# EXAMINATIONS COUNCIL OF ESWATINI

Eswatini General Certificate of Secondary Education

## Economics (6899)

### Examination Report for 2023

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# EGCSE ECONOMICS

## Paper 6899/01

**General Comments**

The paper was fairly accessible though most candidates were less prepared for it. Candidates lacked content, which was evident in some of the responses, for instance some candidates would give responses that were unrelated to the concept others would just leave blank spaces or just write their particulars and do not attempt the questions at all. 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 60% on average. The correct responses were mainly in **Question 1, 2, 4, 6, 7**, and **10** with **C, A, A, D, B** and **C** respectively as correct answers.

In **Question 3**, candidates were required to state a factor that is most likely to shift the demand curve for cars to the left. In this question candidates gave responses resulting to a movement instead of a shift in the demand curve and thus most of their answers was option B instead of C.

**Question 5** proved to be difficult for candidates as most selected option D instead of A.

**Question 8** required candidates to identify a method of trade protection used by a country, candidates selected option C (a tariff) instead of A (a quota).

Question 9 required candidates to explain how social costs of an activity are calculated, most candidates chose option A instead of D.

**Section B**

1.  Candidates were required to calculate price elasticity of demand for a product. Most candidates were able to calculate the percentage change in quantity demanded and percentage change in price but failed to obtain marks on the PED final figure because they expressed it as a percentage, e.g. 2.4% instead of just 2.4.

**2.** Candidates were required to explain what is meant by dumping in international trade. Most candidates did not score marks on this question because they explained international trade instead of explaining that dumping is when foreign firms sell products at a price below the cost of production.

**3.** Candidates failed to explain any three causes of market failure, most candidates would simply state instead of explaining them thus scored 3 out of 6 marks. The correct answers included information failure, which is when producers fail to provide the necessary information about the nature of the products they offer, the benefits they can receive from them and their prices. Workers can also not be informed about the jobs on offer, the location of the workplace, the qualifications required. Short termism where firms tend to focus on consumer goods instead of capital goods. Overproduction of demerit goods which are harmful to consumers' health and third parties, etc.

**4.** Candidates were required to state the type of elasticity of demand that would be as a result of a 10% fall in the price of a product causing total revenue to fall by 5%. Most candidates failed to see that the product has an inelastic demand they opted for perfectly inelastic and elastic demand. Other candidates were making calculations instead of stating inelastic demand.

**5.** This question required candidates to state any two reasons that are likely to cause people to migrate to cities in developing countries. Most candidates were able to answer this question such as for better education, for better health care facilities, to seek employment, for better living standards or infrastructure, etc.

**6.** This question was poorly done by a number of candidates. It required an explanation of primary income in the Balance of Payments (BoP). Most candidates were explaining the meaning of a BoP instead of primary income which is compensation of employees and investment income earned from direct investment, portfolio investment and loans.

**7.** This question was fairly attempted; candidates were required to identify three types of unemployment. Most candidates were able to score 1 out of 3 marks because candidates gave examples of one type of unemployment. Such as search, casual and seasonal unemployment instead of:
- **Frictional** (search, casual, seasonal, voluntary)
- **Structural** (technological, regional)
- **Cyclical**

**8.** This question proved to be difficult, candidates were required to explain why inflation would have a harmful effect on the country's exports and imports. Most candidates defined inflation and the effects of inflation instead of explaining that if inflation causes the price of a country's products to exceed that of other countries, this is likely to reduce exports and increase imports.

**9.** Candidates were required to explain why a rise in real GDP might result in a fall in living standards. Most candidates were explaining the result of a rise in living standards instead of the result of a fall in living standards instead of explaining that the increase in output may have resulted to poor working conditions e.g. longer working hours, poor environmental factors. Or mentioning that if caused by demerit goods it leads to a fall in living standards, etc.

**10.** Candidates were required to define a tax burden, most candidates simply defined a burden instead of defining a tax burden as the amount of tax paid by people or firms.

11. This question was fairly attempted, although some candidates were analysing the causes of poverty instead of analysing ways in which poverty may delay economic growth. Correct answers could include that poor people are likely to have less access to education or health care therefore are likely to be less productive. High levels of poverty can discourage foreign firms investing in a country as the purchasing power for those citizens will be very low. May cause opportunity cost by government as funds that could be used to build infrastructure are used to cater for the poor, etc.

**Section C**

**Question 1**

**(a)** This question was poorly done. Candidates were supposed to define a slump, however, most candidates gave examples of a slump such as high unemployment instead of defining a slump as a point where GDP is at its lowest and unemployment is high or inflation is at its lowest.

**(b)** Candidates were required to explain any two policies that can be used by SACU countries to promote economic growth. Most candidates failed to answer this question correctly, they were explaining policies such as fiscal policy and monetary policy. Such responses were not awarded any marks as they failed to show any direction. The correct responses included the following:

- Expansionary fiscal policy such as a reduction in taxes or increase in government spending to increase aggregate demand.
- Expansionary monetary policy such as an increase in money supply or reduce interest rates or depreciate exchange rate to increase aggregate demand allowing firms output to increase.
- Supply side policy can increase output through subsidies, etc.

**(c)**     Candidates were required to analyse the problems of comparing living standards between Eswatini and Botswana, however most candidates were uplifting words from the case instead of using points such as the following.

- The problem of using unadjusted currency for inflation as different countries use their own currencies to measure GDP making it difficult to compare.
- Cannot serve as a definite way of ascertaining the quality of living standards of people in a country as some citizens of one country enjoy better quality of life such as better health care than some of those in other countries.
- The availability of resources or overpopulation or under population between counties is different some countries are well placed off than others.

**(d)**     This question was fairly done, although some candidates were discussing advantages of multinational companies instead of discussing whether trading between countries is beneficial. Possible answers included the following:

 **Points for:**

- It allows countries to specialise and enjoy economies of scale.
- It allows efficient allocation of resources as countries concentrate on producing what they are best at producing.
- Allows firms to access more sources of raw materials since they can import raw materials.

**Points Against**

- It can bring unfair foreign competition as some countries may sell their products at below the cost of production making it difficult for domestic firms to operate.
- High risk of shortages in supplies as countries may be too dependent on each other.

**Question 2**

**(a)**     Candidates were required to explain the type of acquisition that Guystone is planning. A  majority of candidates were able to identify the type of acquisition as horizontal integration.

**(b)**     This question was fairly done although some candidates included long-term growth as an aim even though this question required other aims other than growth that a firm might want to achieve such as:

- To make profit by reducing costs and increasing revenue.

- For survival to withstand competition.
- To provide goods and services to satisfy customer's demand.

**(c)** Candidates were required to analyse how Guystone limited can maximise its profits. Most candidates were giving ways of raising capital instead of ways of maximising profit which included:

- Finding cheaper raw material 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.
- Increasing market share to gain more customers so as to gain more revenue.

**(d)** This question proved to be difficult as most candidates were writing the advantages and disadvantages of a partnership though the question required candidates to advise Guystone limited whether to grow through acquisition of other companies in the same industry or not.

**Points for included the following:**

- To take greater advantage of economies of scale since they can buy in bulk and receive discounts.
- To increase market share in order to access larger customers because of size or synergy.

**Points Against:**

- May experience communication problems due to an increase in the size of the business which may create many levels thus hindering effective communication.
- Difficult to control because of many departments or employees.
- Differences in leadership which may cause poor industrial relations.

# EGCSE ECONOMICS

## Paper 6899/02

**General Comments**

Generally, the overall performance by the candidates in this paper was above average. There were some centres that had outstanding performing candidates, who displayed an extensive understanding and ability to relate and evaluate economic concepts. However, there were candidates who had a challenge when responding to some parts of the questions which could be that they lacked the relevant economic content on certain topics. Other candidates left blank spaces on some questions, hence lost marks.

Questions 1 and 2 were well attempted by a majority of candidates 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) State two examples of a natural resource other than land.**

This question was well answered as most candidates were able to state the correct examples of a natural resource. However, some candidates stated examples such as soil, mountains, etc which are part of land. Other candidates stated factors of production such as labour, capital and enterprise instead of examples of land. Expected responses included examples such as oil, coal, air, sunlight, etc.

**(b) Explain how the factor of production land can be occupationally mobile.**

This question was fairly performed even though some candidates defined land instead of explaining how land can be occupationally mobile. Some candidates gave examples on how land can be occupationally mobile without an explanation. Expected response was that land can be used for a number of purposes; trees can be used to make tables or sleepers for railway lines.

**(c)** **State the rewards for the following factors of production.**

This question was well attempted by a majority of candidates. However, some candidates had a challenge in stating the correct reward for capital. Most often, profit was stated as a reward for capital instead of interest. Expected responses were:

**(i)** **Capital** - interest

**(ii)** **Labour** - wages and salaries

**(iii)** **Enterprise** - profit

**(d)** **Using a demand and supply diagram, analyse the effects of a decrease in its costs of production on the market for a product.**



Quantity Demanded and Supplied
(in Units)
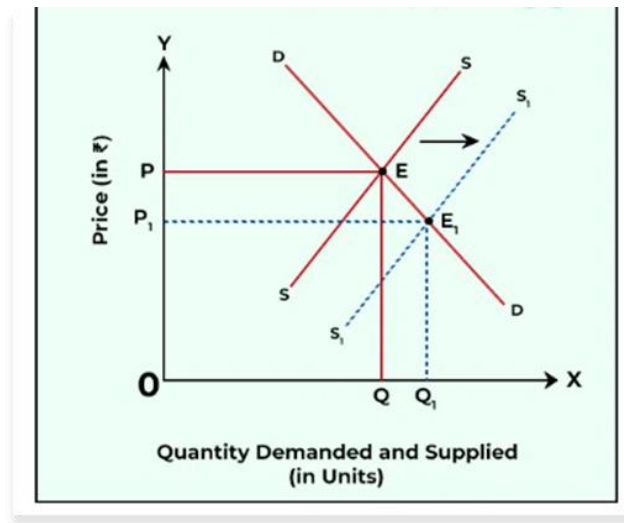
As a result of a decrease in costs of production. supply will increase shown by a shift in the supply curve from S to S1. The price of the product will decrease from P to P1. The quantity demanded will also extend from Q to Q1.

**(e)** **Discuss whether a country should conserve its natural resources?**

This question was fairly performed even though some candidates changed the question and discussed advantages and disadvantages of exploiting natural resources. Advantages of conserving resources included: resources can be used as a tourist attraction which will bring revenue to the country, pollution can be avoided from emission of chemicals from factories as there will be no production taking place, environment will be protected which preserves non-renewable resources which can be used by future generations, etc. Disadvantages included: increase in unemployment as no economic activity will be taking place to recruit labour, more imports which will lead to an

unfavorable balance of payments, reduced standard of living; hence poverty will worsen, etc. Finally, a reasoned conclusion was required.

**Question 2**

**(a)    Identify three characteristics of a partnership.**

This was well attempted by a majority of candidates. However, some candidates identified characteristics of joint stock companies and referred to partners as shareholders. Moreover, some candidates gave advantages of a partnership instead of characteristics. Expected characteristics of a partnership included: it is formed by two to twenty partners, partners have unlimited liability, it has limited life, sharing of profits and losses, etc.

**(b)    Explain the following term:**

**(i)    Economies of scale**

Providing a correct definition of economies of scale proved to be a challenge for most candidates. Most candidates explained either internal economies of scale or external economies of scale. Some candidates were able to mention that these are advantages of producing on a larger scale but left out the aspect of "lower long run average costs". Expected response: The advantages in the form of lower long run average costs of producing on a larger scale.

**(ii)    A stock exchange bear market**

Again, a majority of candidates struggled to give a correct explanation of a stock exchange bear market. Most candidates were clueless of this term; hence provided a definition of a stock exchange. A correct explanation of a stock exchange bear market is when shares are sold expecting their price to fall.

**(c)    Analyse the effects of changing a sole trader to a partnership?**

This part of the question was fairly answered. It was noted though that some analysed advantages of a sole trader instead of analysing advantages and disadvantages of changing from a sole trader to a partnership. Expected responses included: more capital is raised since more partners are involved, there will be efficiency as a result of sharing of skills and ideas, decision making takes a long time because all partners have to be consulted, there is a possibility of disagreements between partners on how to manage the partnership, profits are shared which can result to inconsistency where some partners are not putting a fair share effort into the running or management of the partnership business, etc.

**(d)    Discuss whether it is beneficial to a firm when its workers are members of a trade union.**

This question proved to be a challenge to most candidates. Most candidates discussed advantages and disadvantages of trade unions to the worker, yet the question required a discussion to the firm. Those who understood the requirement of the question had a misconception that trade unions train workers for the job they do, and the firm will not have to pay or provide social benefits to the workers since this is a function of a trade union. Advantages to a firm when its workers are members of a trade union included: saves work time since negotiating will be done with trade unions officials instead of dealing separately with each employee about their work conditions, improvement in industrial relations because there will be fewer disruptions of work as disputes are resolved quickly, feedback to management; trade unions help the firm understand the worker's grievances and interests better, etc. Disadvantages included: time consuming because union activities can cause delays in making certain management decisions, interunion disputes especially where there is more than one union; disputes between unions can lead to disruptions and can have a negative effect to the firm, unreasonable or irresponsible demands made by the union can lead to the firm closing down such as demand a high wage increase for its members that the firm cannot afford, etc. Finally, a reasoned conclusion was required.

**Question 3**

**(a)    Explain any two characteristics of a good tax system.**

Quite a large number of candidates were able to identify the characteristics of a good tax system but failed to give correct explanations. Expected responses included: equity; should be based on ability to pay, certainty; should be easy to calculate, convenience; should be easy to pay, economy; the cost of collecting a tax should be considerably less than the revenue it generates.

**(b)    Explain what is meant by indirect taxation and give two examples.**

This part of the question was fairly attempted by most candidates. Most candidates were able to give a correct explanation of indirect taxation but struggled to come up with correct examples. Direct taxes are taxes on expenditure. Examples include value added tax, excise duties, customs duties, licenses, etc.

**(c)    Analyse how inflation can be controlled.**

This part of the question seemed to be challenging to most candidates. They demonstrated lack of knowledge of the policies used to control inflation. Some responses were on types of inflation and consequences of inflation which was incorrect. The few candidates who had the clue of the policies failed to unpack them to determine the actual action to be taken by government to control inflation, hence they just mentioned the macro-economic policies; fiscal policy, monetary policy and supply

side policies. Expected responses included: reducing government expenditure, increasing interest rates, increasing taxation, reducing money supply, improving quality and quantity of education, providing subsidies to firms, etc.

**(c) Discuss whether countries should reduce unemployment.**

Again, this part of the question seemed to be challenging to most candidates as they changed the question and discussed consequences of unemployment instead of advantages and disadvantages of reducing unemployment. Some candidates discussed how unemployment can be reduced. This question required a two-sided answer with a reasoned conclusion. Points for reduction of unemployment included: increase in government revenue through tax payments, increase in output/GDP which leads to economic growth, improvement in living standards since people will be earning income to provide for their basic needs, etc. On the other hand, points against reduction of unemployment included: inflationary pressure since there will be an increase in aggregate demand which will to an increase in prices, lack of a pool of labour for firms to recruit from, increase in government expenditure in job creation, etc.

**Question 4**

**(a) Identify three negative effects of rural-urban migration in a country.**

Quite a large number of candidates were able to identify the negative effects of rural-urban migration. However, some candidates explained instead of identifying the effects. Expected responses included: overcrowding in urban areas, poor housing and sanitation in urban areas, high crime rates in urban areas, decrease in agricultural production in rural areas, etc.

**(b) Explain the following terms:**

**(i) Dependency ratio**

Providing a correct definition of dependency ratio proved to be a challenge for most candidates. Candidates had no clue of what this economic term means. Dependency ratio is the proportion of the population that has to be supported by the labour force.

**(ii) Balance of payments**

Again, most candidates lacked knowledge on the definition of balance of payments. Some candidates were explaining stability of balance of payments. A balance of payments is a record of payments of all economic transactions between the residents of a country and the rest of the world.

**(c)** **Analyse the reasons why a current account surplus may occur.**

A majority of candidates struggled with this part of the question. They lacked knowledge on this concept-balance of payment current account surplus, hence some gave responses on accounting partnership current account. Others just explained how a surplus occurs instead of the causes of a current account surplus. Expected causes included: a low exchange rate which makes export prices cheap and import prices expensive, high quality of domestically produced products which will encourage foreign and domestic citizens to purchase the country's output, high incomes abroad which will enable foreigners to buy a high volume of the country's exports, low costs of production which make an economy's products internationally competitive, etc.

**(d)** **Discuss whether it is beneficial for the government to spend on HIV/AIDS prevention.**

This question was fairly attempted even though some candidates discussed the negative effects of HIV/AIDS on the economy such as an increase in the number of the orphaned and vulnerable children, reduction in labour force, etc. This was incorrect since the requirement of the question was to discuss the arguments for and against government spending of HIV/AIDS prevention. Arguments for government spending on HIV/AIDS included: improvement in life expectancy through the provision of Anti-retroviral medication, creation for jobs for nurses and doctors who will take care of the sick people, increase in economic growth since more labour force will be fit enough to be at work even if they are HIV positive, etc. Arguments against included: it involves opportunity cost since funds that government could be spending on other projects to the develop the country are diverted to HIV/AIDS prevention, it increases government expenditure through buying the medication, etc. Finally, a reasoned conclusion was required.

**Recommendations**

Educators are to encourage candidates to read the questions carefully before answering. This will enable them to take note of the command words for each question. For example, when a question requires an identification of an item, they should just do that and not explain.

Candidates are also encouraged not to change questions or set their own questions since this leads to a loss of marks.

Candidates must be given enough practice on analysis questions since some of them provide a reasoned conclusion on such questions yet it is not necessary.

Enough practice on evaluation questions. These questions require a two-sided answer with a reasoned conclusion. Some centres still have a challenge on giving both aspects of the discussion and the conclusion must include a stand and a fresh developed point.