, selling of state owned assets, profits from state owned businesses, penalties and fines, receipts from municipal services, donations, and licence fees [3]

(c) The government aims may be affected as follows

(i) Economic growth
Reduction in operating costs will result to more output (1), more business will invest (1) and there will be better access to markets for raw material (1) [2]

(ii) Balance of Payments Stability
The reduction of costs of production may increase exports (1) which may improve the balance of payment position (1) or reduction in trade barriers may increase imports (1) which may worsen the BoP (1) [2]

(d) Government may influence the operation of businesses through

- monetary policy (1) this is the usage of interest rates, money supply and exchange rate to stimulate economic activity (1).
- fiscal policy (1) this is the usage of taxation and government expenditure to stimulate economic activity (1).
- Regulations (1) use of rules and laws which place restrictions on activities of firms (1).
- price controls (1) government may set the minimum and maximum prices for products (1).
- environmental policies (1) government may restrict on the amount of pollutants by firms (1).
- competition policy (1) government seeks to promote competitive pressures and prevent firms from abusing their market power (1).
- subsidies (1) government may provide grants to infant industries and innovative firms (1).
- Supply side policies (1) government may increase the production of goods in an economy through various policies such as improving education (1)

Any 2 described [4]

(e) The statement it is right to influence customers' behaviour through taxation

AGAINST

- may discourage individual effort (1) people may not be willing to work overtime and taking promotion (1).
- may discourage individual enterprise (1) entrepreneurs may not be willing to enter into businesses because of high rates of corporation tax
- may discourage individual saving (1) as the return from saving is reduced (1).
- may stimulate workers to press for wage increases (1) and set off a trend of rising prices i.e. inflation (1)

FOR

- Ability to redistribute income and wealth (1) by taxing higher income earners a higher rate and spend revenue on services that will benefit the poor (1).
- A good source of revenue in many countries (1) to provide services in an economy (1).
- May also encourage others to work hard (1) especially workers with fixed financial commitments (1)
- May encourage target savers to save more (1) to maintain the value of their savings (1).
- They can also be used selectively to achieve particular aims (1) such as reducing the consumption of alcohol and cigarettes (1).

2 points for 3 marks, 2 points against for 3 marks, 2 marks for a reasoned conclusion. [8]

2 (a) (i) Inflation is the persistent increase (1) in the general level of prices over a given period of time (1). [2]

(ii) Imports are goods and services that are bought (1) from other countries (1) [2]

(b) High level of imports by Swaziland could impact on South Africa's income and employment as:

- More production of goods and services (1) which will in turn increase jobs (1).
- More exports (1) which will increase the country's income (1). [4]

(c) Any **two** actions that the Swaziland government can use to correct the high level of imports could be:

- it can also use any form of trade restriction like tariffs, quota, expensive paperwork, quality control, subsidies, embargos, etc.

candidates should explain any two how each method could reduce imports.

[4]

(d) A country can allow multinational companies

Points for

- to increase employment
- to increase output
- to increase revenue
- to bring in new technology and management ideas
- improves infrastructure
- increases goods available

Points against

- may drive domestic firms out of the industry
- profits are often sent back to the home country
- can put pressure on the government of the host country
- causes pollution
- uses non renewable resources

2 points for 3 marks, 2 points against for 3 marks, 2 marks for a reasoned conclusion.

[8]