



DEPARTMENT OF
EDUCATION

**NATIONAL SENIOR
CERTIFICATE**

GRADE 10

**ECONOMICS P2
MAY/JUNE 2025**

MARKS: 100

TIME: 1 HOUR 30 MINUTES

This question paper consists of 10 pages

INSTRUCTIONS AND INFORMATION

1. Answer **THREE** questions as follows in the **ANSWER BOOK**.
 - **SECTION A : COMPULSORY**
 - **SECTION B:** Answer any **ONE** of the two questions.
 - **SECTION C :** Answer any **ONE** of the two questions
2. Write the question number above each answer.
3. Answer only the required number of questions. Answers in excess of the required number will not be marked.
4. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
5. Number the answers correctly according to the numbering system used in this question paper.
6. Read the questions carefully.
7. Start each question on a new page.
8. Leave 2-3 lines between sub sections of questions.
9. Use only black or blue ink.
10. You may use a non- programmable pocket calculator.
11. Write legibly and present your work neatly.

SECTION A: COMPULSARY

QUESTION 1

20 MARKS – 20 MINUTES

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A-D) next to the question number (1.1.1-1.1.5) in the ANSWER BOOK, for example 1.1.6. D.

1.1.1 World markets are also known as ...markets

- A Global
- B Domestic
- C Local
- D Collective

1.1.2 Monopolistic competition is characterised by...

- A Differentiation of products.
- B Horizontal demand curve.
- C Homogeneous products
- D Unique product

1.1.3 The concept of scarcity is illustrated on the production possibility curve with points...

- A Inside the PPC
- B Outside the PPC
- C On the PPC
- D Inside and outside PPC

1.1.4 A compulsory payment that people and businesses make to the government

- A Subsidies
- B Government costs
- C Social grants
- D Taxation

1.1.5 The buying of a school uniform instead of a Nike sneaker indicates the economic principle of ...

- A Exchange
- B Saving
- C Opportunity cost
- D Scarcity

(5 x 2) (10)

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

COLUMN A	COLUMN B
1.2.1 Oligopoly	A Occurs when the resources of the community are allocated inefficiently.
1.2.2 Value	B Costs incurred by people who are not involved in the production process.
1.2.3 Market Failure	C Market with few large firms dominating the market.
1.2.4 Scarcity	D The limited supply of resources relative to people needs and wants.
1.2.5 Negative externalities	E When it is impossible to increase one's welfare without decreasing the welfare of another.
1.2.6 Pareto efficiency	F Indicates how much the consumers are willing to pay for the product. G Goods that are harmful to the society when produced and consumed.

(6 x 1) (6)

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

1.3.1 The exchange value of a good stated in terms of money.

1.3.2 Mechanism that brings together buyers and sellers to determine the price and quantity to be produced and sold.

1.3.3 When producer does not produce at the lowest possible cost .

1.3.4 Tax levied on consumption of products that are harmful to human health.

(4 x 1) (4)

TOTAL SECTION A: [20]

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

QUESTION 2: MICROECONOMICS

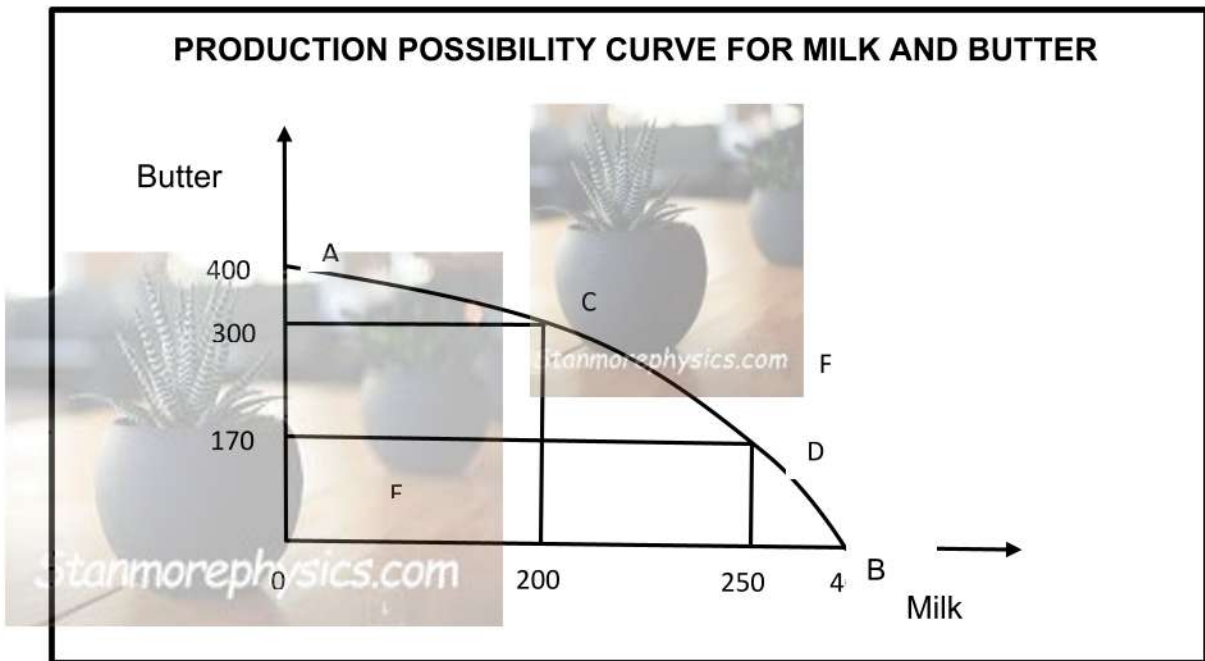
40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO levels of the government. (2 x 1) (2)

2.1.2 What is the purpose of production possibility curve? (1 x 2) (2)

2.2 Study the graph below and answer the questions that follow



Source: Clever Economics

2.2.1 Identify the point where optimal production takes place. (1)

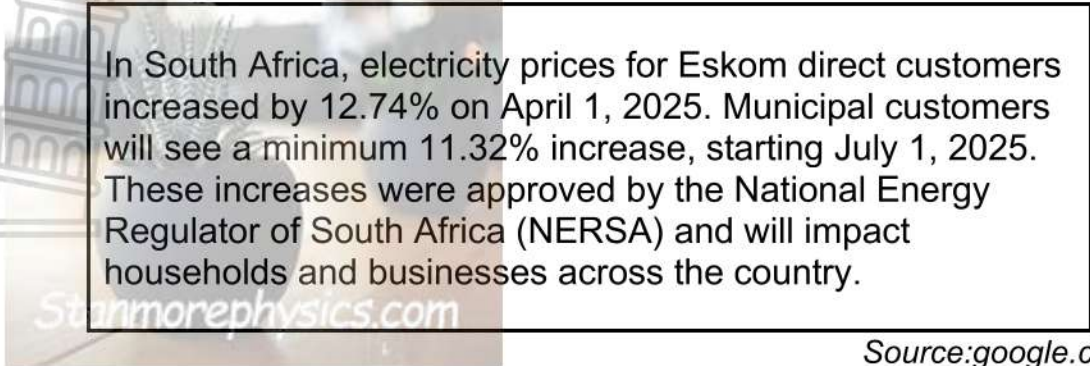
2.2.2 Name the point where we will not be able to produce due to a shortage of resources. (1)

2.2.3 Briefly describe the term *production possibility curve*. (2)

2.2.4 Describe production at point B. (2)

2.2.5 Calculate the opportunity cost if the production moves from point C to point D. Show ALL the calculations. (4)

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



In South Africa, electricity prices for Eskom direct customers increased by 12.74% on April 1, 2025. Municipal customers will see a minimum 11.32% increase, starting July 1, 2025. These increases were approved by the National Energy Regulator of South Africa (NERSA) and will impact households and businesses across the country.

Source:google.com

- 2.3.1 Name the market structure in which Eskom is operating. (1)
- 2.3.2 Identify from the extract above the institution which approved the Eskom electricity price increase. (1)
- 2.3.3 Briefly describe the term *monopoly*. (2)
- 2.3.4 Explain the nature of the product as the characteristics of a monopoly. (2)
- 2.3.5 Why do monopolies experience losses being the only producer in the market? (4)
- 2.4 Discuss internal reasons for outward movement of Production Possibility Curve. (8)
- 2.5 Why does the government need to intervene in the economy? (8)

[40]

QUESTION 3: MICROECONOMICS

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO factors which may cause a shift of the PPC to the right. (2 x 1) (2)

3.1.2 Why do people make choices? (1 x 2) (2)

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

MARGINAL UTILITY OF BOTTLED ICE TEA CONSUMED		
QUANTITY OF BOTTLED ICE TEA	MARGINAL UTILITY (MU)	TOTAL UTILITY (TU)
1	90	90
2	75	165
3	50	215
4	35	250
5	10	260
6	5	265
7	0	265

Source: clever economics

3.2.1 Name the bottled ice tea that gives the greatest satisfaction? (1)

3.2.2 Identify the bottle of ice tea gives no extra satisfaction when consumed. (1)

3.2.3 Briefly describe the term *marginal utility*. (2)

3.2.4 Explain the relationship between utility and the demand for a product. (2)

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

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

CORN MARKET

Agricultural competition is very rare because no individual farmer has control over the market price of their products. The price paid by the buyers is just a signal about the value of these products in the society.

Source: <http://quizlet.com>

3.3.1 Name the market structure illustrated above. (1)

3.3.2 Identify from the extract above the characteristics of market illustrated above. (1)

3.3.3 Briefly describe the term *perfect market*. (2)

3.3.4 Why is the above market structure unregulated? (2)

3.3.5 How can a change in price by one producer/seller affect the profit in the perfect market? (4)

3.4 Discuss the effects of allocative inefficiencies. (8)

3.5 Evaluate the benefits of competition in the marketplace. (8)

[40]

TOTAL SECTION B: [40]

SECTION C

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

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

QUESTION 4: MICROECONOMICS

40 MARKS – 40 MINUTES



- Discuss in detail price formation under the following headings:
 - Equilibrium point, price and quantity (12)
 - Effects on markets if there is an increase in both demand and supply. (14)
(Using graphs to illustrate your point)
 - Why are prices important in a market economy? (10)
- [40]**

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES



- Discuss in detail the methods government use to intervene in the economy. (26)
 - How does the South African government attempt to solve the problem of income inequality? (10)
- [40]**

TOTAL SECTION C: [40]

GRAND TOTAL: [100]



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GRADE 10

**ECONOMICS P2
MAY/JUNE 2025
MARKING GUIDELINES**

MARKS: 100

TIME: 1 HOUR 30 MINUTES

This MARKING GUIDELINES consists of 17 pages

SECTION A: COMPULSARY

QUESTION 1

20 MARKS – 20 MINUTES

1.1 MULTIPLECHOICE

- 1.1.1 A✓✓ (Global)
- 1.1.2 A✓✓ (Differentiation of product)
- 1.1.3 B ✓✓ (Outside the PPC)
- 1.1.4 D✓✓ (Taxation)
- 1.1.5 C✓✓ (Opportunity cost)

(5 x 2) (10)

1.2 MATCHING

- 1.2.1 C✓- Market with few large firms dominating the market
- 1.2.2 F✓- Indicates how much the consumers are willing to pay for the product.
- 1.2.3 A✓- Occurs when the resources of the community are allocated inefficiently.
- 1.2.4 D✓- The limited supply of resources relative to people needs and wants.
- 1.2.5 B✓- Costs incurred by people who are not involved in the production process.
- 1.2.6 E✓- When it is impossible to increase one's welfare without decreasing the welfare of another

(6 x 1) (6)

1.3 ONE CONCEPT

- 1.3.1 Price.✓
- 1.3.2 Market.✓
- 1.3.3 Productive inefficiency.✓
- 1.3.4 Sin tax.✓

(4 x 1) (4)

TOTAL SECTION A: [20]

SECTION B

Answer any **ONE** 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 levels of the government. (2 x1) (2)

- National/central government✓
- Provincial government✓
- Local government✓

2.1.2 What is the purpose of production possibility curve? (1x2) (2)

- To illustrate the trade-offs and opportunity costs associated with allocating scarce resources between the production of two different products. ✓✓
- Accept any other correct relevant response

2.2 DATA RESPONSE

2.2.1 Identify the point where optimal production takes place. (1)

- Point C/D✓

2.2.2 Name the point where we will not be able to produce due to a shortage of resources. (1)

- Point F.✓

2.2.3 Briefly describe the term *production possibility curve*. (2)

- Production possibility curve indicates combination of any two goods that can be produced with no wastage and using resources to the best advantage. ✓✓
Accept any other correct relevant response

2.2.4 Describe production at point B. (2)

- At point B, All resources are used to produce milk therefore no butter is produced. ✓✓
- Accept any other correct relevant response

2.2.5 Calculate the opportunity cost if the production moves from point C to point D. Show ALL the calculations. (4)

- Point C: 300 units of butter and 200 units of milk
- Point D: 170 units of butter and 250 units of milk
- $300 \text{ units of butter} - 170 \text{ units of butter} = 130 \text{ units of butter.} \checkmark \checkmark$

2.3. DATA RESPONSE



2.3.1 Name the market structure in which Eskom is operating. (1)

- Monopoly.✓

2.3.2 Identify from the extract above the institution which approved the Eskom electricity price increase. (1)

- National Energy Regulator of South Africa(NERSA)✓

2.3.3 Briefly describe the term *monopoly*. (2)

- Monopoly is a market structure with only one seller of the product.✓✓
 (Accept any other correct relevant response)

2.3.4 Explain the nature of the product as the characteristics of a monopoly. (2)

- Product produced in a monopoly is unique.✓✓
 (Accept any other correct relevant response)

2.3.5 Why do monopolies experience losses being the only producer in the market?

- Higher prices of the monopoly may lead to consumers being priced out of the market because of a fall in effective demand.✓✓
- Buyers may still choose not to buy a product even if it is the only product in the market because of limited resources.✓✓
- Cost of production may increase, driving the monopolist to produce less, resulting to less revenue received.✓✓
 (Accept any other correct relevant response.)


(4)

2.4 Discuss internal reasons for outward movement of Production Possibility Curve.

- Production technique:✓ an improved production technique can cause an outward movement of the PPC because of more efficient production. ✓✓
- Technology:✓ new improved technology can cause a shift of the PPC because of an increased production level. ✓✓
- Motivated employees:✓ the attitude of employees can cause an outward movement of the PPC ✓✓
- In-house training: ✓ an improvement in the skills level of the employees means they would be able to produce more ✓✓
 (Accept any other correct relevant response)

(8)

2.5 Why does the government need to intervene in the economy?

- 
- To correct inefficiencies in the economy such as monopolies, distribution of wealth etc. ✓✓
 - The market is not able to provide goods and services for the people ✓✓ e.g. health services and infrastructure/or to supply essential services which are undersupplied by the market such as health, education etc ✓.
 - To prevent unequal opportunities in the marketplace/ To create fair competition by investigating collusion, excessive prices, merging of large business undertakings etc. ✓✓
 - To guard against market prices that may be detrimental to the economy's health. ✓✓
 - To improve the level of welfare by financing a system of grants payable to the poorest members of the society. ✓✓
 - To manage strategic industries in the country such as power generation, water supplies and transport infrastructure. ✓✓
 - To correct market failures which result in insufficient supply of essential goods and services. ✓✓
 - To promote fair treatment of workers and prevent exploitation, so it sets minimum wages and maximum working hours. ✓✓
(Accept other relevant and correct responses.)
(Allocate maximum of 2 marks for mere listing of facts.)

(8)

[40]

QUESTION 3: MICROECONOMICS

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO factors which may cause a shift of the PPC (2 x 1) (2) to the right.

- Improved production techniques. ✓
- The quality of factors of production. ✓
- Efficient transport services. ✓
- Efficient communication system. ✓
- Accept any other correct relevant response.

3.1.2 Why do people make choices?

(1 x 2) (2)

- Because life presents them with limited resources and numerous possibilities, forcing them to prioritise and allocate their limited resources to achieve their goals. ✓✓
(Accept any other correct relevant response)

3.2 DATA RESPONSE.

3.2.1 Name the bottle of ice tea that gives the greatest satisfaction? (1)

- The first bottle of ice tea. ✓

3.2.2 Identify which bottle of ice tea gives no extra satisfaction when consumed. (1)

- The 7th bottle of ice tea. ✓

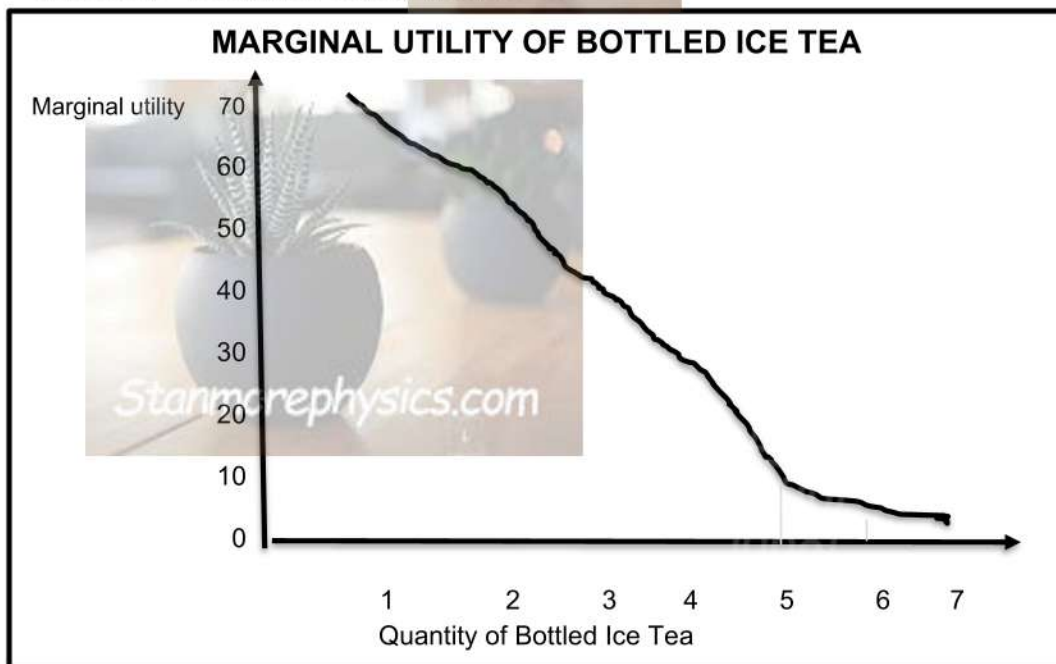
3.2.3 Briefly describe the term *marginal utility*. (2)

- Marginal utility is the amount of additional utility gained by consuming one more unit of a product. ✓✓
(Accept any other correct relevant response)

3.2.4 Explain the relationship between utility and the demand for a product. (2)

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

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



ALLOCATION OF MARKS

Correct slope of the MU curve = 2 marks
Labelling of the X-axis = 1 mark
Labelling of the Y-axis = 1 mark Max. 4

3.3 DATA RESPONSE

3.3.1 Name the market structure illustrated above.

- Perfect market✓ (1)

3.3.2 Identify from the extract above the characteristics of market illustrated above

- No individual farmer has control over the market price of the products✓/price takers✓ (1)

3.3.3 Briefly describe the term *perfect market*.

- A market structure with many buyers and sellers of the products.✓✓
(Accept any other correct relevant response) (2)

3.3.4 Why is the above market structure unregulated?

- The government does not intervene to set the price.✓✓
- Market forces of demand and supply determine the price without any government control.✓✓ (2)
(Accept any other correct relevant response.)

3.3.5 How can a change in price by one producer/seller affect the profit in the perfect market?

- By increasing price, seller will loose customers who will buy from someone else.✓✓
- Producer will have excess supply which needs to be disposed.✓✓
- By decreasing the price, more consumers will want to buy the products but the profit will be low.✓✓
- There will be shortage as excess demand from low prices attract consumers.✓✓ (4)
(Accept any other correct relevant response)

3.4 Discuss the effects of allocative inefficiencies.

- If resources are allocated inefficiently, some goods and services may be produced at a lower level than what consumers' desire, leading to unmet demand and a potential shortage.✓✓
- Some goods and services might be overproduced, resulting in a surplus and potentially leading to wasted resources and lower prices for producers.✓✓
- Allocative inefficiency can lead to reduction in the consumers surplus, which is the difference between what consumers are willing to pay for a good and what they actually pay.✓✓
- Producers may experience a reduction in their surplus due to inefficient resources allocation, leading to lower profits and potential disincentives for production.✓✓

- Allocative inefficiency can hinder economic growth by limiting the production of goods and services that are most desired by consumers. ✓✓
 - Allocative inefficiency can discourage innovation as businesses may be less inclined to invest in new technologies. ✓✓
- (Accept any other correct relevant response)

(8)

3.5 Evaluate the benefits of competition in the marketplace.

- When firms compete with each other, consumers buy goods and services at a lower price. ✓✓
- Lower prices will lead to an increase in aggregate demand. ✓✓
- As a result, firms will expand and produce more goods and services and boost the economy in general. ✓✓
- This will increase the demand for labour and employment opportunities will increase. ✓✓
- Competition encourages businesses to conduct a needs analysis for their consumers in order to meet their demands. ✓✓
- Increasing competition opens business opportunities and improves a country's productive capacity. ✓✓
- Competition can lead to higher productivity and efficiency in the market. ✓✓

(Accept any other correct relevant response)

(8)

(Maximum of 2 marks must be allocated for mere listing of facts)

[40]

TOTAL SECTION B: [40]

SECTION C

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

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

QUESTION 4: MICROECONOMICS

40 MARKS – 40 MINUTES



- Discuss in detail price formation under the following headings:
 - Equilibrium point, price and quantity (12)
 - Effects on markets if there is an increase in both demand and supply. (14)
Using graphs to illustrate your point:
- Why prices are important in a market economy? (10)

[40]

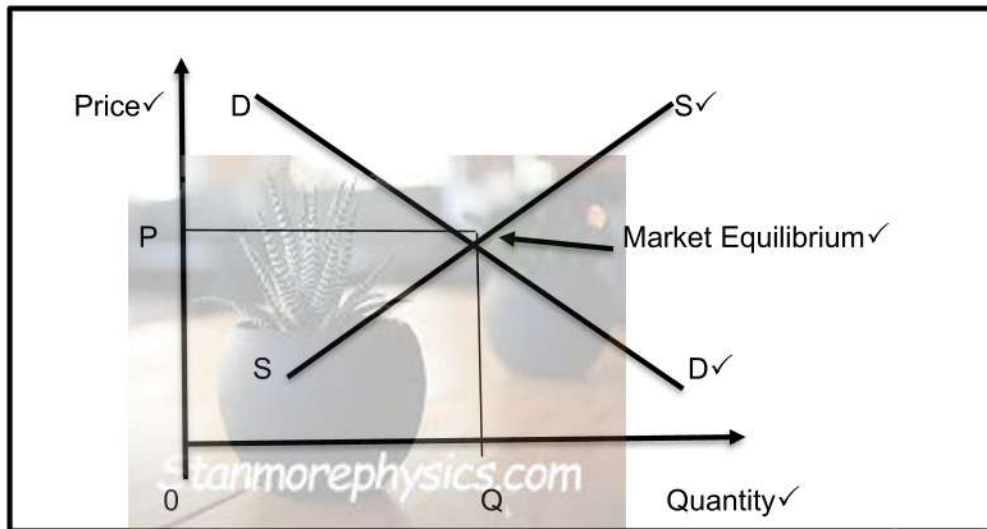
INTRODUCTION

- The concept of demand and supply are important to economists as they help them to understand how prices are determined in the market. Therefore, the best place for a market to operate is where the quantity demanded by the households is equal to the quantity supplied by the firms. ✓✓
Accept any other correct relevant response.

(2)

BODY: MAIN PART

EQUILIBRIUM POINT, PRICE AND QUANTITY



Labelling of axis=1
Equilibrium point = 1 mark
Supply curve = 1 mark
Demand curve = 1 mark
Max. 4

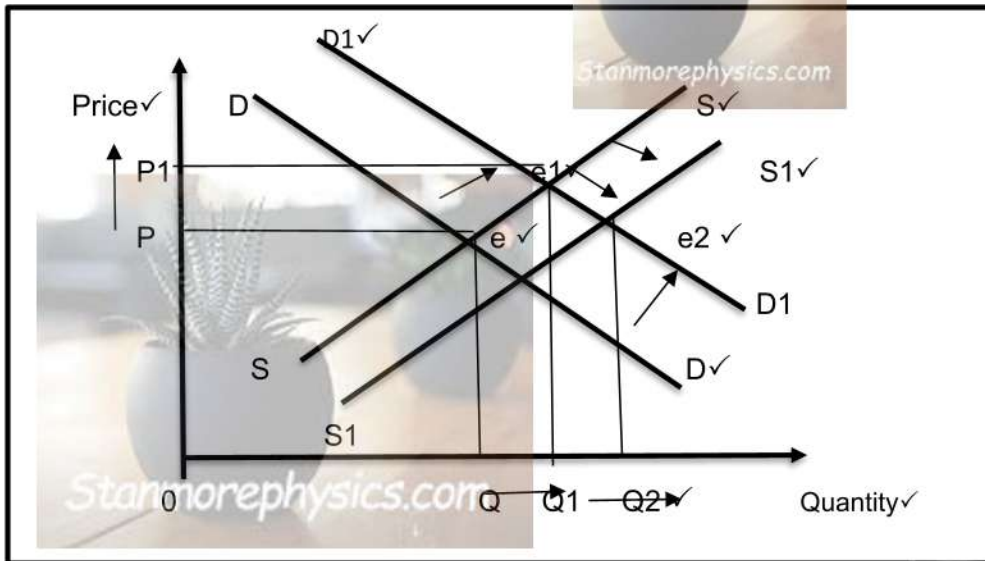
- Equilibrium point is where the demand curve equals the supply curve and is labelled as 'market equilibrium' on the graph above. ✓✓
- Equilibrium price (P1 market price) is the price at which demand and supply are the same. ✓✓
- Equilibrium quantity (Q1) is the quantity of goods that are produced and sold at a particular price (P1) in order to completely satisfy the household demand and where there will be no left-over goods or services. ✓✓
- That is the same point as equilibrium point where quantity supplied is equal to quantity demanded and there are no forces acting to change the price. ✓✓

Graph = 4 marks

Explanation = 8 marks

(Max:12)

EFFECT ON MARKETS IF THERE IS AN INCREASE IN BOTH DEMAND AND SUPPLY



- Labelling on the axis = 1
- Labelling of the axis = 1
- New supply curve (S1) = 1
- New demand curve (D1) = 1
- Original equilibrium point (E) = 1
- New equilibrium point (E1) = 1
- New equilibrium point (E2) = 1

Max.4

- Equilibrium point (e) is where the original demand curve (D) equals the original supply curve (S) and is labelled as 'point e' on the graph above. ✓✓
- Market price will be at 'P' and quantity offered on the market will be at 'Q'. ✓✓
- When the demand of a product increases then the original demand curve (D) will shift outwards and to the right labelled as D1. ✓✓
- Equilibrium point will now shift from point 'e' to point 'e1' and the price of the product will increase. ✓✓
- Market price will increase from P to P1 and the quantity offered on the market will increase from Q to Q1. ✓✓
- Due to demand increasing supply should now also increase, thus the supply curve will move outwards to the right into position S1. ✓✓
- The new equilibrium point (e2) will now be where D1 and S1 intersects at point 'e2', thus at a lower market price. ✓✓
- The market price will now again settle on P from P1. Quantity will increase from Q1 to Q2. ✓✓



Graph = 4 marks
Explanation = 10 marks
(Max:14)

[26]

ADDITIONAL PART

Prices are important in a market economy because:

- Prices act as signals to buyers and sellers. When prices are low enough, they send a "buy" signal to buyers (consumers). ✓✓
- When prices are high enough, they send a "sell" signal to sellers (retailers). ✓✓
- Prices encourage efficient production. The less it costs to produce an item, the more likely it is that its producers will earn a profit. ✓✓
- Firms that are efficient will produce more goods with fewer raw materials than firms that are inefficient. ✓✓
- Prices help to determine who will receive the economy's output of goods and services, ✓✓ for example, when grapes are out of season they are imported and are expensive so only the wealthy can afford to buy them, however, when they are in season they are plentiful and cheap so everyone can buy them. ✓✓

(Accept other correct and relevant responses). (10)

CONCLUSION

- If sellers charge a price which is below the equilibrium price, their total revenue will decrease and they will make a loss. ✓✓
- (Accept other correct and relevant conclusion of a higher cognitive level). (2)

[40]

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

- **Discuss in detail the methods government use to intervene in the economy. (26)**
- **How does the South African government attempt to solve the problem of income inequality? (10)**

[40]

Introduction

The purpose of government intervention is to ensure that the right quantity of resources is allocated to the production of output so that society as a whole maximizes its benefits. ✓✓

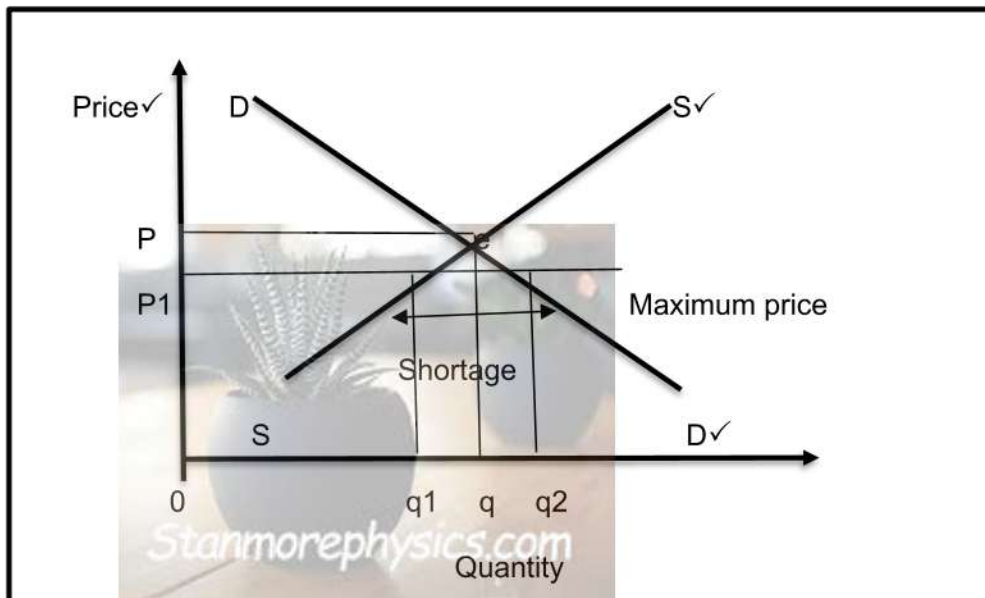
(Accept any other relevant introduction)



(Max. 2)

Body : Main Part

Maximum prices ✓

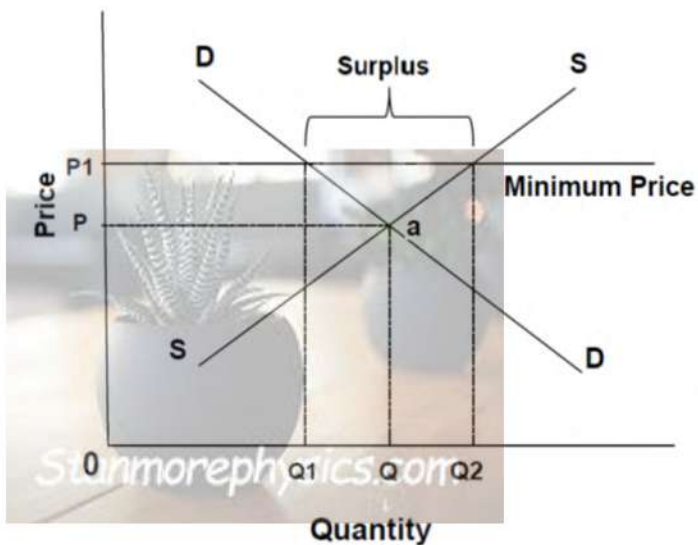


Mark Allocation	
Equilibrium	= 1
DD	= 1
SS	= 1
Maximum price	= 1
MAX:4	

- Sometimes government will set the price of a good or service at a maximum level that is below the market price ✓✓
- The government intervene and passes a law that suppliers may not charge more than the maximum price ✓✓
- The immediate effect is that quantity supply will drop ✓✓
- The original market equilibrium price and quantity is P and Q respectively ✓✓
- The price set by the government is P1, at this price the demand will increase to Q1 and the supply will decrease to Q2 ✓✓
- The difference between Q1 and Q2 is the shortfall that will be created on the market ✓✓
- The shortage caused by the price ceiling creates a problem of how to allocate the good since the demand has increased ✓✓
- Black markets start to develop ✓✓



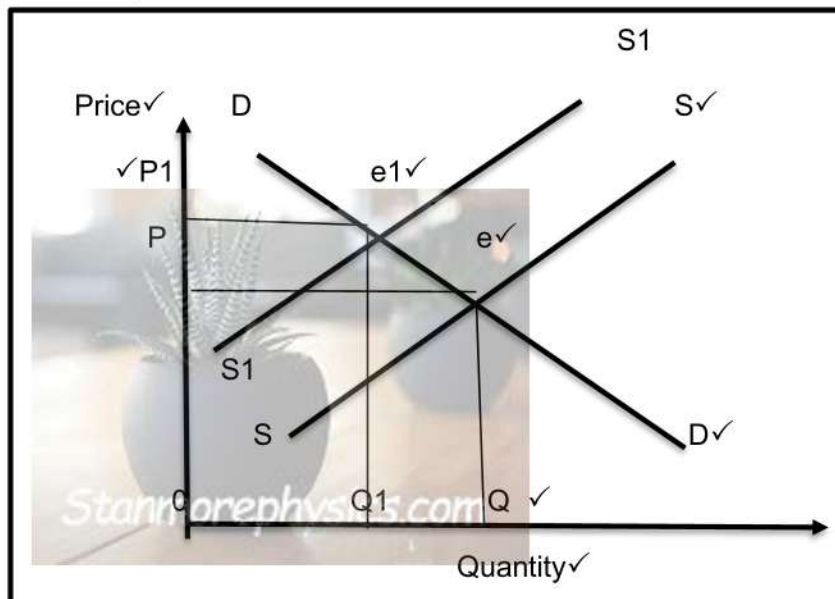
Minimum prices ✓



Mark Allocation
Equilibrium = 1 mark
DD= 1 mark
SS = 1 mark
Minimum price = 1 mark
Max 4

- It is important for all countries that their agricultural sector produces enough food to feed the population. ✓✓
- Some foodstuff is more important than others because it is a staple food. ✓✓
- Poor people will suffer if there is no staple food available and it could lead to famine. ✓✓
- Governments intervene in the market to ensure that enough quantity of food is produced. ✓✓
- Sometimes they introduce a minimum price on staple food. ✓✓
- They want to make it worthwhile for farmers to produce enough food. ✓✓
- In S.A. maize and wheat are staple food. ✓✓
- Before 1994 farmers were guaranteed a minimum price on these foodstuffs. ✓✓
- Setting of minimum prices has side-effects. ✓✓
- When government is not involved in the market, OP = equilibrium price, OQ = equilibrium quantity.
Point a = market price. ✓✓
- When the government intervenes, a minimum price is established above the market price at $OP1$. ✓✓
- Price increases from OP to $OP1$. ✓✓
- The quantity demanded decreases from OQ to $OQ1$. ✓✓
- The quantity supplied increases from OQ to $OQ2$. ✓✓
- A surplus (excess supply) exists on the market/Quantity supplied is more than the quantity demanded. ✓✓
- Farmers have a surplus = a problem which they will have to solve. ✓✓
- They can dump it on other markets. (Dumping = selling of goods on foreign markets at a price that is less than the country of origin.) ✓✓
- The WTO prohibits this. The only manner to get rid of this surplus is to destroy it or feed it to animals. ✓✓

Taxation ✓



Mark Allocation
 Labelling of axes=1
 Labelling on axis=1
 Original Equilibrium point=1
 New Equilibrium point=1
 Correct drawing & labelling of DD & SS Curves=1
 New supply curve=1
Max:6

- The appropriate way to intervene in the market by government is by levying taxes as a method to recover external cost ✓✓
- The original market equilibrium is at e , with P as the equilibrium price and Q as the equilibrium quantity ✓✓
- The tax increase will shift the supply curve to the left ✓✓
- The new equilibrium will be at $E1$ ✓✓
- A tax would raise the price from P to $P1$ ✓✓
- Production will decrease from Q to $Q1$ ✓✓

Subsidies ✓

- To benefit consumers as subsidised goods are cheaper/When the state subsidises products, consumers are able to buy the cheaper products ✓✓
 - Products become cheaper in other countries because the government subsidises exporters. ✓✓
 - The costs of production are reduced, and it becomes easier for many new businesses to be formed because they are assisted in starting up. ✓✓
 - To increase employment opportunities and make jobs more secure/As new and many businesses are formed, employment opportunities increase and ultimately the country's unemployment rate decreases. ✓✓
 - Improves the standard of living of the people as they receive social grants and free basic goods and services such as education, health etc. ✓✓
- Accept other relevant and correct responses

Production ✓

- Government provides goods and services which are not provided by the private sector. ✓✓
 - This means that governments operate businesses that produce public goods and merit goods. ✓✓
 - Public goods include a national defence force, a local policing unit, street lights etc. ✓
 - Merit goods refers to goods or services which are more beneficial to the society as a whole but are undersupplied by the market ✓✓
 - Merit goods include health, education etc. ✓
 - These goods are non-rival and non-excludable such as protection services, parks, streets, refuse removal etc. ✓✓
- Accept other relevant and correct responses

Welfare ✓

- Due to the uneven distribution of wealth, welfare grants are provided for people to meet their basic needs. ✓✓
 - The government provides merit goods and also supplements the income of poor people. ✓✓
 - Cash grants e.g. old-age pensions, disability and childcare grants are used ✓✓
- Accept other relevant and correct responses

Minimum wages ✓

- Politicians often feel that a minimum wage is necessary to enforce redistribution. ✓✓
- It is because unskilled workers are disadvantaged in the negotiation of employment conditions. ✓✓
- They cannot be sure that real wages will increase. ✓✓
- This means their wage remains relatively low and this contributes to unequal distribution of income. ✓✓
- For example; farm workers and domestic workers. ✓
- In S.A. there are laws that enforce a minimum wage are paid to workers and that Unemployment fund contributions are paid. ✓✓
- Annually the government announces an increase with regard to these wages. ✓✓
- The enforcement of a minimum wage causes the quantity demanded of labour decreases and wages will increase. ✓✓
- Income distribution between workers is improved. ✓✓

Max:26

Additional part

How does the South African government attempt to solve the problem of income inequality?

- The government can attempt to solve the problem of income inequality by:
- Implementing a progressive tax system which has reduced the income gap between income earners ✓✓
- Levying indirect taxes on consumption (e.g. VAT), while certain basic items that the poor often consumes, were excluded ✓✓
- Providing free primary health care in provincial hospitals and clinics ✓✓
- Making provision for those who cannot afford to pay by offering a free basic education ✓✓
- Making transfer payments and subsidies payable to the poor and previously disadvantaged ✓✓
- Implementing minimum wages ✓✓
- Implement job creation programmes ✓✓
- Implementing BBBEE and labour laws ✓✓

(Max.10)

Conclusion

- The intervention of government ensures that inefficiencies is eliminated and that the market is operating effectively ✓✓
(Accept any other relevant higher order conclusion)

Max. 2

**TOTAL SECTION C: [40]
GRAND TOTAL: [100]**