KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 10

ECONOMICS P2

JUNE 2026

MARKS : 100

TIME : 1½ Hour

This question paper consists of 10 pages including this cover page.

INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows:

   - SECTION A: COMPULSORY
   - SECTION B: Answer any ONE question from this section.
   - SECTION C: Answer any ONE of the two questions.

2. Number the answers correctly according to the numbering system used in this question paper.

3. Write the number of each question above each answer.

4. Read the questions carefully and start EACH question on a new page.

5. Leave at least ONE line between subsections of each question.

6. Answer questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.

7. Answer ONLY the required number of questions. Answers in excess of the required number will NOT be marked.

8. Use ONLY blue or black ink.

9. Non-programmable pocket calculators may be used.

10. Write legibly and present your work neatly.

SECTION A (COMPULSORY)

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 – 1.1.5) in the ANSWER BOOK. e.g. 1.1.6 D

1.1.1 The study of individual firm in economics is known as … economics.

A. macro
B. international
C. micro
D. monetary

1.1.2 The market structure that cannot influence the price is called …

A. Perfect competition
B. monopoly
C. oligopoly
D. monopolistic competition

1.1.3 The type of goods and services that are highly desirable to society and improves their welfare is known as …goods.

A. free
B. merit
C. demerit
D. intermediate

1.1.4 Costs or benefit to a third party that was not directly involved in consumption or production of a particular product is called …

A. economics
B. exchange
C. savings
D. externalities

1.1.5 The process whereby businesses buy more capital goods to expand production is referred to as…

A. investment
B. international
C. consumption
D. pollution

(2x5) (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 number (1.2.1.-1.2.6.) in the ANSWER BOOK

COLUMN	COLUMN B
1.2.1 Saturation point	A. The worldwide interaction between economies with an element of trade.
1.2.2 Price	B. Spending by individual on goods and services that benefit them only.
1.2.3 Heterogeneous products	C. The application of science in the production process.
1.2.4 Private cost	D. The exchange value of a good stated in terms of money.
1.2.5 Technology	E. The situation where the additional product consumed does not give any additional satisfaction in that point in time.
1.2.6 Globalisation	F. The type of goods and services that affect the society as a whole.
	G. The type of goods that are sold by imperfect markets and are not the same.

(6 X 1) (6)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1.-1.3.4.) in the ANSWER BOOK. Acronyms and abbreviations will NOT be accepted.

1.3.1 The group of firms that sell the same product

1.3.2 The ratio of output produced per unit of input.

1.3.3 The factor of production that uses mental or physical effort.

1.3.4 The market structure that is dominated by two sellers.

(4 x 1) (4)

TOTAL SECTION A: 20

SECTION B

Answer any ONE of the two questions in this section.

QUESTION 2 MICROECONOMICS 30 MINUTES – 40 MARKS

2.1 Answer the following questions.

2.1.1 Name any TWO types of utility. (1x2) (2)

2.1.2 How does the monopoly negatively affect consumers? (2)

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

Oligopoly vs Perfect market: What is the difference?

Source: Investopedia

2.2.1 Identify the market structure shown by the picture above (1)

2.2.2 Give the nature of the product in a monopolistic competition? (1)

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

2.2.4 Explain the entry and exit as a characteristic of monopoly. (2)

2.2.5 How can advertising benefit monopolistic competition? (4)

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

Number of chips consumed	Total utility	Marginal utility
1	A	
2	270	120
3	350	B
4	390	40

2.3.1 Identify an economic concept associated with extra satisfaction from above table. (1)

2.3.2 Give the value of total utility at 3 units? (1)

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

2.3.4 Explain the relationship between value and the price of a product. (2)

2.3.5 Calculate the values of A and B from the table. Show all your workings. (4)

2.4 Discuss the role of the world market in economics. (8)

2.5 Why is the perfect market beneficial to the economy? (8)

QUESTION 3 **MICROECONOMICS** **40 MARKS – 30 MINUTES**

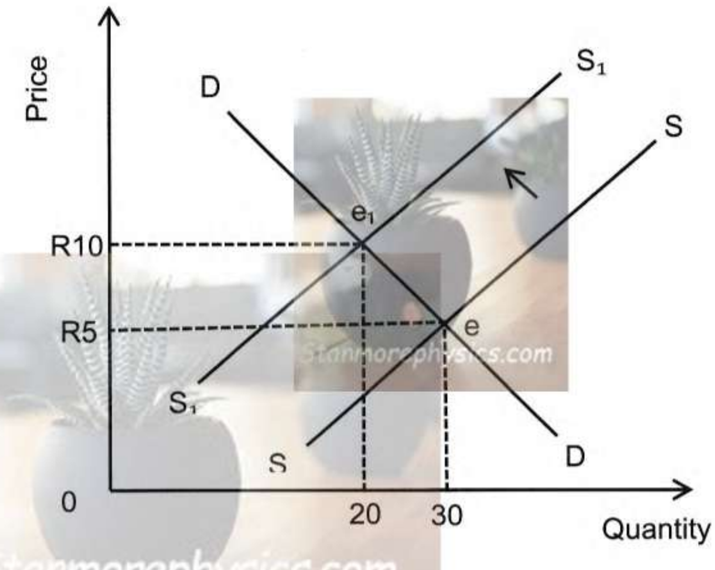
3.1 Answer the following questions.

3.1.1 Name any TWO characteristics of a public good. (1 X 2) (2)

3.1.2 Why does the government fight the existence of black markets? (2)

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

INDIRECT TAX



3.2.1 Identify the original equilibrium from the graph above. (1)

3.2.2 Name any ONE example of direct tax. (1)

3.2.3 Briefly describe the term *excise duty*. (2)

3.2.4 Explain the impact of a decrease in quantity supplied on the price of the product. (2)

3.2.5 How can an increase in VAT affect economy? (4)

3.3 Study the extract and answer the questions that follow

Market inefficiencies

Reports show that there is a shortage of workers in hospitals and those other health officials who will monitor health and safety in our communities. This was evident when multiple children in Soweto and Eastern Cape died from suspected food poisoning after eating snacks from local spaza shops, with 20 deaths reported. Investigations highlighted the presence of pesticide in snacks.

source:news24

3.3.1 Identify the reason for the market failure from the extract above (1)

3.3.2 Name any ONE other service that is provided by local government (1)

3.3.2 Briefly describe the term *market failure*. (2)

3.3.4 Briefly explain the importance of social welfare grants to households. (2)

3.3.5 How can demerit goods negatively affect economy? (4)

3.4 With the aid of a correctly labeled graph, explain the properties of Production Possibility curve (8)

3.5 Analyse the impact of minimum wage implementation on the economy. (8)

TOTAL SECTION B: [40]

SECTION C

Answer any ONE of the two questions in this section:

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. • A good starting point will be to define the main concept related to the question topic. • Do NOT include any part of the question in your 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 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. 26 Max. 10
Conclusion: Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned in the body • Any opinion or valued 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 4: MICRO-ECONOMICS 40 MARKS – 40 MINUTES

- With the aid of a graph, discuss in details price formation under the following headings:
  - Market equilibrium point
  - Market price and quantity
  - Surplus
  - Shortage
  - Factors affecting demand (26)
- How can the factors affecting the supply be used positively to influence economy? (10)

QUESTION 5: MICROECONOMICS 40 MARKS- 40 MINUTES

- Discuss in details methods of public sector intervention under the following subheadings:
  - Maximum price
  - Minimum price (26)
- How can subsidies as a method of public sector intervention impact on the economy? (10)

TOTAL MARKS: 100

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FINAL

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 10

ECONOMICS P2

MARKING GUIDELINES

JUNE 2026

MARKS : 100

TIME : 1½ Hour

This marking guideline consists of 16 pages.

SECTION A

QUESTION 1

1.1 Multiple-choice

1.1.1 C micro ✓✓

1.1.2 A perfect competition✓✓

1.1.3 B merit✓✓

1.1.4 D externalities✓✓

1.1.5 A investment✓✓

(2x5) (10)

1.2 Matching

1.2.1	E	The situation where the additional product consumed does not give any additional satisfaction in that point in time. ✓
1.2.2	D	The exchange value of a good stated in terms of money. ✓
1.2.3	G	The type of goods that are sold by imperfect markets and are not the same. ✓
1.2.4	B	Spending by individual on goods and services that benefit them only. ✓
1.2.5	C	The application of science in the production process. ✓
1.2.6	A	The worldwide interaction between economies with an element of trade. ✓

(6x1) (6)

1.3 Concepts

1.3.1 Industry✓

1.3.2 Productivity ✓

1.3.3 Labour✓

1.3.4 Duopoly✓

(4x1) (4)

TOTAL SECTION A: 20

SECTION B

2.1 Answer the following questions

2.1.1 Name any TWO types of utility. **(1x2) (2)**

Utility of place ✓
Utility of time. ✓
Utility of form. ✓
Utility of possession. ✓

2.1.2 How does the monopoly negatively affect consumers? **(2)**

- Monopolists are price makers that charge high prices in order to make high profit at the expense of consumers. ✓✓
- They are the only seller of the product which limits the choice of quality to consumers. ✓✓
- Monopolies decrease the quantity of output ✓✓ e.g. load shedding which may lead to shortages of good or service to consumers. ✓

(Accept any other correct relevant response)

2.2 Data Response

2.2.1 Identify the market structure shown by the picture above **(1)**

Oligopoly. ✓

2.2.2 Give the nature of the product in a monopolistic competition. **(1)**

Differentiated product. ✓

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

The market is a mechanism that bring buyers and sellers together. ✓✓

(Accept any other correct relevant response)

2.2.4 Explain the entry and exit as a characteristic of monopoly. **(2)**

- In a monopolist's entry and exit is blocked. ✓✓
- Barriers to entry and exit exist in a monopoly market. ✓✓

(Accept any other correct relevant response)

2.2.5 How can advertising benefit monopolistic competition? (4)

- Advertising benefits the firm by introducing new products to the market and improving their competitiveness in the industry. ✓✓
- Advertising is a good strategy used by firms to attract more customers to buy the product. ✓✓

(Accept any correct relevant response)

2.3 Data Response

2.3.1 Identify an economic concept associated with extra satisfaction from above table. (1)

Marginal utility✓

2.3.2 Give the value of total utility at 3 units? (1)

350✓

2.3.3 Briefly describe the term utility. (2)

Utility refers to satisfaction derived from consuming a particular product.✓✓

(Accept any other correct relevant response)

2.3.4 Explain the relationship between value and the price of a product. (2)

The higher the value attached to the product the higher the price a consumer is prepared to pay.✓✓

(Accept any other correct relevant response)

2.3.5 Calculate the values of A and B from the table. Show all your workings. (4)

A = (270-120)✓=150 ✓
B = (350-270)✓=80✓

2.4 Discuss the role of the world market in economics. (8)

- The world market allows consumers to buy the product from anywhere in the world.
- Producers may increase their market share by selling to foreign countries. ✓✓
- The movement of resources can be shared with the rest of the world. ✓✓
- Government may benefit new knowledge and expertise from all over the world which may improve economic growth. ✓✓
- The government can gain more revenue from the tax collected through foreign exchange earnings. ✓✓
- Increase in exports may increase job opportunities in the country. ✓✓

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

2.5 Why is the perfect market beneficial to the economy? (8)

- Consumers can benefit by having a wide choice of goods and services that are produced by many sellers. ✓✓
- Competition in the perfect market may force prices to decrease. ✓✓
- Many sellers in the market will cause producers to allocate resources efficiently for them to improve profits. ✓✓
- Sellers may the quality of the product to attract more buyers. ✓✓
- Perfect market encourages informal sector activities since it is unregulated and this may in turn create many job opportunities. ✓✓
- There are no barriers to entry and exit which allows any seller to start their businesses and encourage innovation. ✓✓

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

QUESTION 3

3.1 Answer the following questions

3.1.1 Name any TWO characteristics of a public good. (1x2) (2)

- Non rivalness✓
- Non excludability✓
- Infinite consumption✓

3.1.2 Why does the government fight the existence of black markets? (2)

The government discourages the existence of the black market because they operate illegally in the country and they cause market failures. ✓✓
(Accept any other correct relevant response)

3.2 Data Response

3.2.1 Identify the original equilibrium from the graph above. (1)
e ✓ / (R10✓ / 30✓)

3.2.2 Name any ONE example of direct tax. (1)
- Income tax. ✓
- Corporate/company tax. ✓

(Accept any other correct relevant response)

3.2.3 Briefly describe the term *excise duty*. (2)

Excise duty is an indirect tax that is levied on goods that are harmful to the society like alcohol. ✓✓

(Accept any other correct relevant response)

3.2.4 Explain the impact of a decrease in quantity supplied on the price of the product. (2)

The price of the product will increase from R5 to R10. ✓✓

(Accept any other correct relevant response)

3.2.5 How can an increase in VAT affect economy? (4)

- Increase in value added tax can lead to an increase in the prices of goods and services at the expense of consumers. ✓✓
- Increase in VAT will discourage consumers to buy basic goods and services, hence their wellbeing will be worse off. ✓✓
- The government can benefit by raising more government revenue to provide social services. ✓✓
- Unemployed individuals will be unable to buy essential goods that satisfy their needs and wants. ✓✓
- Businesses may lose profits while retraining the staff and increasing administration costs to adapt to changes in the system of tax collection. ✓✓

(Accept any other correct relevant response)

3.3 DATA RESPONSE

3.3.1 Identify the reason for the market failure from the extract above (1)

Shortage of workers ✓

3.3.2 Name any ONE service that is provided by local government (1)

- streetlights ✓
- water and sanitation ✓
- electricity✓
- waste collection✓

(Accept any other correct relevant response)

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

Market failures occur when the market is unable to allocate resources in an efficient manner. ✓✓

(Accept any other correct relevant response)

3.3.4 Briefly explain the importance of social welfare grants to households. **(2)**

- Social welfare grants help people who are unemployed to earn an income and be able to satisfy their basic needs and wants. ✓✓
- Social welfare grants are the method used by government to redistribute income from the rich to the poor. ✓✓

(Accept any other correct relevant response)

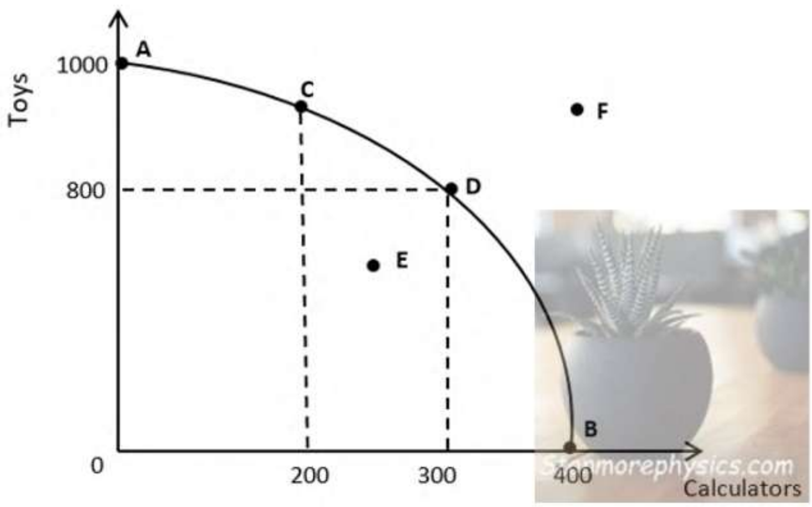
3.3.5 How can demerit goods negatively affect economy? **(4)**

- Demerit goods are harmful to the society, and they decrease the welfare of consumers. ✓✓
- More pressure will be placed on government expenditure to improve healthcare when people consume more of demerit goods ✓✓e.g. provision of rehab centres. ✓
- Demerit goods may lead to economic instability and crime in the community when most consumers spend more money on them. ✓✓

(Accept any other relevant correct response)

3.4 With the aid of a correctly labeled graph, explain the properties of Production Possibility curve (8)

MARK ALLOCATION:	
Labelling of and on the axis	= 1 mark
Correct drawing of PPC	= 1 mark
Correct labelling on PPC	=1 mark
Correct points in and out of PPC	= 1 mark
TOTAL	**= 4 Marks**



- Production Possibility Curve is the graph showing the combination of two goods that can be produced using all available resources. ✓✓ e.g. toys and calculators. ✓

Unattainable position✓

- Production at point F is impossible with the given resources. Point F represent the scarcity of resources to produce combination outside the PPC. ✓✓

Productive inefficiency✓

- Production at point E is regarded as inefficient because it is inside the Production possibility curve. ✓✓

- If production occurs at point E then there is a waste of resources. Production can be increased up to any point on the Production possibility curve. ✓✓

Allocative inefficiency✓

Allocative inefficiency occurs when the country needs more of a certain product like calculators at point D, but the market produces at point C where there are more toys produced with given resources. ✓✓

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

3.5 Discuss the impact of minimum wage implementation on the economy. (8)

POSITIVES

- The minimum wages decrease income inequality by boosting income of low-income earners✓✓e. g domestic workers. ✓
- The state will reduce the burden of income support to the poor household. ✓✓
- Workers can afford more goods and services as their income improve to meet the minimum wage low. ✓✓
- The supply of labour can exceed the demand as more workers are encouraged to enter the workforce. ✓✓
- The minimum wages reverse the effects of employer discrimination✓✓ e.g. close the gender pay gap. ✓
- The minimum wage allows workers to be paid equitable and fair wages that increases their affordability of basic goods. ✓✓
- The minimum wage protects domestic workers from exploitation where they work overtime without being paid accordingly. ✓✓

NEGATIVES

- Minimum wage causes the surplus of labour leading to high unemployment as producers' substitute labour for machine. ✓✓
- Damage to competitiveness of firms due to higher costs of production. ✓✓

(Accept any other relevant correct response)

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

[40]
TOTAL SECTION B: [40]

SECTION C

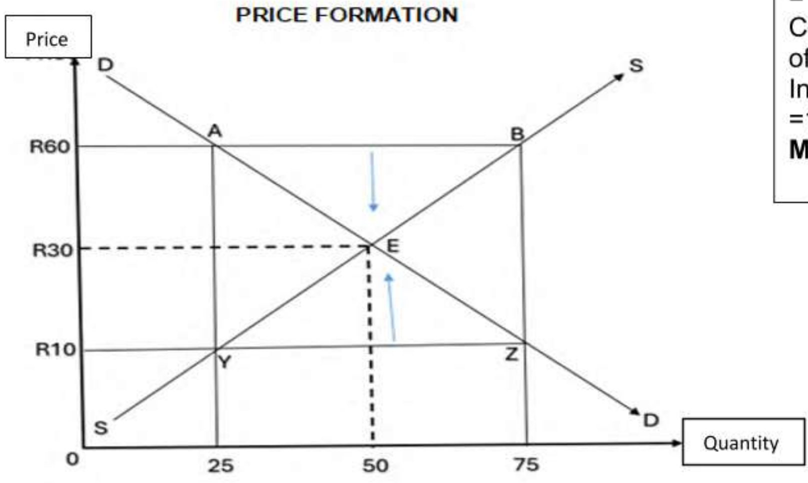
QUESTION 4: MICRO-ECONOMICS

- **With the aid of a graph, discuss in details price formation under the following headings:**
  - **Market equilibrium point**
  - **Market price and quantity**
  - **Surplus**
  - **Shortage**
  - **Factors affecting demand** **(26)**
- **How can the factors affecting the supply be used positively to influence economy?** **(10)**

INTRODUCTION

Price formation occurs where the market forces of supply and demand are equal to each other. ✓✓
(Accept any other correct relevant response)

(Max. 2marks)



MARK ALLOCATION:
Labelling of and on the axis = 1 mark
Correct drawing and labelling of the demand and supply curves = 1 Mark
Correct drawing and positioning of maximum price = 1 Mark
Indication of equilibrium point =1 Mark
Max. = 4 marks

- The vertical axis shows price, and the horizontal axis shows quantity demanded and quantity supplied. ✓✓
- DD = quantity demanded for goods and services and SS = quantity supplied of goods and services. ✓✓
- e = equilibrium point, is where quantity demanded is equal to quantity supplied. ✓✓
- The equilibrium price R30 and the equilibrium quantity = 60 units. ✓✓
- At R60 the quantity demanded for the good is 25 units and the quantity supplied of the good is 75 units. ✓✓
- The quantity supplied is more than the quantity demanded. There is an excess supply (market **excess**) on the market. ✓✓
- At R10 the quantity demanded is 75 units of the good and the quantity supplied of the goods is 25 units. ✓✓
- The quantity demanded is more than the quantity supplied. At R10 there is an excess demand (market **shortages**) on the market. ✓✓

Factors that influence demand and quantity

- **The price of the product** ✓(move along)
  Consumers are willing and able to buy more of a product at lower prices and less at higher prices. ✓✓

  For example, consumers may buy more of a product when it is on sale ✓

- **The price of complementary goods** ✓
  If the price of one complementary product increases consumers will demand less of this product and use less of the other complementary good ✓✓

  For example, if the price of coffee increases the demand for coffee also decreases leading to a decrease in the demand for milk. ✓

- **The price of substitute goods** ✓
  If the price of one product that has substitute increases, consumers will demand less of that product and more of the substitute product. ✓✓

  For example, if the price of tea increases consumers will prefer to buy coffee. ✓

- **The income of the consumer** ✓
  The higher the income of the consumer, the more money they will spend on goods and services. ✓✓

  For example, if consumer incomes increase there will be an increase in consumer spending on luxury goods like cars ✓

- **Tastes and preferences of consumers** ✓
  When fashion changes, consumer spending and demand will also change. ✓✓

  Aggressive advertising can greatly influence consumer spending to buy more goods and services. ✓✓

- **The size of the population** ✓
  The larger the population, the greater the demand for goods and services. ✓✓

  For example, if the population increase in a certain city there will be more demand for houses in that city. ✓

- **Expected changes in prices** ✓
  If consumers expect a price to change in the future, this will influence the current demand for the product. ✓✓

  E.g. when consumers expect a fuel price hike, they will purchase more fuel before the increase in prices. ✓

ADDITIONAL PART

How can the factors affecting the supply be used positively to influence economy? (10)

- Availability of the natural resources can encourage local businesses to increase production efficiently. ✓✓
- Improving production techniques enable enterprises to produce more goods and services. ✓✓
- Increase in the size of industries will improve manufacturing while leading to mass production of essential goods and services. ✓✓
- The decrease of the cost of production will allow businesses to make more profit and thus increase the market supply of goods and services. ✓✓
- Government policies that can decrease taxation levied on some good will in turn decrease the cost of production of certain industries leading to supply increase. ✓✓
- Encouraging more competitive products in the market will lead to efficient use of resources and hence total supply increase. ✓✓

(Accept any other correct relevant response)

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

CONCLUSION

In a market the change in demand is determined by changes in price. The situation will determine how consumers react or respond to such changes. ✓✓

(Max. 2 marks)

(Accept any relevant high order conclusion)

QUESTION 5: MICROECONOMICS 40 MARKS- 40 MINUTES

- **Discuss in details methods of public sector intervention under the following subheadings:**
  - **Maximum price**
  - **Minimum price** **(26)**
- **How can subsidies as a method of public sector intervention impact on the economy?** **(10)**

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 maximizes its benefits. ✓✓

(Accept any other relevant introduction.)

(Max. 2 marks)

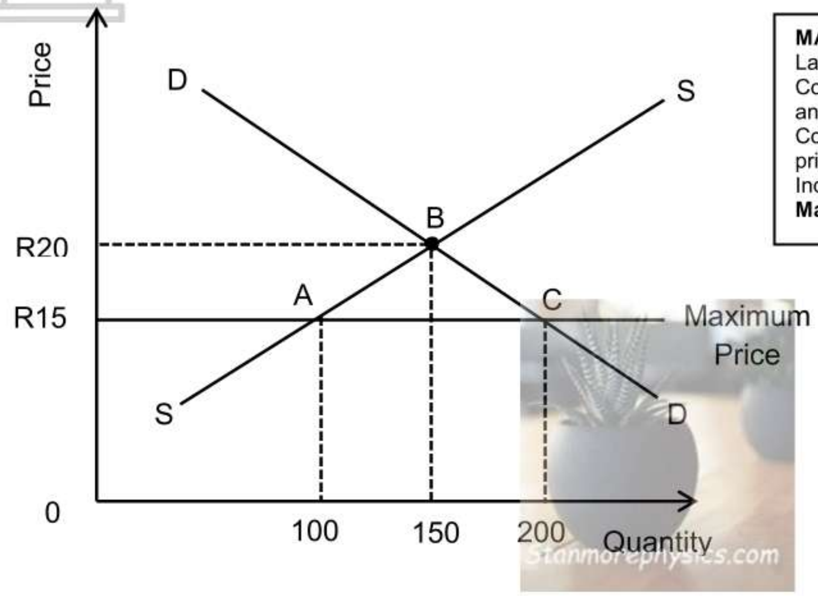
BODY: MAIN PART

Maximum prices (Price ceilings)

- The government sets a maximum price (ceiling price) below the market price to make goods more affordable. ✓✓
- Maximum prices allow consumers to get greater access to certain goods and services. ✓✓
- In South Africa the price of petrol, diesel fuel and paraffin are controlled at their maximum prices. ✓✓
- In times of war prices may be controlled to prevent inflation, it helps to protect the consumer. ✓✓

GRAPHICAL ILLUSTRATION

MAXIMUM PRICE



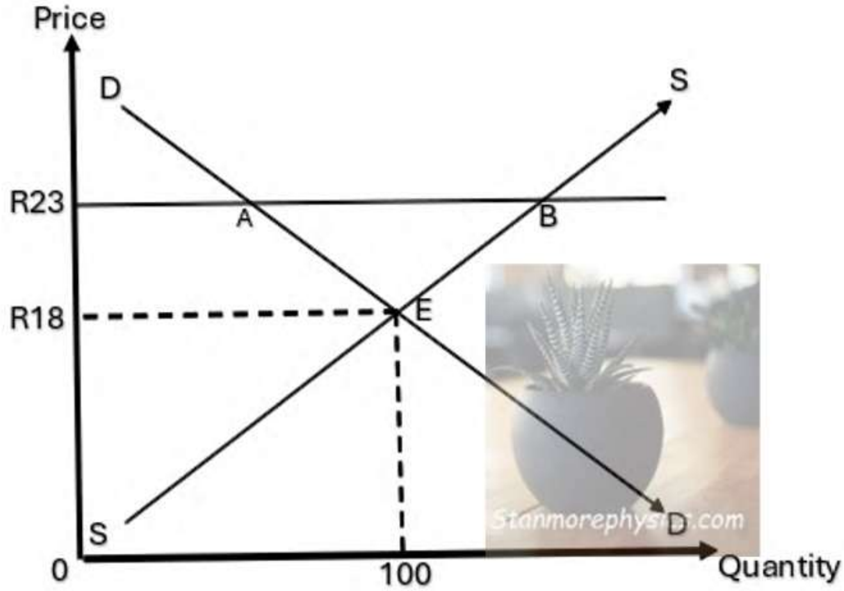
MARK ALLOCATION:
Labelling of and on the axis = 1 mark
Correct drawing and labelling of the demand and supply curves = 1 Mark
Correct drawing and positioning of maximum price = 1 Mark
Indication of equilibrium point =1 Mark
Max. = 4 marks

- Initially the market equilibrium price is R20, and equilibrium quantity is 150. ✓✓
- The government intervenes and passes a law that products cannot be sold for more than R15. ✓✓
- The effect of this maximum price is that quantity supplied decreases to 100 and quantity demanded increases to 200. ✓✓
- Maximum prices may cause a shortage of goods in the economy; however, they improve the welfare of some consumers since goods can be purchased at reasonable prices. ✓✓
- Black markets develop because producers may want to charge higher prices than the maximum prices. ✓✓

Minimum prices (Floor Price)

- The government sets a minimum price at a point above the market price to protect the producers. ✓✓
- It is generally used in agricultural sector where incomes are believed to be low. ✓✓
- This is done to enable producers to make a comfortable profit and thus encourages them to supply important essential goods, this helps to protect producers. ✓✓
- The government set minimum prices to ensure the steady income to the producers of staple food✓✓ for example maize, wheat famers etc. ✓
- The government tries to redistribute income by making sure that unskilled workers are not subjected to market forces of supply and demand. ✓✓

Minimum Price



MARK ALLOCATION
Labelling of and on the axis = 1 mark
Correct drawing and labelling of the demand and supply curves = 1 Mark
Correct drawing and positioning of minimum price = 1 Mark
Indication of equilibrium point =1 Mark
Max. = 4 marks

- DD is the market demand for wheat. ✓
- SS is the market supply of wheat. ✓
- The market equilibrium price is R18 per bag of wheat and the equilibrium quantity is 100. ✓✓
- If the government sets a minimum price R23 per bag of wheat, the farmers will be earning greater profits and supply more wheat. Quantity supplied will therefore increase to quantity B however, quantity demanded will decrease to A. ✓✓
- There would be a surplus of wheat equal to the difference between AB. ✓✓
- A surplus means the government will have to buy the extra wheat and provide it as animal feed. ✓✓
- Dumping may also arise where extra products are sold to foreign markets at a price that is less than the country of origin. ✓✓
- Dumping is not allowed by World Trade Organisation, the only manner to get rid of this surplus is to destroy goods✓✓
- Although minimum prices may cause a surplus, they do encourage the supply of important food stuffs to continue production. ✓✓

(Accept any other correct relevant response)

Analyse the positive impact of subsidy as a method of public intervention to the economy. **(10)**

- Producer subsidy decreases the cost of production for local firms, and they can then expand their production which in turn improves economic growth. ✓✓
- Export subsidies serve as an injection to economy by encouraging local producers to earn foreign exchange when they sell goods to foreign markets. ✓✓
- Consumer subsidies decrease the price of goods and services making it easier for consumers to afford basic goods and services. ✓✓
- Employment subsidies help to curb youth unemployment as they get chances to acquire skills and experience through internships. ✓✓
- Local producers become more competitive in foreign market as the cost of production decrease assist them to decrease the price while adopting new method of production.✓✓
- Subsidies may have a negative effect when leading to dumping of product to other countries that may retaliate**.** ✓✓

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

CONCLUSION

Some economists believe that too much public sector intervention in the economy may lead to dependency which prevents innovation and efficient use of resources. ✓✓

(Max. 2)

(Accept any other correct relevant conclusion)

TOTAL SECTION C: [40]

GRAND TOTAL: [100]