



DEPARTMENT OF EDUCATION
DEPARTEMENT VAN ONDERWYS
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ISEBE LEZEMFUNDO

**PROVINSIALE VOORBEREIDINGSEKSAMEN/
PROVINCIAL PREPARATORY EXAMINATION**

Stanmorephysics.com

GRAAD/GRADE 12

**EKONOMIE V2/
ECONOMICS P2**

SEPTEMBER 2023.com

PUNTE/MARKS: 150

TYD/TIME: 2 uur/hours

**Hierdie vraestel bestaan uit 13 bladsye./
This question paper consists of 13 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)

30 MARKS – 20 MINUTES

QUESTION 1

- 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 to 1.1.8) in the ANSWER BOOK, example 1.1.9 D.

1.1.1 The term *long run* means that all factors of production are ...

- A constant.
- B variable.
- C fixed.
- D both variable and fixed.

1.1.2 Goods highly in demand for the general welfare of the people but not highly rated by the market is called ... goods.

- A demerit
- B substitute
- C merit
- D complementary

1.1.3 The nature of the product sold in a pure oligopoly is ...

- A unique.
- B differentiated.
- C heterogenous.
- D homogenous.

1.1.4 Public goods have a ... feature.

- A inclusive
- B rejectable
- C non-continuous
- D non-rivalry

1.1.5 The permanent restructuring of trees and forests is known as ...

- A global warming.
- B erosion.
- C deforestation.
- D climate change.



1.1.6 The policy implemented by the Reserve Bank to combat inflation is known as ...

- A fiscal.
- B monetary.
- C black economic empowerment.
- D tax.

1.1.7 Tourist travelling through South Africa using air, rail, or sea transport to get to another destination is called ... tourism.

- A transit
- B foreign
- C outbound
- D inbound

1.1.8 An international agreement to manage nuclear waste is called ...

- A Basel convention.
- B Kyoto protocol.
- C Stockholm protocol.
- D Johannesburg summit.

(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 number (1.2.1 tot 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Average revenue	A the gain consumers get from consuming a product
1.2.2 Cost benefit analysis	B tourist visiting natural areas
1.2.3 Cartel	C low growth and high unemployment occurring simultaneously
1.2.4 Private benefit	D intervention by government to make goods more affordable
1.2.5 Preservation	E the amount a firm earns for every unit sold
1.2.6 Administered price	F ensures and accelerates the delivery of tourism benefits
1.2.7 Ecotourism	G evaluate the feasibility of large infrastructure projects
1.2.8 Department of tourism	H to keep non-renewable resources intact
	I a group of producers whose goal is to form a monopoly

(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 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms, and examples will NOT be accepted.



1.3.1 Profit earned in the long run by businesses in the perfect market

1.3.2 The nature of a product a monopolistic competition market produces

1.3.3 Prices that are set above market prices

1.3.4 Waste that can negatively affect living beings and can cause infertility

1.3.5 An increase in the price of goods due to an increase in input costs

1.3.6 South African citizens travelling within the borders of South Africa
(6 x 1) (6)

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TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MICROECONOMICS

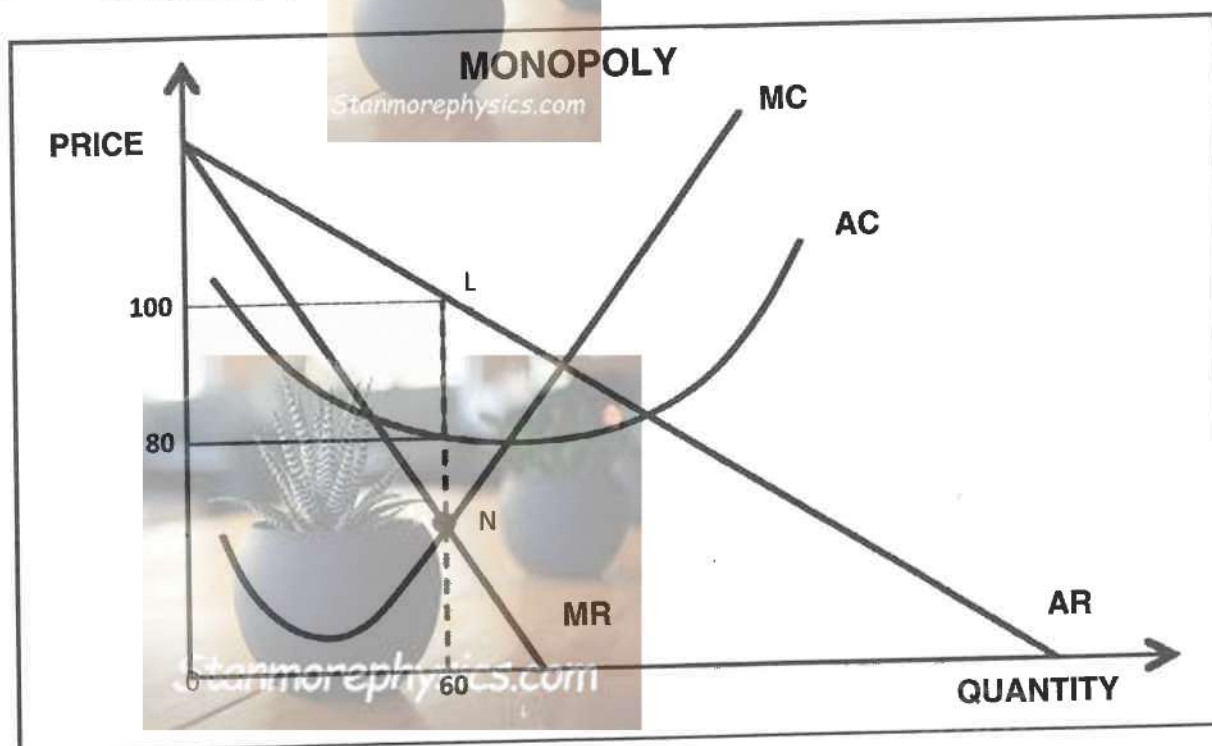
40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO industries found in the monopolistic market structure. (2 x 1) (2)

2.1.2 Why can businesses not make economic profit in the long run in a perfect market? (1 x 2) (2)

2.2 Study the graph and answer the questions that follow.



- 2.2.1 Identify the demand curve represented by graph above. (1)
- 2.2.2 Name ONE example of a monopoly in South Africa. (1)
- 2.2.3 Briefly describe the term *marginal cost*. (2)
- 2.2.4 Why is the marginal revenue (MR) curve always below the average revenue (AR) in this type of market? (2)
- 2.2.5 Calculate the profit/loss made by the firm in the market. Show all calculations. (2 x 2) (4)

- 2.3 Read the extract below and answer the questions that follow.

Competition Commission to probe pricing of fresh fruit

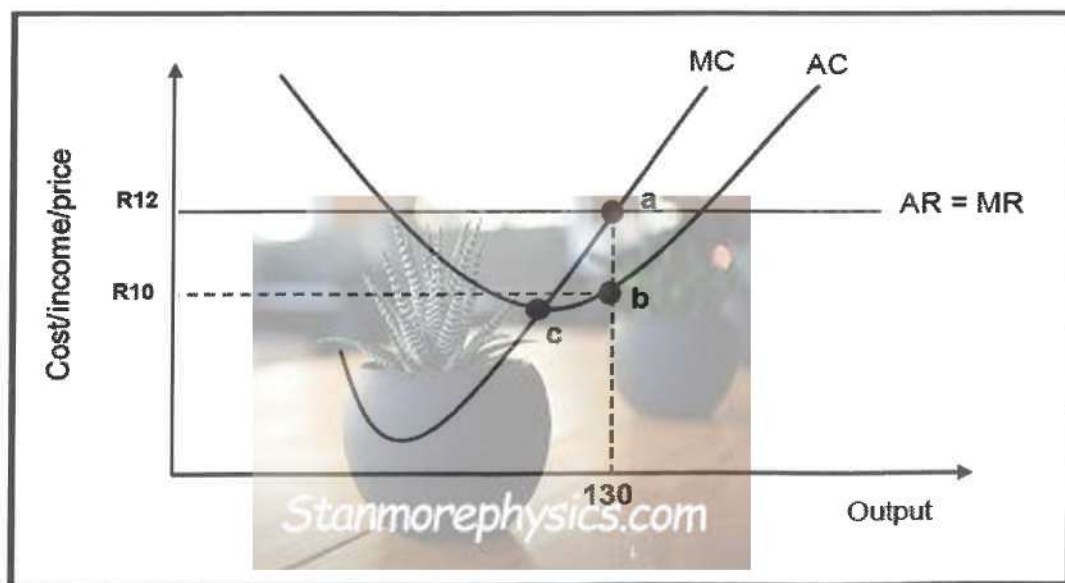
The Competition Commission seeks to investigate pricing and fair play in the fresh fruit market.

The Competition Commission will investigate the effects where producers have engaged in unethical trading techniques that impaired, restrict, or distort competition.

[Adapted source: The Witness, February 17, 2023]

- 2.3.1 Name the institution responsible for investigating unethical competitive behaviours in markets.
- 2.3.2 Which institution's role in the competition policy is similar to that of the High Court?
- 2.3.3 Briefly explain the term *collusion*.
- 2.3.4 What do the South African government want to achieve with the competition policy?
- 2.3.5 How does price fixing disadvantage small and medium enterprises in the fresh fruit business? (2 x 2) (4)

- 2.4 Use the graph below to explain the profit/loss made by businesses in the perfect market.



(8)

- 2.5 How will a monopolistic competitor like Shoprite compete with other supermarkets to increase their market share? (4 x 2) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 40 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO command and control standards used by government to intervene in combating pollution. (2 x 1) (2)

3.1.2 Why are borrowers advantaged during inflation? (1 x 2) (2)

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



[Adapted source: Suppo.net.]

3.2.1 Identify an environmental problem depicted in the cartoon above. (1)

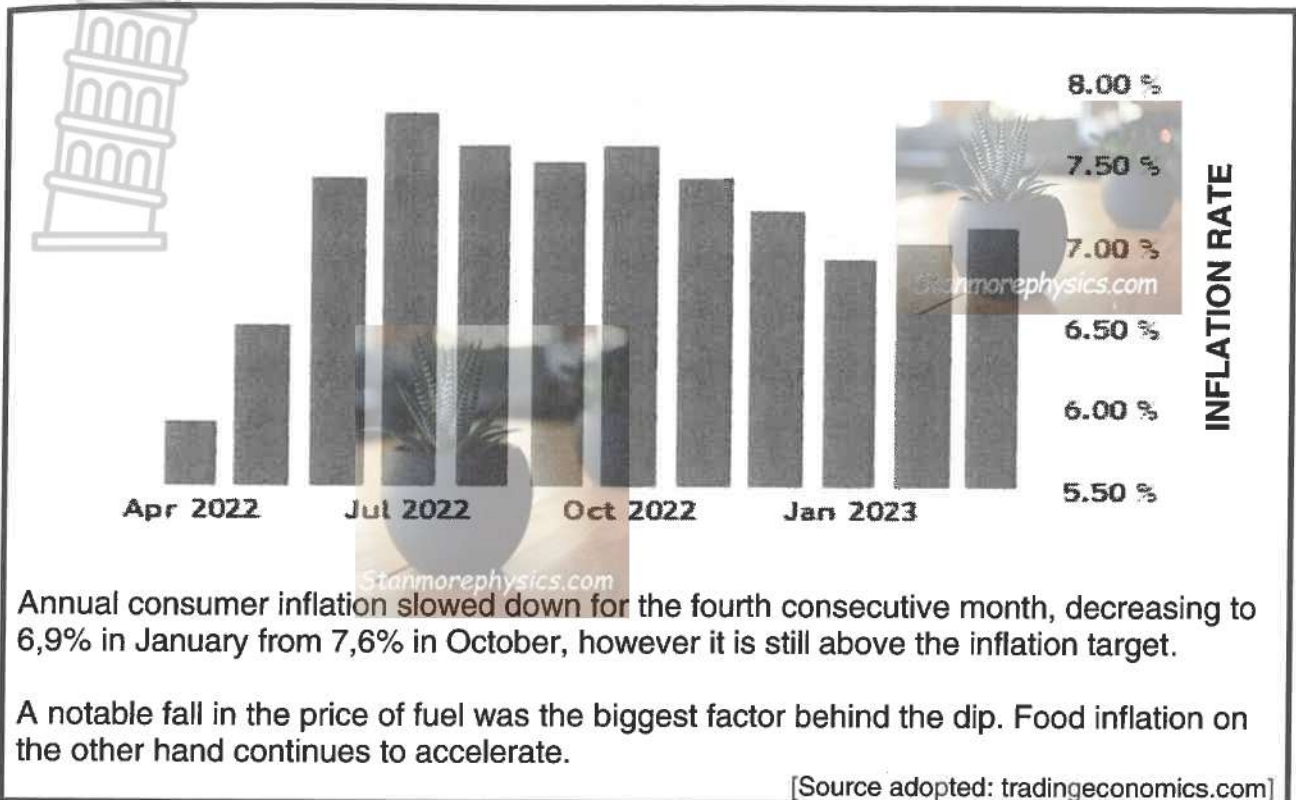
3.2.2 Name a type of tax that can be used to reduce the environmental problems depicted above. (1)

3.2.3 Briefly explain the term *hazardous waste*. (2)

3.2.4 What can be done to reverse the effects of biodiversity loss? (2)

3.2.5 Why are European Union members reluctant to address environmental problems? (2 x 2) (4)

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



- 3.3.1 What is the inflation target set out by the South African Reserve Bank? (1)
- 3.3.2 Name the policy that uses taxation to reduce inflation. (1)
- 3.3.3 Briefly explain the term *stagflation*. (2)
- 3.3.4 How will a decrease in inflation affect investors and savers? (2)
- 3.3.5 What do you think are the reasons for food prices to still increase even when consumer inflation is decreasing? (2 x 2) (4)
- 3.4 Discuss measures that the Reserve Bank can implement to reduce inflation in the South African economy. (4 x 2) (8)
- 3.5 Why is granting of property rights effective in achieving environmental sustainability? (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 Name any TWO types of monopolies. (2 x 1) (2)

4.1.2 What impact does climate change have on the environment? (1 x 2) (2)

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

OLIGOPOLY				
MARKET SHARES %				
Year	Vodacom	MTN	CELL C	TELKOM
2018	40	26	9	25
2019	40	26	9	25
2020	43	25	8	24
2021	43	26	8	23

Adapted source: my broadband.co.za

4.2.1 Identify the dominant business in the information above. (1)

4.2.2 Name any other business that can be included in this market. (1)

4.2.3 Briefly explain the term *cartel*. (2)

4.2.4 What makes it difficult for other businesses to enter this market structure? (2)

4.2.5 Why don't oligopolist compete in terms of prices? (2 x 2) (4)

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

JASPER SOLAR PLANT, NORTHERN CAPE, KIMBERLEY

The Jasper solar power project located in the Northern Cape province near Kimberley is the biggest solar power plant in Africa. It began full commercial operation in October 2014 and the plant will produce enough electricity to meet the demands of 80 000 homes in South Africa.

Adapted source: www.renewable-technology.com

- 4.3.1 Identify the renewable energy in the extract above. (1)
- 4.3.2 Name a grant that is used by the government to encourage new environmentally friendly technologies. (1)
- 4.3.3 Briefly explain the term *marketable permits*. (2)
- 4.3.4 How will local businesses benefit from the Jasper Solar plant? (2)
- 4.3.5 Why are businesses hesitant to sign voluntary agreements to cut pollution? (2 x 2) (4)
- 4.4 With the aid of graphs, briefly explain how prices are determined for an individual producer in a perfect market. (2 x 4) (8)
- 4.5 How can South African households contribute to a lower inflation rate? (2 x 4) (8)
- [40]**

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 ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. <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 the introduction. Do NOT repeat any part of the introduction in the body. Avoid mentioning in the introduction what you are going to discuss in the body. 	Max. 2
Body Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/ Use the graph given and explain/Complete the given graph/Assess/Debate A maximum of 8 marks may be allocated for headings/examples.	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest A maximum of 2 marks may be allocated for mere listing of facts.	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
TOTAL	40

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the factors that lead to a misallocation of resources in the market (reasons/causes of market failures). (26 marks)
- Evaluate the success of implementing maximum prices as a measure to combat market failure. (10 marks) [40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 40 MINUTES

- Examine in detail the benefits of tourism. (26 marks)
- Evaluate the South African government policies used to promote tourism. (10 marks) [40]

TOTAL SECTION C: 40
GRAND TOTAL: 150



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PROVINCIAL PREPARATORY EXAMINATION

GRADE 12

**ECONOMICS P2
SEPTEMBER 2023
MARKING GUIDELINES**

MARKS: 150

These marking guidelines consist of 16 pages.

SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 B variable✓✓
- 1.1.2 C merit✓✓
- 1.1.3 D homogenous✓✓
- 1.1.4 D non-rivalry✓✓
- 1.1.5 C deforestation✓✓
- 1.1.6 B monetary✓✓
- 1.1.7 A transit✓✓
- 1.1.8 A Basel convention✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 E the amount a firm earns for every unit sold✓
- 1.2.2 G evaluate the feasibility of large infrastructure projects✓
- 1.2.3 I a group of producers whose goal is to form a monopoly ✓
- 1.2.4 A the gain consumers get from consuming a product✓
- 1.2.5 H to keep resources non-renewable resources intact✓
- 1.2.6 D intervention by government to make goods more affordable ✓
- 1.2.7 B tourist visiting natural areas✓
- 1.2.8 F ensures and accelerates the delivery of tourism benefits✓

(8 x 1) (8)

1.3 GIVE THE TERM

- 1.3.1 normal profit✓
- 1.3.2 differentiated✓
- 1.3.3 minimum prices✓
- 1.3.4 chemical waste✓
- 1.3.5 cost push✓
- 1.3.6 domestic tourist✓

(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 industries found in the monopolistic market structure.

- Retail industry ✓
- Car industry ✓
- Fast food restaurants ✓
- Supermarket ✓
- Doctors ✓

(Accept any other correct relevant answer)

(2 x 1)

(2)

2.1.2

Why can businesses not make economic profit in the long run in a perfect market?

It is impossible since market the entry is easy therefore economic profits will attract more businesses resulting in them sharing those profit to a point that it become normal profit. ✓✓

(Accept any other correct relevant answer)

(1 x 2)

(2)

2.2 DATA RESPONSE

2.2.1

Identify the demand curve represented by graph above.

AR curve ✓

(1)

2.2.2

Name ONE example of a monopoly in South Africa.

- Eskom ✓
- SABC ✓
- Denel ✓
- Transnet ✓

(Accept any other correct relevant answer)

(1)

2.2.3

Briefly describe the term *marginal cost*.

Marginal cost is the amount by which total cost increases when one extra product is produced. ✓✓

(Accept any other correct relevant answer)

(2)

2.2.4

Why is the marginal revenue (MR) curve always below the average revenue (AR) in this type of market?

The marginal revenue is less than the price because while the producer will increase revenue on the additional unit sold, they will also decrease on all previous units sold since they are now selling at a lower price. ✓✓

(Accept any other correct relevant answer)

(2)



2.2.5

**Calculate the profit/loss made by the firm in the market.
Show all calculations.**

- $TR - TC$
- $(100 \times 60) \checkmark - (80 \times 60) \checkmark$
- $6\,000 - 4\,800 \checkmark$
- $1\,200 \checkmark$

OR**PRICE – COST**

- $100 - 80 \checkmark = 20 \checkmark$
- $20 \times 60 \checkmark$
- $1\,200 \checkmark$

(2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 **Name the institution responsible for investigating unethical competitive behaviours in markets.**

Competition Commission ✓

(1)

2.3.2 **Which institution's role in the competition policy is similar to that of the High Court?**

The Competition Appeal Court ✓

(1)

2.3.3 **Briefly explain the term *collusion*.**

An arrangement between businesses with the aim of limiting competition between them by fixing prices. ✓✓
(Accept any other correct relevant answer)

(2)

2.3.4 **What do the South African government want to achieve with the competition policy?**

- promote the efficiency of the economy (its primary aim). ✓✓
 - provide consumers with competitive prices and a variety of products. ✓✓
 - promote employment. ✓✓
 - encourage South Africa to participate in world markets and accept foreign competition in South Africa. ✓✓
 - enable SMMEs to participate in the economy. ✓✓
 - to allow the previously disadvantaged to increase their ownership of businesses. ✓✓
- (Accept any other relevant correct answer)

(2)

2.3.5 **How does price fixing disadvantage small and medium enterprises in the fresh fruit business?**

- Price fixing will increase the costs of small and medium enterprises resulting in high prices for consumers.
 - High prices will then lead to a decline in customers which will result in businesses making losses and eventually shutting down. ✓✓
- (Accept any other relevant correct answer)

(2 x 2) (4)

2.4 Use the graph below to explain the profit/loss made by businesses in the perfect market.

- The perfect competitive firm maximises profit where the marginal revenue (MR) and marginal costs (MC) are (point e) ✓✓
- At point a, the firm will supply 130 units at market price of R12 ✓✓
- The average revenue is R12 and the average cost per unit is R10. ✓✓
- Total economic profit will be R260 (2 x 130) ✓✓
- Total revenue is R1 560 (R12 x 130) – Total cost R1 300 (R10 x 130) The firm makes an economic profit of R260. ✓✓
- Economic profit occurs in the short run. ✓✓
(Accept any other correct relevant response) (4 x 2) (8)
(Allocate a maximum of 4 marks for mere listing of facts and examples.)

2.5 How will a monopolistic competitor like Shoprite compete with other supermarkets to increase their market share?

- The monopolistic competitor can increase its market share by competing on non-price factors. ✓✓
- Shoprite might offer funeral policies, stokvel accounts or any other new service to offer a differentiated service. ✓✓
- Use unique packaging where products are placed to promote the Shoprite branding. ✓✓
- Aggressive advertising campaigns can be launched by focusing on the use of billboards/ sponsor sports like soccer. ✓✓
- Extend shopping hours at more Shoprite branches, which will be more convenient for customers. ✓✓
- Providing free deliveries within a certain range will ensure an advantage over other businesses ✓✓
- Shoprite can compete on promotional specials and discounts on certain goods and services and allow for points that can later be exchanged. ✓✓
(Accept any other relevant correct answer) (4 x 2) (8)
(Allocate a maximum of 2 marks for mere listing of facts and examples.) [40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO command and control standards used by government to intervene in combating pollution.

- Quantity standards ✓
- Quality standards ✓
- Social impact standards ✓ (2 x 1) (2)

3.1.2 Why are borrowers advantaged during inflation?

- Borrowers pay lenders back worth less than when it was originally borrowed. ✓✓ (1 x 2) (2)
(Accept any other relevant correct answer)

3.2 DATA RESPONSE



3.2.1 **Identify an environmental problem depicted in the cartoon above.**

- Water pollution✓
- Air pollution✓
- Soil pollution✓

(1)

3.2.2 **Name a type of tax that can be used to reduce the environmental problems depicted above.**

Green tax✓

(1)

3.2.3 **Briefly explain the term *hazardous waste*.**

Waste products that take time to decompose and are dangerous or toxic to human and animal life. ✓✓

(Accept any other relevant correct answer)

(2)

3.2.4 **What can be done to reverse the effects of biodiversity loss?**

- Modern techniques such as gene transplant can help to limit the loss of species. ✓✓
- Monitoring and regulation of trade in endangered species by using permits and quotas. ✓✓

(Accept any other relevant correct answer)

(2)

3.2.5 **Why are European Union members reluctant to address environmental problems?**

- Many states in the European union benefit from the factories that causes this water and air pollution through their increase in their countries Gross Domestic Product and employment of their citizens. ✓✓
- Many investors, entrepreneurs make large amount of capital available which will benefit their countries macro-objectives. ✓✓
- The government's tax bases are increased because of the factories producing and paying taxes as well as labourers paying income tax. ✓✓

(Accept any other relevant correct answer)

(2 x 2)

(4)

3.3 DATA RESPONSE

3.3.1 **What is the inflation target set out by the South African Reserve Bank?**

3 – 6%✓

(1)

3.3.2 **Name the policy that uses taxation to reduce inflation.**

Fiscal policy✓

(1)

3.3.3 **Briefly explain the term *stagflation*.**

A situation in the economy where low growth, high unemployment and high inflation rates occur simultaneously. ✓✓

(Accept any other relevant correct answer)

(2)



3.3.4

How will an increase in inflation affect investors and savers?

Assets with a fixed nominal value have a fixed return and lower purchasing power as prices increase. Real value of savings decreases. ✓✓

(Accept any other relevant correct answer)

(2)

3.3.5

What do you think are the reasons for food prices to still increase even when consumer inflation is decreasing?

- The agricultural sector suffered due to weather conditions (droughts and floods) which has cause production costs to increase. ✓✓
- The continuous loadshedding has increased which had a negative impact on the productivity level therefore supply has decreased causing prices to increase. ✓✓

(Accept any other correct relevant answer)

(2 x 2)

(4)

3.4

Discuss measures that the Reserve Bank can implement to reduce inflation in the South African economy.

SARB can use monetary policy to combat inflation by:

- increasing interest rate (repo rate) when inflation is high, therefore making it expensive to borrow money ✓✓
- adjusting money supply to match the quantity of goods and services available ✓✓
- using open market transactions by selling government bonds, when banks buy these bonds, money flows to the financial sector and out of circulation ✓✓
- reducing the level of credit by applying stricter lending criteria. ✓✓
- increasing the cash reserve requirement, that requires banks to keep a larger amount of money in reserves ✓✓
- applying moral persuasion to the commercial banks to be careful when giving credit ✓✓

(Accept other correct relevant answer)

(4 x 2)

(8)

(Allocate a maximum of 4 marks for the mere listing of facts/examples)

3.5

Why is granting of property rights effective in achieving environmental sustainability?

- The conservationist effect: people care for things that belong to them ✓✓
- To prevent fauna and flora species from becoming extinct, people are granted property rights if they agree to preserve the flora and fauna ✓✓
Property rights can be expanded to common goods, e.g. clean air, those suffering from pollution can charge the polluters for their right to pollute ✓✓
- The Kyoto Protocol is an international agreement whereby developed countries provide financial assistance to developing countries because they cause less pollution ✓✓

(Accept any other correct relevant answer)

(4 x 2)

(8)

(Allocate a maximum of 2 marks for mere listing of facts and examples.)

[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1

Name any TWO types of monopolies.

- Natural monopoly/Technological monopoly ✓
- Artificial monopoly/Legal monopoly/ ✓

(2 x 1) (2)

4.1.2

What impact does climate change have on the environment?

- Increase global temperatures which will result in melting glaciers. ✓✓
- Rising sea levels and very destructive, more frequent storms ✓✓

(Accept any other relevant correct answer)

(1 x 2) (2)

4.2 DATA RESPONSE

4.2.1

Identify the dominant business in the table above.

Vodacom ✓

(1)

4.2.2

Name any other business that can be included in this market.

- RAIN ✓
- VIRGIN MOBILE ✓
- FNB CONNECT ✓
- CAPITEC CONNECT ✓

(Accept any other relevant correct answer)

(1)

4.2.3

Briefly explain the term *cartel*.

A group of businesses in an oligopoly that comes together with the aim of fixing prices. ✓✓

(Accept any other correct relevant answer)

(2)

4.2.4

What makes it difficult for other businesses to enter this market structure?

Restrictions on entering is due to large amounts of capital needed to enter as well as brand loyalty. ✓✓

(Accept any other correct relevant answer)

(2)

4.2.5

Why don't oligopolist compete in terms of prices?

- If one of them raises the price, then it will lose market share to the others. ✓✓
- If it lowers its price, then the other firms will match the lower price, causing all the firms to earn less profit. ✓✓

(Accept any other correct relevant answer)

(2 x 2) (4)

4.3 DATA RESPONSE



4.3.1 **Identify the renewable energy in the extract above.**
Solar ✓ (1)

4.3.2 **Name a grant that is used by the government to encourage new environmentally friendly technologies.**
Environmental subsidies ✓ (1)

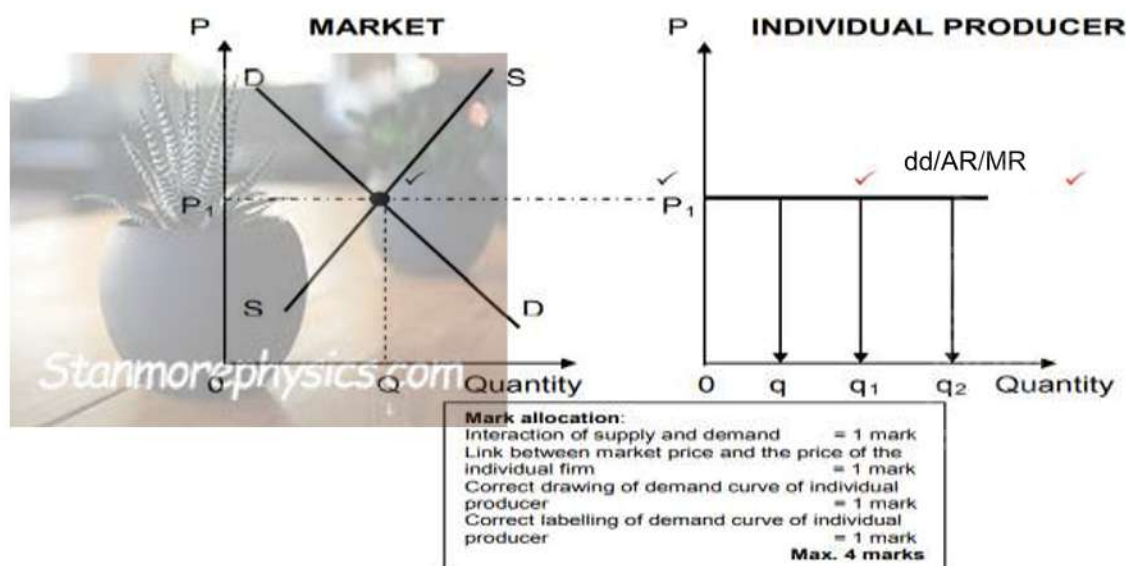
4.3.3 **Briefly explain the term marketable permits.**
It is a license issued by the government to each business to pollute to a certain degree. ✓✓
(Accept any other correct relevant answer) (2)

4.3.4 **How will local businesses benefit from the Jasper Solar plant?**
Businesses will save quite a lot on production costs mainly from the cost of electricity. ✓✓
(Accept any other correct relevant answer) (2)

4.3.5 **Why are businesses hesitant to sign voluntary agreements to cut pollution?**

- These agreements will limit their production resulting in limiting their profits. ✓✓
- Businesses may feel that many of their competitors also do not comply with the signing of these voluntary agreements if they comply others will have a competitive advantage over them. ✓✓
(Accept any other correct relevant answer) (2 x 2) (4)

4.4 **With the aid of graphs, briefly explain how prices are determined for an individual producer in a perfect market.**



- The market forces of demand and supply determine the price (OP1) ✓✓
- The sellers are too insignificant to influence the market price, hence they are price takers ✓✓
- Each individual producer is forced to sell his goods at market price.
- Thus, the demand curve is flat/horizontal/perfectly because elastic (curve dd) ✓✓

- The individual producer will not increase his price because he would not be able to sell any products, nor lower his price he will be able to sell all his products at market price ✓✓

(Accept any other correct relevant answer)

(Max 4)

(8)

(Allocate a maximum of 4 marks for mere listing of facts and examples.)

4.5 **How can South African households contribute to a lower inflation rate?**

- South African households can contribute to a lower inflation rate by: saving a bigger portion of their income makes money available to contribute towards capital formation by businesses ✓✓
- limiting luxurious spending on goods and services to their disposable income ✓✓
- demanding wages which are in line with the current inflation rate ✓✓
- increasing their productivity to ensure that the money they receive for their labour matches the income they receive ✓✓
- reducing the demand for loans and other forms of credit ✓✓
- reduce industrial actions that may reduce production of goods and services ✓✓

(Accept other correct relevant answer)

(4 x 2)

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

(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:

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

- Discuss in detail the factors that lead to a misallocation of resources. (26 marks)
- Evaluate the success of implementing maximum prices as a measure to combat market failure. (10 marks)

[40]

INTRODUCTION

- Market failure occurs when market forces of demand and supply do not ensure the correct quantity of goods and services are produced to meet demand at the right price. ✓✓
(Accept any other correct relevant introduction) (Max 2)

BODY/MAIN PART

Externalities ✓

- These are known as spill-over effects to third party which is not directly involved in the production process. ✓✓
- As externalities in production and consumption often exist and output is usually based on private costs and benefits, this is a significant cause of market failure. ✓✓

Negative externalities ✓

- Negative externalities are costs to third parties that are not included in the market price ✓✓, e.g. pollution, ✓
- The costs of negative externalities such as ill health are not paid by the producers. ✓✓
- Harmful goods are often over produced in the economy which is not socially desirable. ✓✓

Positive Externalities ✓

- A positive externality occurs when a benefit to a third party from the action or decision of another party. ✓✓ e.g. Education ✓
- These goods are often under-produced by the market and government steps in to provide for the short fall. ✓✓

(A maximum of 4 marks will be allocated for graphical illustration)

Public goods/Missing markets ✓

- can only form under certain conditions and when these conditions are absent, markets struggle to exist. ✓✓
- Public goods are not provided for by market mechanism because producers cannot withhold the goods for non-payment and since there is often no way of measuring how much a person consumes, there is no basis to establish a market price. ✓✓

- Markets measuring how much a person consumes, there is no basis for establishing a market price
- lightning, flood control, storm water drainage and lighthouses. ✓✓
- Collective goods:** these are goods and services such as parks, beaches and beach facilities, streets, pavements, roads, bridges, public transport, sewerages systems, waste removals, water reticulation and refuse removals. ✓✓
- Community goods:** these are goods such as defense, police services, prison services, streetlights: these are goods and services such as parks, beaches and beach facilities, streets, pavements, roads, bridges, public transport, sewerages systems, waste removals, water reticulation and refuse removals. ✓✓

Merit goods and demerit goods: ✓✓

- Merit goods:** Some goods are highly desirable for the general welfare of the people of the country and are often not highly rated by the market. ✓✓
- If people have to pay market prices for them, relatively little would be consumed. ✓✓

Demerit goods: Items such as cigarettes, alcohol, and non-prescriptive drugs are example of demerit goods. ✓

- In a free market economy, these goods are over-consumed. ✓✓
- Government can ban their consumption or reduce it by means of taxation such as excise duties ✓✓ and by providing information about their harmful side effects. ✓✓

Imperfect competition ✓

- In market economies, competition is often impaired by power. ✓✓
- Power often lies to a greater extent with producers than with consumers. ✓✓
- Most businesses operate under conditions of imperfect competition that allow producers to restrict output, raise prices and produce where price exceeds marginal cost. ✓✓

Lack of information ✓

- Consumers, workers, and entrepreneurs do not always have the necessary information at their disposal to make rational decisions. ✓✓
- Consumers:** Although advances in technology increase the amount of information to which people have access, they obviously do not have perfect information. ✓✓
- Workers:** They may be unaware of job opportunities outside their current employment. ✓✓
- Entrepreneurs:** They may lack information about the costs, availability, and productivity of some factors of production, and may be operating based on incorrect information. ✓✓

Immobility of the factors of production: ✓

- Most markets do not adjust rapidly to changes in supply and demand. ✓✓
- Labour:** may take time to move into new occupations and geographically to meet the changes in consumer demand. ✓✓
- Physical capital:** Factory buildings and infrastructure such as telephone lines, bridges, rail links and airports are not moveable at will. ✓✓
- This capital last for many years but cannot be moved to fit change in demand. ✓✓

- **Technological applications change production methods:** Technology used in the production may change such as the use of robots rather than labour in mines. ✓✓
- It takes time for most industries to adapt - with greater technological changes ✓✓
- Workers need to be flexible, upskilled and be able to change employment, as well as work patterns. ✓✓

Imperfect distribution of income and wealth: ✓

- The most important shortcoming of market systems is that it is neutral in the issue of income distribution. ✓✓
 - If the initial distribution is unequal, the final distribution will be too. ✓✓
 - For this reason, it is often argued that the market fails. ✓✓
- (Accept any other correct relevant response) (Max 26)
(Allocate a maximum of 8 marks for mere listing of facts and examples.)

ADDITIONAL PART

- Maximum prices may cause a shortage of goods and services in the economy.
 - The shortage in supply will result in the economy declining. ✓✓
 - Black markets often develop where producers may attempt to sell the goods at higher prices. ✓✓
 - Producers of goods and services may leave the market as they are not making sufficient profits. ✓✓
 - Investors may withdraw their investment due to low return on their investment. ✓✓
 - A decline in economic growth and investment withdrawal will result in loss of jobs leading to an increase in the level of unemployment. ✓✓
 - Maximum prices result in a decrease in supply which leads to an increase in prices of goods and services. ✓✓
- (Accept any other correct relevant response) (Max 10)
(Allocate a maximum of 2 marks for mere listing of facts and examples.)

CONCLUSION

Just as the government does not comply with the supply of all community goods, there will always be a need to meet the expectations of the total community. ✓✓
(Accept any relevant conclusion.) (Max 2)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Examine in detail the benefits of tourism.** (26 marks)
- **Evaluate the South African government policies used to promote tourism.** (10 marks) [40]

INTRODUCTION

- Tourism describes 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✓✓
(Accept any other relevant introduction) (Max 2)

MAIN PART

Households ✓

- They receive income because of salaries and wages through employment✓✓ and their own involvement in the tourism industry as tour operators.✓✓
- Most of the infrastructure that is created for tourists is also used by the local people,✓✓ e.g. roads, hotels✓
- Tourism requires several skills, which require education and training.✓✓
- Learnerships for several skills required by the tourism industry are offered, ✓✓ e.g. tour guides, travel agents and chefs✓

Government✓

- The main avenue for governments to benefit from tourism is through the levying of taxes✓✓
- These taxes have a dual purpose✓To recover external costs✓This cost is recovered from the tourist by adding the taxes to the supply price/normal expenditure taxes✓✓ (e.g. VAT, excise duties, customs duties)✓
- This amount serves to compensate the host community for providing the infrastructure, and public amenities (e.g. showers, toilets) to the tourists✓✓
- To raise revenue.✓✓Tourists are seen as part of the overall tax base✓✓
- E.g. through airport departures, air ticket taxes and taxes on hotel rooms✓

Businesses✓

- Economic and basic services infrastructure are usually provided by the public sector✓✓
- A superstructure consists of businesses that provide accommodation, transport and retailing and recreation services✓✓
- Tourism also stimulates certain socio-economic objectives such as entrepreneurship development, Black Economic Empowerment and SMME development✓✓
- They are normally private sector activities and make up the profit-generating element of a tourist destination✓✓
- A combination of public and private sector finance is used to develop destinations✓✓
- The public sector also provides a range of financial incentives for private sector tourism investment (grants, subsidies, loans, taxes)✓✓

- There are also many informal and less traditional opportunities for tourism benefits, and these serve as steppingstones for previously neglected groups in the tourism business, ✓✓ e.g. car rentals, craft curios sales ✓

Infrastructure ✓

- Adequate and well-maintained physical and basic services infrastructure are essential for tourist destination areas ✓✓
- Economic infrastructure has been prioritised by Department of Tourism ✓✓ E.g., access to beaches, lakes, and rivers) ✓
- Social infrastructure has also been improved, ✓✓ e.g. ambulance services, medicine, and information services ✓

The following positive effects of tourism should also be considered:

Gross Domestic Product (GDP) ✓✓

- Travel and Tourism contribute both directly and indirectly to the GDP. ✓✓
- The direct contribution of travel and tourism reflects the internal spending of travel and tourism by residents and non-residents for business and leisure purposes, ✓✓ e.g. spending on accommodation, food, retail, transport and destination services, and the public sector's spending directly linked to visitors. ✓✓
- The indirect contribution includes purchases from suppliers of goods and services by the sectors dealing directly with tourists ✓✓ – including purchases of cleaning services by hotels, or fuel and catering services by airlines and IT services by travel agents. ✓✓

Employment ✓

Tourism sector is a large generator of jobs for the following reasons:

- Tourism is labour - intensive. It has the lowest rate of investment to employment creation. ✓✓
- Tourism employs many skills. There is room for almost any skill in the tourist industries such as accountants, hairdressers, tour guides etc. ✓✓
- Tourism can provide immediate employment. If it is properly organised and focused the tourism sector can create many jobs within a short period of time. ✓✓
- Tourism provides entrepreneurial opportunities. The tourism industry accommodates informal sector enterprises, from craft and fruit vendors to pavement vendors, chair rentals and others. ✓✓

Poverty Alleviation ✓

- Tourism brings development to the poor in rural areas. ✓✓
- Tourism offers opportunities to diversify sources of income for poor people: ✓✓
- **Allowing them a stake:** for example, to start and operate small-scale tourism businesses around community assets and to establish SMMEs to provide services. ✓✓
- **Empowering them:** for example, to exploit opportunities for on-the-job and other training. ✓✓
- **Creating partnerships:** linking up with mainstream tourism businesses supplying goods and services. ✓✓
- Consider inputs that relate to the benefits to international tourists.
(Accept any other correct relevant response) (Max 26)
(Allocate a maximum of 8 marks for mere listing of facts and examples.)

ADDITIONAL PART

Government's policies have been successful by:

- implementing tax policies to stimulate growth in tourism ✓✓
- targeting specific objectives for special favourable tax treatment in the form of tax holidays or rebates and tax credit schemes ✓✓
- encouraging ecotourism, encouraging tourism to selected regions, SMME involvement with an emphasis on the informal sector, and Black Empowerment initiatives ✓✓
- promoting tourism through ASGISA-Accelerated Shared Growth Initiative of South Africa. This initiative ensured that government, in partnership with the private sector, provided necessary infrastructure for tourism, that helped to keep the tourism industry growing and attracted more tourists ✓✓
- applying the domestic tourism growth strategy that aimed to increase expenditure on domestic tourism and reduce seasonability ✓✓
- launching the SA Tourism's Sho't Left campaign in August 2007, challenging South Africans to "see your world differently," even when only visiting family or friends. ✓✓
- It aims to promote a culture of local holiday travel, targeting ordinary South Africans and their families who have a desire to see more of the country but don't know where to go ✓✓

Government's policies could be more successful if:

- special tax policies are applied to education and training programmes designed to overcome the lack of skills at various levels of the industry ✓✓
- there is a greater geographic spread of tourism which will increase the volume of domestic tourists ✓✓

(Accept other correct relevant higher order answer)

(Allocate a maximum of 2 marks for mere listing of facts)

(Max 10)

CONCLUSION

A lot of investment, education and good leadership can help the tourism sector especially in South Africa ✓✓

(Accept any other relevant conclusion)

(Max 2)

[40]

TOTAL SECTION C:

40

GRAND TOTAL:

150