



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS PAPER 2

SEPTEMBER 2023

MARKS: 150

TIME: 2 HOURS

Stanmorephysics



EECONP2

This question paper consists of 12 pages

INSTRUCTIONS AND INFORMATION

1. Answer **FOUR** questions as follows in the ANSWER BOOK:

SECTION A: COMPULSORY

SECTION B: Answer **TWO** of the three questions.

SECTION C: Answer **ONE** of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will **NOT** be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start **EACH** question on a **NEW** page.
7. Leave 2–3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.



SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 C.

1.1.1 A market that has a hybrid structure is known as a (n) ...market.

- A perfect
- B factor
- C oligopoly
- D monopolistic competitive

1.1.2 Benefits that accrue to an individual only are called...benefits.

- A social
- B internal
- C marginal
- D external

1.1.3 The ascending part of the marginal cost curve (MC) also represents the ...curve.

- A demand
- B average cost
- C supply
- D total cost

1.1.4 Average revenue is always equal to ... in all markets.

- A marginal revenue
- B market price
- C variable cost
- D fixed cost

1.1.5 Changes in the general price level are measured by a (n)...

- A index.
- B percentage.
- C VAT.
- D GDP.

1.1.6 Visiting art galleries is part of ... tourism.

- A eco-
- B business
- C domestic
- D cultural



1.1.7 One way of preventing over-fishing is by ...



- A using quotas.
- B levying taxes.
- C restitution.
- D partnerships.

1.1.8 An increase in prices of goods and services by 50% and more per month is known as ...inflation.

- A consumer
- B producer
- C hyper
- D demand pull


(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A - I) next to the question number (1.2.1–1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Licensing	A	keeping something intact
1.2.2	Cartel	B	a barrier to entry that is not economic in nature
1.2.3	Subsidy	C	the ratio of the GDP at current prices to GDP at constant prices for a specific year
1.2.4	Competition Commission	D	it is established with the aim of forming collective monopoly
1.2.5	Preservation	E	it has practical application for daily survival of local people
1.2.6	Implicit deflator	F	it is a grant given to support production of good
1.2.7	Indigenous knowledge	G	raising interest rate and reducing money supply
1.2.8	Restrictive Monetary Policy	H	it gives all South Africans equal opportunities to participate in economic activities
		I	raising taxes and government spending

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.6) in the ANSWER BOOK.

1.3.1  A technique for enumerating and evaluating the total costs and total benefits associated with an economic project used by governments

1.3.2 The value of the next best alternative not chosen

1.3.3 The prices that are set above market prices

1.3.4 It has been created to promote tourism in our country

1.3.5 Inflation that excludes items from CPI basket that have highly volatile prices

1.3.6 The physical surroundings and conditions that affect people's lives

(6 x 1) (6)

TOTAL SECTION A: [30]



SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MICROECONOMICS

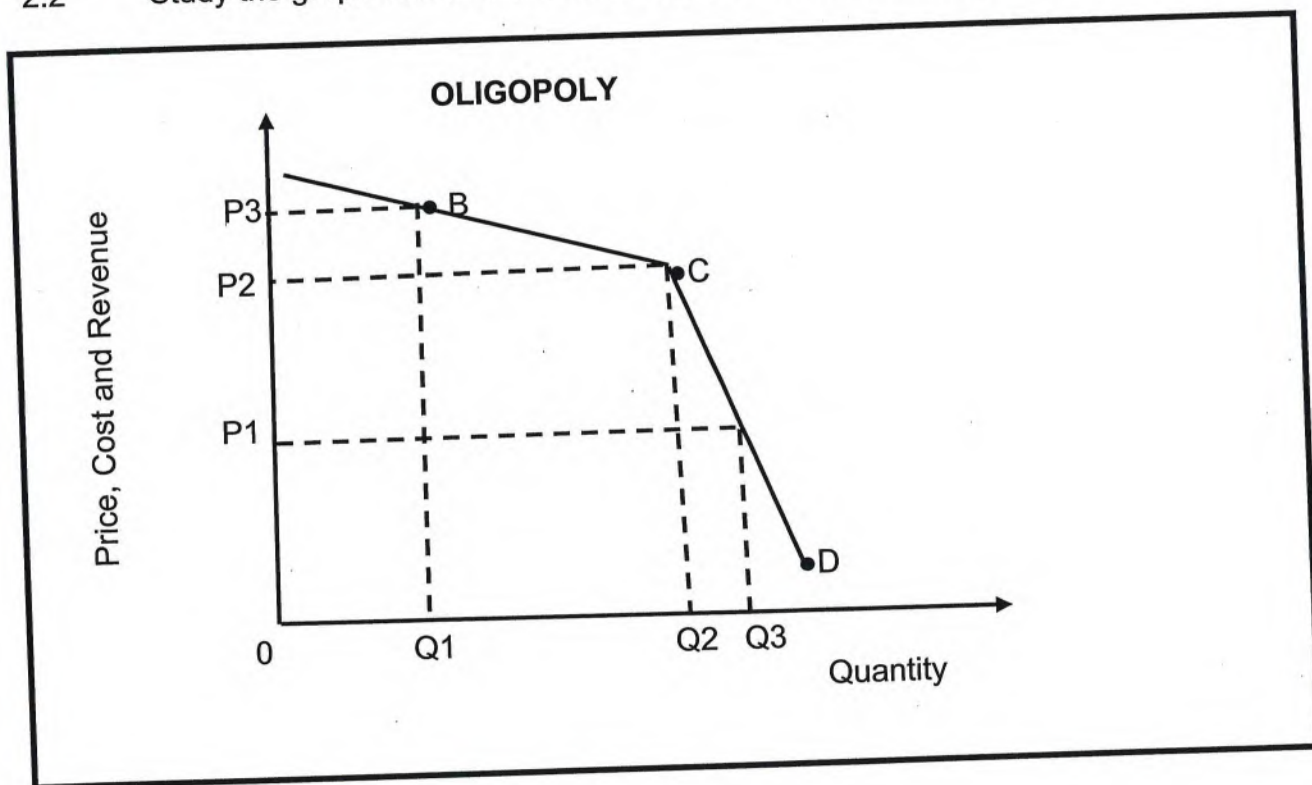
40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name **TWO** examples of explicit costs. (2 x 1) (2)

2.1.2 Why is the private sector reluctant to provide community goods? (2)

2.2 Study the graph below and answer the questions that follow.



2.2.1 Identify the market price above. (1)

2.2.2 Which part of the demand curve is elastic in the diagram above? (1)

2.2.3 Briefly describe the term *oligopoly*. (2)

2.2.4 Why is the demand curve of an oligopoly kinked? (2)

2.2.5. How can government correct allocative distortions caused by oligopolies? (4)

2.3 Study the information below and answer the questions that follow.

SA'S STRUGGLING MONOPOLY ALLOWED TO HIKE ELECTRICITY PRICES

Energy regulator has approved an 18.65% increase in electricity prices for 2023 – and a 12.74% hike for next year. NERSA's decision relates to the fifth Multi-Year Price Determination (MYPD) for the power utility for year two (2023/2024) and year three (2024/2025).

The approved increase is lower than what Eskom had applied for but is still significant, and far higher than inflation. In September 2022, Eskom applied for a 32% price hike for 2023/2024, equating to a recovery of R351 billions.

[Adapted from google]

- 2.3.1 Which institution regulates electricity prices in South Africa? (1)
- 2.3.2 What was the initial request for price increase from the power utility? (1)
- 2.3.3 Briefly describe the term *monopoly*. (2)
- 2.3.4 What will be the impact of this price increase on the economy? (2)
- 2.3.5 Why do many state owned monopolies struggle to make profits? (4)
- 2.4 Briefly discuss *non-price competition and market entry* as characteristics of monopolistic competition. (8)
- 2.5 Analyse the impact of minimum wages on the economy. (8)
- [40]

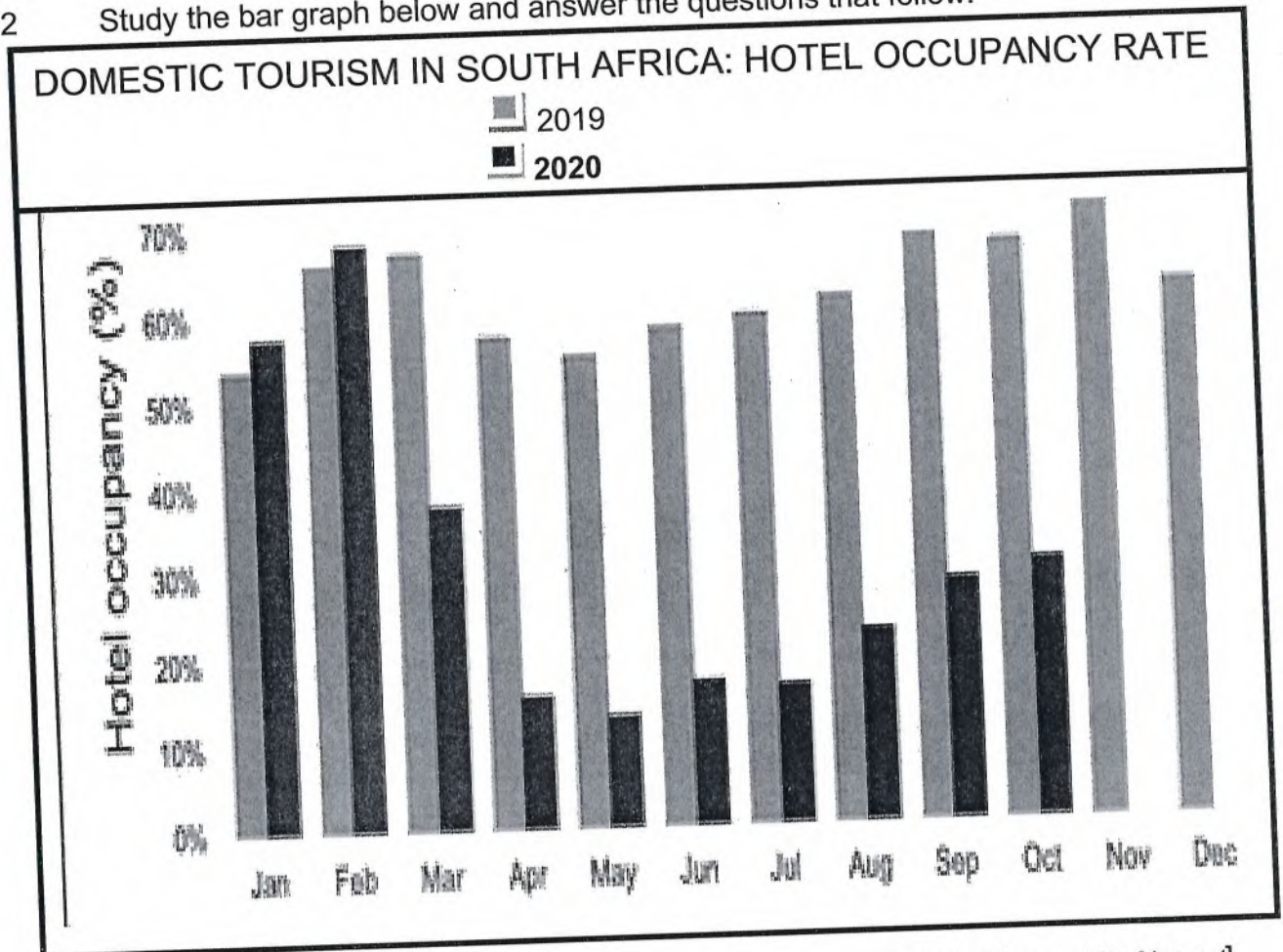


QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

- 3.1.1 Give **TWO** types of consumer inflation. (2 x 1) (2)
- 3.1.2 How can property rights be used to protect the environment? (2)

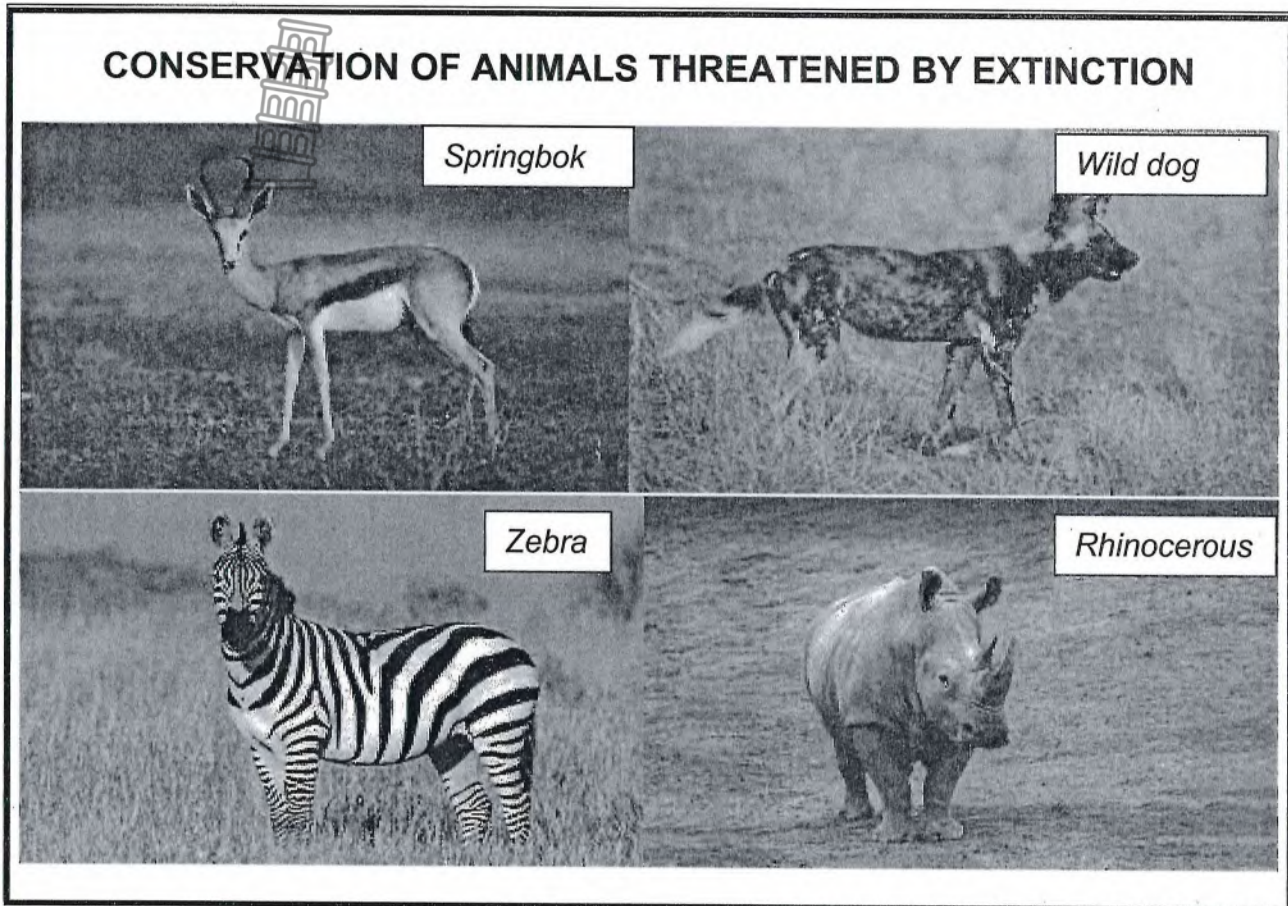
3.2 Study the bar graph below and answer the questions that follow.



[Adapted from southafrica.net]

- 3.2.1 When did most people (tourists) sleep in hotels in the country? (1)
- 3.2.2 Give one example of a cultural tourist attraction in South Africa. (1)
- 3.2.3 Briefly describe the term *domestic tourism*. (2)
- 3.2.4 What has contributed to the rapid growth of tourism in the country in November 2019? (2)
- 3.2.5 How can South Africa be promoted as a tourist destination? (2 x 2) (4)

3.3 Study the picture below and answer the questions that follow.



[Adapted from google]

- 3.3.1 Identify an animal from the ones in the information above that is threatened by extinction. (1)
- 3.3.2 Name any **ONE** area that has been created for protection of these animals. (1)
- 3.3.3 Briefly describe the term *conservation*. (2)
- 3.3.4 What can the Convention on International Trade in Endangered Species (CITES) do to assist in protection of endangered species? (2)
- 3.3.5 How can government intervene in the preservation of environmental assets? (4)
- 3.4 Discuss the effects of inflation on *taxpayers and investors and savers*. (2 x 4) (8)
- 3.5 How can businesses reduce the impact of pollution? (4 x 2) (8)
- [40]**

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

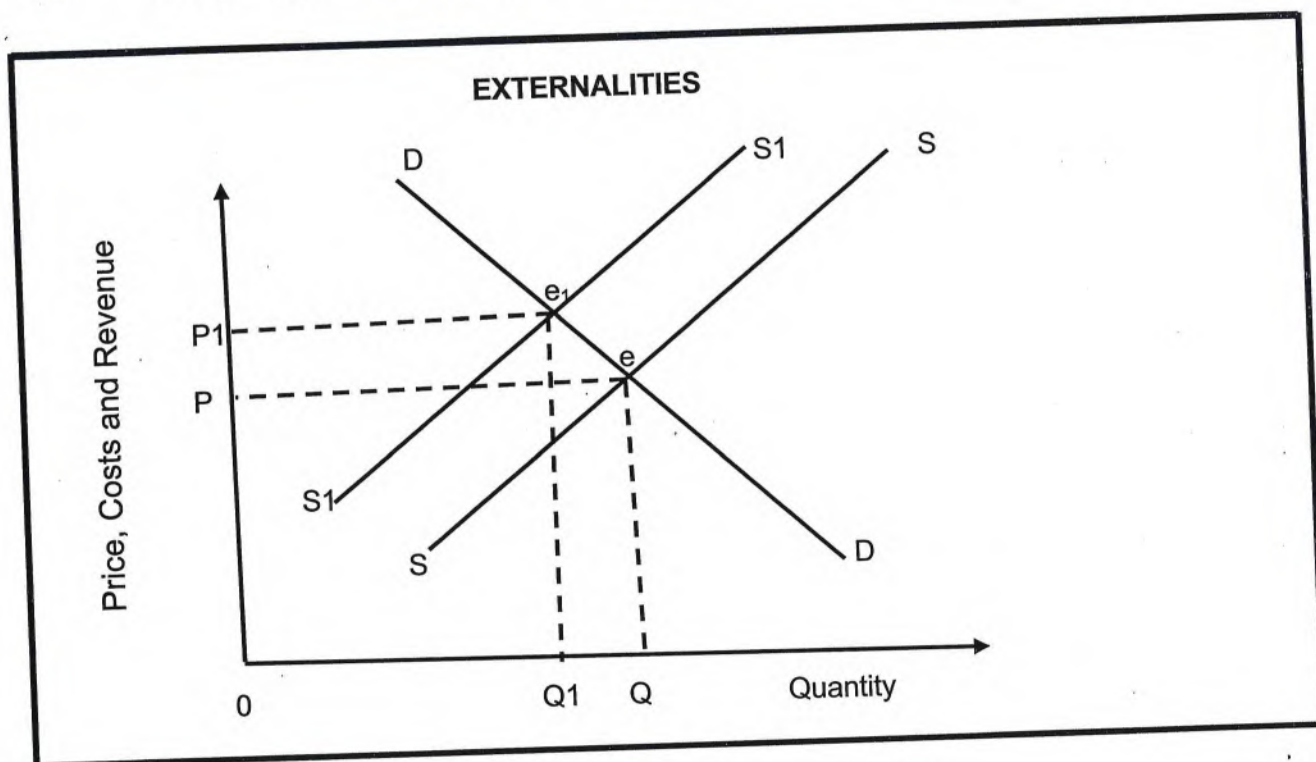
4.1.1 Give **TWO** features of public goods.

(2 x 1) (2)

4.1.2 How does the government benefit from tourism?

(2)

4.2 Study the graph below and answer the questions that follow.



4.2.1 Identify the type of externality shown above.

(1)

4.2.2 Which point on the graph above represents optimum consumption point?

(1)

4.2.3 Briefly describe the term *externality*.

(2)

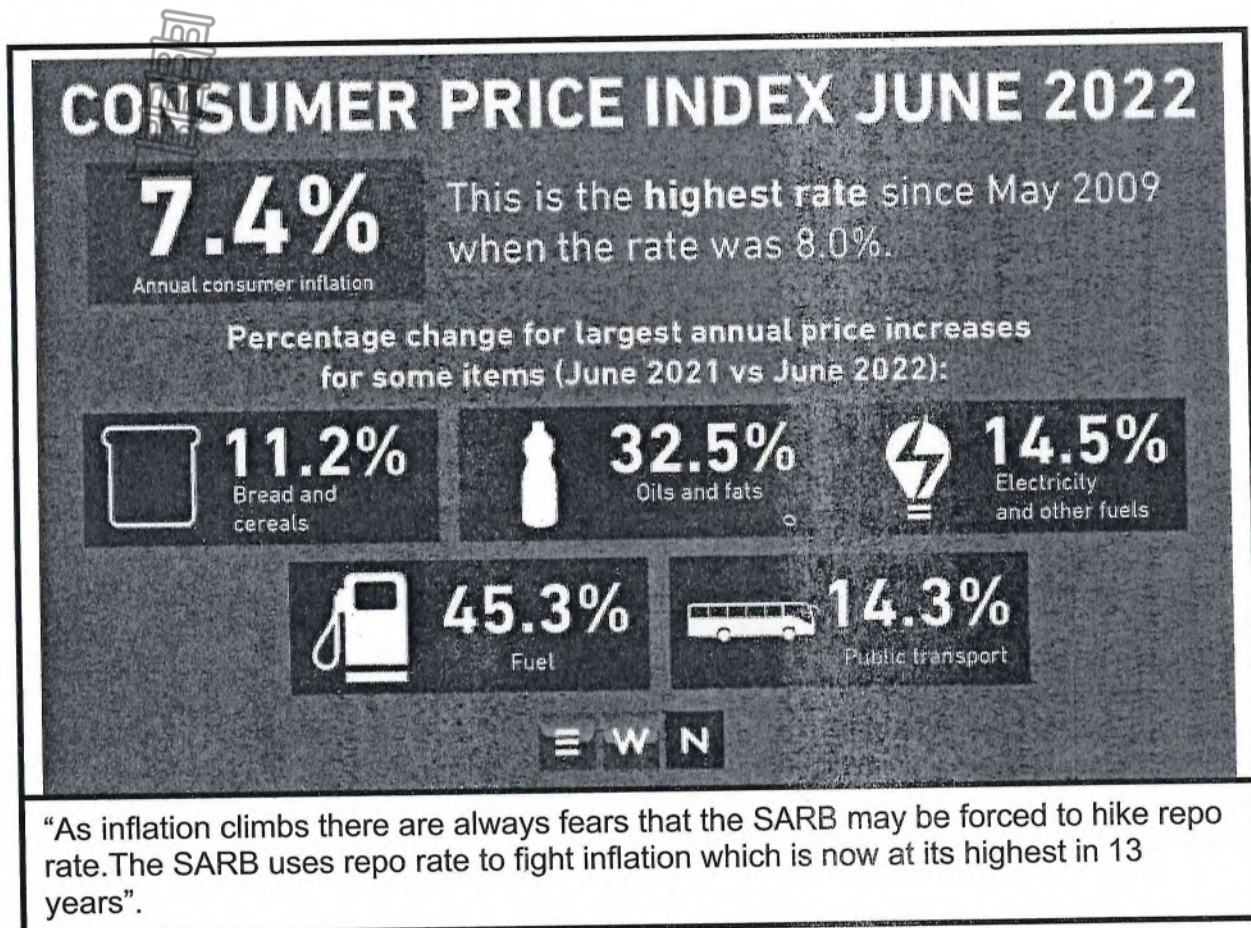
4.2.4 Why are externalities causes of market failures?

(2)

4.2.5 How can government reduce the consumption of demerit goods?

(4)

4.3 Study the information below and answer the questions that follow.



[Adapted from EWN News]

- 4.3.1 Identify the inflation rate in the year 2022 according to the information above? (1)
- 4.3.2 What is the current inflation target of the South African Reserve Bank (SARB)? (1)
- 4.3.3 Briefly describe the term *inflation*. (2)
- 4.3.4 In what way can fuel as a key input cause inflation? (2)
- 4.3.5 How can cost-push inflation be curbed/reduced in the economy? (2 x 2) (4)
- 4.4 Discuss the impact of lack of information on *consumers* and *workers* as causes of market failure. (2 x 4) (8)
- 4.5 Analyse the measures used in South Africa in ensuring environmental sustainability. (4 x 2) (8)

TOTAL SECTION B: [80]

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.
Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
	Max. 2
Introduction Introduction: <ul style="list-style-type: none"> The introduction is a lower-order response A good starting point would be to define the main concept related to the question topic Do not include any part of the question in your introduction. Do not repeat any part of the introduction in the body Avoid saying in the introduction what you are going to discuss in the body Body: <ul style="list-style-type: none"> Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/ Draw a graph and explain/Use the graph given and explain/Complete the given graph /Calculate / Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/ How / Suggest	Max. 26 Max. 10
Conclusion: Any higher-order conclusion should include: <ul style="list-style-type: none"> A brief summary of what has been discussed without repeating facts already mentioned Any opinion or value judgement on the facts discussed Additional support information to strengthen the discussion/analysis A contradictory viewpoint with motivation, if required Recommendations	Max. 2
Conclusion	40
TOTAL	

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail various equilibrium positions in a perfect market by using graphs. (26)
- How does the Competition Policy affect the economy? (10) [40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 40 MINUTES

- Discuss in detail the effects of tourism. (26)
- How can an increase in the inflation rate affect the tourism sector? (10) [40]



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SEPTEMBER 2023

MARKING GUIDELINES

MARKS: 150

TIME: 2 HOURS

These marking guidelines consists of 19 pages



SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE CHOICE QUESTIONS**

1.1.1 D - monopolistic competitive ✓✓

1.1.2 B - internal ✓✓

1.1.3 C - supply ✓✓

1.1.4 B - market price ✓✓

1.1.5 A - index ✓✓

1.1.6 D - cultural ✓✓

1.1.7 A - using quotas ✓✓

1.1.8 C - hyper ✓✓

(8 x 2)

(16)

1.2 MATCHING ITEMS

1.2.1 B - a barrier to entry that is not economic in nature ✓

1.2.2 D - it is established with the aim of forming collective monopoly ✓

1.2.3 F - it is a grant given to support production of good ✓

1.2.4 H - it gives all South Africans equal opportunities to participate in economic activities ✓

1.2.5 A - keeping something intact ✓

1.2.6 C - the ratio of the GDP at current prices to GDP at constant prices for a specific year ✓

1.2.7 E - it has practical application for daily survival of local people ✓

1.2.8 I - raising interest rate and reducing money supply ✓

(8 x 1)

(8)



1.3 **GIVE ONE TERM**

1.3.1 Cost-benefit analysis ✓

1.3.2 Opportunity cost ✓

1.3.3 Maximum prices ✓

1.3.4 SA Tourism ✓

1.3.5 Core inflation ✓

1.3.6 Environment ✓

(6 x 1) (6)

TOTAL SECTION A: [30]



SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MICROECONOMICS

2.1 Answer the following questions.

2.1.1 Name TWO examples of explicit costs.

- Wages ✓
 - Interest ✓
 - Leasing of land ✓
 - Expenditure on raw materials ✓
- (Accept any other correct relevant response) (2 x 1) (2)

2.1.2 Why is the private sector reluctant to provide community goods?

- Producers cannot withhold the goods for non-payment and are much more driven by the economic motive in their endeavours ✓✓ (2)
(Accept any other correct relevant response)

2.2 DATA RESPONSE

2.2.1 Identify the market price above.

- P_2 ✓ (1)

2.2.2 Which part of the demand curve is elastic in the diagram above?

- BC ✓ (1)

2.2.3 Briefly describe the term *oligopoly*.

- It is a market structure dominated by few sellers ✓✓
(Accept Any other correct relevant response) (2)

2.2.4 Why is the demand curve of an oligopoly kinked?

- Oligopolies behave differently when the prices increase or decrease ✓✓
(Accept Any other correct relevant response) (2)

2.2.5 How can government correct allocative distortions caused by oligopolies?

- They can invite competition from abroad to restrain harmful practices of local oligopolies ✓✓
 - The government has established the Competition Commission, Competition Tribunal and Competition Appeal Court to enhance the level of competition in the economy ✓✓
- (Accept any other correct relevant response) (4)

2.3 DATA RESPONSE

2.3.1 **Which institution regulates electricity prices in South Africa?**
 NERSA ✓ (1)

2.3.2 **What was the initial request for price increase from the power utility?**
 32% ✓ (1)

2.3.3 **Briefly describe the term *monopoly*.**
 It is a market structure consisting of one seller of a unique product with no close substitutes ✓✓
 (Accept any other correct relevant response) (2)

2.3.4 **What will be the impact of this price increase on the economy?**
 Production costs of producers will increase and thus leading to higher consumer prices on goods and services ✓✓
 (Accept any other correct relevant response) (2)

2.3.5 **Why do many state owned monopolies struggle to make profits?**

- High maintenance costs incurred offset the profits of these enterprises ✓✓
- When State Owned Enterprises try to increase their prices to cover their huge costs, the regulatory bodies disapprove of their applications based on the eventual impact on prices ✓✓
- Citizens and municipalities often default on their payments for services rendered by these enterprises and lead them to fail to meet their overhead expenses and their profits declining as a result ✓✓

(Accept any other correct relevant response) (4)

2.4 **Briefly discuss *non-price competition* and *market entry* as characteristics of monopolistic competition.**

Non – price competition:

- Advertising can be used to attract customers ✓✓
- Product differentiation makes their goods different from those of competitors ✓✓
- Extended shopping hours make shopping convenient for customers ✓✓

Entry:

- Entry is free and easy ✓✓
 - There are no barriers like licences, permits or patents ✓✓
 - It is also easy for businesses that want to leave the market to do so ✓✓
- (Accept any other correct relevant response)

(A maximum of 4 marks will be given for mere listing)



(2 x 4)

(8)

2.5 **Analyse the impact of minimum wages on the overall economy.**

- Minimum wages will enable citizens to afford basic needs ✓✓
- This will improve living standards of people as their affordability will improve as a result of the imposition of minimum wages ✓✓
- Minimum wages can also increase productivity as workers will extrinsically become motivated and work much more harder ✓✓
- Minimum wages also increase the cost of production hence employers would want to have some way to recover them ✓✓
- The increasing costs will offset the profits of businesses ✓✓
- Some entrepreneurs may opt to hike prices which may provoke inflation and make it difficult for consumers to afford ✓✓
- Others may scale down their production which may lead to job losses ✓✓

(Accept any other correct relevant response)

(4 x 2)

(A maximum of 2 marks will be given for mere listing of facts or examples)

(8)

[40]



QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

3.1 Answer the following questions.

3.1.1  **Give TWO types of consumer inflation.**

- Headline ✓
- Core ✓
- Administered price inflation ✓

(2 x 1) (2)

3.1.2 **How can property rights be used to protect the environment?**

Granting of property rights ensures that people take care of the resources that belong to them ✓✓

(Accept any other correct relevant response)

(2)

3.2 **DATA RESPONSE**

3.2.1 **When did most people (tourists) sleep in hotels?**

November 2019 ✓

(1)

3.2.2 **Give one example of a cultural tourist attraction in South Africa.**

- Maphunguwe ✓
 - Sterkfontein world heritage site ✓
 - Richtersveld Cultural and Botanical Landscape ✓
- (Accept any other correct relevant response)

(1)

3.2.3 **Briefly describe the term *domestic tourism*.**

It occurs when people travel within the borders of their country ✓✓

(Accept any other correct relevant response)

(2)

3.2.4 **What has contributed to the rapid growth of tourism in the country in November 2019?**

- An increase in disposable income of tourists / consumers ✓✓
- A reduction in the working hours ✓✓
- More awareness for leisure and recreation ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

3.2.5 **How can South Africa be promoted as a tourist destination?**

South Africa can be promoted as a tourist destinations through/by:

- including South Africa as a tourist destination when travel agents present their clients with options ✓✓
- persuading citizens to travel when taking holidays and to spend holidays in their own country ✓✓
- competing to host international events like conferences and sport events like soccer / cricket world cups ✓✓
- using local and international media to advertise South Africa as a safe place to visit ✓✓
- strengthening of the law enforcement in the country and reduce the crime rate ✓✓

(Accept any other correct relevant response)

(2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 Identify an animal from the ones in the information above that is threatened by extinction.

Rhinoceros ✓

(1)

3.3.2 Name any ONE area that has been created for protection of these animals.

- Botanical parks /gardens ✓
- Reptile and butterfly sanctuaries ✓
- Game parks / reserves ✓

(Accept any other correct relevant response)

(1)

3.3.3 Briefly describe the term *conservation*.

It is creative continuity of the environment while ensuring that change is sympathetic to quality of life for both present and future generations ✓✓

(Accept Any other correct relevant response)

(2)

3.3.4 What can the Convention on International Trade in Endangered Species (CITES) assist in the protection of endangered species?

- It has banned commercial international trade in endangered species on the agreed list ✓✓
- Insisting that countries that are part of the treaty on the protection of the these endangered species implement the agreed resolution to protect them from extinction ✓✓

(Accept any other correct relevant response)

(2)

3.3.5 How can government intervene in the preservation of environmental assets?

- They can buy or expropriate the asset ✓✓
- They can give a subsidy through maintenance grant or tax concession ✓✓

(Accept any other correct relevant response)

(4)



3.4 **Discuss the effects of inflation on *taxpayers and investors and savers.***

Taxpayers:

- With inflation the tax payers' nominal income rises even when their real income remains unchanged ✓✓
- Taxes are levied on nominal incomes and not on real incomes and as a result negatively impact on the affordability ✓✓
- Therefore if the income schedule remains unchanged inflation increases the personal income tax rate of the taxpayers and thus reduces their disposable incomes ✓✓
- Tax payers now have to pay higher taxes even if they are no better off than before the impacts of the inflation rate ✓✓
- Income is taken from tax payers to government through the tax system and this may contribute to discouragement and voluntary lay-offs ✓✓
- This is known as bracket creep ✓✓

Investors:

- A large portion of wealth of individuals is held in the form of fixed value, fixed interest-yielding claims such as fixed deposits ✓✓
- These assets have a fixed return if they are held until maturity ✓✓
- Hence their nominal values remain constant, the purchasing power of the nominal values decrease as prices increase and that is their real values decrease as a result ✓✓
- Holders of shares and fixed property usually gain by price increases because the nominal values of these assets tend to increase at least proportionally to the rate of inflation ✓✓
- Often the prices of these assets increase more rapidly than increases in the general price levels ✓✓

(Accept any other correct relevant response)

(A maximum of 4 marks will be given for mere listing)

(4 x 2)

(8)

3.5 **How can businesses reduce the impact of pollution?**

The impact of pollution can be reduced by:

- reducing the number of trips people take with their cars and use public transport as a way to reduce carbon dioxide emissions from car exhausts ✓✓
- using filters on fireplaces and in factories to reduce harmful gases absorbed in the air ✓✓
- recycling and reusing of resources that help reduce pollution emissions ✓✓
- using paper bags instead of plastic bags as they decompose easily / and are biodegradable ✓✓
- banning of smoking as it causes air quality to worsen ✓✓
- using of air conditioners should be limited as they take a lot of energy and emits a lot of heat which contributes to global warming ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks for mere listing of facts)



(4 x 2)

(8)

[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

4.1 Answer the following questions.

4.1.1  Give TWO features of public goods.

- Non-rivalry ✓
- Non-excludability ✓

(2 x 1) (2)

4.1.2  How does the government benefit from tourism?

Taxes that tourists pay increase government revenue ✓✓
(Accept Any other correct relevant response)

(2)

4.2 **DATA RESPONSE**

4.2.1 Identify the type of externality shown above.

Negative externality ✓

(1)

4.2.2 Which point on the graph above represents optimum consumption point?

E₁ ✓

(1)

4.2.3 Briefly describe the term *externality*.

Costs or benefits to third parties which are not included in the market price of a good ✓✓

(2)

4.2.4 Why are externalities causes of market failures?

Markets are unable to quantify the costs or benefits which leads to under-supply or over-supply of the goods ✓✓
(Accept any other correct relevant response)

(2)

4.2.5 How can government reduce the consumption of demerit goods?

- They can ban consumption of the goods ✓✓
 - They can impose taxes to make them expensive ✓✓
 - They can educate the citizens about their harmful effects ✓✓
- (Accept any other correct relevant response)

(4)



4.3 DATA RESPONSE

4.3.1 What was the inflation rate in the year 2022 according to the information above? (1)

7.4% ✓

4.3.2 What is the current inflation target of the South African Reserve Bank (SARB)? (1)

3% - 6% ✓

4.3.3 Briefly describe the term *inflation*.
It is a sustained and significant increase in the general price level over a given period ✓✓
(Accept any other correct relevant response) (2)

4.3.4 In what way can fuel as a key input cause inflation?
An increase in the fuel price can lead to an increase in prices of Goods and services ✓✓
(Accept any other correct relevant response) (2)

4.3.5 How can cost-push inflation be curbed/reduced?
• By increasing productivity of factors of production ✓✓
• By increasing the level of competition in the economy ✓✓
(Accept any other correct relevant response) (2 x 2) (4)

4.4 Discuss the impact of lack of information on *consumers* and *workers* as causes of market failure.

Consumers:

- The lack of information to consumers as to what the market offers makes it difficult for them to make their choices ✓✓
- Consumers need full information to maximise their benefits out of their limited resources ✓✓
- Consumers require perfect information to make perfect choices to maximise on the limited resources ✓✓

Workers:

- Workers are not easily mobile from one place to another and lack of information thus impact them negatively of opportunities elsewhere ✓✓
- It takes a longer process for workers to change or move from one place to another on the basis of the type of contract they may or got into ✓✓
- The movement of labour from one place to another is a costly affair that require time and other resources ✓✓

(Accept any other correct relevant response) (2 x 4) (8)
(A maximum of 4 marks for mere listing of facts or examples)



4.5 **Analyse the measures used in South Africa in ensuring environmental sustainability.**

Environmental sustainability can be ensured by:

- creating laws that assist in the control of pollution and insisting on compliance ✓✓
- charging people for the waste they dispose on the environment e.g. R1500 fine for dumping waste ✓✓
- using marketable permits that are sold to businesses to allow them to pollute up to a certain level ✓✓
- levying of environmental taxes on producers of non-biodegradable items ✓✓
- provisioning of environmental subsidies to producers of unleaded petrol and to encourage recycling ✓✓
- incorporating environmental issues in the school curriculum to broaden awareness and compliance ✓✓
- extending private property rights to flora and fauna to prevent them from becoming extinct ✓✓ (4 x 2) (8)

(Accept any other correct relevant response)

(A maximum of 2 marks for merer listing of facts or examples)

[40]

TOTAL SECTION B: [80]



SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

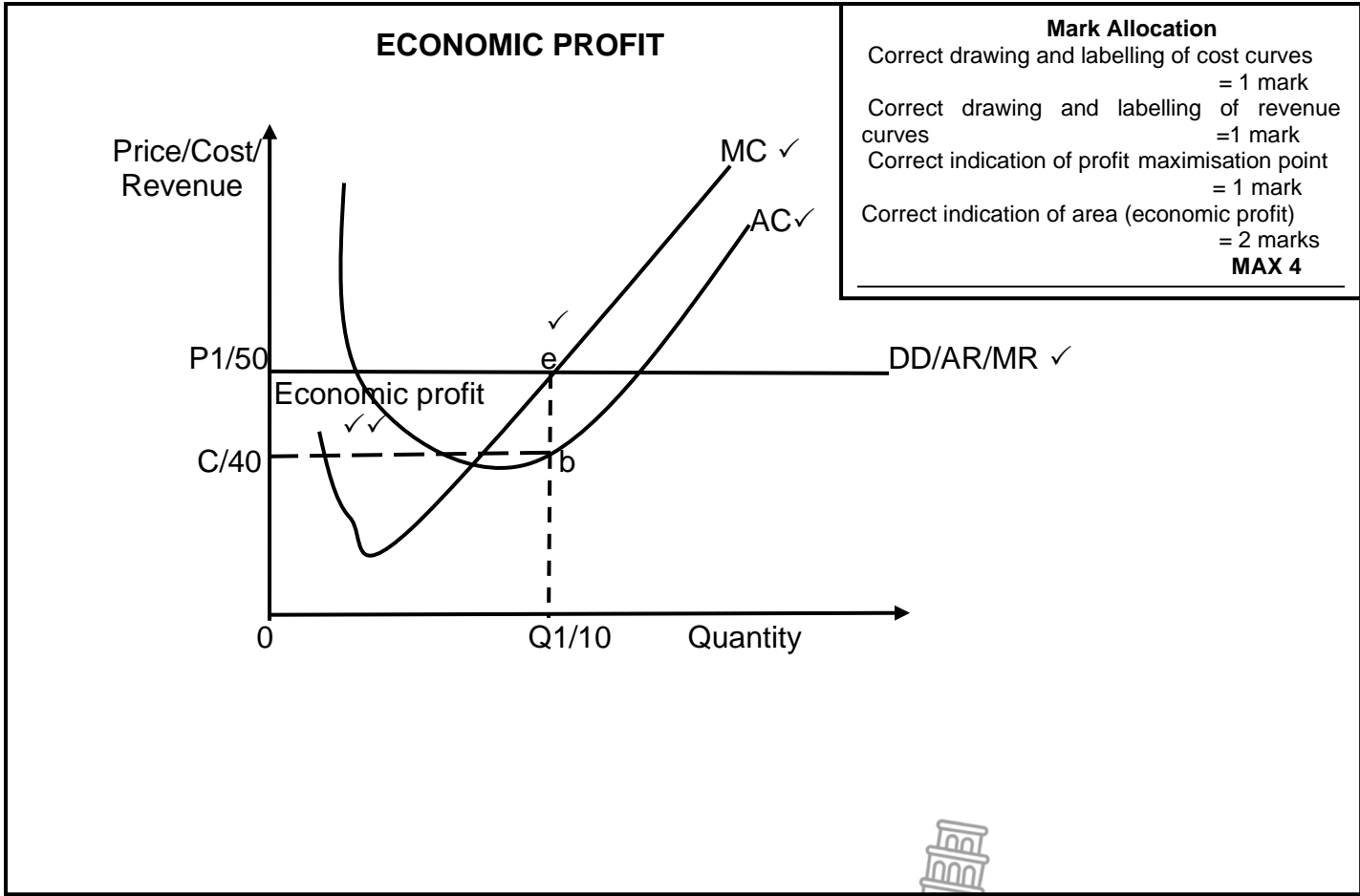
- Discuss in detail various equilibrium positions in a perfect market using Graphs. (26)
- How does Competition Policy affect the economy? (10)

INTRODUCTION

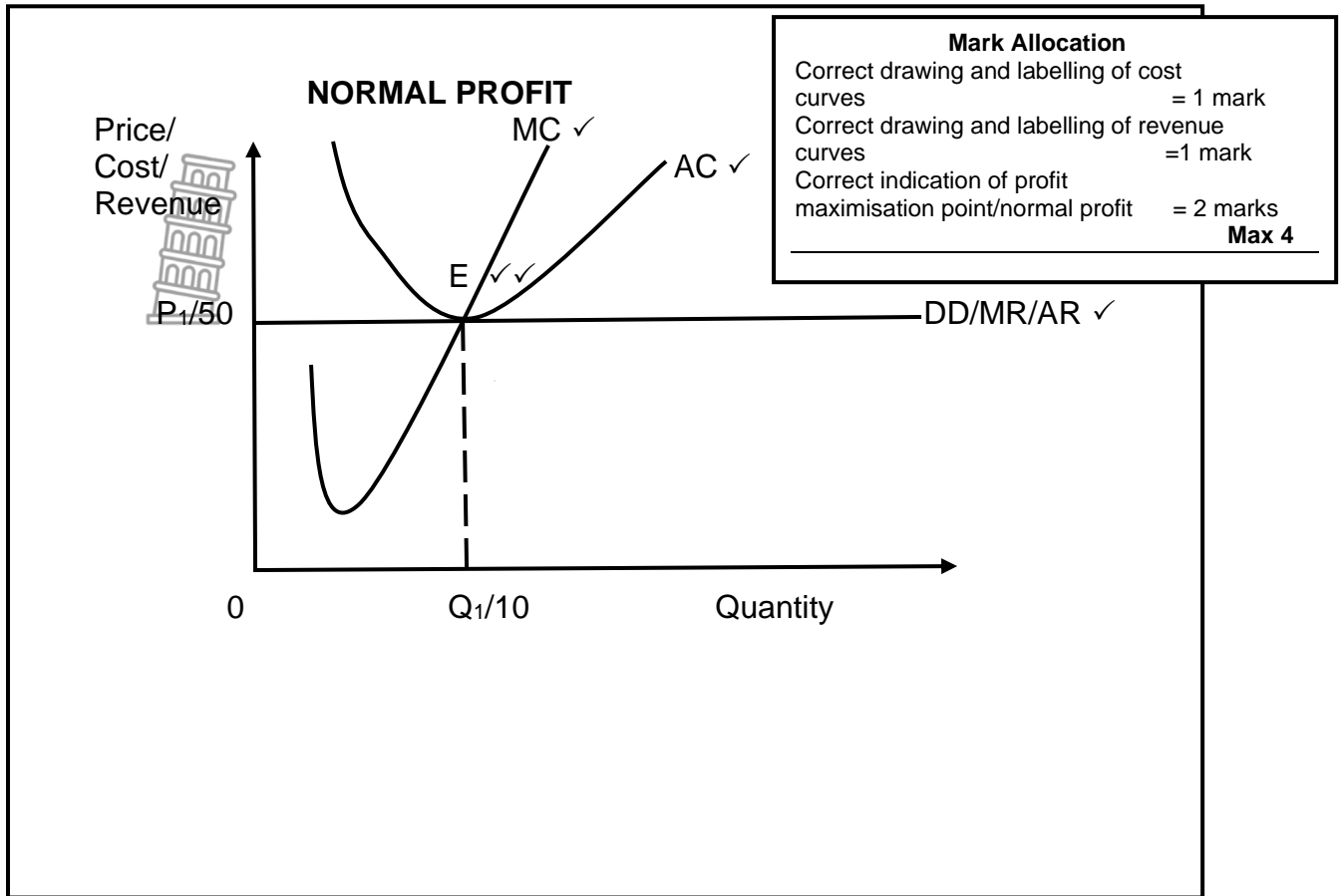
A perfect market is a market structure that consists of many sellers of homogenous products ✓✓

(Accept any other correct relevant response) (Max.2)

BODY: MAIN PART

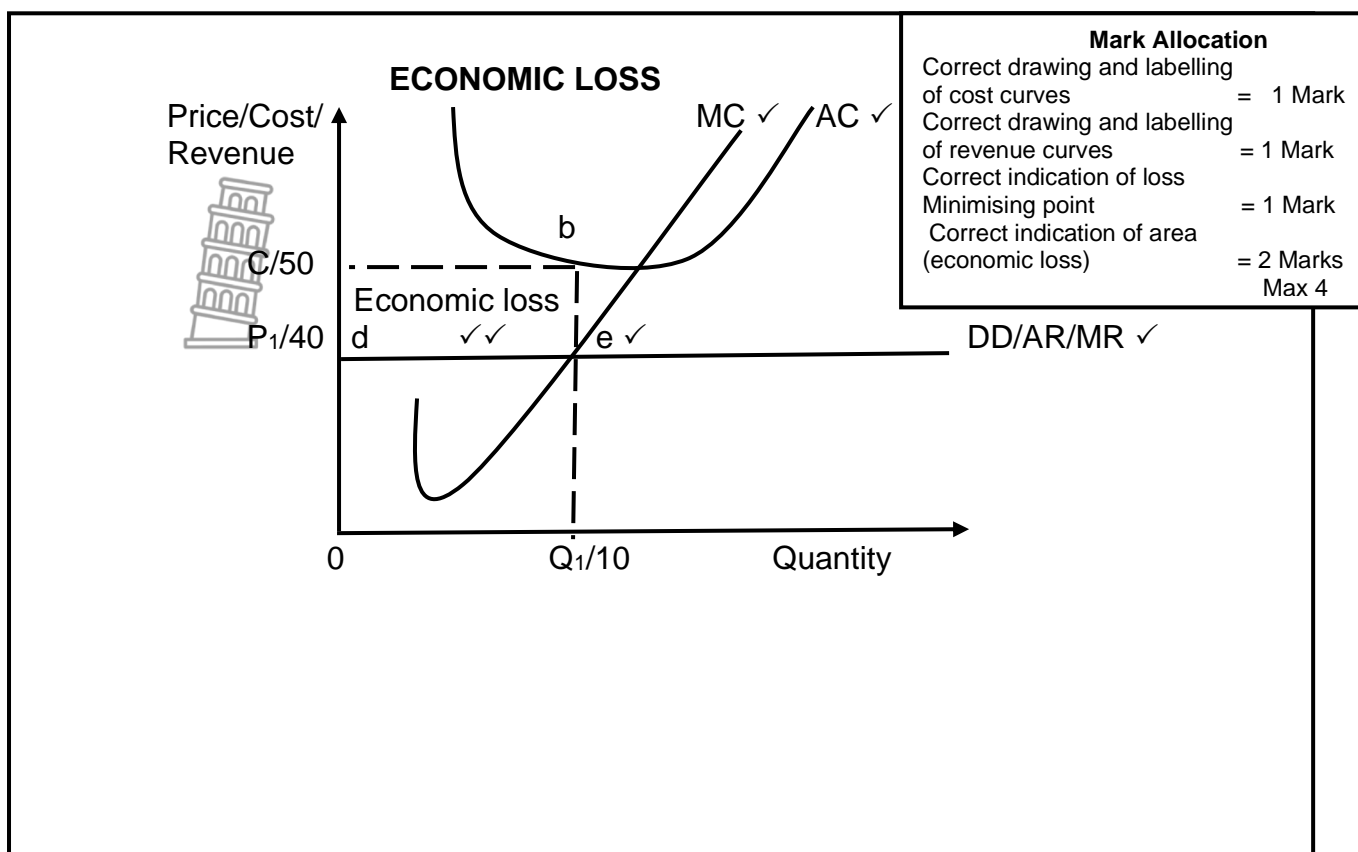


- The minimum point of the short term average cost curve (AC) is lower than the market price ✓✓
- The business is in equilibrium (maximising profits) at point e where MR = MC ✓✓
- Total revenue is equal to $0Q_1 \times 0P_1$ (50×10) and total cost is equal to $0Q_1 \times 0C$ (40×10) ✓✓
- The economic profit is represented by area CP_1EB (R100) ✓✓



- At point e where $MC = MR$ the business will produce Q_1 and at market price P_1 ✓✓
- The lowest point of AC is tangent to the AR/MR ✓✓
- This implies that $AC = AR$ and total cost $(50 \times 10) =$ total revenue (50×10) ✓✓
- Normal profit is the minimum earnings required to prevent the entrepreneur from living the market ✓✓





- The minimum point of the short term average cost curve (AC) is above the market price (AR) ✓✓
- The business is in equilibrium (minimising loss) at point e where $MR = MC$ and the business will produce at quantity Q_1 and market price P ✓✓
- Total revenue is equal to $0Q_1 \times 0P_1$ (10×40) and total cost is equal to $0C \times 0Q_1$ (50×10) ✓✓

• The loss is represented by the area P_1CBE (100) ✓✓ **(Max.26)**

ADDITIONAL PART

How does the Competition Policy affect the economy?

- Competition policy can lead to increased product quality ✓✓
- Since it allows more businesses to enter the market, consumers will have more options to choose from ✓✓
- Consumers will also benefit from lower prices as competition increases ✓✓
- It makes businesses to be more innovative in pursuit of more profits ✓✓
- The market share of each business will shrink as many more enterprises enter the market and compete each other ✓✓
- There is the risk of surplus production as more businesses enter the market ✓✓
- Competition policy also ensures that the process of competition is not undermined by the competitive process itself ✓✓ e.g. accumulation of private economic power that occurs through competitive process ✓
- It promotes employment and advances the social and economic welfare of citizens ✓✓

(Accept any other correct relevant response)

(Max.10)

CONCLUSION

It is important to note that the industry demand curve in perfect market, like all other market structures, slopes downward from left to right ✓✓

(Accept any other correct relevant response)

(Max.2)



[40]



QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

- Discuss in detail the effects of tourism. (26)
- How can an increase in the inflation rate affect the tourism sector? (10)

INTRODUCTION

Tourism refers to activities of people travelling to and staying in places outside their usual environment for no more than a year for leisure, business or studying with no remuneration. ✓✓

(Accept any correct response)

(Max.2)

BODY: MAIN PART

Gross Domestic Product(GDP) ✓

It contributes directly and indirectly to the GDP

Direct contribution ✓

It consists of:

- Spending by residents and non-residents for business and leisure purposes contribute to the governments revenue ✓✓
- Spending by industries on accommodation, food, retail, transport and destination services has a direct incremental impact on the countrys GDP ✓✓
- Spending by government on cultural (museums) and recreational (national parks) services in their up-grading and development contributes positively to the national income ✓✓

Indirect contribution ✓

It includes:

- investment spending on construction of new hotels and sanitation services ✓✓
- purchase from suppliers of goods by businesses dealing directly with tourists ✓✓
e.g. cleaning services by hotels ✓

Employment ✓

Tourism creates a lot of jobs because:

- it is labour intensive by creating more employment in many diversified industries in the economy ✓✓
- it employs many skills as required by the industry in the fulfilment and satisfaction of the aspirations of the tourists ✓✓
- it can provide immediate employment to those with the required skills in the economy ✓✓
- it provides entrepreneurial opportunities to a majority of the potential business people in the country ✓✓

Poverty ✓

- Many of the prime tourism attractions are located in rural areas ✓✓
- This creates an opportunity for rural people to share in the benefits of tourism and its development ✓✓
- It allows the poor to have a stake in the economy since they can start small

businesses that provide services to tourists ✓✓ e.g. transport ✓

- Tourism can empower rural people by providing them with on-the-job training ✓✓
- Rural people can form partnerships with mainstream tourism businesses in supplying goods or services to the tourists ✓✓

Externalities ✓

- Tourism uses resources and produces waste which can harm the environment ✓✓
- It can also lead to degeneration of traditions and cultural values ✓✓
- Increasing population numbers, improved transport systems and improving living standards increases the number of people wanting to travel and pressure on tourist sites ✓✓
- Tourism can attract revenue and alleviate poverty ✓✓
- It can be used as a means of conserving cultural and natural assets ✓✓

The environment ✓

Tourism activities can lead to:

- permanent environmental restructuring when roads, airports stadia are constructed ✓✓
- waste product generation such a biological and non-biological waste that can create health hazard ✓✓
- direct environmental stress from destruction of vegetation ✓✓
- changes in population dynamics when people migrate to cities ✓✓

Investment ✓

Tourism necessitates investment in:

- transport infrastructure like airports and roads need to be of the highest standards and required safety ✓✓
- communication infrastructure which includes telephones and internet connections should be improved to enhance speedy access and connectivity ✓✓
- energy infrastructure such as electricity and liquid fuels, solar energy etc. should be accessible to enhance and reduce power outage scares to tourists ✓✓
- basic services infrastructure like clean water and sewage systems should be improved to offer reliable services ✓✓

(Accept any other correct relevant response)

(Max.26)

(A maximum of 8 marks may be allocated for mere listing of facts/examples or headings)

ADDITIONAL PART

How can an increase in the inflation rate affect the tourism sector?

- The travelling costs for potential tourism would rise in relation to the inflation rate ✓✓
- The purchasing power of the tourists would become seriously affected meaning that they will buy less of the local products ✓✓
- The local industry is going to produce less and resultantly experience lower profit margins ✓✓
- Consumers' savings will decline as inflation impacts negatively on their plans to travelling ✓✓
- The number of tourists intending to visit the country will become negatively affected and decline drastically ✓✓
- Other tourism related sectors will suffer a decline in their businesses and affect their

profit margins as well ✓✓

- Retrenchments may affect most of the employees in tourism-related industries as a result ✓✓

(Accept any other correct relevant response)

(Max.10)

CONCLUSION

The South African government has introduced online e-Visa services that provide a convenient and secure visa application for tourists ✓✓

(Accept any other correct relevant response)

(Max.2)

TOTAL SECTION C: [40]
GRAND TOTAL: [150]

