



# PROVINCIAL EXAMINATION

**JUNE 2024**

**GRADE 10**

Stanmorephysics.com

**ECONOMICS**

**PAPER 2**

**TIME:** 1½ hours

**MARKS:** 100

**10 pages**



## INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows in the ANSWER BOOK.
  - SECTION A: COMPULSORY
  - SECTION B: Answer ONE of the two 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. Read the questions carefully.
5. Start EACH question on a NEW page.
6. Leave 2 – 3 lines between subsections of questions.
7. 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.
8. Use only black or blue ink.
9. You may use a non-programmable pocket calculator.
10. Write neatly and legibly.



## SECTION A: COMPULSORY

### QUESTION 1

20 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 numbers (1.1.1 to 1.1.5) in the ANSWER BOOK, e.g. 1.1.6 D.

1.1.1 A monopoly is characterised by ...

- A differentiation of products.
- B perfect information of products.
- C homogenous products.
- D unique products.

1.1.2 The usefulness of a good or service to satisfy a human need or want.

- A Value
- B Price
- C Utility
- D Satisfaction

1.1.3 A complementary product of bread is ...

- A rice.
- B pizza.
- C butter.
- D flour.

1.1.4 Which of the following is an example of an indirect tax?

- A Companies' Tax.
- B Value Added Tax.
- C Income Tax.
- D Government Tax.

1.1.5 When a minimum price is introduced in an economy, it usually results in ...

- A a surplus of the product.
- B a higher demand for the product.
- C a shortage of the product.
- D lower prices than the market would provide.

(5 x 2) (10)

- 1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – G) next to the question numbers (1.2.1 to 1.2.6) in the ANSWER BOOK, e.g. 1.2.7 H.

COLUMN A	COLUMN B
1.2.1 Supply	A The use of scientific knowledge for practical purposes.
1.2.2 Equilibrium	B The point where the quantity demanded is the same as the quantity supplied.
1.2.3 Opportunity cost	C The study of the behaviour of individual decision-making units.
1.2.4 Subsidies	D The value of the alternative that you did not choose and gave up when you had to make a choice.
1.2.5 Marginal utility	E Additional satisfaction gained from consuming one extra unit of a good.
1.2.6 Micro economics	F The quantity sold at a certain price within a certain period of time.
	G Payments made by government to promote the production or use of a product or service.

(6 x 1)

(6)

- 1.3 Give ONE term for EACH of the following descriptions. Write only the term next to question numbers (1.3.1 to 1.3.4) in the ANSWER BOOK. Abbreviations, acronyms, and examples WILL NOT be accepted.

1.3.1 A no-fee paying school is part of this sector.

1.3.2 A market with many suppliers who sell homogenous goods.

1.3.3 Markets are not limited to a specific country.

1.3.4 All of the economy's resources are being used effectively.

(4 x 1)

(4)

**TOTAL SECTION A:**

**20**

## SECTION B

Answer any ONE of the TWO QUESTIONS in this section in the ANSWER BOOK.

### QUESTION 2: MICROECONOMICS

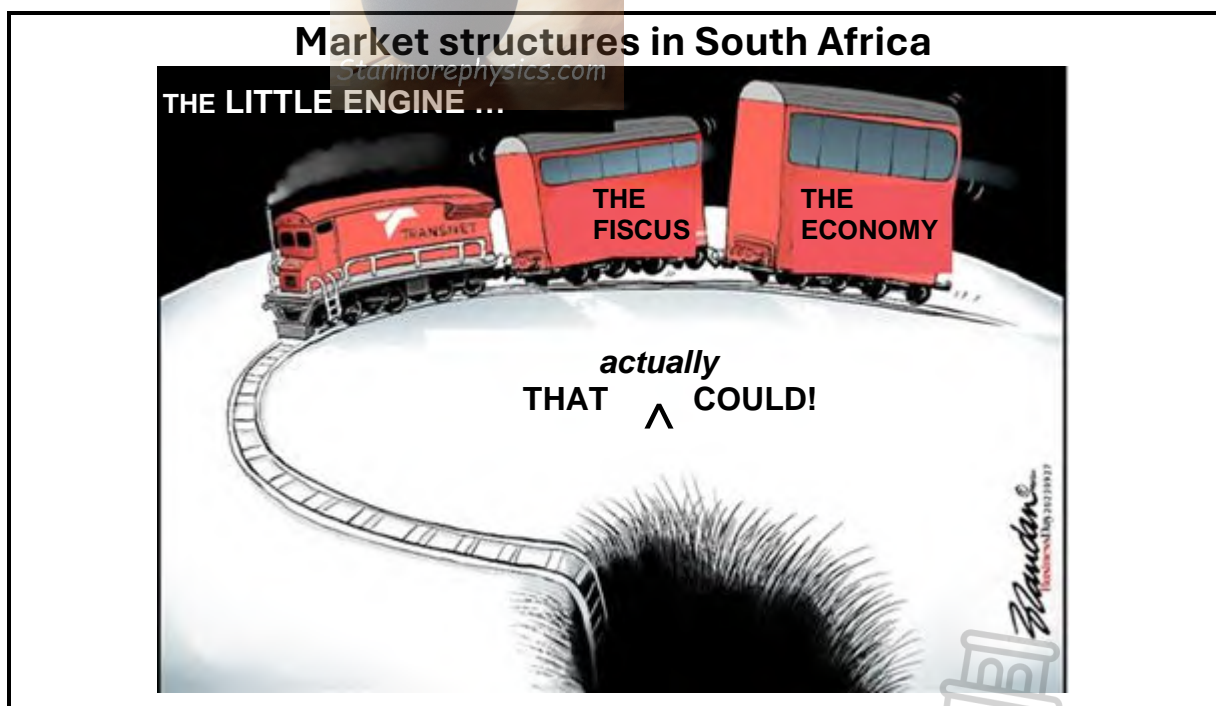
40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO types of subsidies the government grants. (2 x 1) (2)

2.1.2 Why is it impossible for a single seller to influence the price of a product in a perfect market? (1 x 2) (2)

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



[Source: <https://www.businesslive.co.za/bd/opinion/2023-09-27-cartoon-transnet-engine-could-derail-sa/>]

2.2.1 Identify the imperfect market structure in which Transnet operates. (1)

2.2.2 Name ONE other company functioning in the above-mentioned market structure. (1)

2.2.3 Briefly explain the term *monopolistic competition*. (2)

2.2.4 What favourable conditions can businesses in the market shown in the cartoon above enjoy? (2)

2.2.5 How is a perfect market characterised based on the *nature of products* and *entry barriers*? (4)

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

Production units of tables and chairs		
	Tables	Chairs
Production output (units)	30	0
	20	15
	10	30
	0	50

- 2.3.1 Identify the number of tables that can be produced when all resources are used to produce chairs. (1)
- 2.3.2 Name the type of efficiency if all resources are used optimally. (1)
- 2.3.3 Briefly explain the term *Pareto-inefficiency*. (2)
- 2.3.4 What is the purpose of the production possibility curve? (2)
- 2.3.5 Using the table in the case study above, calculate the opportunity cost if 20 tables are produced instead of 10 tables. (*Show all calculations*) (4)
- 2.4 Explain the *cost of production* and *number of suppliers* as factors that cause a change in quantity supplied. (8)
- 2.5 Analyse the internal reasons why a production possibility curve will shift outwards. (8)
- [40]**



### QUESTION 3: MICROECONOMICS

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO requirements for the establishment of a market. (2 x 1) (2)

3.1.2 Why does the government provide public goods? (1 x 2) (2)

3.2 Study the following table and answer the questions that follow.

Marginal utility of hamburgers eaten	
Quantity of hamburgers	Marginal utility
0	0
1 <sup>st</sup>	60
2 <sup>nd</sup>	55
3 <sup>rd</sup>	35
4 <sup>th</sup>	20
5 <sup>th</sup>	5
6 <sup>th</sup>	0
7 <sup>th</sup>	-5

3.2.1 Which hamburger gives the greatest satisfaction? (1)

3.2.2 When will the consumer in the situation above experience diminishing marginal utility? (1)

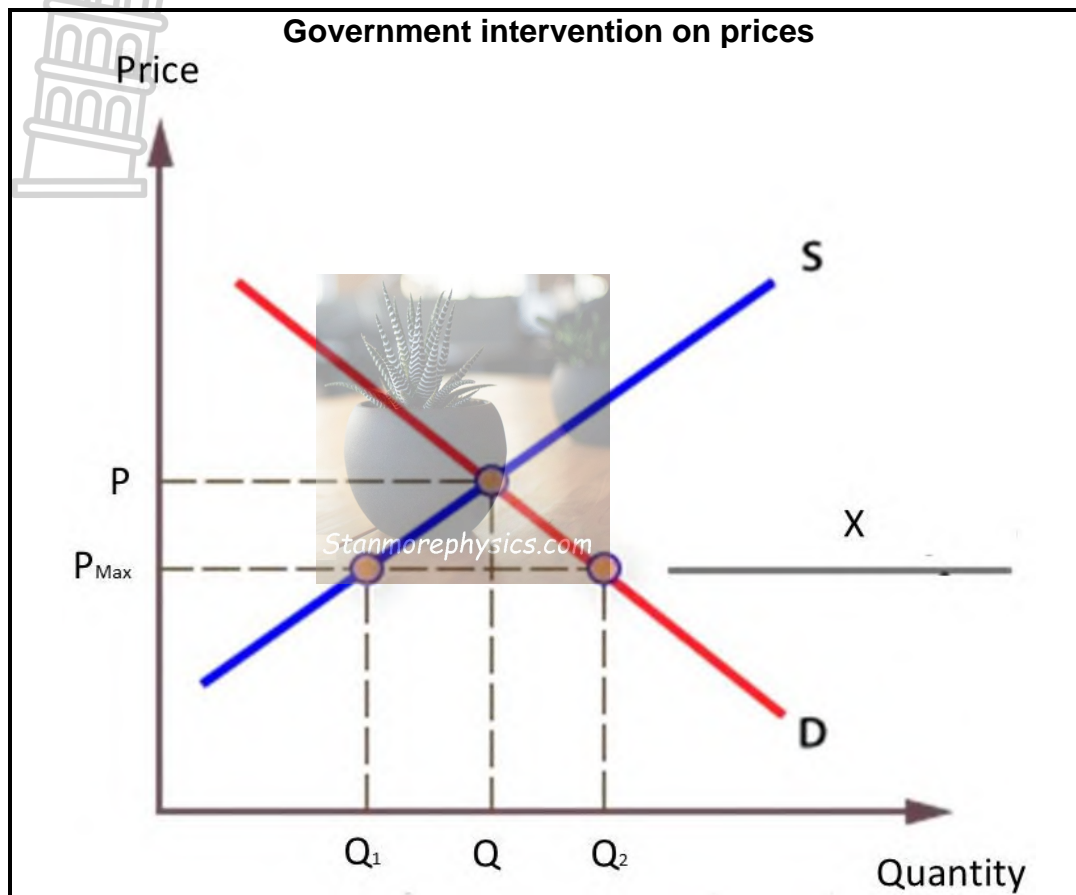
3.2.3 Briefly explain the term *marginal utility curve*. (2)

3.2.4 What is the relationship between utility and the demand for a product? (2)

3.2.5 Use the information from the above table to draw a clearly labelled marginal utility graph. (4)



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



Source: [https://www.economicsonline.co.uk/definitions/maximum\\_price.html/](https://www.economicsonline.co.uk/definitions/maximum_price.html/)

- 3.3.1 Identify the concept indicated by the letter "X". (1)
- 3.3.2 Who sets maximum prices in South Africa? (1)
- 3.3.3 Briefly explain the term *minimum price*. (2)
- 3.3.4 Why would the government impose a price lower than the market price? (2)
- 3.3.5 How would a reduction in taxation benefit the economy? (4)
- 3.4 Differentiate between complementary and substitute goods. (8)
- 3.5 How has the implementation of minimum wages advantaged the workers in South Africa? (8)

[40]

**TOTAL SECTION B: 40**



## SECTION C

Answer ONE of the two questions from this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<b>Introduction</b> The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to determine the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<b>Body:</b> <b>Main part:</b> Discuss in detail/In depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Assess/Debate	Max. 26
<b>Additional part:</b> 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/Use the information and argue/Debate/Evaluate	Max. 10
<b>Conclusion</b> Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed/analysed without repeating facts already mentioned in the body</li> <li>• An opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL:</b>	<b>40</b>

**QUESTION 4: MICROECONOMICS**

**40 MARKS – 40 MINUTES**

- Discuss, in detail, price formation under the following headings:
  - Equilibrium point, price, and quantity
  - Change in demand
  - Change in quantity(26 marks)
- Evaluate the role technology plays in supply, demand and the price of goods and services. (10 marks) **[40]**

**QUESTION 5: MICROECONOMICS**

**40 MARKS – 40 MINUTES**

- Discuss in detail the methods government use to intervene in the economy. (26 marks)
- Evaluate why government needs to intervene in the economy. (10 marks) **[40]**

**TOTAL SECTION C: 40**

**TOTAL: 100**





# PROVINCIAL EXAMINATION

**JUNE 2024**

**GRADE 10**

**MARKING GUIDELINES**

*Stanmorephysics.com*

**ECONOMICS (PAPER 2)**

**18 pages**



## SECTION A: COMPULSORY

### QUESTION 1

#### 1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 D – unique products ✓✓

1.1.2 C – Utility ✓✓

1.1.3 C – butter ✓✓

1.1.4 B – Value Added Tax. ✓✓

1.1.5 A – a surplus of the product ✓✓

(5 x 2) (10)

#### 1.2 MATCHING ITEMS

1.2.1 F ✓

1.2.2 B ✓

1.2.3 D ✓

1.2.4 G ✓

1.2.5 E ✓

1.2.6 C ✓

(6 x 1) (6)

#### 1.3 GIVE THE TERM

1.3.1 Public ✓

1.3.2 Perfect ✓

1.3.3 Globalisation ✓

1.3.4 Efficiency ✓

(4 x 1) (4)



**TOTAL SECTION A: 20**

## SECTION B

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

### QUESTION 2: MICROECONOMICS

2.1 Answer the following questions.

2.1.1 Name any **TWO** types of subsidies the government grants.

- Producer subsidies ✓
- Consumer subsidies ✓
- Export subsidies ✓
- Employment subsidies ✓
- Income subsidies ✓

(2 x 1) (2)

2.1.2 Why is it **impossible** for a **single** seller to influence the price of a product in a perfect market?

- In a perfect market there are many sellers, and no individual seller can affect the price. ✓✓
- Prices in a perfect market are determined by the market forces of demand and supply, therefore the sellers are price takers. ✓✓
- There is perfect information in a perfect market, as a result, buyers will buy products from other sellers should one seller increase his/her prices. ✓✓
- A single seller will lose profit should he sell the products at a price which is lower than the market price. ✓✓

(Accept any other correct relevant response.)

(1 x 2) (2)

### 2.2 DATA-RESPONSE

2.2.1 Identify the imperfect market structure in which Transnet operates.

- Monopoly ✓

(1)

2.2.2 Name **ONE** other company functioning in the above-mentioned market structure.

- Eskom ✓
- Denel ✓
- Telkom ✓

(Accept any other correct relevant response.)

(1)

2.2.3 Briefly explain the term **monopolistic competition**.

- It is a type of imperfect market which consists of a large number of sellers who sell differentiated products/ it is a market structure which combines elements of monopoly and perfect markets. ✓✓

(Accept any other correct relevant response.)

(2)

2.2.4 What favourable conditions can businesses in the market shown in the cartoon above enjoy?

- Transnet is the only freight rail operator in South Africa ✓✓
- Transnet has no competition; therefore, they are a price setter ✓✓
- The entry to the freight rail market is restricted ✓✓

(Accept any other correct relevant response.)

(2)

2.2.5 How is a perfect market characterised based on the **nature of products and entry barriers**?

- The products sold in perfect markets are homogeneous ✓✓
- Entry to perfect markets is unrestricted, making it easy to enter and leave the market ✓✓

(Accept any other correct relevant response.)

(4)

2.3 DATA-RESPONSE

2.3.1 Identify the number of tables that can be produced when all resources are used to produce chairs.

- 0 ✓

(1)

2.3.2 Name the type of efficiency if all resources are used optimally.

- Productive efficiency ✓

(1)

2.3.3 Briefly explain the term **Pareto-inefficiency**.

- It is a type of imperfect market which consists of a large number of sellers who sell differentiated products/ it is a market structure which combines elements of monopoly and perfect market. ✓✓

(Accept any other correct relevant response.)

(2)

2.3.4 What is the purpose of the production possibility curve?

- The PPC shows the possible combination of goods that can be produced with the limited resources available to the producer. ✓✓

(2)

2.3.5 Using the table in the case study above, calculate the opportunity cost if 20 tables are produced instead of 10 tables.  
(Show all calculations)

Original quantity: 10 tables = 30 chairs ✓

New quantity: 20 tables = 15 chairs ✓

$30 - 15 = 15$  chairs

Opportunity cost = 15 chairs ✓✓

(4)

2.4 Explain the **cost of production** and **number of suppliers** as factors that cause a change in quantity supplied.

- Cost of production
  - If the cost of production such as labour, raw materials, equipment etc. decreases, the quantity that producers are willing to supply at a given price will increase. ✓✓
  - Producers with lower costs will always be able to supply more of a product at a given price because it is cheaper for them to produce goods. ✓✓
  - Supply of a product will decrease with an increase in the cost of production. ✓✓
  - An increase in production costs will make it difficult for businesses to produce goods and services. ✓✓
- Number of suppliers
  - If there is an increase in suppliers in the market the quantity supplied will also be increased ✓✓
  - If there are suppliers leaving the market it will decrease the quantity supplied. ✓✓

Max. 4

Max. 4

(Accept any other correct relevant response.)

(4 x 2)

(8)

2.5 Analyse the internal reasons why a production possibility curve will shift outwards.

- Improving production techniques can cause an outward movement of the PPC because of more efficient production. ✓✓
- The use of new improved technology can cause a shift of the PPC because of an increased production level. ✓✓
- Increased motivation of employees can cause an outward movement of the PPC ✓✓
- Improving the skill level of the employees means they would be able to produce more

(Accept any other correct relevant response.)

NOTE: A maximum of 2 marks for mere listing

(8)

[40]



### QUESTION 3: MICROECONOMICS

3.1 Answer the following questions.

3.1.1 Name any TWO requirements for the establishment of a market.

- At least one buyer and one seller ✓
- Sellers must have goods or services to sell and be willing to sell ✓
- Buyers should have the means to pay for goods ✓
- Agreement on price and quantity between buyer and seller ✓
- Transaction should be formalised according to laws ✓ (2 x 1) (2)

3.1.2 Why does the government provide public goods?

- Because the private sector finds it unprofitable to provide these goods and as a result, they are undersupplied by the market. ✓✓
- The private sector will charge a price for public goods and as a result the poor and low-income earners will not be able to afford these goods. ✓✓

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

### 3.2 DATA-RESPONSE

3.2.1 Which hamburger gives the greatest satisfaction?

- 1<sup>st</sup>/The first hamburger ✓ (1)

3.2.2 When will the consumer in the situation above experience diminishing marginal utility?

- After consuming the first hamburger ✓ (1)

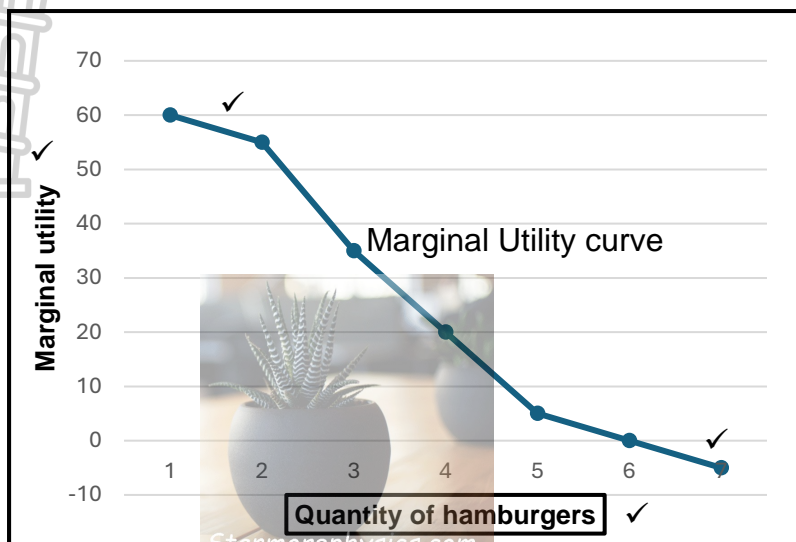
3.2.3 Briefly explain the term *marginal utility curve*.

The marginal utility curve has a negative gradient, and it slopes downward from the top left to the bottom right/the slope of the marginal utility curve is downward sloping, which explains that the first unit yields more satisfaction and when more is consumed marginal utility drops. ✓✓  
(Accept any other correct relevant response.) (2)

3.2.4 What is the relationship between utility and the demand for a product?

- The greater the satisfaction gained from consuming a product, the greater the demand and vice versa. ✓✓ (2)
- (Accept any other correct relevant responses.)

3.2.5 Use the information from the above table to draw a clearly labelled marginal utility graph.



Quantity/x-axis	1 mark
MU/y-axis	1 mark
MU curve	2 marks

(4)

### 3.3 DATA-RESPONSE

3.3.1 Identify the concept indicated by the letter "X"

- Maximum price ✓

(1)

3.3.2 Who sets maximum prices in South Africa?

- The Government/The state ✓

(1)

3.3.3 Briefly explain the term *minimum price*.

- Where the price is set above the equilibrium price for the benefit of the consumer. ✓✓

(Accept any other correct response.)

(2)

3.3.4 Why would the government impose a price lower than the market price?

- To ensure consumers are able to afford basic goods and services. ✓✓
- To protect consumers from exploitation of businesses charging high prices. ✓✓

(Accept any other correct relevant response.)

(2)

3.3.5 How would a reduction in taxation benefit the economy?

- A reduction in taxation increases the disposable income of consumers. ✓✓
  - This will lead to increased spending within the economy. ✓✓
- (Accept any other correct relevant response.)

(4)

3.4 **Differentiate between complementary and substitute goods.**

- Complementary Goods
  - These are goods that are combined together to satisfy a need. ✓✓
  - Goods that cannot be used independently. ✓✓
  - Goods that need to be consumed together with one another. ✓✓
  - E.g. CD and a CD player. ✓ (Max. 4)
- Substitute Goods
  - These are goods that can replace other goods to satisfy the same need. ✓✓
  - Goods that are so similar that they can be bought or used instead of the original goods. ✓✓
  - Usually the substitute good is cheaper. ✓✓
  - E.g. butter and margarine. ✓ (Max. 4)

(Accept any other correct relevant response.)

(8)

3.5 **How has the implementation of minimum wages advantaged the workers in South Africa?**

- They are protected by law and basic human rights. ✓✓
- Many farmworkers and domestic workers are better off than before. ✓✓
- They enjoy a better standard of living standard/ensure sustainable income. ✓✓
- They can also enjoy unemployment benefits for which they did not qualify before. ✓✓
- They are also entitled to sick leave with pay. ✓✓
- They are also entitled to annual leave with pay. ✓✓
- Women are also entitled to maternity leave without the risk of becoming unemployed. ✓✓

NOTE: A maximum of 2 marks for mere listing.

(8)

[40]

**TOTAL SECTION B: 40**



## SECTION C

Answer **ONE** of the two questions from this section in the **ANSWER BOOK**.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<b>Introduction</b> The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to determine the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<b>Body:</b> <b>Main part:</b> Discuss in detail/In depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/ Assess/ Debate	Max. 26
<b>Additional part:</b> 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/Use the information and argue/Debate	Max. 10
<b>Conclusion</b> Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed/analysed without repeating facts already mentioned in the body</li> <li>• An opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/ analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL:</b>	<b>40</b>

## QUESTION 4: MICROECONOMICS

- Discuss in detail, price formation under the following headings.
  - Equilibrium point, price and quantity.
  - Change in demand
  - Change in quantity demanded(26 marks)
- Evaluate the role technology play in supply, demand and the price of goods and services. (10 marks)

### INTRODUCTION I

The price of a good or a service is based on the relationship between its supply and demand. ✓✓

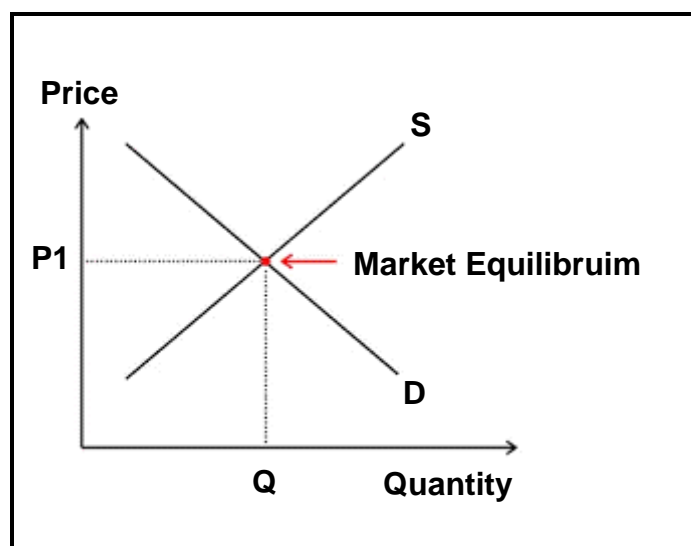
(Accept any other correct and relevant introduction.)

(Max. 2 marks)

### MAIN PART

#### Market Equilibrium

- The market does not want an oversupply of goods as there will then be wastage. ✓✓
- The market also does not want an undersupply of goods as firms will miss out on opportunities. ✓✓
- The best place to operate is where the quantity demanded is equal to the quantity supplied by the firms. ✓✓
- The equilibrium price is the price at which demand and supply are the same. ✓✓
- The equilibrium quantity is when the quantity of goods supplied is equal to the quantity demanded. ✓✓
- Equilibrium exists where the supply curve and the demand curve intersect. ✓✓



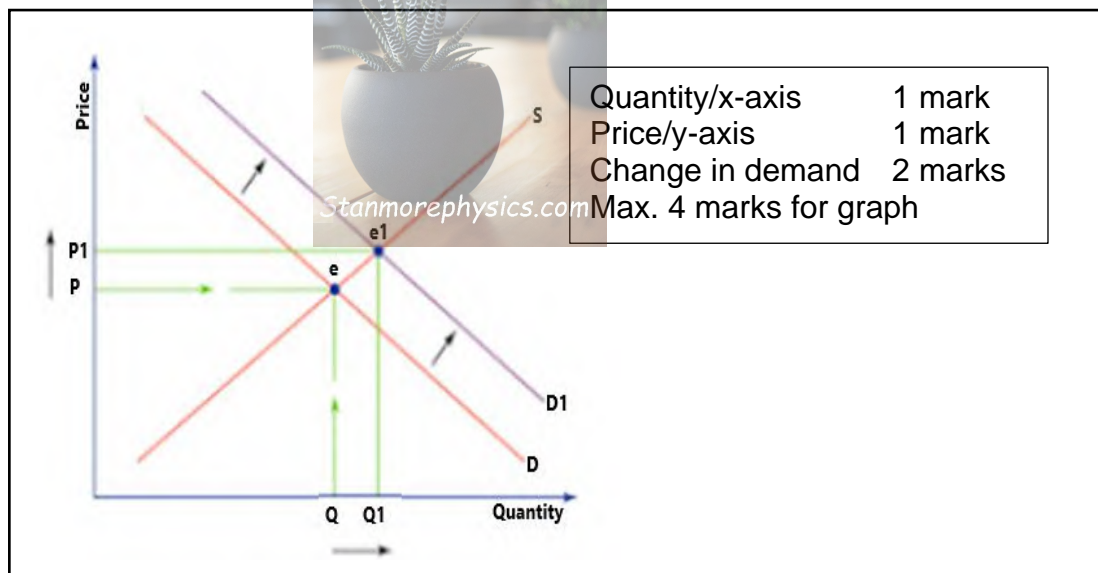
Quantity/x-axis	1 mark
Price/y-axis	1 mark
Equilibrium point	2 marks
Max. 4 marks for graph	

(Accept any other correct and relevant response.)

(Max. 10 marks)

### Change in demand

- There are several factors that could affect the demand for a product ✓✓
- A change in income ✓✓
- A change in trends or fashion ✓✓
- Successful advertising campaigns ✓✓
- Population- or market growth ✓✓
- A change in the economic climate, for example, a recession or a boom phase ✓✓
- A change in the price of substitute products ✓✓
- A change in the price of complementary products ✓✓



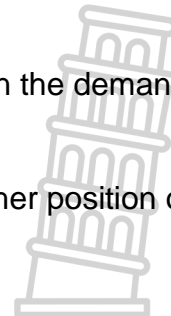
- The demand curve will move up and to the right which will cause the equilibrium to change. ✓✓

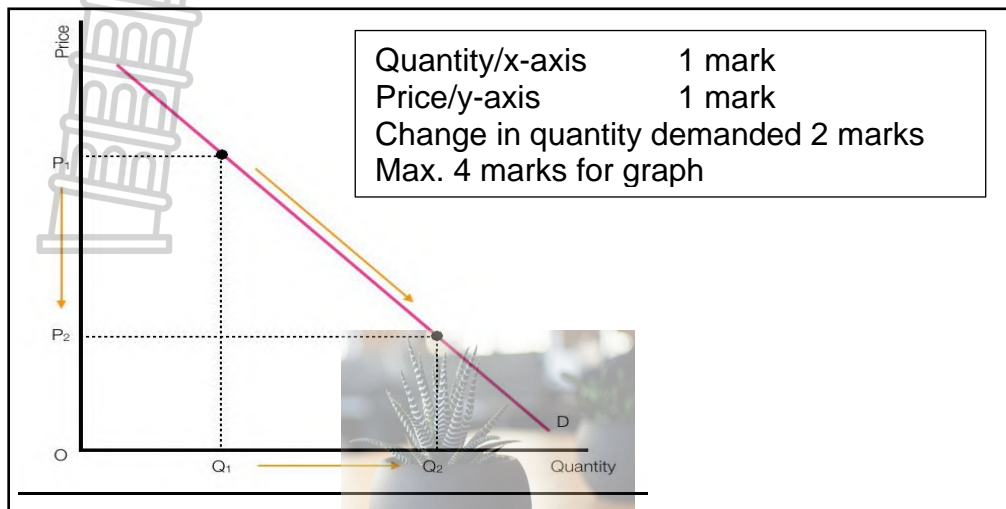
(Accept any other correct and relevant response.)

(Max. 8 marks)

### Change in quantity demanded

- A change in the quantity demanded will cause a movement on the demand curve. ✓✓
- The demand curve itself will not move. ✓✓
- Movement will be only from one position on the curve to another position on the curve. ✓✓
- This movement is only caused by a change in price. ✓✓





(Accept any other correct and relevant response) (Max 8 marks.)  
(Allocate a maximum of 14 marks for discussion without graphs)

**(26 marks)**

### ADDITIONAL PART

- Technology advances, that improve production efficiency, will shift a supply curve to the right and reduce the input costs of production. ✓✓
- The cost of production goes down, and producers will supply more of the product at lower prices. ✓✓
- Computers, televisions and photographic equipment are good examples of the effects of technology on a supply curve. ✓✓
- Electronic manufacturers continue to improve the quality of their products and lower the cost of production. ✓✓
- At lower prices, consumers can purchase more products causing the supply curve to shift to the right. ✓✓
- Changes in technology can affect the demand for different products by increasing the demand for a new product and making an older product obsolete. ✓✓
- As manufacturers continue their quest to improve productivity and efficiency through technological advances, the demand and supply for products will always be adjusting to consumers' tastes and preferences. ✓✓

(Accept any relevant answer.)

(Max. 10 marks)

### CONCLUSION

- Concepts of demand and supply are important to economists as they help them to understand how prices are determined in the market. ✓✓

(Accept any correct and relevant high-order conclusion.)

(Max. 2 marks)

**[40]**



## QUESTION 5: MICROECONOMICS

- Discuss in detail the methods government use to intervene in the economy. (26 marks)
- Evaluate why government needs to intervene in the economy. (10 marks)

### INTRODUCTION

- The purpose of government intervention is to ensure that the right quantity of resources is allocated to the production of output so that society as a whole maximises its benefits. ✓✓
- (Accept any other correct and relevant introduction.) (Max. 2 marks)

### MAIN PART

#### Maximum prices: ✓

- The government may feel that the prices are too high in some markets. ✓✓
- Government then intervenes in the market by setting a maximum price that must be charged. ✓✓
- The maximum price (price ceiling) is the highest price at which producers can sell a product. ✓✓
- Reasons for implementing maximum prices. ✓
  - It is done to keep the prices of necessities and basic food low, to ensure that the poor have access to a product. ✓✓
  - Maximum prices are set to prevent consumers from being exploited. ✓✓
  - Government imposes price ceilings in the hope that they will keep prices low and control inflation. ✓✓
  - To limit the production of certain goods and services when resources are scarce. ✓✓
  - The cost of borrowing money is sometimes capped through an interest on a loan. ✓✓
- Results of maximum prices ✓
  - The price in the market is lower than it would be if it was just left to the market mechanism to find an equilibrium. ✓✓
  - There is a deficit of the product in the market. ✓✓
  - The government is then often forced to find a way to ration the limited amount of the good and to find a fair way to share the limited amount among the consumers. ✓✓
  - They often lead to "black markets." ✓✓

(Accept any other correct and relevant response.)

Minimum prices: ✓

- The government may feel that in some markets the prices are too low and that they need to assist suppliers. ✓✓
- Government then intervenes in the market by setting a minimum price (price floor) that must be charged. ✓✓
- The minimum price is the lowest that consumers of a product have to pay the producer or owner of the product. ✓✓
- Reasons for implementing minimum prices.
  - Governments hope they will ensure a steady income for producers. ✓✓
- Results of minimum prices. ✓
  - There is a surplus of the product in the market. ✓✓
  - The price is higher than it would be if it were left to the market mechanism. ✓✓
  - The important sectors of the economy that are subject to price fluctuations of changes brought about by global markets are now offered some protection. ✓✓
  - In order to cope with the surplus of products the government can try to restrict supply. ✓✓
  - It limits competition and can create unrealistic markets which exploits consumers. ✓✓

(Accept any other correct and relevant response.)

Minimum wages: ✓

- A minimum wage is the lowest wage that an employer is allowed to pay a worker per month. ✓✓
- This is done to ensure that the standard of living of the people who earn the lowest wages is not too low and they are not exploited by employers. ✓✓
- Reasons for implementing minimum wages. ✓
  - To reduce exploitation of lower paid workers. ✓✓
  - To decrease income inequality by boosting the income of low-income households. ✓✓
  - To reverse the effects of employer discrimination. ✓✓
  - To encourage more people to enter the workforce. ✓✓
  - To reduce the burden on the state to pay income support. ✓✓
- The effect of minimum wages. ✓
  - There is a surplus of labour in the market. ✓✓
  - The wage rate increases in the market. ✓✓
  - People are being paid a more equitable and fair wage for their services. ✓✓
  - There is a fall in employment due to higher wage costs. ✓✓
  - Risk of higher wage inflation due to firms having to increase their selling price to adjust to the higher wage bill. ✓✓
  - Damages to the competitiveness of some firms, due to the higher cost of production. ✓✓
  - Free-market economists believe that a minimum wage creates artificial distortions in the way the labour market works. ✓✓

(Accept any other correct and relevant response.)

Indirect taxes: ✓

- Taxes are compulsory payments made by the people and businesses of a country to the government. ✓✓
- This money is used to finance all the goods and services that the state provides. ✓✓
- Taxes can be divided into direct and indirect taxes. ✓✓
- Direct taxes are calculated by using the income or wealth of individuals or firms. ✓✓
- Indirect taxes are consumption taxes that have to be paid by the providers of goods or services. ✓✓
- The indirect taxes are added to the prices of the goods and services. ✓✓
- Examples are value added tax, customs duty, excise duty. ✓✓
- Reasons for indirect taxes. ✓
  - To raise income for the government. ✓✓
  - To reduce the demand for a harmful product. ✓✓
  - To limit the impact of imported products. ✓✓
- Effects of indirect taxes. ✓
  - The equilibrium price in the market increases. ✓✓
  - Consumers pay more per item as the price increases from the original price to the new market price. ✓✓
  - Firms are selling their products at higher prices, but profits may decrease due to the implementation of the tax. ✓✓
  - There are fewer products being bought and sold in the market. ✓✓
  - Employees of the company may be affected since supply has fallen and the profits have dropped. ✓✓
- Per-unit tax. ✓
  - Per unit taxes are taxes where the amount of tax charged is always the same on each unit. ✓✓
  - Import or customs duty is paid on many foreign goods that are brought to South Africa. ✓✓
- Ad-valorem tax ✓
  - Ad-valorem taxes charge a percentage of the value of the product. e.g. Value Added Tax. ✓✓

(Accept any other correct and relevant response.)



Subsidies: ✓

- The government may wish to promote the production or use of a particular product or service. ✓✓
- The government will then offer a payment to a firm that provides a product or to a household that needs to consume a certain product or service. ✓✓
- Subsidies to producers:
  - The government pays subsidies in the form of cash or tax reductions to certain firms to expand their production. ✓✓
  - Subsidies benefit the producers of goods that are important to the economy. ✓✓
  - Subsidies are given to encourage entrepreneurship and employment. ✓✓
  - There is an increase in the quantity of products being demanded and supplied in the market. ✓✓
  - The price will decrease and more consumers will be able to buy the product. ✓✓
  - Some believe that these firms will not survive without the intervention. ✓✓
  - Some subsidies are considered to be unfair as other producers have to compete with subsidised companies. ✓✓
- Subsidies to consumers:
  - Subsidies to consumers are made by the government to consumers so that they are able to buy products that they normally would not be able to afford. ✓✓
  - These subsidies are made to benefit poorer people because it makes the price of the product lower. ✓✓
  - It is done to encourage the use of a particular product or service that the government feels is of public interest. e.g., transport and antiretrovirals. ✓✓
  - The price of the product increases in the market. ✓✓
  - People who are receiving a subsidy will be paying less than the original equilibrium price. ✓✓
  - People who can afford to pay for the product will be paying more than the original equilibrium. ✓✓
  - The overall quantity of the product will increase. ✓✓
  - Government needs to monitor the prices so that they do not lead to exploitation of the consumer. ✓✓

(Accept any other correct and relevant response.)



Welfare:

- South Africa's constitution states that everyone has the right to have access to social security. ✓✓
- If they are unable to support themselves, they can get social assistance. ✓✓
- The unequal distribution of wealth causes a lot of people to be unable to meet their own basic needs. ✓✓
- To help the needy, the government provides welfare grants. ✓✓
- The government takes these grants from the taxes they receive. ✓✓
- Types of grants in South Africa:
  - Social grants include old age grants, disability grants and war-veteran's grants. ✓✓
  - Children's social support includes care-dependency grants, foster child grants and child support grants. ✓✓
  - Special awards include social relief of distress grants and transport relief grants. ✓✓

(Accept any other correct and relevant response.)

Government production of goods and services ✓

- Some goods are not normally provided by the private sector because they would be unable to supply them with a profit. ✓✓
- The market has therefore failed to provide important goods to the public and the government needs to step in. ✓✓
- By producing these goods, the government is increasing the quantity of goods and services available in the market. ✓✓
- In most cases they decrease the price in the market to keep the goods and services accessible to all. ✓✓
- Public goods ✓
  - Public goods are non-excludable. ✓✓
  - The benefits of public goods cannot be excluded from anyone and given only to those who have paid for it. ✓✓
  - Non-payers can enjoy the benefits of consumption at no financial cost. ✓✓ e.g. streetlights. ✓
  - There is non-rivalry in consumption. ✓✓
  - Consumption by one person does not reduce the availability of the good to others. ✓✓
  - The product cannot be used up. ✓✓
- Merit goods ✓
  - A merit good is a product that society values and that is regarded as something that everyone should have. ✓✓
  - Society feels that the use of these products will generate many positive effects for the greater society. ✓✓
  - Merit goods are those goods and services that the government feels ought to be subsidised or provided for free. ✓✓
  - Both the public sector and the private sector provide merit goods and services. ✓✓ e.g. education and health services. ✓

- Social costs and benefits ✓
  - There are many demands on government to provide public goods and services. ✓✓
  - Before the government can decide on what to produce, it must determine what the benefits and what the costs are going to be. ✓✓
  - If the benefits and costs of satisfying different wants can be measured, the wants and needs of the society can be ranked according to their cost-benefit ratio. ✓✓
  - Those projects with the highest cost-benefit ratio would be undertaken first. ✓✓
  - Social benefits consist of the total benefits society gains from the consumption and production of goods or services. ✓✓
  - Private benefits are those benefits that the individuals or firms receive from using or consuming a good or service. ✓✓
  - Social costs are the total costs society suffers for consuming or producing certain goods or services. ✓✓
  - Private costs are the costs paid by individuals or firms for goods or services. ✓✓

(Accept any other correct and relevant response.)

(26 marks)

#### ADDITIONAL PART

- Government needs to intervene to correct inefficiencies in the economy such as monopolies, distribution of wealth etc. ✓✓
- The market is not able to provide goods and services like infrastructure and essential services such as health and education to the people. ✓✓
- They need to prevent unequal opportunities in the market to create fair competition by investigating collusion, excessive prices etc. ✓✓
- To guard against market prices that may be detrimental to the economic health of the country. ✓✓
- They need to improve the level of welfare by financing a system of grants to the poorest members of society. ✓✓
- Government needs to manage strategic industries in the country such as power generation, water supply and transport infrastructure. ✓✓
- They need to correct market failures which result in an insufficient supply of essential goods and services. ✓✓
- The government needs to promote the fair treatment of workers and prevent exploitation, so it sets minimum wages and maximum working hours. ✓✓

(Accept any other correct and relevant response.)

(Max. 10 marks)

#### CONCLUSION

- The Government also provides public goods and merit goods to society at large. ✓✓

(Accept any other correct and relevant high-order conclusion.)

(Max. 2 marks)

[40]

**TOTAL SECTION C: 40**

**TOTAL: 100**