



education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS P2
SEPTEMBER 2023**


Stanmorephysics

MARKS: 150

TIME: 2 HOURS

This question paper consists of 14 pages.

INSTRUCTIONS AND INFORMATION

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

 - **SECTION A : COMPULSORY**
 - **SECTION B:** Answer any **TWO** of the three questions.
 - **SECTION C :** Answer any **ONE** of the two questions
2. Write the question number above each answer.
3. Answer only the required numbers of questions. Answers in excess of the required number will not be marked.
4. 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.
5. Number the answers correctly according to the numbering system used in this question paper.
6. Read the questions carefully.
7. Start each question on a new page.
8. Leave 2-3 lines between sub sections of questions.
9. Use only black or blue ink.
10. You may use a non- programmable pocket calculator.
11. Write legible and present your work neatly.



SECTION A: COMPULSARY

QUESTION 1

30 MARKS – 20 MINUTES

1.1. Various options are provided as possible answers to the following questions. Choose the correct 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. D.

1.1.1 A firm must shut down if it cannot cover the ... cost.

- A unit
- B fixed
- C marginal
- D variable

1.1.2 The actual cost paid by the consumer when a good is purchased is called ... cost.

- A private
- B external
- C social
- D Public

1.1.3 A characteristic of monopolistic competitors is that they ...

- A have full control over the price.
- B can easily enter and exit the market.
- C produce unique products.
- D make economic profit in the long run.

1.1.4 The government can intervene to reduce the production and consumption of demerit goods through the ...


- A granting subsidies.
- B use of a sin tax
- C levying progressive taxation.
- D private-public partnership.

1.1.5 The type of inflation that occurs when aggregate demand exceeds aggregate supply of goods and services is called ... inflation.

- A imported
- B key inputs
- C cost-push
- D Demand-pull



1.1.6 South Africans travelling to other countries are known as ... tourists.

- 
- A Influx
 - B internal
 - C outbound
 - D inbound

1.1.7 A continuous decrease in the general price level over a period of time is called ...

- A inflation.
- B stagflation.
- C hyperinflation.
- D deflation.

1.1.8 The international agreement that is aimed at managing nuclear waste is known as ...

- A Kyoto Protocol.
- B Stockholm Protocol.
- C Basel Convention.
- D Millennium Development Goal.

(8 x 2) (16)



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

COLUMN A	COLUMN B
1.2.1 Merit goods	A a variety of plant and animal species found in a particular environment
1.2.2 Allocative inefficiency	B a situation where total revenue is equal to total cost
1.2.3 Diseconomies of scale	C licence for a business to pollute up to a specified limit
1.2.4 Core inflation	D The introduction of harmful substances into the environment
1.2.5 Pollution	E visiting museums and art galleries
1.2.6 Biodiversity	F a situation where average costs increase as production increases
1.2.7 Marketable permit	G goods that improve the welfare of the society
1.2.8 Cultural tourism	H excludes the prices of goods and services that change frequently I a situation where the market does not supply goods that match the needs of the consumers

(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. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 The actual costs of the businesses such as rent, raw materials and wages.

1.3.2 When a firm's average revenue is greater than the average costs.

1.3.3 A technique used by the government to determine whether a project is beneficial to society or not.

1.3.4 When an economy experiences high inflation, high unemployment and low growth simultaneously.

1.3.5 A gradual increase in the overall temperature of the earth atmosphere.

1.3.6 The practices and traditions that are unique to a particular society.

(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 any TWO characteristics of public goods. (2 x 1) (2)

2.1.2 Why is the individual firm in a perfect competitive market regarded as a price taker? (1 x 2) (2)

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

IMPERFECT MARKETS

The image displays several logos within a rectangular frame. At the top center, the text 'IMPERFECT MARKETS' is written in bold. Below this, there are six logos arranged in two rows. The top row contains Eskom (a stylized 'E' logo), Microsoft (the four-pane window logo), and KFC (a portrait of Colonel Sanders). The bottom row contains Debonairs Pizza (a logo with a figure holding a pizza), Google (the word 'Google' in its signature font), and Steers (a logo with a flame and the word 'STEERS').

[Source: google.co.za]

2.2.1 Identify ONE firm that represents monopolistic market from the above information. (1)

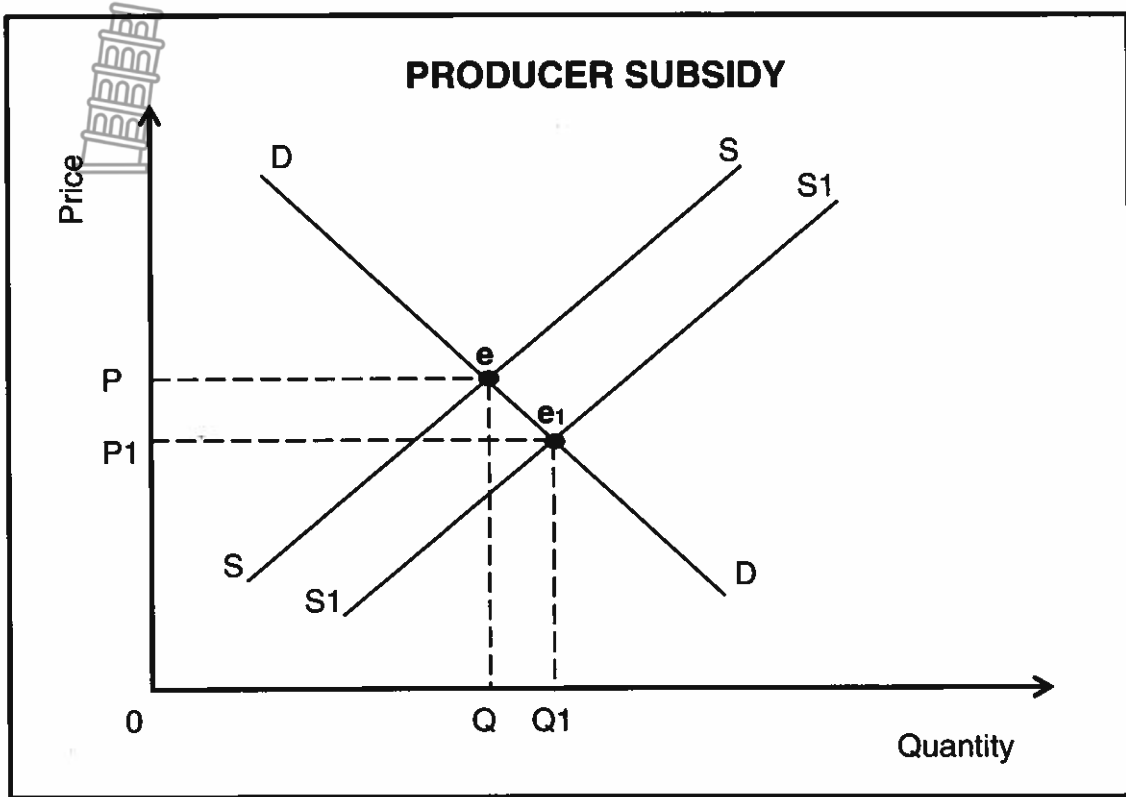
2.2.2 Name any ONE type of a monopoly. (1)

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

2.2.4 Why do monopolistic competitors prefer to use non-price competition? (2)

2.2.5 Why is the entry into the oligopolistic market regarded as difficult? (2 x 2) (4)

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



- 2.3.1 Identify the market price from the graph above. (1)
- 2.3.2 Name any ONE example of a direct subsidy (1)
- 2.3.3 Briefly describe the term *subsidy*. (2)
- 2.3.4 Explain the benefit of subsidies to producers. (2)
- 2.3.5 Use the above graph to show explain the effect of a subsidy on the consumer. (2 x 2) (4)

2.4 With the aid of a graph, explain the supply curve of a perfectly competitive firm. (8)

2.5 Analyse the ways in which government can ensure equitable distribution of income and wealth. (4 x 2) (8)

[40]



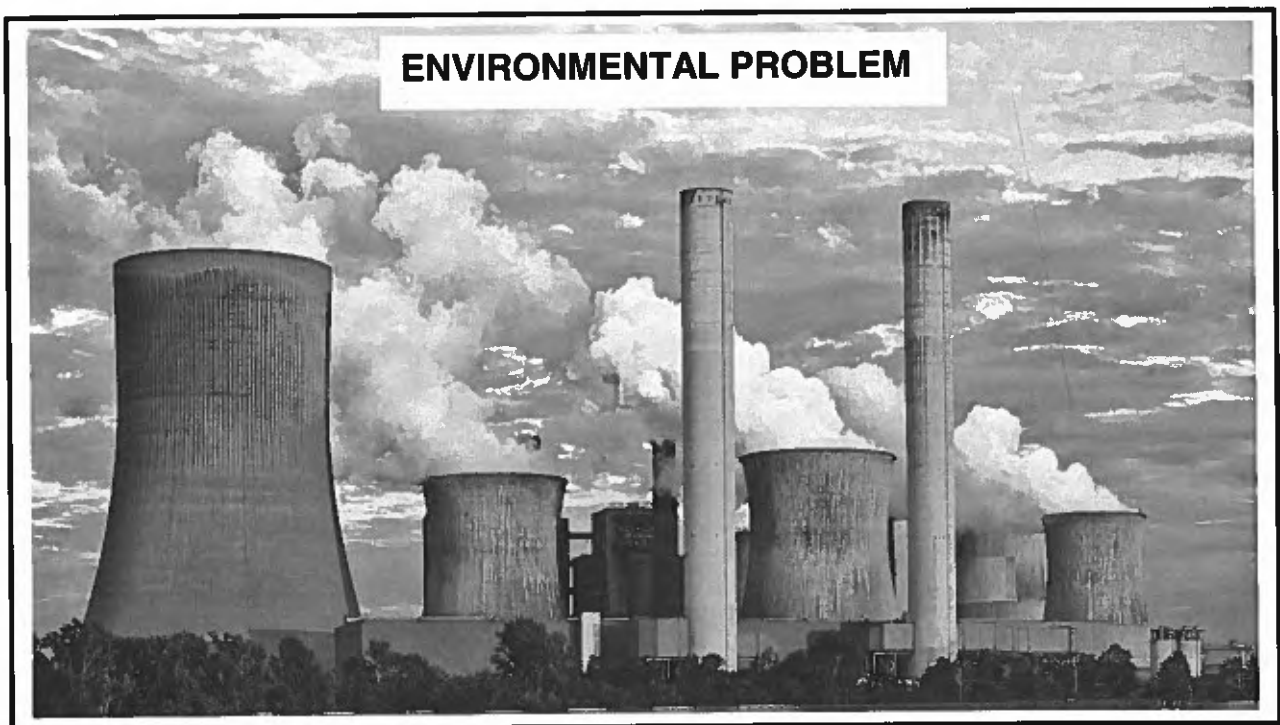
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Give any TWO causes of cost push inflation. (2 x 1) (2)

3.1.2 How can education help to ensure environmental sustainability? (1 x 2) (2)

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



[Adapted from: google images]

3.2.1 Identify the type of pollution depicted in the picture above. (1)

3.2.2 Name any ONE renewable source of energy. (1)

3.2.3 Briefly describe the term *preservation*. (2)

3.2.4 Explain the effect of carbon dioxide produced by industries on the society. (2)

3.2.5 Why does the market fail to protect the environment? (2 x 2) (4)



3.3 Read the extract below and answer the questions that follow.



SA RESERVE BANK HIKES REPO RATE

South Africans were set to feel more pain in 2023 as the South African Reserve Bank (SARB) had hiked (increased) the repo rate once again by 25 basis points in January. This took the repurchase rate (repo rate) to 7.25% from 7%. This meant that the prime lending rate in the country increased from 10.5% to 10,75%.

Interest rates are determined in line with the rate of inflation. This is because they are a useful monetary measure to control inflation.

[Adapted from: *Business Report*]

- 3.3.1 Identify the repo rate before the hike (increase). (1)
- 3.3.2 Give ONE cause of demand-pull inflation. (1)
- 3.3.3 Briefly describe the term *prime rate*. (2)
- 3.3.4 Explain the influence of inflationary expectations on businesses. (2)
- 3.3.5 How can inflation affect people who are investors and savers in the economy? (2 x 2) (4)
- 3.4 Distinguish between the *consumer price index (CPI)* and the *producer price index (PPI)*. (2 x 4) (8)
- 3.5 How successful is the SA government in controlling deforestation? (8)
- [40]



QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

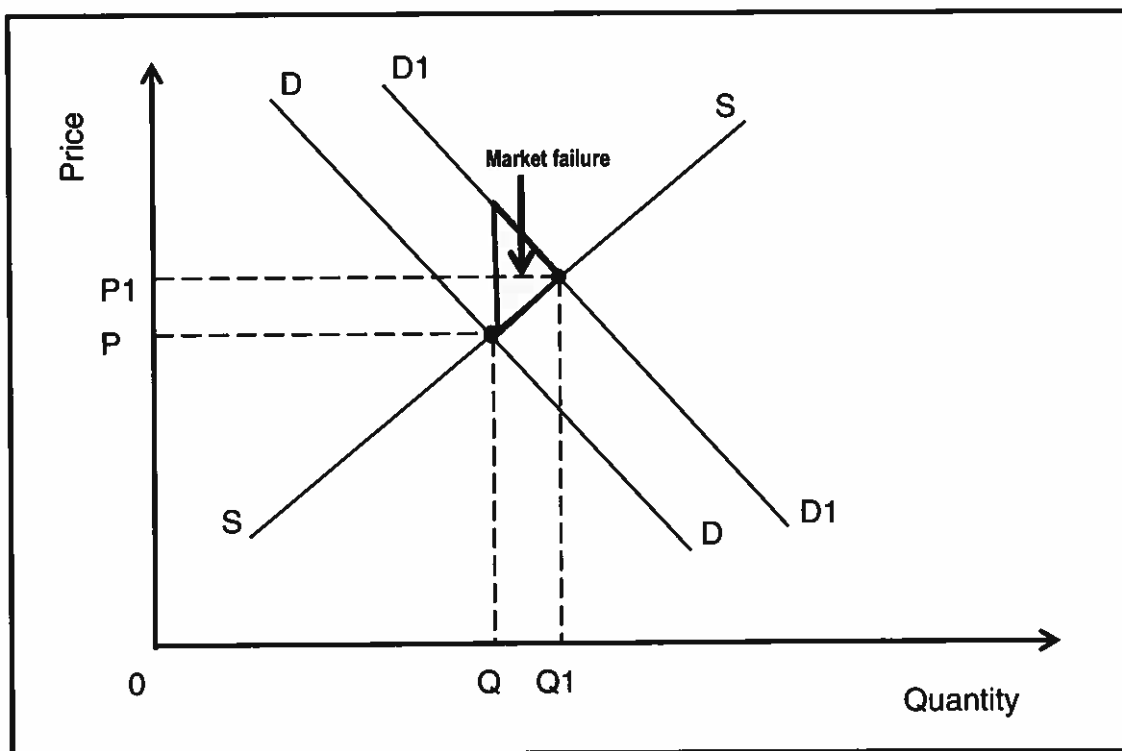
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO examples of demerit goods. (2 x 1) (2)

4.1.2 Explain the effect of a depreciating rand on inbound tourists in South Africa. (1 x 2) (2)

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



4.2.1 Identify the demand curve that represents the private benefit? (1)

4.2.2 Give an example of positive externality. (1)

4.2.3 Briefly describe the term *social benefit*. (2)

4.2.4 Why is social optimal output (Q1) more beneficial to the community? (2)

4.2.5 Use the graph above, to explain how the market has failed to allocate resources efficiently. (2 x 2) (4)

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

ENVIRONMENTAL SUSTAINABILITY: CLIMATE CHANGE

Climate change is affecting South Africa severely. Parts of the country increasingly experience serious droughts, while at the same time changes in rainfall patterns result in severe storms, landslides and flash flooding in other parts of the country. In the dry areas, the drought results in significant reductions of dam levels which cause chronic water shortages in urban areas.

The shortage of water also negatively affects crop yields and livestock, which in turn negatively impacts on food security, especially among the urban poor who are unable to adjust to the resultant increases in food prices.

[Source: www.sacities.net]

- 4.3.1 Identify the environmental problem in the extract above. (1)
- 4.3.2 Name any ONE effect of drought. (1)
- 4.3.3 Briefly describe the term *environmental sustainability*. (2)
- 4.3.4 Explain the positive impact of levying green tax on environment. (2)
- 4.3.5 How can floods affect the South African economy? (2 x 2) (4)
- 4.4 Describe the aims/objectives of the competition policy. (4 x 2) (8)
- 4.5 Evaluate the success of inflation targeting. (8)

[40]

TOTAL SECTION B: (80)



SECTION C

Answer any ONE of the TWO questions in this section in the ANSWER BOOK. Ensure that your answer follows the structure indicated below in order to obtain maximum marks:



STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction The introduction is a lower order-response</p> <ul style="list-style-type: none"> • 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 include any part of the introduction in your body. • Avoid saying in the introduction what you are going to discuss in the body. 	<p>Max. 2</p>
<p>Body 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.</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion Any high-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned. • Any opinion or value judgment on the facts discussed. • Additional support information to strengthen the discussion/ analysis. • A contradictory viewpoint with motivation, if required. • Recommendations. 	<p>Max. 2</p>
<p>TOTAL</p>	<p>40</p>

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

- Compare and contrast the perfect market and the monopoly in detail. (26)
 - How would the continued stages of load shedding negatively impact on the market participants? (10)
- 40**



QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Examine in detail the effects of tourism. (26)
 - How can South Africa improve the marketing of its tourist attractions in its less popular destinations? (10)
- 40**

TOTAL SECTION C: [40]

GRAND TOTAL: 150





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**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS P2
SEPTEMBER 2023
MARKING GUIDELINE**

MARKS: 150




This MARKING GUIDELINE consists of 18 pages.

SECTION A: COMPULSARY

QUESTION 1

30 MARKS – 20 MINUTES

1.1. MULTIPLE CHOICE

- 
- 1.1.1 D private ✓✓
 - 1.1.2 A internal ✓✓
 - 1.1.3 B can easily enter and exit the market ✓✓
 - 1.1.4 B through the use of a sin tax ✓✓
 - 1.1.5 D demand-pull ✓✓
 - 1.1.6 C outbound ✓✓
 - 1.1.7 D deflation ✓✓
 - 1.1.8 C Basel Convention ✓✓

(8x 2) (16)

1.2 MATCHING ITEM

- 1.2.1 G / goods that improve the welfare of the society ✓
- 1.2.2 I / a situation where the market does not supply goods that match the needs of the consumers ✓
- 1.2.3 F / a situation where average costs increase as production increases ✓
- 1.2.4 H / excludes the prices of goods and services that change frequently ✓
- 1.2.5 D / the introduction of harmful substances into the environment ✓
- 1.2.6 A / a variety of plant and animal species found in a particular environment ✓
- 1.2.7 C / licence for a business to pollute up to a specified limit ✓
- 1.2.8 E / visiting museums and art galleries ✓

(8 x 1) (8)

1.3 ONE WORD

- 1.3.1 Explicit cost ✓
- 1.3.2 Economic profit ✓
- 1.3.3 Cost-Benefit analysis ✓
- 1.3.4 Stagflation ✓
- 1.3.5 Global warming ✓
- 1.3.6 Indigenous knowledge system ✓

(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 any TWO characteristics of public goods.

- Non excludable ✓
- Non rival ✓
- Non-rejectable ✓

(Accept any other correct relevant response) (2 x 1) (2)

2.1.2 Why is the individual firm in a perfect competitive market regarded as a price taker?

The individual firm is one of many firms in the market therefore it takes the price from the industry as it has no influence on the market price. ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 Identify ONE firm that represents monopolistic market from the above information.

- KFC ✓
- Debonairs ✓
- Steers ✓

(1)

2.2.2 Name any ONE type of a monopoly.

- Natural monopoly ✓
- Artificial monopoly ✓
- State-owned monopoly ✓
- Legal monopoly ✓

(1)

(Accept any other correct relevant response)

2.2.3 Briefly describe the term *oligopoly*.

Oligopoly is a market structure that is dominated by few sellers of a particular product or service. ✓✓
(Accept any other correct relevant response)

(2)

2.2.4 **How do monopolistic businesses benefit by using non-price competition strategies?**

- They avoiding competing (price wars) in terms prices. ✓✓
- They are able to increase market share without using prices. ✓✓
(Accept any other correct relevant response) (2)

2.2.5 **Why is entry into the oligopoly market regarded as difficult?**

- It often requires a large amount of money to enter the market. ✓✓
- The existing firms may be colluding to limit competition by fixing Prices. ✓✓
- Economies of scale enjoyed by the existing firms can give them an advantage. ✓✓ (2 x 2) (4)
(Accept any other correct relevant response)

2.3. **DATA RESPONSE**

2.3.1 **Identify the market price from the graph above.**

P ✓ (1)

2.3.2 **Name any ONE example of a direct subsidy.**

- Cash grants ✓
- Interest – free loans ✓
(Accept any other correct relevant response) (1)

2.3.3 **Briefly describe the term *Subsidy***

A financial assistance by the government to consumers and or producers of goods and services. ✓✓ (2)
(Accept any other correct relevant response)

2.3.4 **Explain the benefit of subsidies to producers.**

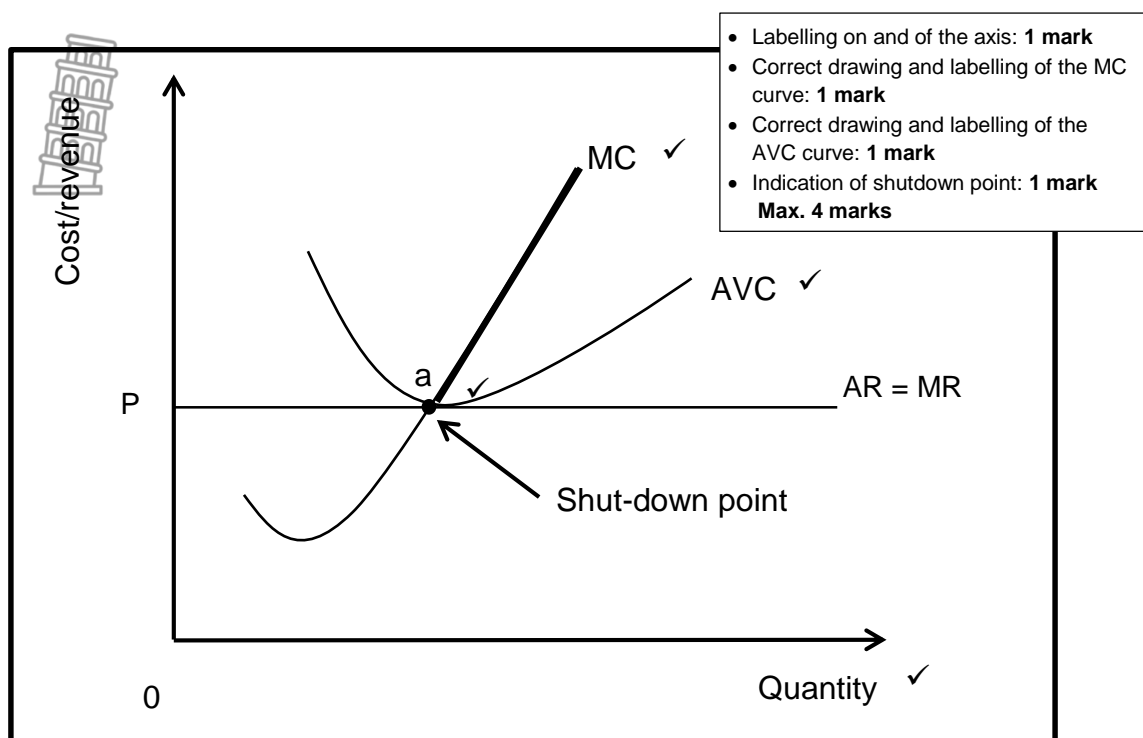
Subsidies help reduce the cost of production for the producer and the producer will produce more goods. ✓✓ (2)
(Accept any other correct relevant response)

2.3.5 **Use the above graph to show explain the effect of a subsidy on the consumer.**

- The provision of a subsidy will reduce the price paid by the consumer to decrease from P to P1. ✓✓
- The quantity demanded will increase from Q to Q1. ✓✓ (4)

(Accept any other correct relevant response)

2.4 With the aid of a graph, explain the supply curve of a perfectly competitive firm.



- The supply of the individual firm in a perfectly competitive market is determined by the intersection of MC and AVC curves ✓✓
 - The firm's supply curve is the upward sloping part of the Marginal Cost (MC) curve ✓✓
 - The individual firm will only produce when the price lies above the minimum point on the AVC curve ✓✓
 - If the market price is equal or below Average Variable Costs (AVC), the firm should close /shut down ✓✓ (Max. 4)
- (Accept any other correct relevant response) (8)

2.5 Analyse the ways in which government can ensure equitable distribution of income and wealth.

The government can:

- make use of the progressive income tax system in which higher income group pay higher tax rates than lower income groups ✓✓
- subsidise goods and services such as housing, education and primary health care to make them more affordable. ✓✓
- provide social grants such as old age, child support grants to improve the standard of living of the poor. ✓✓
- provide free goods such as free water and electricity to those who are

poor. ✓✓

- use laws such as the BBBEE/ BEE whereby the previously disadvantaged members receive first preference in order to improve their participation in the economy. ✓✓ (4 x 2) (8)
(Accept any other correct relevant response)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Give any TWO causes of cost push inflation

- Wages ✓
- Key inputs ✓
- Exchange rate depreciation ✓
- Profit margins ✓
- Productivity ✓
- Natural disasters ✓ (2 x 1) (2)

3.1.2 How can education help to ensure environmental sustainability?

- Education can help change people's attitude towards the environment. ✓✓ (1 x 2) (2)
(Accept any other correct relevant response)

3.2. DATA RESPONSE

3.2.1 Identify the type of pollution depicted in the picture above.

Air pollution ✓ (1)

3.2.2 Name any ONE renewable source of energy.

- Solar ✓
- Wind ✓
- Water ✓ (1)
(Accept any other correct relevant response)

3.2.3 Briefly describe the term *preservation*.

It refers to keeping resources that are non-renewable intact. ✓✓ (2)
(Accept any other correct relevant response)

3.2.4 **Explain the effect of carbon dioxide produced by industries on the society.**

- It can cause chronic respiratory diseases that may reduce the quality of life. ✓✓
 - It can kill people in the society as they get sick from breathing contaminated air. ✓✓
- (Accept any other correct relevant response)

(2)

3.2.5 **Why does the market fail to protect the environment?**

- The market sees the environment as a common resource. ✓✓
 - Businesses sometimes lack the knowledge of how their activities can damage the environment. ✓✓
 - Market care less about its harmful practices on the environment and leave future generations to suffer the consequences. ✓✓
- (Accept any other correct relevant response)

(2 x 2) (4)

3.3 **DATA RESPONSE**

3.3.1 **Identify the repo rate before the hike (increase).**

7% ✓

(1)

3.3.2 **Give ONE cause of demand-pull inflation.**

- Less savings ✓
 - Reduction in taxes ✓
 - Easy access to credit ✓
 - An increase in exports
 - An increase in government spending ✓
- (Accept any other correct relevant response)

(1)

3.3.3 **Briefly describe the term *prime rate*.**

It is the rate at which commercial banks lends money to their best clients ✓✓
(Accept any other correct relevant response)

(2)

3.3.4 **Explain the influence of inflationary expectations on businesses.**

Due to expectations that wages will rise, some businesses will increase prices in advance. ✓✓
(Accept any other correct relevant response)

(2)

3.3.5 **How can inflation affect people who are investors and savers in the economy?**

- Assets with fixed nominal values give a fixed return if they are held until maturity. ✓✓
- This means savers can be negatively affected by inflation as their returns often do not grow as inflation increases. ✓✓
- Assets with flexible market values increase more rapidly than increase in the general price level. ✓✓
- This means investors (e.g. property) are favoured by inflation. ✓✓
(Accept any other correct relevant response) (2 x 2) (4)

3.4 **Distinguish between the *consumer price index (CPI)* and the *producer price index (PPI)*.**

Consumer Price Index

- Pertains to cost of living ✓✓
- Basket comprises of consumer goods and services ✓✓
- Capital and intermediate goods are excluded ✓✓
- Prices include VAT ✓✓ (Max. 4)

Producer Price Index

- Pertains to cost of production ✓✓
 - Baskets consist of goods only ✓✓
 - Capital and intermediate goods are included ✓✓
 - Prices exclude VAT ✓✓ (Max. 4)
- (Accept any other correct relevant response) (4 x 2) (8)

3.5 **How successful is the SA government in controlling deforestation?**

Government is successful because:

- people are granted property rights if they agree to preserve the flora. ✓✓
- municipalities have policies that makes people aware of the importance of protecting the environment. ✓✓

Government is not successful because:

- in the rural areas deforestation keep on escalating as people use indigenous trees as firewood. ✓✓
 - People continue cutting down trees because there are no stipulated rules and laws that are followed for those who are caught cutting down trees ✓✓ Over time forest are keeping on getting fewer and fewer due to deforestation. ✓✓ (4 x 2) (8)
- (Accept any other correct relevant response)

[40]

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

4.1 Answer the following questions.

4.1.1 Name **TWO** any **TWO** types of demerit goods.

- Tobacco ✓
- Alcohol ✓
- Gambling ✓

(Accept any other correct relevant response)

(2 x 1) (2)

4.1.2 Explain the effect of a depreciating rand on inbound tourists in South Africa.

Inbound tourists will increase because it will become cheaper for them to visit South Africa. ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 Identify the demand curve that represents the private benefit?

DD ✓

(1)

4.2.2 Give an example of positive externality.

- Education ✓
- Vaccination ✓

(Accept any other correct relevant response)

(1)

4.2.3 Briefly describe the term *social benefit*.

The benefit gained by the society from the use of a good or service. ✓✓

(Accept any other correct relevant response)

(2)

4.2.4 Why is social optimal output (Q1) more beneficial to the community?

It indicates an increase in the consumption of goods positive effects to the society education and health. ✓✓

(Accept any other correct relevant response)

(2)

4.2.5 **Use the graph above to explain how the market has failed to allocate resources efficiently.**

- If the market is left to its own devices, a quantity Q will be produced at price P. ✓✓
 - There would be social inefficiency in the market since not enough of the product is being demanded. ✓✓
 - However, if social benefits are acknowledged, a quantity Q will be produced at price P. ✓✓
 - More of the product would be demanded; this will lead to social efficiency. ✓✓
 - The shaded angle represents the positive externality (the welfare gain) to society. ✓✓
- (Accept any other correct relevant response) (4)

4.3 **DATA RESPONSE**

4.3.1 **Identify the environmental problem in the extract above.**

Climate change ✓ (1)

4.3.2 **Name any ONE effect of drought.**

- Food insecurity ✓
 - Water shortages ✓
- (Accept any other correct relevant response) (1)

4.3.3 **Briefly describe the term *environmental sustainability*.**

Environmental sustainability is the ability of the environment to survive its use for economic activity. ✓✓ (2)
(Accept any other correct relevant response)

4.3.4 **Explain the positive impact of levying green tax on environment.**

It reduces production of goods that pollute the environment leading to less pollution in the environment. ✓✓ (2)
(Accept any other correct relevant response)

4.3.5 **How can floods affect the South African economy?**

- Supply chains are disrupted which lead to scarcity of goods in the country and price hikes. ✓✓
- There is less production of goods and services which decreased economic growth. ✓✓
- Some people lose their jobs since their workplaces are destroyed

by floods, leading to increase in unemployment. ✓✓ (2 x 2) (4)
(Accept any other correct relevant response)

4.4 Describe the aims/objectives of the competition policy.

- Prevent the abuse of economic power, e.g. by a monopolist. ✓✓
- Regulate the growth of market power by means of takeovers and mergers ✓✓
- Prevent restrictive practices, especially by oligopolies, such as fixing of selling prices, collusion in respect of tenders or price discrimination.
- Contribute to the developmental objectives of the state ✓✓
- To improve efficiency of markets through legislation ✓✓
- Improve equity in markets e.g. Employment Equity Act ✓✓
- Protect the consumer against unfair prices and inferior products e.g. Competition Act ✓✓
- Prevent price fixing usually practiced by oligopolistic firm (4 x 2) (8)

4.5 Evaluate the success of inflation targeting.

Inflation targeting has been successful because;

- South Africa's prices have been fairly stable since the introduction of the inflation targeting in 2000 ✓✓
- The policy helps consumers and businesses to make economic plans without much worry about high inflation ✓✓
- Interest rates are increased when CPI reach upper limit of 6% ✓✓

Inflation targeting has not been successful because;

- Some inflationary pressures are from outside the economy such as Ukraine-Russia war which affected oil prices ✓✓
- The depreciating rand increases prices for key inputs leading to cost push inflation ✓✓
- South Africa's annual inflation rate was 7.2% in December of 2022, down from 7.4% in the prior month, as expected, but still above the upper limit of the South African Reserve Bank's target of 3-6% ✓✓

(Accept any other correct relevant response) (4 x 2) (8)

**TOTAL SECTION B: [40]
(80)**



SECTION C

Answer any ONE of the two questions in this section.

QUESTION 5: MICROECONOMICS

40 ARKS – 40 MINUTES

- Compare and contrast the perfect market and the monopoly in detail. (26)
- How would the continued stages of load shedding negatively impact the market participants? (10)

INTRODUCTION

Market structure refers to how the market is organised/A market is a place where buyers and sellers of goods and services meet to exchange goods and services ✓✓


(Accept any other correct relevant introduction)

(Max. 2)

BODY

MAIN PART

Characteristics/ Criteria	Perfect Competition	Monopoly
Number of Firms / Businesses ✓	<ul style="list-style-type: none"> • So many that no single business can influence the market price ✓✓ 	<ul style="list-style-type: none"> • ONE Seller and many buyers ✓✓ • The seller 's supply represents the market supply ✓✓
Nature of product ✓	<ul style="list-style-type: none"> • Products sold on the market are homogeneous, e.g. maize ✓✓ 	<ul style="list-style-type: none"> • Products / services are unique with no close substitutes ✓✓
Entrance ✓	<ul style="list-style-type: none"> • Entry into the market is completely free ✓✓ 	<ul style="list-style-type: none"> • Entry is completely restricted or blocked • Barriers to entry may be economic in nature such as large capital outlay needed ✓✓ • Non-economic factors such as patents can also serve as a barrier to entry ✓✓
Market Information ✓	<ul style="list-style-type: none"> • Both buyers and sellers have full knowledge of all the prevailing market conditions ✓✓ 	<ul style="list-style-type: none"> • Buyers and Sellers do have (complete) full Knowledge of all the prevailing market conditions ✓✓
Collusion ✓	<ul style="list-style-type: none"> • Impossible. Sellers 	<ul style="list-style-type: none"> • There is no collusion in a

	act independently from each other. ✓✓	monopoly market since there is only one seller ✓✓
Control over price ✓ 	<ul style="list-style-type: none"> • Price taker - no control over price ✓✓ • The market determines the price for the individual firm ✓✓ 	<ul style="list-style-type: none"> • Is regarded as a price maker as it has some control over price ✓✓ • Prices not determined by market forces of supply and demand but by the business itself ✓✓ • Considerable control over the price of the product, but limited by the market demand and the goal of profit maximisation ✓✓
Output demand curve for firms' / businesses product ✓	<ul style="list-style-type: none"> • The demand curve for the perfect competitor is horizontal - (Perfectly elastic) ✓✓ 	<ul style="list-style-type: none"> • Demand curve slopes downward from the left to right and it equals to the market demand curve ✓✓
Economic profit ✓	<ul style="list-style-type: none"> • The perfect competitor can only realise economic profits in the short term ✓✓ • Abnormal profits will attract new entrants into the market for both structures ✓✓ • The price for the product for both market structures equals the average cost. ✓✓ • The perfect competitor does produce the ideal production quantity and has no surplus capacity. ✓✓ 	<ul style="list-style-type: none"> • The monopolist realise economic profits both in the short term and long-term ✓✓ • The monopolist will not produce at the lowest point of the LAC, like the perfect competitor, the output will be less than the perfect competitor. ✓✓ • The monopolist's production will be less than the ideal production quantity where LAC is the minimum and has surplus capacity. ✓✓
Allocative Efficiency ✓	<ul style="list-style-type: none"> • Efficient - Goods are produced at lowest cost possible. ✓✓ 	<ul style="list-style-type: none"> • Inefficient - Average costs of production are high. ✓✓
Productive Efficiency ✓	<ul style="list-style-type: none"> • Efficient - quantities required by consumers are available. ✓✓ 	<ul style="list-style-type: none"> • Inefficient - Produces lower quantities than what the consumers wishes for. ✓✓

Decision making ✓	<ul style="list-style-type: none"> • Each firm make independent decisions. ✓✓ 	<ul style="list-style-type: none"> • There is only one firm in the market therefore decision making lies on the monopoly on its own. ✓✓
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(Accept any other correct relevant response) (Max. 26)

Allocate a maximum of 8 marks for headings/examples

ADDITIONAL PART

- Load shedding disrupts the production of goods and services resulting in less goods and service produced by firms. ✓✓
- Producers will lose revenue and profits due to a decrease in sales. ✓✓
 Producers may increase the prices of their products in order to recover for their loss of profits. ✓✓
- The producers may retrench some workers ✓✓
- Consumers will demand less goods and services due to low income Levels. ✓✓
- Consumer’s standard of living may decrease as they cannot satisfy their needs and wants due to higher prices that they may have to pay for goods and services. ✓✓
- Consumers may not have choices as limited quantity of goods is supplied. ✓✓

(Accept any other correct relevant response) (Max. 10)

Allocate a maximum of 2 marks for mere listing of facts/examples)

CONCLUSION

By controlling the supply of the product service in the market, the monopoly aims to keep prices and profits high. ✓✓

(Accept any other correct relevant high order conclusion). (Max. 2) **(40)**



QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Examine in detail the effects of tourism.** (26)
- **How can South Africa improve the marketing of its tourist attractions in its less popular destinations?** (10)

INTRODUCTION

Tourism is the activities of people travelling to and staying in places outside their usual environment for no more than one consecutive year for leisure, business and other purposes. ✓✓ (Max. 2)

(Accept any other correct relevant introduction)

BODY: MAIN PART

GDP ✓

- Tourism is the fourth-largest industry in South Africa and supports about 700 hotels, 2 800 guesthouses and bed-and-breakfast establishments and 10 000 restaurants. ✓✓
- Tourism has the potential of bringing the economy out of a slump, although it dropped by 5% before 2010, it increased by 5% thereafter. ✓✓
- Tourism has direct as well as indirect impacts on the GDP. ✓✓

Direct impact

- Tourism contributed 3% of the GDP in 2018. ✓✓
- Internal spending on travel and tourism by residents and non-residents for business and leisure. ✓✓

Indirect impact

- Tourism contributed 9% in 2018. ✓✓
- Government and private sector. ✓✓
- spending such as purchase of new aircrafts and construction of new hotels. ✓✓

Employment ✓

Tourism:

- industry employs about 7% of the South African workforce, and is potentially regarded as the largest provider of jobs and earner of foreign exchange. ✓✓
- industry has employed more than 1,2 million people. ✓✓
- is ideal for providing employment in areas that offer few employment opportunities. ✓✓
- is labour intensive although it has the lowest ratio of investment to employment creation. ✓✓
- uses different skills, from accountants to hairdressers. ✓✓
- has the potential to create jobs and offer opportunities for small entrepreneurs. ✓✓
- provides immediate employment like live entertainment at holiday resorts
- provides entrepreneurial opportunities in the informal sector such as fruit

vendors. ✓✓

Poverty ✓

- The income the tourism industry earns contributes to the country's growth and development. ✓✓
- Tourism can affect the lives of the poor in many ways;
- The Department of Tourism is involved in poverty relief projects that promote community owned tourism products and services. ✓✓
- Poverty relief programme manages and administer poverty relief proposals and spin-off projects in the tourism and environment sectors. ✓✓
- Their focus is on infrastructure investment (e.g. information centres, tourist ablution facilities, walkways) and product development (e.g. heritage sites, rock art and conservation). ✓✓
- Through this programme, the DEAT is seeking to provide long-term sustainable work opportunities for the members of South Africa's poorest communities in rural areas. ✓✓
- Tourism is an effective mechanism for distributing resources to rural areas to develop them as tourist sites. ✓✓

Externalities ✓

- Tourism activities may result in benefits or costs to third parties who are not part of the buyer-seller market. ✓✓

Negative externalities ✓

- Aircraft noise disturbing residents near airports. ✓✓
- Other examples/costs: Traffic and congestion, extra policing due to crime, increased health service and sanitation, destruction of flora and fauna, spoiling views of the landscape, increased maintenance of Infrastructure. ✓✓
- Tourism can cause inflation, which makes some goods unaffordable to locals. ✓✓

Positive Externalities:

- Tourism strategies will maximize external benefits and minimize external costs of various externalities. ✓✓
- Such benefits are normally measured in terms of an impact or cost-benefit analysis. ✓✓
- Attracts large amounts of revenue, but cause undue environmental damage and pollution. ✓✓
- Rapid growth aimed at short-term benefits ✓✓
- Global tourism will grow due to increased population and increased living standards. ✓✓
- Potential: attract revenue to country, alleviate poverty, conserve cultural and natural assets – needs conscious planning. ✓✓
- Needs to achieve ethical and sustainable tourism. We must respect

tradition and customs of area, plough back earnings into local community
– area must be protected as attractive tourist resort ✓✓

The environment ✓

- The influx of tourism and vehicles into conservation areas damages grass cover affecting plant and animal species. ✓✓
- Tourism involves transport and transport is a major 'source of pollution. ✓✓
- Policy should be in place to ensure tourists are transported in the most environmentally friendly way e.g. Rickshaw at the beachfront, horse-riding, cycling. ✓✓
- The use of the Gautrain is more environmentally friendly as it decreases carbon emissions. ✓✓
- The rapid degradation of the environment poses a major threat to the tourism industry. ✓✓
- The environment is divided in four main categories: permanent environmental restructuring like airports. ✓✓
- Direct environmental stress caused by tourist activities. ✓✓
- Effects on population dynamic. ✓✓

Investment/ infrastructure ✓

- Tourism leads to increased demand, which makes business more willing to invest in capital goods and labour. ✓✓
- Government expenditure on infrastructure is encouraged because it can generate income. ✓✓
- With regard to travel and tourism, infrastructure includes fixed passenger transportation investment, destination services such as power, water and sewerage, cleaning and health, fixed communications investments. ✓✓
- South Africa has a first-world infrastructure; however, there is a lack of infrastructure in the rural areas, which limits the participation of the rural communities in the tourism industry. ✓✓
- The absence of adequate transportation services also prevents rural communities from participating in the tourism industry, both as potential suppliers of products, and as tourists themselves. ✓✓
- Energy infrastructure like electricity needed by tourists at tourist sites. ✓✓
- Tourists need basic services like clean water and refuse removal. ✓✓
(Accept any other relevant response) (Max. 26)

ADDITIONAL PART

South Africa can improve the marketing of its tourist attractions in its less popular destinations by:

- advertising the tourists' attractions in a variety of media including social media and internet which may reach both local and international potential tourists. ✓✓
- focusing on a clear message that concentrates on the strength of the attraction/ uniqueness of the destination. ✓✓
- using the indigenous knowledge systems of that particular area where

- possible. ✓✓
- describing the service offered in the best possible way to catch the interest of the likely tourist e.g. the use of slogans. ✓✓
 - charging a price that is competitive and money well spent for the service offered. ✓✓
 - helping the tourist to view the entire service as value for money – deliver a world-class visitor experience. ✓✓
 - highlighting other places of interest in the vicinity of the attraction as part of a package. ✓✓
 - focusing on proudly South African products/services / Sho' t Left campaign help disadvantaged South Africans to benefit from tourist attractions in the less popular destinations. ✓✓

(Accept any other correct relevant response) (Max. 10)
Allocate a maximum of 2 marks for mere listing of facts/examples)

CONCLUSION

Marketing of tourism products to both domestic and international markets is important for achieving the full growth potential of the sector in South Africa. ✓✓
(Accept any other correct relevant higher order conclusion) (Max. 2) (10)

40

TOTAL SECTION C: [40]

GRAND TOTAL: 150

