

# **ECONOMICS**

## **SUBJECT 9158**

**JUNE 2014**

### **PAPER 02**

#### **GENERAL COMMENTS**

Performance was slightly above average. Most candidates revealed an in-depth understanding of some basic economic concepts as well as theories. Also some candidates were so much well versed with the current or prevailing economic situations in the country.

#### **QUESTION 1**

- (a) (i) This question was poorly done. The majority of the candidates failed to explain the link between “value addition” and “productivity”. Most candidates simply gave definitions of the two terms but failed to bring about the link between the two concepts which is “value addition enhances productivity through the use of sophisticated machinery and skilled labour”.
- (a) (ii) The question was answered well by the majority of the candidates. Candidates managed to explain how value addition may reduce Zimbabwe’s BOP deficit, i.e. by highlighting that value added exports or goods fetch high prices on international markets resulting in high export earnings as compared to the exportation of raw materials which will fetch low prices on international markets. High export earnings may cure the BOP deficit
- (b) Quite a number of candidates failed to address the needs of the question. Majority of the candidates failed to illustrate the market condition for exported goods when there is value addition. The impact of value addition on the market for exports is to increase their demand resulting in an outward shift of the demand curve. All other things being equal, prices of exports will increase. Most candidates were not familiar with the illustrations on markets (supply and demand). Some candidates used the market structures diagrams (perfect competition and monopoly) to illustrate the market condition. Weak candidates went on to give the value addition process as their illustration. Teachers should emphasize on the correct use of diagrams as they form the basis of the economic theory.

- (c) (i) Majority of the candidates managed to give correct responses on this question. They were able to show that to “value add” raw materials, a country needs labour, hence a country that exports raw materials also exports jobs. Weaker candidates failed to bring out this scenario; they focused on the “brain drain situation”. Teachers should encourage candidates not to copy raw information from the extract rather they should infer for the meaning.
- (c) (ii) This question was fairly done, good candidates were able to point out the reasons why Zimbabwe is failing to add value to her exports such as – lack of technology or specialized equipment, inability to engage in proper R & D, liquidity crisis, etc. Weak candidates instead of giving reasons they actually focused on the effects of not adding value to the exports such as “failure to add value can result in unemployment, BOP deficit, poor standards of living, etc”.
- (d) A fairly easy question but the majority of the candidates failed to give the appropriate policy measures which governments of developing countries can adopt to promote value addition. However, good candidates managed to give the specific policies meant for value addition such as supply-side policies, trade policies and indirectly the monetary and fiscal policies. Also, evaluative comments on the policies but failed to explain how they can be used to add value to the output of most developing countries. Weaker candidates, instead of explaining policy measures, they focused on the benefits of value addition.

## QUESTION 2

- (a) (i) A straight forward question but majority of the candidates failed to define what “duty” is. Most candidates gave the definition for “import duty”, i.e. “tax levied on imports”.
- (a) (ii) This question was fairly done. Majority of the candidates were able to give reasons why restaurants have been a major driver of inflation, i.e. a rise in duty on basic commodities which are the major input in the sector resulted in an increase in the prices of the final products.
- (b) (i) The majority of the candidates failed to answer the question. Question required them to give the general behaviour of the variable in question, i.e. inflation when describing a trend, candidates should focus on what is happening to the variable generally over time and not on certain time periods.

Also, teachers should highlight on the difference between “give a trend” and “describe a trend”. When describing, the answer should focus on the slope of the trend, e.g. gradual decline or increase, increasing at a decreasing rate or increasing at an increasing rate.

- (b) (ii) This question was fairly done. Most candidates were able to explain how the use of multi-currency system helped Zimbabwe to control hyper inflation. Good candidates pointed on the inability by the government to print money (seignorage), eradication of parallel markets, reduction of money supply, etc. However, weak candidates failed to explain how the eradication of parallel markets can control hyper-inflation.
  
- (c) (i) Only good candidates were able to identify the type of inflation alluded to in the extract, i.e. cost push inflation. Most candidates gave imported inflation as their answer. Inflation referred to in the extract was as a result of increased cost of raw materials due to the introduction of duty. Weak candidates were giving rates of inflation as their answers such as “creeping, galloping and hyper-inflation”. In this case, teachers should emphasise on the distinction between the rates of inflation and types of inflation.
  
- (c) (ii) This question was fairly done. Majority of the candidates were able to identify and explain the appropriate policy measures which can be used to control inflation, e.g. contractionary fiscal and monetary policies, supply-side policies, etc. Weak candidates were just listing the policy measures without giving evaluative comments. Teachers should dwell much or highlight on the specific tools for each policy so as to avoid a mix up of the measures of tools, i.e. candidates using fiscal policy tools to explain the monetary policy.
  
- (d) A popular question which was well answered by most of the candidates. Good candidates were able to give both the positive and negative effects of imposing duty on commodities. Some responses lacked an in-depth analysis of the effects as candidates were just stating the final effects such as “protection of the infant industries, correction of the BOP disequilibrium, etc”.