GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

# JUNE EXAMINATION
# GRADE 12

# 2026

## ECONOMICS

## (PAPER 2)


ECONOMICS P2

C2732E

TIME: 2 hours

MARKS: 150

14 pages

X05

**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 open between subsections of questions.

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

9. Use only black or blue ink.

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

11. Write neatly and legibly.

**SECTION A (COMPULSORY)**

**QUESTION 1** **30 MARKS – 20 MINUTES**

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

1.1.1 The value of inputs that are owned by the entrepreneur and used in the production process is:

A Variable costs
B Implicit costs
C Sunken costs
D Explicit costs

1.1.2 When only two firms dominate a particular industry and influence prices, output, and market behaviour, this situation is known as a …

A duopoly.
B dual market.
C symbiotic market.
D competing market.

1.1.3 Illustrates a combination of two goods which an economy can produce with limited resources indicating trade-offs, scarcity and opportunity costs:

A Production possibility curve
B Demand curve
C Indifference curve
D Supply curve

1.1.4 When two companies become one company by mutual agreement:

A Merger
B Competition
C Partnership
D Procurement

1.1.5 What is a characteristic of a demerit good?

A It is more beneficial to the consumer.
B It is overconsumed in the free market.
C It is underproduced in the free market.
D It provides external benefits.

1.1.6 The reasoning behind a cost benefit analysis is:

A Redistribution of wealth
B High prices for consumers
C Efficient resource allocation
D Determining the wealth

1.1.7 A firm experiences an economic loss when its …

A total revenue equals total cost.
B average revenue exceeds average cost.
C marginal costs exceed total cost.
D total revenue is less than its total cost.

1.1.8 A price set by the government above the market price to enable producers to make a profit and encourage the supply of essential goods is called a/an … price.

A maximum
B minimum
C equitable
D producer


(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A – I) next to the question numbers (1.2.1 to 1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

| COLUMN A | | COLUMN B | |
|---|---|---|---|
| 1.2.1 | Perfect information | A | authorises and prohibits large mergers and takeovers |
| 1.2.2 | Brand loyalty | B | goods which are non-excludable and non-rivalrous |
| 1.2.3 | Community goods | C | the additional revenue earned when sales increase by one more unit |
| 1.2.4 | Demand curve | D | income that is earned per unit produced |
| 1.2.5 | Marginal revenue | E | the removal of unnecessary laws to reduce market failures |
| 1.2.6 | Competition tribunal | F | the market does not produce at the socially optimum level of output |
| 1.2.7 | Welfare loss | G | all buyers and sellers have access to market conditions, prices, and product quality |
| 1.2.8 | Deregulation | H | the relationship between a product's price and the quantity that consumers are willing to buy |
| | | I | a measure of the unwillingness of consumers to switch to a competing product 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 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 All businesses producing a particular kind of product or service

1.3.2 A period in which all factors of production and costs are variable

1.3.3 A group of producers whose goal is to form a collective monopoly

1.3.4 A market structure that sells a product that has no close substitute and is produced by a single seller

1.3.5 The cost to society that is not included in the market price

1.3.6 State intervention by decreasing the market price in order to accommodate previously marginalised individuals (6 x 1) (6)

**TOTAL SECTION A: 30**

**SECTION B**

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

**QUESTION 2: MICROECONOMICS** **40 MARKS – 30 MINUTES**

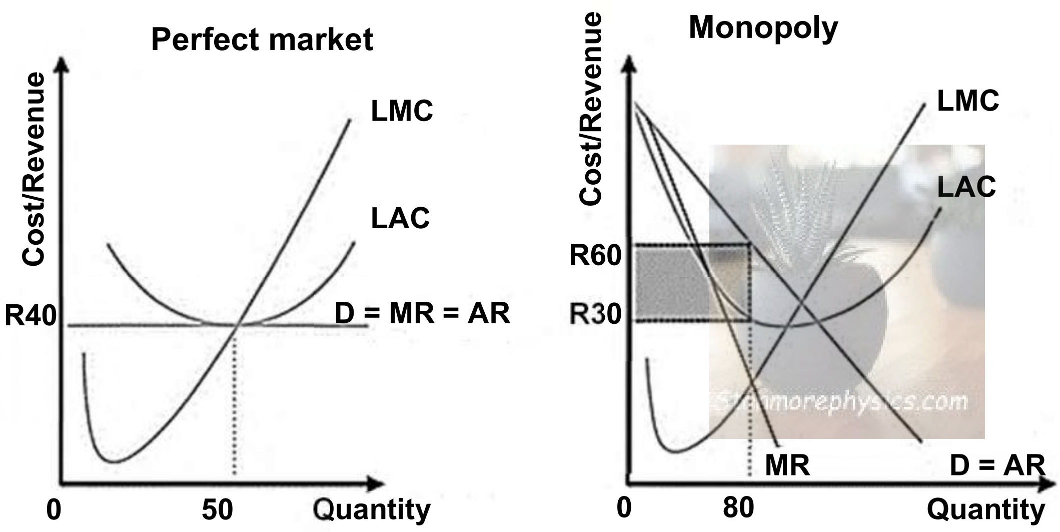
2.1 Answer the following questions.

2.1.1 Name any TWO markets that form a hybrid market structure. (2 x 1) (2)

2.1.2 How does the immobility of labour lead to inefficient resource allocation in South Africa? (1 x 2) (2)

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

**EQUILIBRUIM POSITION IN THE LONG-RUN**




2.2.1 Identify the relationship between the demand and marginal revenue (MR) curves in the monopoly graph. (1)

2.2.2 What is the equilibrium position of the perfect market graph above? (1)

2.2.3 Briefly describe the term *average total cost (ATC).* (2)

2.2.4 Explain why firms in perfect competition cannot earn long-run economic profit. (2)

2.2.5 Calculate the economic profit or loss for the monopoly graph above. Show ALL calculations. (2 x 2) (4)

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

**REVENUE AND COSTS FOR A TOMATO FARMER**

| **Quantity** | **Price** | **Marginal Revenue** | **Marginal Cost** | **Profit/Loss** |
|---|---|---|---|---|
| 1 | 15 | 15 | 5 | 10 |
| 2 | 15 | 15 | 10 | 5 |
| 3 | 15 | 15 | 15 | 0 |
| 4 | 15 | 15 | 20 | -5 |
| 5 | 15 | 15 | 25 | -10 |

2.3.1 Identify the profit maximisation output in the table above. (1)

2.3.2 Name the market type indicated in the table above. (1)

2.3.3 Briefly describe the term *homogeneous products*. (2)

2.3.4 Explain why firms in a perfect market are price-takers. (2)

2.3.5 How would the information on profit maximisation in the above table guide the farmer's production decisions in the long run? (2 x 2) (4)

2.4 Distinguish between *natural* and *artificial* monopolies. (2 x 4) (8)

2.5 Analyse the effectiveness of cost-benefit analysis in reducing market failures. (4 x 2) (8)

**[40]**

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

3.1 Answer the following questions.

3.1.1 Name any TWO types of efficiencies that can occur in a market. (2 x 1) (2)

3.1.2 What is the significance of barriers to entry in monopolistic markets? (1 x 2) (2)

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

**WEALTH TAXES ARE CRITICAL FOR FINANCING PUBLIC SERVICES AND REDUCING INEQUALITY**

In a country as unequal as South Africa, failing to implement a wealth tax and improve taxation of income from wealth is not only unjust, it is unsustainable.

The 2025 Budget has brought into sharp focus the need to find sustainable forms of revenue to support growing social and economic priorities. It has also highlighted the failure of the national treasury to pursue innovative, progressive tax measures and its reliance on taxes such as VAT and the fuel levy, which will strangle the incomes of the poor.

Why is there such fierce opposition to taxing wealth, given the persisting inequality in South Africa? Treasury would have us believe that progressive taxes, such as a wealth tax, will harm economic growth and lead to capital flight.

**[Adapted from *https://www.dailymaverick.co.za/article/2025-07-09-wealth-tax-is-critical-for-financing-public-services-reducing-inequality*]**

3.2.1 Identify the type of tax system used in South Africa from the above extract. (1)

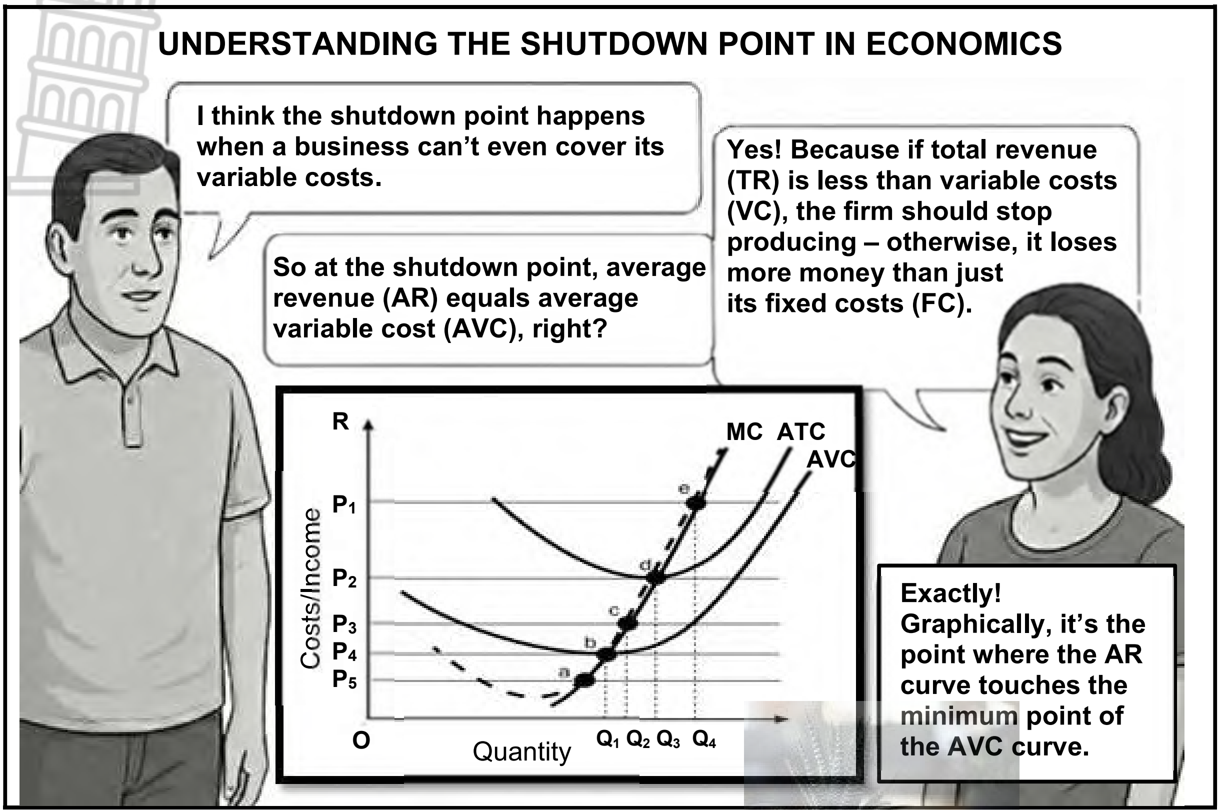
3.2.2 Name the cause of the market failure in the extract above. (1)

3.2.3 Briefly describe the term *price discrimination*. (2)

3.2.4 Why would South Africa's high Gini coefficient be a concern for policy-makers? (2)

3.2.5 How can the government reduce the negative effects of income inequality in South Africa? (2 x 2) (4)

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




[Source: Examiner's own sketch]

3.3.1 Identify the shut-down point from the dialogue above. (1)

3.3.2 Name any ONE main type of cost that a firm faces in the short run. (1)

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

3.3.4 How technological improvements affect the firm's shut-down point**?** (2)

3.3.5 How does total revenue (TR) relate to total cost (TC) at the break-even point? (2 x 2) (4)

3.4 Briefly explain, with ONE example of each, the difference between *merit goods* and *public goods*. (2 x 4) (8)

3.5 Evaluate the success and failures of the Competition Commission in South Africa. (8)
**[40]**

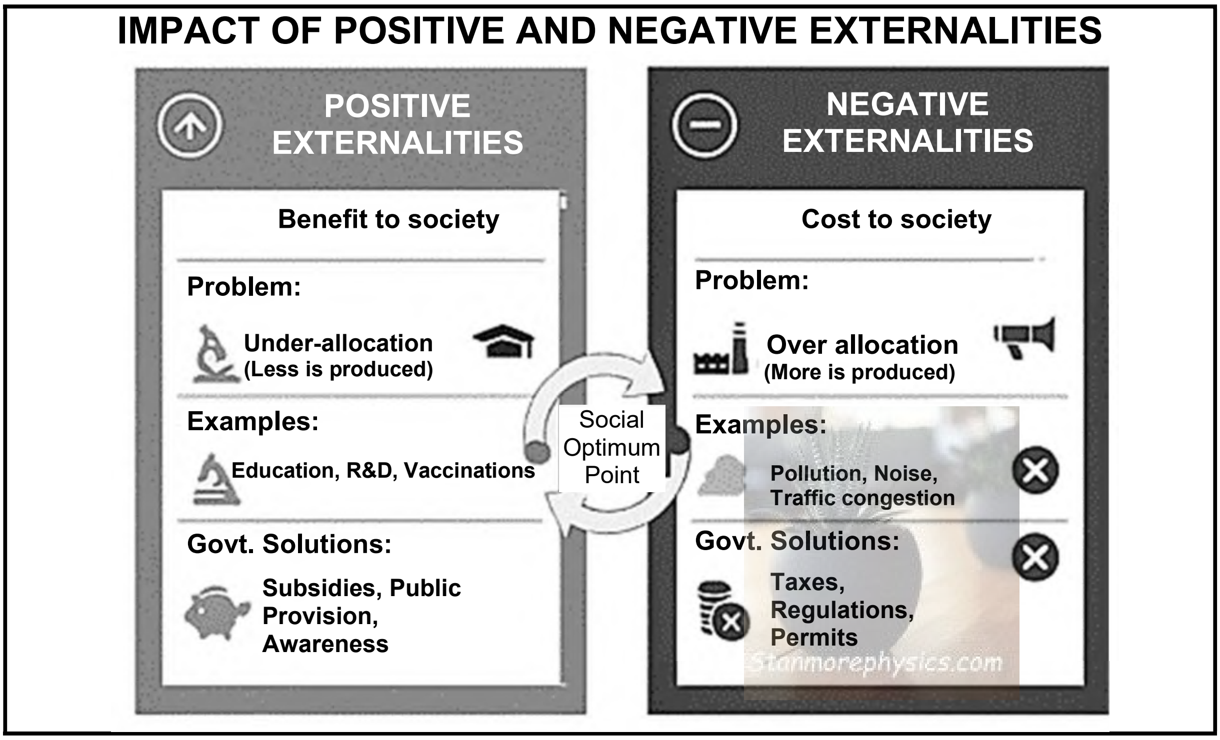
**QUESTION 4: MICROECONOMICS** **40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO objectives of the Competition Act. (2 x 1) (2)

4.1.2 How does advertising promote monopolistic competition? (1 x 2) (2)

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




**[Source: Examiner's own sketch]**

4.2.1 From the infographic above identify an example of a negative externality. (1)

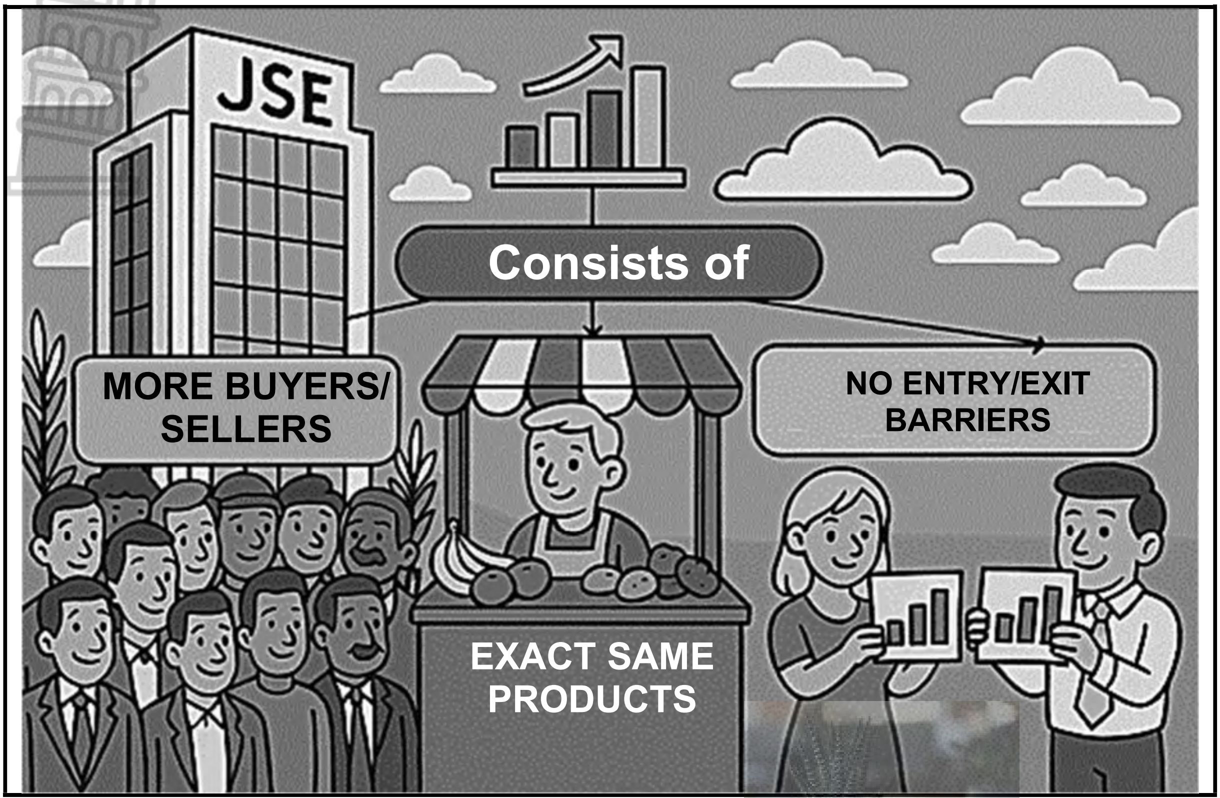
4.2.2 Name the type of government measure used to increase the production of goods with social benefits. (1)

4.2.3 Briefly describe the term *external benefits.* (2)

4.2.4 Why are awareness campaigns listed as a government solution for positive externalities? (2)

4.2.5 Explain how negative externalities lead to market failure using the concept of costs related to externalities. (2 x 2) (4)

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




**[Source: Examiner's own sketch from chatgpt]**

4.3.1 Name ONE industry which falls under a perfectly competitive market. (1)

4.3.2 Give ONE example of a homogeneous product. (1)

4.3.3 Briefly describe the term *price-taker.* (2)

4.3.4 Explain how perfect competition contributes to efficiency in resource allocation in the economy. (2)

4.3.5 How can perfect competition encourage growth in the rural areas of South Africa? (2 x 2) (4)

4.4 With the aid of well-labelled graphs, explain how the demand curve for an individual business in a perfect market is derived. (8)

4.5 How does the introduction of online tools help monopolistic firms increase their market share? (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**<br>The introduction is a lower-order response.<br>• A good starting point would be to define the main concept related to the question topic.<br>• Do NOT include any part of the question in your introduction.<br>• Do NOT repeat any part of the introduction in the body.<br>• Avoid mentioning in the introduction what you are going to discuss in the body. | Max. 2 |
| **Body**<br>**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<br>**A maximum of 8 marks may be allocated for headings/examples.** | Max. 26 |
| **Additional part:** Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce/Compare/Distinguish/Interpret/How?/Suggest<br>**A maximum of 2 marks may be allocated for the mere listing of facts.** | Max. 10 |
| **Conclusion**<br>Any higher-order conclusion should include:<br>• A brief summary of what has been discussed without repeating the facts already mentioned<br>• Any opinion or value judgement on the facts discussed<br>• Additional support information to strengthen the discussion/analysis<br>• A contradictory viewpoint with motivation, if required<br>• Recommendations | Max. 2 |
| **TOTAL** | **40** |

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

- Examine in detail the oligopoly market structure. (26)

- Evaluate the impact of heavy advertising by gambling firms on consumers. (10)
**[40]**

**QUESTION 6: MICROECONOMICS** **40 MARKS – 40 MINUTES**

- Discuss in detail state intervention as a consequence of market failures, without graphs. (26)

- How can the government be successful in reducing black market activities in the economy? (10)
**[40]**

**TOTAL SECTION C: 40**

**TOTAL: 150**

# JUNE EXAMINATION
# GRADE 12

# 2026

# MARKING GUIDELINES

## ECONOMICS

## (PAPER 2)



25 pages

## SECTION A (COMPULSORY)

## QUESTION 1

### 1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 B – Implicit costs ✓✓

1.1.2 A – duopoly ✓✓

1.1.3 A – Production possibility curve ✓✓

1.1.4 A – Merger ✓✓

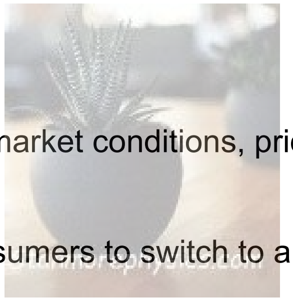
1.1.5 B – It is overconsumed in the free market. ✓✓

1.1.6 C – Efficient resource allocation ✓✓

1.1.7 D – Total revenue is less than total cost ✓✓

1.1.8 B – minimum ✓✓ (8 x 2) (16)

### 1.2 MATCHING ITEMS



1.2.1 G – all buyers and sellers have access to market conditions, prices, and product quality ✓

1.2.2 I – a measure of the unwillingness of consumers to switch to a competing product or service ✓

1.2.3 B – goods which are non-excludable and non-rivalrous ✓

1.2.4 H – the relationship between a product's price and the quantity consumers are willing to buy ✓

1.2.5 C –The additional revenue earned when sales increase by one more unit✓

1.2.6 A – authorises and prohibits large mergers and takeovers. ✓

1.2.7 F – the market does not produce at the socially optimal level of output ✓

1.2`8 E – the removal of unnecessary laws to reduce market failures ✓ (8)

1.3 **GIVE THE TERM**

1.3.1 Industry ✓

1.3.2 Long run/long term ✓

1.3.3 Cartel ✓

1.3.4 Monopoly ✓

1.3.5 External cost/negative externality✓

1.3.6 Maximum price/price ceiling ✓ (6)

**TOTAL SECTION A: 30**

**SECTION B**

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

**QUESTION 2: MICROECONOMICS**

2.1 Answer the following questions

2.1.1 **Name any TWO markets that form a hybrid market structure.**

- Perfect competition/Perfect market ✓
- Monopoly ✓ (2 x 1) (2)

2.1.2 **How does the immobility of labour lead to inefficient resource allocation in South Africa?**

- Skilled labour cannot move freely due to transport, housing, or social constraints and rural areas may have labour shortages; urban areas may have unemployment. Resources are underutilised, therefore reducing productivity. ✓✓

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

2.2 **DATA RESPONSE**

2.2.1 **Identify the relationship between the demand and marginal revenue (MR) curves in the monopoly graph.**

- The MR curve lies below the demand curve (AR) ✓
- Demand curve is more elastic than MR✓ (1)



2.2.2 **What is the equilibrium position of the perfect market graph above?**

- Normal profit ✓ (1)

2.2.3 **Briefly describe the term *average total cost (ATC).***

- It shows the cost of producing each individual unit of output, typically U-shaped due to economies and diseconomies of scale. ✓✓

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

2.2.4 **Explain why firms in perfect competition cannot earn long-run economic profit.**

- In perfect competition, free entry and exit drive price down to P/AR = AC, eliminating long-run profit thus making a normal profit ✓✓

(Accept any other correct relevant response) (2)

2.2.5 **Calculate the economic profit or loss for the monopoly graph. Show all caculations.**

- Profit = (TR – TC) ✓
- (60 x 80) ✓– (30 x 80 ✓)
- 4 800 – 2 400
- = R2 400 ✓( Economic profit)

OR

- Profit = (AR – AC) x Q ✓
- (60 – 30) ✓ x 80 ✓
- 30 x 80
  = R2 400 ✓( Economic profit) (4)

2.3 **DATA RESPONSE**

2.3.1 **Identify the profit maximisation output in the table above.**

- 3 ✓ (1)

2.3.2 **Name the market type indicated in the table above.**

- Perfect market ✓ (1)

2.3.3 **Briefly describe the term *homogeneous products.***

- The products are identical and there are no differences in style, design and quality. ✓✓

(Accept any other correct relevant response) (2)

2.3.4 **Explain why firms in a perfect market are price-takers.**

- Individual firms are too small to influence the market price, as prices in perfectly competitive markets,are determined by the forces of demand and supply leaving individual firms as price takers.✓✓
- The type of products sold means that consumers are indifferent between suppliers, so firms must accept the market price. ✓✓

(Accept any other correct relevant response) (2)

2.3.5 **How would the information on profit maximisation in the above table guide the farmer's production decisions in the long run?**

- In the long run, if price and revenue remain below ATC, the farmer will exit the market to avoid sustained losses. ✓✓
- Increasing output adds more costs than revenue, therefore the farmer should not expand beyond the profit maximising output. ✓✓
- The farmer can decide whether to adjust the scale of production to improve efficiency or adopt new technology to lower costs. ✓✓

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

2.4 **Distinguish between *natural* and *artificial* monopolies.**

| Natural monopolies | Artificial monopolies |
|---|---|
| • High development costs prevent others from entering the market and therefore the government supplies the product. ✓✓<br>• Government enterprises, such as Eskom costs billions of rands to maintain and therefore there are no other suppliers. ✓✓<br>• Often heavily regulated to prevent abuse as there are no other competitors. ✓✓ | • The barriers of entry are not economic in nature. ✓✓<br>• Patents and licensing, create monopolies. These are exclusive rights to manufacture a product. ✓✓<br>• A pharmaceutical company may therefore patent the right to a particular drug that it has developed. ✓✓ |

**(Accept any other correct relevant response.)**
**(Allocate a maximum of 4 marks for the mere listing of facts and examples)**
**(Allocate a maximum of 2 marks for examples only)** (2 x 4) (8)

2.5 **Analyse the effectiveness of cost-benefit analysis in reducing market failures.**

- CBA internalises externalities by including social costs, reducing overproduction of harmful goods. ✓✓
- It improves resource allocation by directing investment toward projects with the highest net social benefit. ✓✓
- It supports provision of public goods, correcting under-provision in free markets. ✓✓
- It reduces information failure by giving policymakers clearer cost-benefit data. ✓✓
- Valuing non-market effects is difficult, reducing accuracy in assessing true social welfare. ✓✓
- Choice of discount rate may bias results against long-term environmental projects. ✓✓
- CBA ignores income distribution, favouring projects benefiting higher-income groups. ✓✓
- It evaluates the feasibility of different projects to determine which project will be the best investment to priorotise and save resources. ✓✓
- The resources are scarce, therefore the market must consider the social costs and benefits of a project before allocating them to ensure maximum efficiency. ✓✓
- It helps to bring greater objectivity to decision making by all the stakeholders in the economy as it looks at what the community will benefit or suffers before allocating the resources. ✓✓

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

**[40]**

**QUESTION 3: MICROECONOMICS**

3.1 Answer the following questions

3.1.1 **Name any TWO types of efficiencies that can occur in a market.**

- Allocative efficiency ✓
- Productive/technical efficiency ✓
- Pareto efficiency ✓ (2 x 1) (2)

3.1.2 **What is the significance of barriers to entry in monopolistic markets?**

- There are no barriers to entry in a monopolistic market as firms are free to enter and exit however businesses may find challenges associated with differentiation,building brand recognition and customer loyalty✓✓
- In monopolistic competition,barriers to entry are very low,allowing new firms to enter the market easily with few legal restrictions and low start up costs. ✓✓

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

3.2 **DATA RESPONSE**

3.2.1 **Identify the type of tax system used in South Africa from the above extract.**

Progressive tax system ✓ (1)

3.2.2 **Name the cause of the market failure in the extract above.**

Imperfect distribution of income and wealth ✓ (1)

3.2.3 **Briefly describe the term *price discrimination*.**

- Occurs when the same good is sold at different prices to different customers. ✓✓

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

3.2.4 **Why would South Africa's high Gini coefficient be a concern for policy-makers?**

- A high Gini coefficient shows severe income inequality that shows high levels of poverty, this makes it difficult for policy makers to achieve inclusive development. ✓✓

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

3.2.5 **How would the government reduce the negative effects of income inequality in South Africa?**

- The government can promote progressive taxation which will increase taxes on high earners and use the revenue to fund education and healthcare. ✓✓
- Investing in education and skills training to equip the poor with marketable skills to improve employment opportunities. ✓✓
- Support small and medium enterprises (SMEs) by providing funding and mentorship to help disadvantaged groups start businesses. ✓✓

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

3.3 **DATA RESPONSE**

3.3.1 **Identify the shut-down point from the dialogue above.**

- AR = AVC ✓
- TR < VC ✓
- AR curve touches the minimum point of AVC curve✓
- B✓ (1)

3.3.2 **Name any ONE main type of cost a firm faces in the short run.**

- Fixed costs (FC) ✓
- Variable costs (VC) ✓
- Total costs (TC). ✓ (1)

3.3.3 **Briefly describe the term imperfect *market.***

- Occurs when any of the conditions of the perfect competition do not exist. ✓✓
  (Accept any other correct relevant response.) (2)

3.3.4 **Suggest how technological improvements can affect the firm's shut-down point.**

- Technological improvements lower a firm's costs, reducing the shutdown point and allowing production at lower prices. ✓✓
- Technology can lower variable costs, shifting the AVC curve downward. ✓✓

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

3.3.5 **How does total revenue (TR) relate to total cost (TC) at the break-even point?**

- The break-even point is the level of output where a business earns no profit and no loss. ✓✓
- At this point, Total Revenue (TR) is equal to Total Cost (TC).
- The firm's resources are used efficiently, allowing it to remain in operation without a loss. ✓✓
- The firm earns normal profit, which is the minimum return needed to keep resources in the current use. ✓✓

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

3.4 **Briefly explain, with an example of each, the difference between *merit goods* and a *public goods.***

**Merit goods**
- A merit good is one that is under-consumed and underproduced because consumers do not always recognise its full value. ✓✓
- It provides external benefits to society beyond the individual who consumes it. ✓✓
- Merit goods can be produced by both the private and public sectors since they are private goods that are rival and excludable. ✓✓
- An example of a merit good is education, which benefits not only the student but also the wider economy through a more skilled workforce. ✓✓
- Another example is healthcare, which improves public health and productivity. ✓✓

**Public goods**
- A public good, on the other hand, would not be produced by the private sector because firms cannot easily charge consumers for using it. ✓✓
- Public goods are usually supplied and funded by the government since they are non-excludable and non-rival. ✓✓
- This means that no one can be prevented from using them and one person's use does not reduce availability for others. Examples of public goods include street lighting, national defence, and flood control. ✓✓
- These goods benefit everyone, and their use by one person does not diminish the benefit to others. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for the mere listing of facts/examples.)
**(Allocate a maximum of 2 marks for only examples)** (2 x 4) (8)

3.5 **Evaluate the success and failures of the Competition Commission in South Africa.**

**Success**

- The Competition Commission is active in merger-control, many notifications are submitted and a significant number of mergers are finalised with conditions. This suggests robust input into controlling consolidation. ✓✓
- The penalties for cartel conduct are significant and show that the institution is using power to sanction anti-competitive behaviour. ✓✓
- The Competition Tribunal imposes public interest conditions in many approved mergers proving that transformation and public interest is being integrated into merger oversight. ✓✓
- Over the past few years the commission has been investigating telecommunication companies on high data costs in the country and as a result Vodacom and MTN have announced a decrease in data costs.
- Dischem was investigated for high prices of masks during the Covid 19 pandemic and was fined and ordered to reduce prices of masks.

**Max. 4**

**Failure**

- The administrative penalties levied by the Competition Commission in recent years have been relatively low compared to the scale of the South African economy and the high industrial concentration in many sectors. ✓✓
- The number of prohibited mergers is very small; this suggests that most mergers are approved (with or without conditions) rather than being blocked, which may raise concerns about how precise merger screening really is. ✓✓
- The decline in the Competition Commissions levied penalties might suggest lesser success in attaining large fines. ✓✓
- The decline in major cartel penalties in recent years suggests reduced success in securing large financial sanctions against firms engaging in anti competitive conduct. ✓✓
- It has failed in its objective to work with government in creating employment as the unemployment rate in the country continues to increase and it is above 30% in 2026 according to Statistics South Africa. ✓✓
- The deficit in the balance of payment continues to increase despite the competition policies goal to reduce imports. ✓✓

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

**[40]**

## QUESTION 4: MICROECONOMICS

4.1 Answer the following questions.

4.1.1 **Name any TWO objectives of the Competition Act**

- Lower prices ✓
- Efficiency of the economy ✓
- Wider variety of goods and services at lower prices ✓
- Stimulating economic growth ✓
- Active participation of SMMEs ✓
- Improving economic welfare ✓

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

4.1.2 **How does advertising promote monopolistic competition?**

- Advertising creates brand loyalty and reinforces the perception of uniqueness, even when physical differences are minor. ✓✓

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

4.2 **DATA RESPONSE**

4.2.1 **From the infographic above identify an example of a negative externality.**

- Pollution ✓
- Noise ✓
- Congestion/Traffic ✓

(1)

4.2.2 **Name the type of government measure used to increase the production of goods with social benefits.**

- Subsidies ✓

4.2.3 **Briefly describe the term *external benefits.***

- Occurs when a third party derives a gain from the transaction even though they were not directly involved in it. ✓✓

(Accept any other correct relevant response) (2)

4.2.4 **Why are awareness campaigns listed as a government solution for positive externalities?**

- Lack of information causes under-consumption of beneficial goods. ✓✓
- Awareness campaigns inform citizens about long-term benefits, increasing demand and shifting the market toward the social optimum. ✓✓

(Accept any other correct relevant response) (2)

**4.2.5 Explain how negative externalities lead to market failure using the concept of costs related to externalities.**

- Producers ignore external costs such as pollution or congestion. ✓✓
- The market price becomes too low, leading to excessive production and consumption. ✓✓
- Total social cost exceeds private cost, causing inefficiency. ✓✓

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

4.3 **DATA RESPONSE**

4.3.1 **Name any ONE industry which falls under perfectly competitive market.**

- Agricultural ✓
- JSE ✓
- Foreign exchange market✓

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

4.3.2 **Give ONE example of a homogeneous product.**

- Maize, wheat, sugar, or raw milk sold by farmers. ✓

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

4.3.3 **Briefly describe the term *price-taker.***

- A price-taker is one that must accept the prevailing market price and sell each unit at the same market price. ✓✓

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

4.3.4 **Explain how perfect competition contributes to efficiency in resource allocation in the economy.**

- Firms produce at P = MC, meaning goods are produced in the quantities most desired by consumers (allocative efficiency). ✓✓
- Competition forces firms to use resources efficiently and innovate, improving overall resource use. ✓✓

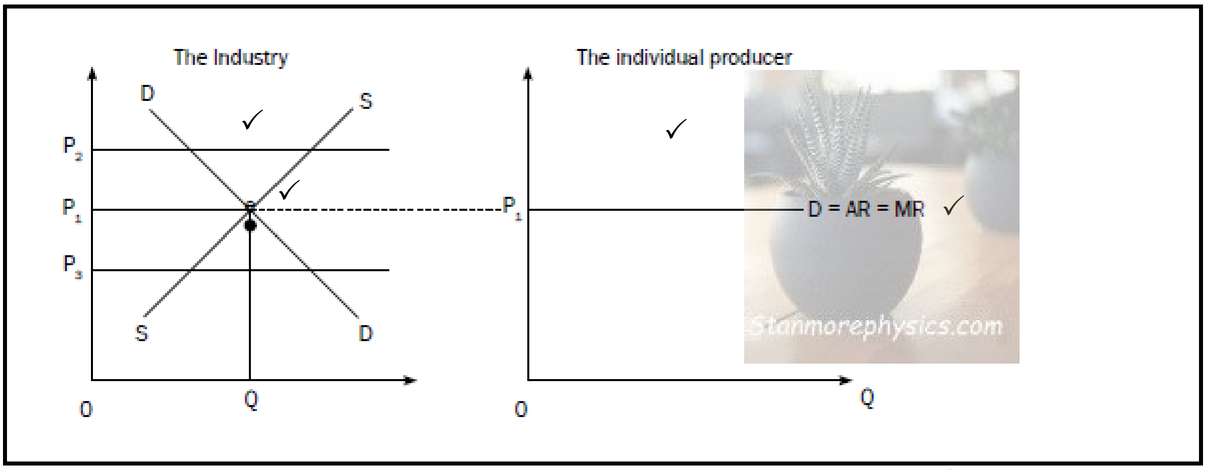
(Accept any other correct relevant response) (2)

4.3.5 **How can perfect competition encourage growth in the rural areas of South Africa?**

- In a perfectly competitive market, there are lower prices for consumers as producers sell similar products, so prices are driven down to the level of production costs therefore rural consumers can afford basic goods and services because prices are lower. ✓✓
- Low barriers to entry in perfectly competitive markets encourage local entrepreneurship, which allow small businesses to start in rural areas which will generate employment opportunities and diversify income sources for rural households. ✓✓
- Increased production and trade in rural areas can lead to improvements in roads, storage facilities, and electricity supply, as businesses and farmers need better infrastructure to compete. ✓✓

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

4.4 **With the aid of well-labelled graphs, explain how the demand curve for an individual business in a perfect market is derived. (4 x 2)**




- Correct drawing of the industry graph – 1
- Correct drawing of the individual graph – 1
- Price determination shown in industry graph – 1
- Link between market price and the price of individual – 1

Max. 4

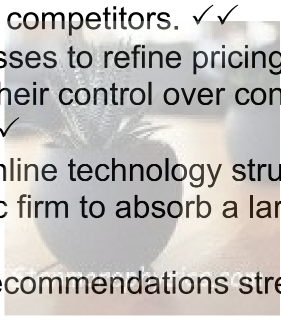
**Explanation**

- In a perfect market the prices of goods and services are determined by the interaction of demand and supply. ✓✓
- This is the market price that the individual business will adopt because they are price takers. ✓✓
- Extending this price from the industry graph to the individual business clearly indicates that the individual business is a price taker. ✓✓
- The demand curve for an individual business is horizontal the price is taken from the industry at point e. ✓✓
- The demand curve for an individual business taken from point *e* will be perfectly elastic as the small change in price will lead to a big change in quantity demanded. ✓✓ Max. 4

(Accept any other correct relevant response.)
**(Allocate a maximum of 4 marks for the mere listing of facts and examples)**
**(Allocate a maximum of 2 marks for one example)** (2 x 4) (8)

4.5 **How does the introduction of online tools help monopolistic firms increase their market share?**

- Firms using online tools can ensure their products appear more prominently in search results, reducing visibility for smaller competitors. ✓✓
- Online search tools allow monopolistic businesses to refine pricing, promotions, and timing of ads, strengthening their control over consumer demand and expanding market dominance. ✓✓
- Smaller firms without access to comparable online technology struggle to compete for visibility, allowing the monopolistic firm to absorb a larger market share.
- Continuous exposure through online search recommendations strengthens brand recognition and customer trust. ✓✓
- As more users interact with online search features, the value of the platform increases, attracting even more users and reinforcing the monopolist's dominance. ✓✓



(Accept any other correct relevant response)
**(Allocate a maximum of 2 marks for the 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.**

| STRUCTURE OF ESSAY | MARK ALLOCATION |
|---|---|
| **Introduction**<br>The introduction is a lower-order response.<br>• A good starting point would be to define the main concept related to the question topic.<br>• Do NOT include any part of the question in your introduction.<br>• Do NOT repeat any part of the introduction in the body.<br>• Avoid mentioning in the introduction what you are going to discuss in the body. | Max. 2 |
| **Body**<br>**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<br>**A maximum of 8 marks may be allocated for headings/examples.** | Max. 26 |
| **Additional part:** Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce/Compare/Distinguish/Interpret/How/Suggest<br>**A maximum of 2 marks may be allocated for the mere listing of facts.** | Max. 10 |
| **Conclusion**<br>Any higher-order conclusion should include:<br>• A brief summary of what has been discussed without repeating the facts already mentioned<br>• Any opinion or value judgement on the facts discussed<br>• Additional support information to strengthen the discussion/analysis<br>• A contradictory viewpoint with motivation, if required<br>• Recommendations | Max. 2 |
| **TOTAL** | **40** |

**QUESTION 5: MICROECONOMICS**

- **Examine in detail the oligopoly market structure.** (26 marks)
- **Evaluate the impact of heavy advertising by gambling firms on consumers.** (10 marks)

**INTRODUCTION**

Market structure describes how buyers and sellers are organised and interact in a market/Refers to the characteristics of a market that influences its performance and the level of competition. ✓✓
(Accept any other correct relevant introduction) **(Max. 2)**

**BODY: MAIN PART**

**CHARACTERISTICS OF OLIGOPOLY**
**Number of businesses** ✓
- Only a few large businesses dominate the oligopoly market, e.g. the mobile network industry. ✓✓
- There is limited competition in an oligopoly market structure. ✓✓
- A market that is dominated by two businesses only is referred to as a duopoly. ✓✓

**Nature of the product** ✓
- When the product is differentiated, the market is known as a differentiated oligopoly. ✓✓
- Product differentiation is a strategy used by businesses to make their products different from competitors in terms of colour, size, quality and appearance. e.g.cell-phone industry. ✓✓
- When the product is homogeneous, the market is regarded as a pure oligopoly. ✓✓ e.g. fuel industry. ✓

**Entrance** ✓
- Barriers to entry make it difficult for new businesses to enter an oligopoly market. ✓✓
- The barriers to entry include economies of scale, high development costs, licenses and huge capital requirements. ✓✓
- Barriers to entry allow oligopoly businesses to make economic profit in the long-run. ✓✓

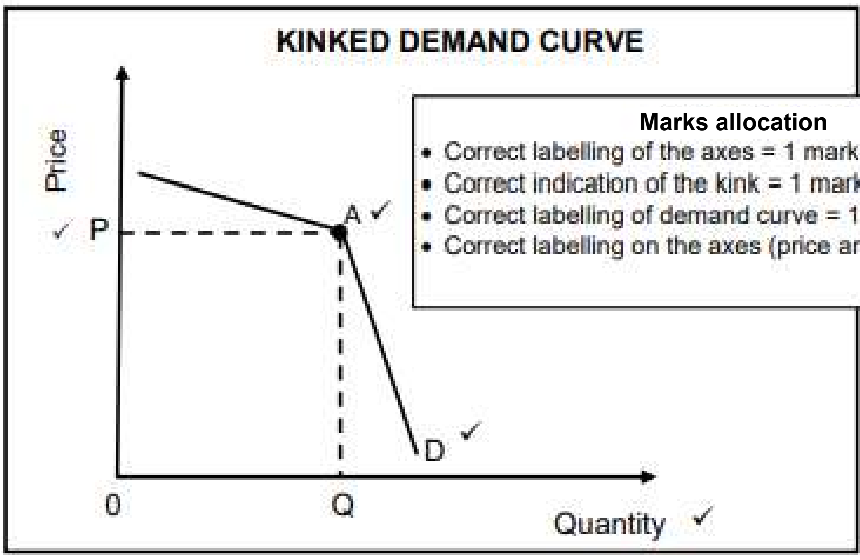
**Information** ✓
- Neither the producer nor the consumer has full knowledge about the current market conditions. ✓✓
- Even though oligopoly businesses watch each other closely, it is difficult for them to know how their competitors will react to their decisions and actions. ✓✓
- It is difficult for Vodacom to know how MTN, Telkom and Cell-C will respond to its promotion strategies such as night shifts. ✓

**Control over the price** ✓
- Oligopoly businesses generally have considerable control over the price of their products, although it is less than a monopoly. ✓✓
- Oligopolies gain control over the price especially when they make joint decisions, through price leaderships and cartels. ✓✓

**Mutual dependence** ✓
- There are few businesses selling a particular product, each business depends on other businesses' actions. ✓✓
- Decisions by one business can influence decisions by other businesses. ✓✓
- An oligopoly's decisions on decreasing or increasing the price are more complex than other markets because of the actions and reaction of other businesses. ✓✓

**Demand curve** ✓
- Oligopoly businesses have a kinked demand curve due to mutual dependence. ✓✓
- A kinked demand curve is a demand curve with two segments, one that is elastic and the other one that is inelastic. ✓✓

Kinked demand curve is based on the following assumptions:
- When one business increases the price, its competitors will not follow the move and customers will shift their purchases to other businesses with lower prices. ✓✓
- The business that increased the price will lose a lot of customers and demand will be elastic. ✓✓
- When one business decides to decrease the price, other businesses will also decrease their prices. ✓✓
- The business that decreased the price will gain very few customers and demand will be inelastic. ✓✓
- An oligopoly business tends to have an elastic demand curve when it increases the price and an inelastic demand curve when it decreases the price. ✓✓




**Marks allocation**
- Correct labelling of the axes = 1 mark
- Correct indication of the kink = 1 mark
- Correct labelling of demand curve = 1 mark
- Correct labelling on the axes (price and quantity) = 1 mark

**4 Marks**

- Above price P demand is elastic and below price P demand is inelastic. ✓✓
- An oligopoly will always maintain the price at the kink because there is no incentive for an oligopoly to increase or decrease the price. ✓✓

**Collusion** ✓
- Collusion is an agreement within the same industry to reduce competition amongst themselves, ✓✓ e.g. price fixing. ✓
- Formal collusion is in the form of cartels such as OPEC which is also referred to as explicit or overt collusion. ✓✓
- Informal collusion is in the form of price leadership which is also referred to as implicit or tacit collusion. ✓✓

**Non-price competition** ✓
- Oligopolies try to avoid competing on prices because reduction in prices may result in destructive price wars which eliminate their profits. ✓✓
- Oligopolies would rather make use of non-price competition methods to increase their customer base. ✓✓
- They make use of non-price competition, such as product differentiation, branding, and advertising, to attract customers and increase their market share. ✓✓

**Economic profit/loss** ✓
- Oligopolistic firms can make economic profit in both the short run and long-run. ✓✓

**Productive and allocative efficiency** ✓
- Oligopoly businesses do not achieve allocative efficiency because they do not produce the optimum output. ✓✓
- Oligopolies do not achieve productive efficiency because they do not produce at the lowest possible average cost. ✓✓

(Accept any other correct relevant response) **(Max. 26)**
**(Allocate a maximum of 8 marks for the mere listing of facts/examples)**

**ADDITIONAL PART**

**Positive impacts:**

- Advertising increases consumer awareness of available gambling options and promotions. ✓✓
- It can improve market competition by encouraging firms to offer better odds, bonuses, or safer platforms. ✓✓
- Regulated advertising may promote responsible gambling messages and inform players about support services. ✓✓
- Increased advertising can stimulate economic activity, supporting media outlets and creating jobs. ✓✓
- Informed consumers can make choices that align with their preferences and risk tolerance. ✓✓

**Negative impacts:**

- Heavy advertising normalises gambling and may increase participation among vulnerable groups. ✓✓
- It can mislead consumers through exaggerated claims about winning, reducing informed decision-making. ✓✓
- Normalises betting and raises participation among cash strapped students who receive NSFAS. ✓✓
- Advertising likely worsens consumer welfare for vulnerable NSFAS students because it raises exposure while their financial safety net proves fragile✓✓
- Overexposure to gambling ads can lead to addiction, debt, and mental health problems. ✓✓
- Increased demand from persuasive marketing transfers wealth from consumers to firms, reducing welfare. ✓✓
- The social costs of problem gambling, such as family breakdown and healthcare expenses, outweigh short-term benefits. ✓✓

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

**CONCLUSION**
Oligopoly businesses may enjoy economic profit in both the short-run and long-run due to the market powers they possess/Oligopolies produce goods and services at a higher cost and use resources inefficiently which may lead to higher prices and wastage of resources in the economy. ✓✓
(Accept any other correct relevant higher-order conclusion) **(Max. 2)** **[40]**

**QUESTION 6: MICROECONOMICS**

- **Discuss in detail state intervention as a consequence of market failures, without graphs. (26 marks)**
- **How can the government be successful in reducing black market activities in the economy? (10 marks)**

**INTRODUCTION**

- When market failure occurs, consequences such as inefficiencies, spill-over effects, imperfect competition and government intervention are likely to prevail. ✓✓

(Accept any other correct relevant introduction) **(Max. 2)**

**BODY: MAIN PART**

**Direct control** ✓

- The state can pass laws or use existing legislative frameworks to control businesses and industries, individuals who generate negative externalities. ✓✓
- Thus, in South Africa, emissions of potentially dangerous chemicals, air and scenic pollution, environmental preservation are controlled through various Acts and regulations. ✓✓
- Advertising by the tobacco industry is prohibited and alcohol may not be sold to persons under the age of 18 years. ✓✓
  This intervention measure clearly illustrates how the government acts as an impartial body who makes decisions in the best interests of the well-being of its citizens. ✓✓

**Imperfect markets** ✓

The government can deal with imperfect competition by:

- Formulating or implementing a competition policy to increase the level of competition. ✓✓
- Using laws on competition to prevent exorbitant prices charged by firms, to ensure that entry to the market is free, prevent harmful collusion and encourage foreign competition which helps to keep prices low. ✓✓
- Granting licences to more business in the case of state monopolies. ✓✓
- Imposing price controls to decrease the prices of goods and services. ✓✓
- This intervention measure clearly illustrates how the government acts as an impartial body in ensuring that citizens are provided with a variety of goods and services at the lowest possible prices, thereby promoting their well-being. ✓✓

**Minimum wages**

- A minimum wage is set by the government and refers to the least amount of money that can be paid to an employee. ✓✓
- A minimum wage is a wage that is set above market rate so as to ensure that workers earn a decent living wage and reduce income inequality✓✓
- South Africa has an abundance of unskilled labour and a shortage of skilled labour. ✓✓
- If the forces of demand and supply were left to their own devices, the remuneration earned by unskilled labour would be very low. ✓✓
- The government intervenes by 'artificially increasing' the wage rate. ✓✓
- The main reason for the government intervening, is so that employees who are remunerated with the minimum wage can afford a basic and decent standard of living. ✓✓

**Maximum prices/Price ceilings** ✓

- Maximum prices refer to prices that are set below the market price to accommodate economically marginalised individuals who would otherwise not have been able to afford the good or service. ✓✓
- In South Africa there are many economically marginalised individuals who live below the poverty line and therefore have limited disposable income. ✓✓
- Many goods and services are out of their financial reach due to their limited spending capacity. ✓✓
- The state intervenes by 'artificially decreasing' the prices of certain goods and services to make them more affordable to consumers. ✓✓
- Examples: rental on council housing, paraffin and petrol prices ✓

**Minimum prices/Price floors** ✓

- Minimum prices refer to prices that are set above the market price to accommodate suppliers and thereby provide them the opportunity to remain profitable. ✓✓
- Minimum prices aim to empower the supplier by ensuring that they can stay in business, remain profitable and to encourage the production of certain goods and services. ✓✓
- For example, in South Africa the agricultural sector is a crucial one because it produces the food that will be consumed or processed for later consumption. ✓ The state will use its discretion and where and when necessary, it will intervene to ensure that enough agricultural products are being produced and that it continues to be financially viable for farmers to produce them. ✓✓
- Surplus products become a challenge to dispose of as they should rather be sold at lower costs, dumped to other countries which is prohibited by the WTO or be destroyed. ✓✓
- A minimum price therefore 'artificially increases' the price of certain goods to encourage suppliers to not leave the market due to poor profitability. ✓✓

**Levying of taxes** ✓

- The government will intervene in the market by levying taxes to recover external costs.
- These taxes will increase the price and will result in a decrease in production of a certain good.
- Levying taxes could be used as a strategy of reducing production and consumption of demerit goods as well as generating revenue for the state.
- Firms and consumers will then be allocating resources in a more efficient way.

**Providing producer subsidies**

- The government provides subsidies to producers to encourage them to produce more goods and services. ✓✓
- Subsidies increase the supply of specific goods and services such as milk, wheat and maize. ✓✓
- Subsidies lower the cost of producing goods and thus the market price of these goods is lowered, increasing consumption. ✓✓

**Redistribution of wealth** ✓

- The South African government uses a progressive income tax system to redistribute income and wealth. ✓✓Traditional methods such as levying various taxes, the provisioning of free services, benefits in kind and cash benefits, are used to reduce the income gap. ✓✓
- The government can also implement redress methods such as BBBEE, affirmative action, land restitution, land redistribution and property subsidies to redistribute wealth among the population ✓✓

**Government involvement in production**

- Subsidising merit goods to increase production. ✓✓
- Imposing taxes on demerit goods to reduce production. ✓✓
- Levying income taxes, indirect taxes and wealth taxes to provide community goods free of charge. ✓✓
- Providing collective goods such as refuse removal, waste disposal and sewerage drainage for a user fee. ✓✓

(Accept any other correct relevant response) **(Max. 26)**

**(A maximum of 8 marks may be allocated for the mere listing of facts/examples)**

**ADDITIONAL PART**

- Increasing border security reduces black market activities because fewer smuggled and counterfeit goods enter the country, limiting the supply of illegal products. ✓✓
- The government can regulate prices or subsidise goods to reduce the incentive for illegal sales, this will reduce the profit motive for black markets. ✓✓
- Engaging in public awareness campaigns, educating consumers about the legal, financial, and health risks of buying black market goods, can assist in reducing the demand of goods sold on the black market. ✓✓
- Strengthening law enforcement reduces black market activities because more illegal traders are detected, arrested, and prosecuted, increasing the risks and costs of operating illegally. ✓✓
- Simplifying business registration reduces black market activities because informal traders are more likely to operate legally when compliance procedures become easier and cheaper. ✓✓
- Improving coordination between government agencies reduces black market activities because illegal operations are identified faster and enforcement actions become more effective. ✓✓
- Imposing stricter penalties reduces black market activities because higher fines and harsher punishments discourage individuals and businesses from participating in illegal trade. ✓✓
- Enhancing digital monitoring systems reduces black market activities because suspicious transactions are detected quickly, making it harder for criminals to conceal illegal earnings. ✓✓
- Creating more employment opportunities reduces black market activities because people have access to legitimate sources of income and become less dependent on illegal trade. ✓✓
- Strengthening anti corruption measures reduces black market activities because corrupt officials are less able to protect criminals or facilitate unlawful economic activities. ✓✓
- Improving access to financial services reduces black market activities because businesses and individuals are encouraged to conduct transactions within the regulated formal economy. ✓✓

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

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

**CONCLUSION**

State intervention should correct market failures while balancing fairness and efficiency to avoid discouraging enterprise or deepening inequality. ✓✓
(Accept any other relevant higher order conclusion) **(Max. 2) [40]**

**TOTAL SECTION C: 40**

**TOTAL: 150**