DEPARTMENT OF EDUCATION
DEPARTEMENT VAN ONDERWYS
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PROVINSIALE VOORBEREIDENDE EKSAMEN/ PROVINCIAL PREPARATORY EXAMINATION

GRAAD/GRADE 12

EKONOMIE/ECONOMICS

VRAESTEL/PAPER 2

SEPTEMBER 2025

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 blue ink.

10. You may use a non-programmable pocket calculator.

11. Write neatly and legibly.

SECTION A (COMPULSORY)

QUESTION 1

30 MARKS – 20 MINUTES

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

1.1.1 The competition policy institution that investigates and prosecutes anticompetitive practices is called the ...

A Competition Commission/Tribunal of South Africa.
B Competition Tribunal of South Africa.
C Consumer Protection Agency.
D Appeal Court.

1.1.2 The shape of the average total cost curve for a firm in monopolistic competition is ...

A downward sloping.
B flat.
C L-shaped.
D U-shaped.

1.1.3 A duopoly is a market structure characterised by ...

A many sellers.
B two dominant sellers.
C a single seller.
D no barriers to entry.

1.1.4 Purchasing a product without knowing the harmful side effects is an example of ...

A positive externality.
B negative externality.
C imperfect information.
D a subsidy.

1.1.5 A sustained and extremely high rate of inflation, often exceeding 50% per month, is referred to as ...

A disinflation.
B deflation.
C hyperinflation.
D reflation.

1.1.6 The guidelines and frameworks set by governments to manage tourism growth are referred to as …

A tourism policies.
B tourism strategies.
C infrastructure regulations.
D indigenous knowledge systems.

1.1.7 The international summit focused on climate change which led to the establishment of the Kyoto Protocol is the …

A Earth Summit (1992).
B United Nations Climate Change Conference (1997).
C Copenhagen Climate Summit (2009).
D Paris Climate Agreement (2015).

1.1.8 Government intervention that imposes a financial charge on environmentally harmful activities to encourage pollution reduction, is called …

A a subsidy.
B sin tax.
C environmental zoning.
D green tax.

(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 (1.2.1–1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Shutdown point	A	a framework where central banks use policy tools to keep the general rise in prices steady, helping to ensure economic stability and confidence
1.2.2	Tacit collusion	B	traps heat in the air and slows its escape, warming the planet
1.2.3	Marginal cost	C	involves constructing and improving essential systems like transportation, utilities and communication networks
1.2.4	Externalities	D	the total cost of production divided by the number of units produced
1.2.5	Inflation targeting	E	the level of production where a firm's revenue covers only its variable costs
1.2.6	Infrastructure development	F	the total impact of someone's actions on warming the planet
1.2.7	Carbon footprint	G	the unintended costs or benefits of an economic activity that affect third parties not directly involved in the activity
1.2.8	Greenhouse gases	H	when firms in an industry implicitly agree to avoid competitive behaviours like price wars without explicit communication
		I	the additional cost incurred by producing one more unit of a good or service

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1–1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 The actual, out-of-pocket expenses that a firm incurs during its operations

1.3.2 The practice of charging different prices to different consumers for the same product based on their willingness to pay

1.3.3 Goods that are non-excludable and non-rivalrous

1.3.4 A general decrease in prices and an increase in the purchasing value of money

1.3.5 Someone who travels from their home country to another country for leisure, business or other purposes

1.3.6 Natural resources that can be replenished over time (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 Give any TWO examples of demerit goods. (2 x 1) (2)

2.1.2 Why is the demand curve relatively inelastic for firms in the monopoly market? (1 x 2) (2)

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

MONOPOLISTIC COMPETITION: SA QUICK-SERVICE CHICKEN WARS

The Market Research Foundation (MRF) has released data from its *Marketing All Products Survey* (MAPS), covering July 2020 to June 2024. In the quick-service chicken market, KFC leads with a 25% market share, followed by Chicken Licken with 10% and Hungry Lion with 7% of the overall quick-service market, which includes burger places.

[Adapted from https://geoscope-sa.com]

2.2.1 Identify the dominant firm in the information above. (1)

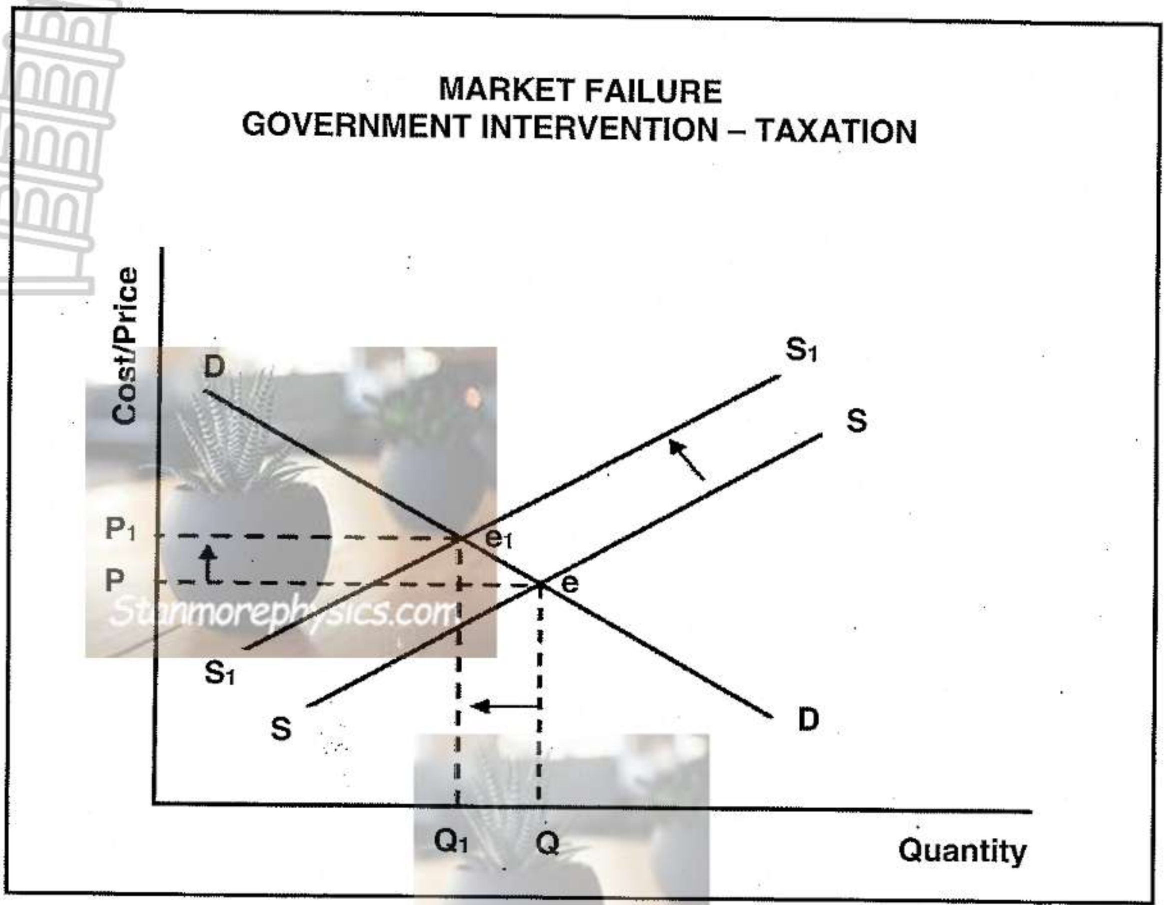
2.2.2 Name any other competitor that is NOT included in the information above. (1)

2.2.3 Briefly describe the term *hybrid market structure*. (2)

2.2.4 Why do firms in a monopolistic market have incomplete market information? (2)

2.2.5 Which strategies can Chicken Licken implement to improve its market share? (2 x 2) (4)

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



2.3.1 Identify the initial quantity produced as depicted in the graph above. (1)

2.3.2 Name any ONE type of tax that the government implements to help with the redistribution of wealth. (1)

2.3.3 Briefly describe the term *producer subsidies*. (2)

2.3.4 Explain why black markets arise when the government implements maximum prices. (2)

2.3.5 How is the media important for promoting positive externalities? (2 x 2) (4)

2.4 Briefly discuss the immobility of factors of production as a reason for market failure. (4 x 2) (8)

2.5 How does price fixing in an oligopolistic market affect the economy? (4 x 2) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO methods to measure inflation. (2 x 1) (2)

3.1.2 Why are tourists attracted to areas where people practice indigenous knowledge? (1 x 2) (2)

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

CONSUMER INFLATION DATA FOR SOUTH AFRICA FROM 2023 TO 2025

Year	Average inflation rate	December inflation rate	Key contributors
2023	6,0%	2,8%	Food Transport Housing and utilities
2024	4,4%	3,0%	Miscellaneous goods and services Housing and utilities Alcoholic beverages and tobacco Food and non-alcoholic beverages
2025	3,8% (forecasted)	3,0% (forecasted)	Food Housing and utilities Transport

In 2025, inflation is forecasted to average around 3,8%, with December expected to see a rate of 3,0%. The key contributors to inflation are expected to remain similar to previous years, with food, housing and utilities and transport being significant factors.

[Adapted from https://www.statssa.gov.za]

3.2.1 Identify the trend of the average inflation rate in the extract above. (1)

3.2.2 Name any ONE beverage item that is included in the consumer inflation basket. (1)

3.2.3 Briefly describe the term *administered prices.* (2)

3.2.4 What potential impact could a decrease in the inflation rate have on consumers? (2)

3.2.5 Why do rising housing costs contribute heavily to the overall inflation? (2 x 2) (4)

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

[Adapted from canvas]

3.3.1 Identify the type of tourism depicted in the cartoon above. (1)

3.3.2 Name any other animal, besides the elephant, that is part of South Africa's Big Five. (1)

3.3.3 Briefly describe the term *transit tourist.* (2)

3.3.4 How is marketing used to distribute tourists effectively to many sites? (2)

3.3.5 How do tourist arrivals help in alleviating poverty? (2 x 2) (4)

3.4 Briefly discuss the effects of tourism on *businesses* and *government.* (2 x 4) (8)

3.5 Evaluate the impact of high inflationary expectations on investors. (4 x 2) (8)
[40]

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

4.1 Answer the following questions.

4.1.1 Name any TWO types of inefficiencies. (2 x 1) (2)

4.1.2 Explain the relationship between an increase in productivity and cost-push inflation. (1 x 2) (2)

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

> **SOUTH AFRICAN RESERVE BANK (SARB) DROPS REPO RATE BY 25 BASIS-POINTS (BP)**
>
> South Africans are starting the year positively with a 25 basis-point cut to the repo rate, reducing it from 7,75% to 7,50%, as announced by the SARB Governor on 30 January 2025 and the Monetary Policy Committee (MPC). This reduction is good news for those repaying home and vehicle loans, as it will slightly lower monthly instalments, easing the financial burden on households. This marks the third consecutive repo rate cut since the Covid-19 pandemic, indicating a shift towards a more accommodating monetary policy to support economic recovery.
>
> [Adapted from https://www.thesouthafrican.com]

4.2.1 Identify the new repo rate set by the South African Reserve Bank from the extract. (1)

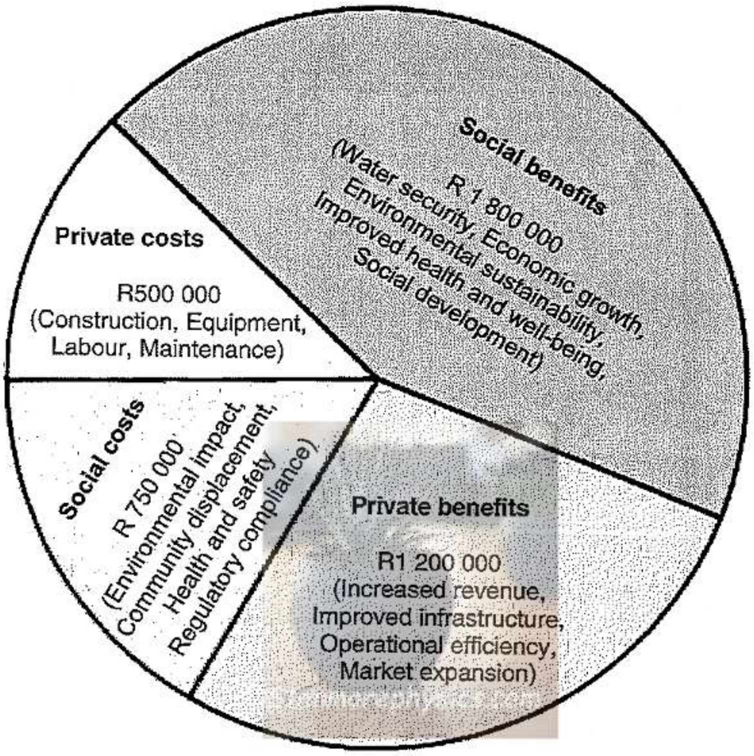
4.2.2 Name the current inflation target range set by the South African Reserve Bank. (1)

4.2.3 Briefly describe the term *cash reserve requirements.* (2)

4.2.4 How will government spending projects be affected if there is an increase in demand-pull inflation? (2)

4.2.5 Why might a lower repo rate potentially stimulate economic recovery in South Africa? (2 x 2) (4)

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



4.3.1 Identify the category with the highest value from the table above. (1)

4.3.2 Name the component in private costs that is most likely to require ongoing costs over the lifetime of a project. (1)

4.3.3 Briefly describe the term *cost-benefit analysis.* (2)

4.3.4 How can improved infrastructure lead to economic growth? (2)

4.3.5 Calculate the overall cost-benefit ratio (CBR), considering both private and social categories. Show ALL calculations. (4)

4.4 Briefly discuss *natural* and *artificial monopolies.* (2 x 4) (8)

4.5 Evaluate the environmental impact of tourism. (4 x 2) (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: • 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/Discuss in detail with the aid of graphs/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Differentiate/Explain/Assess/Debate **A maximum of 8 marks may be allocated for headings/examples.**	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/ Distinguish/Suggest/Interpret/Debate/How? **A maximum of 2 marks may be allocated for the mere listing of facts.**	Max. 10
Conclusion Any higher-order conclusion should include: • A 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 short-run equilibrium positions in a perfect market with the aid of three separate graphs (economic profit, economic loss and normal profit). (26)
- Why does the agricultural market often fail to meet the criteria/conditions of a perfectly competitive market? (10)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Discuss the FIVE major environmental problems and the international measures taken to solve these problems to ensure a sustainable environment. (26)
- What role can education play in promoting environmental sustainability? (10)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150

Question 5 – Mark Allocation Guidelines

- Each **graph** is awarded **4 marks**, with a total of **12 marks** allocated for all graphs.
- If the learner **does not include the graphs**, the main written section should be marked out of **18 marks**.
- A **maximum of 6 marks** may be awarded for each **profit, loss, or normal profit explanation/discussion**.

Question 6 – Mark Allocation Guidelines

- For **each environmental problem**, a **maximum of 6 marks** should be awarded under its respective heading.
- Learners must **include a solution, protocol, or measure** to address or resolve each environmental issue.
- If a learner **fails to provide a solution, protocol, or measure** under a specific heading, **2 marks must be deducted** from the 6 marks allocated for that section.

- Accept the following environmental problems as valid responses:

- **Pollution** – award marks only once, regardless of how many types of pollution are listed.
- **Deforestation**
- **Soil Erosion**
- **Other relevant issues

If the learner discusses environmental problems **without mentioning any solutions, protocols, or measures**, a **maximum of 20 marks** may be awarded for the entire section.

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PROVINCIAL PREPARATORY EXAMINATION

GRADE 12

ECONOMICS

PAPER 2

SEPTEMBER 2025

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 20 pages.

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A Competition Commission ✓✓
1.1.2 D U shape✓✓
1.1.3 B two dominant sellers✓✓
1.1.4 C imperfect information✓✓
1.1.5 C hyperinflation✓✓
1.1.6 A Tourism policies✓✓
1.1.7 B United Nations Climate Change Conference (1997) ✓✓
1.1.8 D green tax✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 E the level of production where a firm's revenue covers only its variable costs✓
1.2.2 H when firms in an industry implicitly agree to avoid competitive behaviors like price wars without explicit communication✓
1.2.3 I the additional cost incurred by producing one more unit of a good or service✓
1.2.4 G the unintended costs or benefits of an economic activity that affect third parties not directly involved in the activity✓
1.2.5 A a framework where central banks use policy tools to keep the general rise in prices steady, helping ensure economic stability and confidence✓
1.2.6 C involves constructing and improving essential systems like transportation, utilities, and communication networks✓
1.2.7 F the total impact of someone's actions on warming the planet✓
1.2.8 B trap heat in the air and slow its escape, warming the planet✓
(8 x 1) (8)

1.3 GIVE THE TERM

1.3.1 Explicit costs✓
1.3.2 Price discrimination✓
1.3.3 Public goods/Community goods✓
1.3.4 Deflation✓
1.3.5 Tourist/ Outbound tourist✓
1.3.6 Renewable ✓ (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 SHORT QUESTIONS

2.1.1 **Give any TWO examples of demerit goods.**

- Cigarettes ✓
- Alcohol✓
- Illegal Drugs✓
- Gambling✓

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

2.1.2 **Why is the demand curve relatively inelastic for firms in the monopoly market?**

In a monopoly market, the demand curve is relatively inelastic because there are few or no substitutes, the product is unique, consumer loyalty is high, the goods or services are often essential, and high barriers to entry prevent competition.✓✓

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

2.2 DATA RESPONSE

2.2.1 **Identify the dominant firm in the information above.**

KFC✓ (1)

2.2.2 **Name any other competitor that is NOT included in the information above.**

- McDonalds✓
- Burger King✓
- Nando's✓
- Steers✓
- Debonairs Pizza✓
- Wimpy✓

(Accept any other correct relevant response) (1)

2.2.3 **Briefly describe the term *hybrid structure*.**

A hybrid structure in a market context combines elements from both perfect competition and monopoly, allowing the organization to benefit from the best of both worlds.✓✓

(Accept any other correct relevant response) (2)

2.2.4 **Why do firms in a monopolistic market have incomplete market information?**

Firms in a monopolistic market have incomplete information due to market complexity, unpredictable customer preferences, potential competition, rapid technological changes, and regulatory uncertainties.✓✓

(Accept any other correct relevant response) (2)

2.2.5 **What strategies can Chicken Licken implement to improve their market share?**

- Expanding menu options to cater to local tastes and preferences, including healthier and vegetarian choices.✓✓
- Enhancing their digital presence with online ordering and social media engagement.✓✓
- Implementing customer loyalty programs to encourage repeat business.✓✓
- Engaging with the community through events and sponsorships.✓✓
- Improving customer experience with exceptional service.✓✓
- Forming strategic partnerships with other brands or influencers.✓✓
- Developing creative marketing campaigns that resonate with the target audience.✓✓
- Adopting sustainability practices to attract environmentally conscious consumers.✓✓

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

2.3 DATA RESPONSE

2.3.1 **Identify the initial quantity produced as depicted in the graph above.**

Q✓ (1)

2.3.2 **Name any ONE type of tax that governments implement to help with the redistribution of wealth.**

- Progressive Income Tax✓
- Wealth tax✓
- Capital gains tax✓
- Property tax✓
- Corporate tax✓
- Luxury tax✓
- Gift tax✓
- Inheritance tax✓ (1)

2.3.3 **Briefly describe the term *producer subsidies.***

Producer subsidies are financial supports from the government that help lower the cost of making goods. This not only helps businesses stay competitive and keep prices stable, but also encourages them to produce more.✓✓

(Accept any other correct relevant response) (2)

2.3.4 **Explain why black markets arise when government implement maximum prices.**

Black markets arise when the government sets a maximum price below the market equilibrium, leading to higher demand and reduced supply incentives, resulting in a shortage./Consumers willing to pay more than the controlled price turn to black markets, where products are sold at higher prices to meet excess demand.✓✓

(Accept any other correct relevant response)

(2)

2.3.5 **How is media important for promoting positive externalities?**

- Media is crucial for promoting positive externalities as it helps spread information, raise awareness, and influence public behaviour. ✓✓
- It can educate the public about the benefits of positive externalities like education, healthcare, and environmental sustainability. ✓✓
- Through advocacy campaigns and news stories, media can support policies and initiatives that promote these benefits.✓✓
- Additionally, media can shape public behavior by highlighting positive actions and showcasing role models, encouraging others to follow suit.✓✓
- By holding governments and organizations accountable, media ensures transparency and effective implementation of beneficial policies. ✓✓

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

(4)

2.4 **Briefly discuss immobility of factors of production as a reason for market failure.**

- Workers find it difficult to relocate to areas with better job opportunities due to barriers such as housing costs, family commitments, or lack of information.✓✓
- Results in uneven distribution of labour, with some regions experiencing labour shortages and others facing high unemployment rates.✓✓
- Acquiring new skills or education takes time, preventing workers from transitioning into different industries or job roles quickly.✓✓
- Leads to unfilled job vacancies and lower productivity in industries requiring specialized skills.✓✓
- Specialised machinery and equipment cannot be easily transferred from one industry to another.✓✓
- Industries facing declining demand cannot quickly repurpose their capital, leading to inefficiencies and underutilization.✓✓
- Shifting from producing one type of product to another or adopting new production methods requires changes in workers' skills, employment, and work patterns.✓✓
- These transitions take time, causing disruptions in production, reduced output, and temporary unemployment.✓✓
- Land is inherently immobile and its use is often restricted by zoning laws and regulations.✓✓
- Prevents land from being allocated to its most productive use, leading to inefficiencies.✓✓
- Immobile factors of production cannot be reallocated to areas where they are most needed.✓✓
- Results in an inefficient allocation of resources, with some sectors experiencing excess supply while others suffer from shortages, leading to lower overall productivity and economic growth.✓✓
- Immobility of factors of production can lead to prices not adjusting quickly to changes in supply and demand.✓✓
- Causes prolonged periods of disequilibrium in the market, where resources are not being used optimally.✓✓

- Entrepreneurship can cause problems in the market when it can't move easily.
- If people with good business ideas don't have support or can't start new businesses in areas that need them, their skills go to waste.✓✓
- That means fewer jobs, less innovation, and resources not being used well.✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for mere listing of facts) (4 x 2) (8)

2.5 **How does price fixing in an oligopolistic market affect the economy?**

- Price fixing eliminates competition among firms, leading to a lack of incentives for innovation and efficiency. ✓✓
- Firms may become complacent, resulting in lower quality products and services.✓✓
- Consumers end up paying higher prices for goods and services because firms are not competing to offer lower prices.✓✓
- This can reduce consumer surplus and overall economic welfare.
- To maintain higher prices, firms may restrict the output of goods and services. This can lead to shortages and decreased availability of products in the market.✓✓
- Price fixing distorts the allocation of resources, as prices no longer reflect the true supply and demand conditions.✓✓
- Resources may be misallocated, leading to inefficiencies in the economy.✓✓
- Price fixing can create barriers to entry for new firms, as established firms can use their agreed-upon prices to maintain market dominance.✓✓
- This reduces market dynamism and prevents new entrants from introducing innovative products or services.✓✓
- Price fixing is illegal in many countries, including South Africa, as it violates antitrust laws. ✓✓
- Firms caught engaging in price fixing can face significant fines and legal penalties, which can disrupt their operations and impact the broader economy.✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)
[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 **Name any TWO methods to measure inflation.**

- Indexes (CPI/PPI)✓
- Weighting ✓
- Gross Domestic Product (GDP) Deflator✓
- Inflation rate✓

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

3.1.2 **Why are tourists attracted to areas where people practice indigenous knowledge?**

Tourists are attracted to indigenous knowledge systems for their cultural richness, authentic experiences, and the educational opportunities they provide about sustainable living and natural resource management./These systems offer unique perspectives and the chance to support and appreciate indigenous communities.✓✓

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

3.2 DATA RESPONSE

3.2.1 **Identify the trend of the average inflation rate from the information above.**

A gradual decline/ declining/ decrease over the years.✓

(Accept any other correct relevant response) (1)

3.2.2 **Name any ONE beverage item that is included in consumer inflation basket.**

- Coffee✓
- Tea✓
- Soft drinks (soda)✓
- Fruit juices✓
- Bottled water✓
- Alcoholic beverages (beer, wine, spirits)✓
- Milk✓

(Accept any other correct relevant response) (1)

3.2.3 **Briefly describe the term *administered prices*.**

Administered prices are prices set by the government or a regulatory authority, rather than being determined by market forces of supply and demand.✓✓

(Accept any other correct relevant response) (2)

3.2.4 **What potential impact can a decrease in the inflation rate have on consumers?**

- The value of money increase, consumers can buy more goods and services. ✓✓

(Accept any other correct relevant response) (2)

3.2.5 **Why do rising housing costs contribute heavily to the overall inflation?**

- Housing costs represent a significant portion of the consumer inflation basket, so any increase in housing expenses has a substantial impact on overall inflation.✓✓
- Since housing is a fundamental necessity, a large portion of the population is affected by rising housing costs, leading to broader inflationary pressures.✓✓
- Increased housing costs lead to higher prices for related goods and services, such as utilities and maintenance, which further contribute to overall inflation.✓✓
- Higher housing costs reduce households' disposable income, leading to increased prices for essential goods and services as consumers prioritize their spending.✓✓
- Rising housing costs can lead to higher wage demands as workers seek to cover their increased living expenses, resulting in higher production costs for businesses and further inflation.✓✓

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

(4)

3.3 DATA RESPONSE

3.3.1 **Identify the type of tourism depicted in the cartoon above.**
Ecotourism.✓ (1)

3.3.2 **Name any other animal, besides the elephant, that is part of South Africa's Big Five.**

- Lion✓
- Leopard✓
- Rhino✓
- Buffalo✓

(1)

3.3.3 **Briefly describe the term *transit tourist.***
A transit tourist is a traveler who makes a short stopover in a place while on their way to another destination.✓✓
(Accept any other correct relevant response) (2)

3.3.4 **How is marketing used to distribute tourist effectively to many sites?**

- Targeted advertising and social media campaigns to attract different segments of travelers.✓✓
- Content marketing and collaborations with influencers, airlines, and travel agencies increase visibility and interest in diverse destinations.✓✓
- Additionally, promoting events and festivals, along with strong public relations, ensures a balanced and sustainable tourism experience.✓✓

(Accept any other correct relevant response) (2)

3.3.5 **How do tourist arrivals help in alleviating poverty?**

- Tourism creates numerous jobs in sectors like hospitality, transportation, and tour guiding, providing stable income for individuals and their families.✓✓
- Tourist spending stimulates the local economy, benefiting businesses and leading to community development and improved living standards.✓✓
- The need to cater to tourists leads to improved infrastructure, enhancing the quality of life and access to essential services for residents.✓✓
- Tourism encourages the preservation of cultural heritage and traditions, providing income for local artisans and fostering educational opportunities.✓✓
- Tourism promotes the growth of small and micro-enterprises, circulating money within the local economy and supporting family and community businesses.✓✓
- Sustainable tourism practices emphasize natural resource conservation, creating jobs in environmental management and boosting eco-tourism.✓✓

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

3.4 **Briefly discuss the effects of tourism to businesses and government.**

Effects of Tourism on Businesses

- Businesses in the hospitality, transportation, retail, and entertainment sectors see increased sales from tourist spending.✓✓
- Tourism supports a wide range of jobs, from entry-level positions to skilled roles, across various industries.✓✓
- Tourism opens up new markets for local products and services, encouraging innovation and diversification.✓✓
- Success in tourism can attract further investment in the region, improving business opportunities and infrastructure.✓✓
- Businesses gain exposure to diverse cultures, fostering creativity and adaptability in products and services.✓✓
- Many tourism businesses earn most of their income during peak seasons, leading to unstable cash flow and job insecurity during off-seasons.✓✓
- Relying too much on tourists makes businesses vulnerable to global events like pandemics, economic downturns, or travel restrictions.✓✓
- Increased demand from tourists can drive up prices for rent, goods, and services, making it harder for local businesses and residents to afford them.✓✓
- Overcrowding and overuse of resources can damage the environment, which in turn affects businesses that rely on natural attractions.✓✓
- Businesses may shift their offerings to cater to tourists rather than locals, which can weaken community identity and long-term customer loyalty.✓✓

Effects of Tourism on Government

- Governments collect revenue through taxes on tourism-related activities, such as accommodation, transportation, and attractions.✓✓
- Tourism stimulates economic growth, leading to infrastructure development and improved public services.✓✓

- Government initiatives in tourism create job opportunities, reducing unemployment rates.✓✓
- Tourism encourages the government to invest in preserving cultural heritage sites and promoting national identity.✓✓
- Governments often implement sustainable tourism practices and conservation efforts to protect natural resources.✓✓
- High infrastructure costs to support tourism can strain public budgets.✓✓
- Environmental degradation may require costly clean-up or regulation.✓✓
- Uneven development can widen regional inequalities.✓✓
- Political pressure to prioritize tourists over local needs may cause social tension.✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for mere listing of facts) (2 x 4) (8)

3.5 **Evaluate the impact of high inflationary expectation on investors.**

Positive Impact
- Real assets like property, gold, and commodities often rise in value, providing a hedge against inflation. ✓✓
- Inflation-indexed securities offer returns that keep pace with rising prices, protecting purchasing power.✓✓
- Some companies, especially in energy or consumer staples, can pass on higher costs and maintain profits.✓✓
- The real value of debt owed decreases, benefiting investors with fixed borrowing costs.✓✓

Negative Impact
- Returns on fixed-income investments lose value in real terms as inflation rises.✓✓
- Fear of aggressive interest rate hikes and economic uncertainty can disrupt markets.✓✓
- Firms unable to pass on rising input costs may see profit margins shrink.✓✓
- Inflation can obscure true asset performance, making it hard to judge real gains or losses.✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2)

(8)
[40]

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

4.1 Answer the following questions.

4.1.1 **Name any TWO types of inefficiencies.**

- Allocative Inefficiency ✓
- Productive Inefficiency/Technical inefficiency✓ (2 x 1) (2)

4.1.2 **Explain the relationship between increase in productivity and cost push inflation?**

Increased productivity can reduce cost-push inflation by lowering production costs and increasing output, which balances supply and demand./It also stabilizes wage costs, supports economic growth, and improves competitiveness, helping to maintain stable prices even when production costs rise.✓✓
(Accept any other correct relevant response) (1 x 2) (2)

4.2 **DATA RESPONSE**

4.2.1 **Identify the new repo rate set by the South African Reserve Bank from the extract.**
7,50%✓ (1)

4.2.2 **Name the current inflation target range set by the South African Reserve Bank.**
3 - 6%✓ (1)

4.2.3 **Briefly describe the term *cash reserve requirements*.**
Cash reserve requirements are the minimum amount of money that banks must keep on hand, either in their vaults or deposited with the central bank.✓✓
(Accept any other correct relevant response) (2)

4.2.4 **How will government spending projects be affected if there is an increase in demand pull inflation?**

- Higher inflation erodes the real value of government spending, requiring more funds to maintain the same level of public services and projects.✓✓
- Higher inflation can lead to higher interest rates, increasing the government's cost of borrowing and interest payments on existing debt.✓✓
- The government may need to reprioritize its budget to manage inflationary pressures, possibly diverting funds from other areas.✓✓
- To mitigate the impact of inflation on low-income households, the government may increase social spending on subsidies, welfare programs, and direct transfers.✓✓

(Accept any other correct relevant response) (2)

4.2.5 **Why could a lower repo rate potentially stimulate economic recovery in South Africa?**

- Lower repo rates decrease borrowing costs for businesses and consumers, encouraging spending and investment.✓✓
- Lower interest rates reduce loan and mortgage repayments, leaving consumers with more disposable income to spend.✓✓
- Affordable loans allow businesses to expand, hire, and invest, leading to job creation and increased production.✓✓
- Lower interest rates attract domestic and foreign investors, contributing to economic growth.✓✓
- A supportive monetary policy environment boosts confidence among consumers and businesses, leading to increased spending and investment.✓✓

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

4.3 DATA RESPONSE

4.3.1 **Identify the category with the highest value from the table above.**

Social benefits✓ (1)

4.3.2 **Name which component in private costs is most likely to require ongoing costs over the lifetime of a project?**

Maintenance✓ (1)

4.3.3 **Briefly describe the term *cost benefit analysis.***

Cost-benefit analysis is a method used to evaluate the feasibility of a government project by comparing the total expected costs with the total expected benefits.✓✓

(Accept any other correct relevant response) (2)

4.3.4 **How can improved infrastructure lead to economic growth?**

- Improved infrastructure reduces costs and boosts productivity for businesses.✓✓
- High-quality infrastructure attracts both domestic and foreign investment, creating jobs and business opportunities.✓✓
- Better infrastructure improves the movement of goods, services, and people, stimulating trade and economic integration.✓✓
- Infrastructure improvements enhance residents' quality of life, leading to a more productive workforce and increased consumer spending.✓✓

(Accept any other correct relevant response) (2)

4.3.5 **Calculate the overall Cost-Benefit Ratio (CBR) considering both private and social categories. (Show all calculations.)**

- CBR = Total Benefits/Total Costs✓
- CBR = R3,000,000✓/R1,250,000✓
- CBR = 2,4 ✓✓

(Accept any other correct relevant response) (4)

4.4 **Briefly discuss *natural* and *artificial* monopolies.**

Natural Monopolies
- High development costs prevent others from entering the market and therefore the government supplies the product e.g. electricity in South Africa is provided by the government enterprise Eskom.✓✓
- Natural monopolies arise in industries with high fixed costs and significant economies of scale, where a single firm can produce the entire market output at a lower average cost than multiple competing firms.✓✓
- Since natural monopolies can lead to market power and potential price gouging, governments often regulate these industries to ensure fair pricing and access.✓✓
- Regulatory bodies may set price caps and service quality standards.
- Industries such as electricity, water, and natural gas.✓✓
- The infrastructure required (e.g., power plants, water treatment facilities, pipelines) involves substantial capital investment, making it inefficient for multiple providers to duplicate these networks.✓✓
- Certain transportation systems, like railways and subways, where the high cost of tracks and stations necessitates a single operator for efficiency.✓✓

Artificial Monopolies
- The barriers to entry are not economic in nature they are created through external interventions such as government regulations, patents, or legal barriers that restrict competition.✓✓
- These protections can grant exclusive rights to a single firm, preventing other firms from entering the market.✓✓
- Patents and intellectual property rights grant firms exclusive control over specific innovations, products, or processes for a defined period.✓✓
- This exclusivity can prevent competitors from offering similar products and allow the patent-holding firm to dominate the market.✓✓
- Governments may grant exclusive licenses or create regulatory barriers to entry, which can result in artificial monopolies.✓✓
- This often occurs in industries where the government wants to control the market for strategic or public interest reasons.✓✓
- Companies that hold patents on specific drugs have exclusive rights to manufacture and sell those drugs, preventing competitors from entering the market until the patent expires.✓✓
- Governments may grant exclusive licenses to certain firms to operate in specific regions, creating monopolies in those areas.✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for mere listing of facts) (2 x 4) (8)

4.5 **Evaluate the environmental impact of tourism.**
Positive Impacts of Tourism on the Environment:
- Tourism can promote the conservation and preservation of natural habitats and biodiversity.✓✓
- National parks and wildlife reserves are often funded and maintained through tourism revenue. This helps protect endangered species and ecosystems.✓✓
- Tourism can raise awareness about environmental issues among tourists and local communities.✓✓

- Educational programs and eco-tourism initiatives can lead to more sustainable behaviors and practices.✓✓
- Revenue generated from tourism can be reinvested into environmental protection and conservation projects.✓✓
- This includes initiatives like reforestation, habitat restoration, and pollution control.✓✓
- Tourism can create economic incentives for local communities to engage in sustainable practices.✓✓
- For example, eco-friendly accommodations and tours can attract environmentally conscious travelers, driving demand for sustainable products and services.✓✓

Negative Impacts of Tourism on the Environment:

- High tourist activity can strain local resources, such as water and energy. This can lead to shortages and increased pressure on the environment.✓✓
- Tourism can generate significant waste, including plastic waste, sewage, and air pollution from transportation.✓✓
- This can harm wildlife and ecosystems, and contribute to climate change.
- The development of tourism infrastructure, such as hotels, resorts, and roads, can lead to habitat destruction and fragmentation.✓✓
- This can threaten the survival of wildlife and disrupt natural ecosystems.
- Popular tourist destinations can become overcrowded, leading to soil erosion, vegetation damage, and disturbance to wildlife.✓✓
- This can degrade the quality of the environment and diminish the visitor experience.✓✓
- Tourism-related transportation, such as flights and cruises, contributes to greenhouse gas emissions.✓✓
- This exacerbates climate change and its associated impacts on the environment.✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2)

(8)
[40]

TOTAL SECTION B: 80

SECTION C

Answer any one of the two questions in this section in the ANSWER BOOK.

QUESTION 5: MICROECONOMICS **40 MARKS – 40 MINUTES**

- **Discuss in detail the short-run equilibrium positions in a perfect market with the aid of three separate graphs.(economic profit, economic loss and normal profit)** **(26)**
- **Why does the agricultural market often fail to meet the criteria/conditions of a perfectly competitive market?** **(10)**

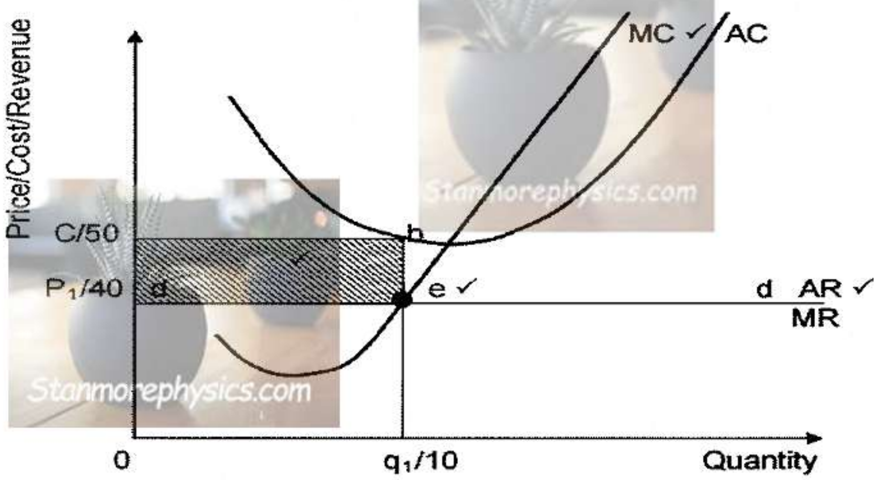
[40]

INTRODUCTION
A perfect competition is a market structure with a large number of buyers and sellers✓✓
(Accept any other relevant introduction) **(Max. 2)**

BODY

MAIN PART

ECONOMIC LOSS



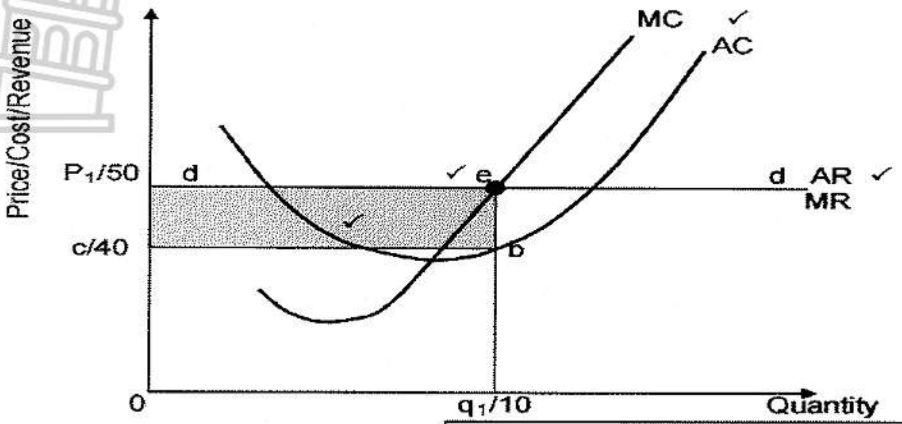
Mark allocation	
Correct drawing and labelling of cost curves:	1 mark
Correct drawing and labelling of revenue curves:	1 mark
Correct indication of loss minimizing point:	1 mark
Correct indication of area (economic loss):	1 mark
	Max 4 marks

- The minimum point of the short-term average cost curve (AC) is higher than the market price. ✓✓
- Economic loss occurs when total revenue (TR) is less than total cost (TC). ✓✓
- Economic loss is a negative difference between TR and TC. ✓✓
- When there is economic loss some businesses will leave the market. ✓✓
- At the market price of P1/40 loss is minimized at point e where MR = MC. ✓✓
- Q/10 units of the product will be produce at an average cost of c/50. ✓✓
- TR = Oq1 x OP1 (40 x 10) and total cost is equal to Oc1 x Oq1 (50 x 10). ✓✓

- The economic loss is represented by area P1cbe (100).✓✓

(Accept any other correct relevant response) (6) (Max 10)

ECONOMIC PROFIT

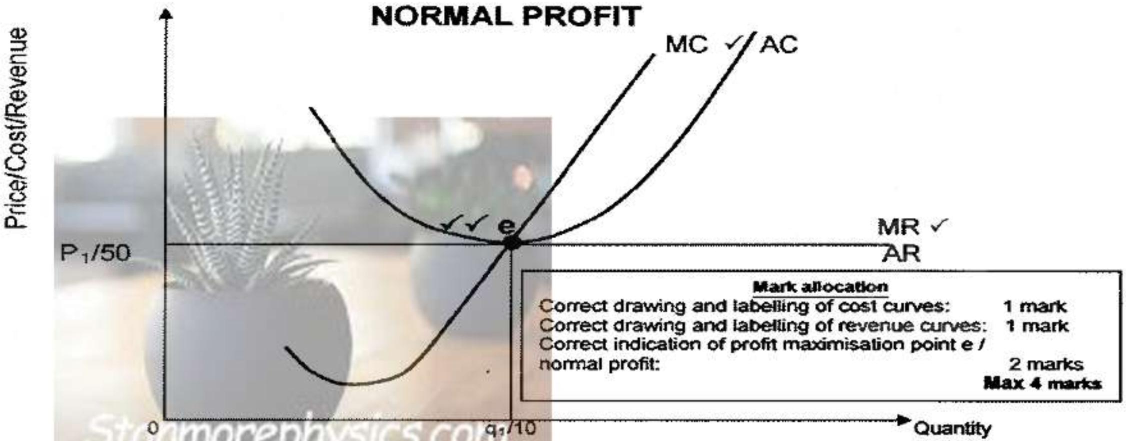


Mark allocation	
Correct drawing and labelling of cost curves:	1 mark
Correct drawing and labelling of revenue curves:	1 mark
Correct indication of profit maximisation point:	1 mark
Correct indication of area (economic profit):	1 mark
	Max 4 marks

- The minimum point of the short-term average cost curve (AC) is lower than the market price. ✓✓
- Economic profit occurs when total revenue (TR) is greater that total costs (TC)/when average revenue (AR) is greater than average cost (AC). ✓✓
- Economic profit is the positive difference between TR and TC. ✓✓
- When there is economic profit some businesses will enter the market. ✓✓
- At the value price of P1/50 profit in maximize at point e where MR = MC. ✓✓
- Q1/10 units of the product will be produced at an average cost of c/40. ✓✓
- Total revenue is equal to 0q1 × 0P1 (50 × 10) and the total costs is equal to 0q1 × 0c (40 × 10).✓✓
- The economic profit is represented by the area P1ebc (R100). ✓✓

(Accept any other correct relevant response) (6) (Max 10)

NORMAL PROFIT



- Normal profit is the minimum earning required to prevent the entrepreneur leaving the market. ✓✓
- Normal profit occurs when total revenue (TR) is equal to total costs (TC)/when average revenue (AR) is equal to average cost (AC). ✓✓

- Normal profit is referred to zero economic profit (breakeven) because TR – TC = 0/AR – AC = 0. ✓✓
- At the market price P1/50 profit is maximized at point e where MR = MC. ✓✓
- Q1/10 units of product will be produced at an average cost off R50. ✓✓
- When businesses are making normal profit there will be no incentives for a new business to enter or existing businesses to leave the market. ✓✓
- The lowest point of AC is tangent to AR/MR curves. ✓✓
- This implies that AC is equal to AR and the toal costs is equal to total revenue (0P1eq1/500).✓✓

(Accept any other correct relevant response) (6) Max (10)
(Allocate a maximum of 8 marks for mere listing of headings and examples)
(Max 26)

ADDITIONAL PART
While agricultural produce is often cited as an example of a perfect market, this assumption is not entirely accurate. Here are several reasons why:

- Farmers and buyers may not have perfect knowledge of market conditions, prices, and product quality.✓✓
- This information asymmetry can lead to inefficiencies in the market.✓✓
- New farmers may face significant barriers to entering the market, such as high startup costs, limited access to credit, and regulatory hurdles.✓✓
- Agricultural products are not always homogeneous. Different farmers may produce crops with varying qualities, tastes, or certifications (e.g. organic), which can affect their market value.✓✓
- Agricultural markets are often subject to government subsidies, tariffs, and regulations, which can distort market prices and create inefficiencies.✓✓
- Agricultural products may incur significant transportation and storage costs, which can affect their market price and availability.✓✓
- Agricultural markets are vulnerable to weather-related events, such as droughts, floods, and heatwaves, which can impact crop yields and quality.✓✓
- Some agricultural markets may be dominated by a few large producers or buyers, which can lead to market power and inefficiencies.✓✓
- Small-scale farmers may face challenges in accessing markets, due to factors such as lack of infrastructure, limited market information, and high transaction costs.✓✓
- Agricultural products may be subject to varying quality control standards and certifications, which can affect their market value and acceptance.✓✓
- Agricultural production can generate externalities, such as environmental degradation, water pollution, and soil erosion, which can impact the market and society as a whole.✓✓

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

CONCLUSION
In conclusion, while agricultural produce may exhibit some characteristics of a perfect market, such as a large number of buyers and sellers, it is not entirely accurate to assume that these markets are perfectly competitive ✓✓
(Accept any other correct relevant response) **(Max 2)** **[40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Discuss the FIVE major environmental problems and the international measures taken to solve these problems to ensure a sustainable environment.** **(26)**
- **What role can education play in promoting environmental sustainability?** **(10)**

[40]

INTRODUCTION
Environmental sustainability is the ability of the environment to survive its use for economic activities✓✓
(Accept any other correct relevant introduction.) **(Max 2)**

MAIN PART
Biodiversity loss ✓
- Biodiversity is the variety of species of plants and animal in a particular area.✓✓
- It is concerned with the genetic variety among individuals within the same species and the number of species within a community of organisms.✓✓
- The diversity of species in the world decreases rapidly due to extinction and extinction is an irreversible process.✓✓
- Modern techniques such as gene transplant can help to limit the loss of species.✓✓
- The **United Nations' Convention on International Trade in Endangered Species (CITES)** prohibits trade in endangered plant and animal species.✓✓
- Monitoring and regulation of trade in endangered species is carried out using permits and quotas.✓✓
- In South Africa, a permit is needed for one to import plants and animals.✓✓

Chemical wastes ✓
- Chemical waste are toxic and their effect on an organism can be death or infertility.✓✓
- Chemical waste needs to be carefully managed to ensure that it does not leak into the ground water.✓✓
- The **Stockholm Protocol** bans the twelve of the deadliest manufactured chemicals.✓✓
- The **Rotterdam Convention** protects countries that lack adequate infrastructure to monitor the import and export of dangerous chemicals.✓✓

Hazardous waste ✓
- Hazardous waste is more than a chemical waste and it includes toxic metal waste such as lead.✓✓
- Hazardous waste has a slow decomposition rate (It stays poisonous for a long time)✓✓
- Hazardous waste can endanger all life forms and entire ecosystem.✓✓
- The **Basel Convention** on the control of Trans Boundary Movement of Hazardous waste allows trade between countries that have signed the convention.✓✓
- Hazardous waste is dumped illegally because it is convenient and cheap.✓✓

Climate change ✓
- Climate change is the change in the composition of the atmosphere that is related to human activity. ✓✓

- A build-up of certain gases such as carbon dioxide in the atmosphere causes the heat to be captured in to the atmosphere, which leads to global warming.✓✓
- Effects of climate change include change in temperature and weather patterns.✓✓
- The **United Nations' Framework Convention on Climate Change (UNFCCCC)** sets objective to reduce greenhouse gases.✓✓
- **Kyoto Protocol** was signed as an agreement in which greenhouse gases emission level for developed countries were agreed upon.✓✓
- The objectives of the agreement were not achieved.✓✓

Loss of indigenous Knowledge ✓
- Indigenous people have knowledge about the natural environment, which they often use to make a living.✓✓
- Indigenous people use organic methods and natural processes in dealing with the environment.✓✓
- Local capacity building is important as it can help indigenous people to learn more of the environment beyond their traditional life style and experiences.✓✓
- **UNESCO's** management of social transformation programme (MOST) is a global effort to document local/indigenous knowledge before it is lost forever.✓✓

(Accept any other correct relevant introduction.)
(At least **TWO** marks should be allocated for the **international measure** used solve each problem)
(Accept other major environmental issues)
(Allocate a maximum of 8 marks for mere listing of headings and examples)
(Max 26)

ADDITIONAL PART
- Education can teach people about the impact of human activities on the environment, helping them become more aware of sustainability issues.✓✓
- Through lessons on ecology, climate science, and sustainable development, education can provide a deeper understanding of environmental challenges and solutions.✓✓
- By equipping learners with relevant knowledge, education can enable individuals to make decisions that support long-term sustainability.✓✓
- Programs like recycling, energy-saving campaigns, and workshops can influence communities to adopt eco-friendly habits.✓✓
- Schools and local groups can lead environmental activities such as tree planting and clean-up efforts, fostering a shared sense of responsibility.✓✓
- Education can cultivate environmentally conscious citizens who advocate for policies that protect natural resources.✓✓
- By promoting scientific exploration, education can encourage breakthroughs in renewable energy, sustainable agriculture, and green technology.✓✓
- Education can highlight career opportunities in the sustainability sector, encouraging growth in fields like environmental management and conservation.✓✓
- Linking environmental quality to human health, education can motivate practices that improve both ecological and public well-being.✓✓
- Education can nurture international collaboration through shared research and participation in global sustainability efforts.✓✓
- By reaching young minds early, education can shape future leaders and communities who prioritize sustainability throughout their lives.✓✓
- Education can prepare people for careers in renewable energy, sustainable farming, and environmental management – boosting the green economy.✓✓

- It can drive research into eco-friendly technologies like solar power, electric vehicles, and sustainable packaging.✓✓
- Educated individuals and businesses are more likely to use resources wisely, reducing waste and saving costs.✓✓
- Education can teach entrepreneurs and companies how to operate in ways that protect the environment while remaining profitable.✓✓

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

CONCLUSION:
Education is pivotal in promoting environmental sustainability by raising awareness, encouraging positive behaviors, and supporting policies and innovations, education lays the foundation for long-term environmental protection and sustainability. ✓✓ **[40]**
(Accept any other correct relevant response) **(Max 2)**

TOTAL SECTION C: 40
GRAND TOTAL: 150