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KWAZULU-NATAL PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 12

ECONOMICS P2

PREPARATORY EXAMINATION

SEPTEMBER 2026

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MARKS: 150

TIME: 2 Hours

This question paper consists of 13 pages including this cover page.

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INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows:

   - SECTION A: COMPULSORY
   - SECTION B: Answer any TWO questions 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. Start EACH question on a NEW page.
7. Answer questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
8. Answer ONLY the required number of questions. Answers in excess of the required number will NOT be marked.
9. Use ONLY blue or black ink.
10. Non-programmable pocket calculators may be used.
11. Write legibly and present your work neatly.

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SECTION A (COMPULSORY)

QUESTION 1 — 30 MARKS – 20 MINUTES

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write ONLY the letter (A – D) next to the question number (1.1.1 – 1.1.8) in the ANSWER BOOK. e.g. 1.1.6 D

1.1.1 The period of production during which all factor costs can change is called…

A. long-run.
B. fixed-term.
C. short-run.
D. medium-term.

1.1.2 A strategy where one dominant firm changes the price and others follow suit is known as price …

A. fixing.
B. leadership.
C. discrimination.
D. rigging.



1.1.3 Markets in which illegal goods are bought and sold are called … markets.

A. money
B. goods
C. factor
D. black

1.1.4 Goods that are harmful to society and the environment are known as … goods.

A. demerit
B. collective
C. merit
D. community

1.1.5 A combination of low economic growth, high unemployment and high inflation in the economy is referred to as a ...

A. recession.
B. stagnation.
C. stagflation.
D. depression.

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1.1.6 Traveling on holiday to play sports, visit friends, and to see tourist attractions is known as … tourism.

A. outbound
B. cultural
C. inbound
D. leisure

1.1.7 A process of converting waste material into an economic good is referred to as ...

A. re-using.
B. dumping.
C. recycling.
D. littering.

1.1.8 A policy that is used by the South African Reserve bank to control money supply is called a … policy.

A. trade
B. monetary
C. foreign
D. fiscal



(8 x 2) (16)

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1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A –H) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Economies of scale	A. A distinctive wording or design used to identify a particular product
1.2.2 Branding	B. A technique used by government to determine the feasibility of a project
1.2.3 Cost-benefit analysis	C. An act of maintaining and protecting the environment from damage to keep it in its original condition downloaded from Stanmorephysics.com
1.2.4 Discounting	D. The granting of a license to businesses that allows them to pollute up to a certain degree
1.2.5 Sho't Left campaign	E. A sustainable decline in general prices over a specific period of time
1.2.6 Preservation	F. A situation where the average costs per unit of production decrease as output increases
1.2.7 Shut-down point	G. A South African programme that encourages the public to visit their own local tourist attractions
1.2.8 Deflation	H. A condition where a firm's average revenue is equal to average variable cost
	I. A process of determining the present value of a future sum of money to reflect its time value

(8 x 1) (8)

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1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK. Acronyms and abbreviations will NOT be accepted.

1.3.1 The costs of production that change with the level of output.

1.3.2 A market structure that is dominated by two large firms.

1.3.3 People who enjoy the benefits of a product or service without paying for it.

1.3.4 An increase in the prices of goods and services that occurs when total demand exceeds total supply.

1.3.5 Travelling through a country using air, road, rail and sea transport to get to another destination

1.3.6 The variety of plant and animal life in an ecosystem

(6 x 1) (6)

TOTAL MARKS SECTION A: 30

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SECTION B

Answer any TWO questions in this section.

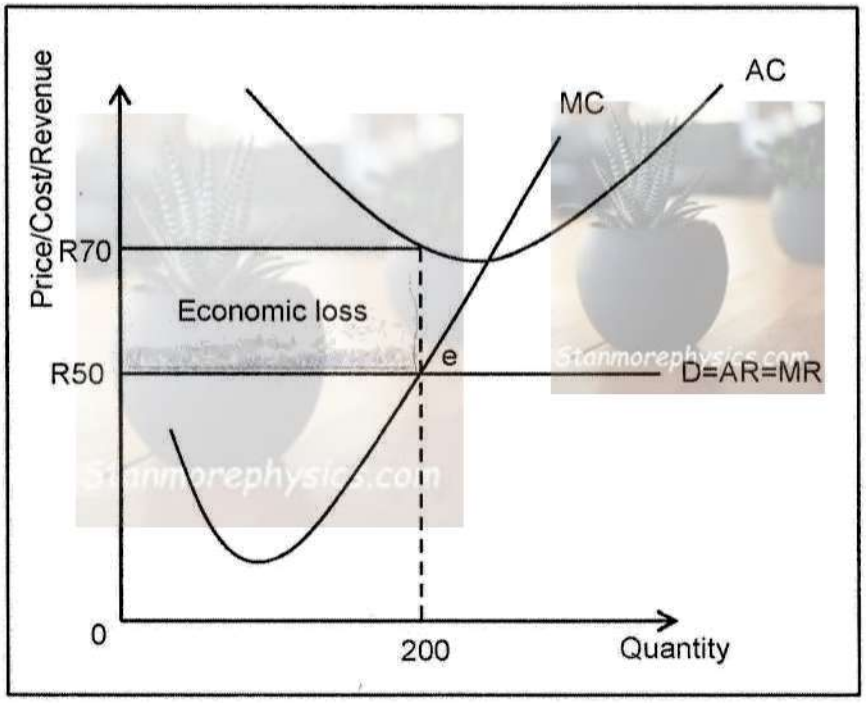
QUESTION 2 MICROECONOMICS 30 MINUTES – 40 MARKS

2.1 Answer the following questions.

2.1.1 Name any TWO examples of fixed cost. (2 x 1) (2)

2.1.2 Why are sunk costs mostly experienced under imperfect markets? (2)

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



2.2.1 Identify the price charged by the firm from the above graph. (1)

2.2.2 Name the production period shown by the graph. (1)

2.2.3 Briefly describe the term *perfect competition*. (2)

2.2.4 Why would firms that operate under a perfect market make normal profit in a long-run? downloaded from Stanmorephysics.com (2)

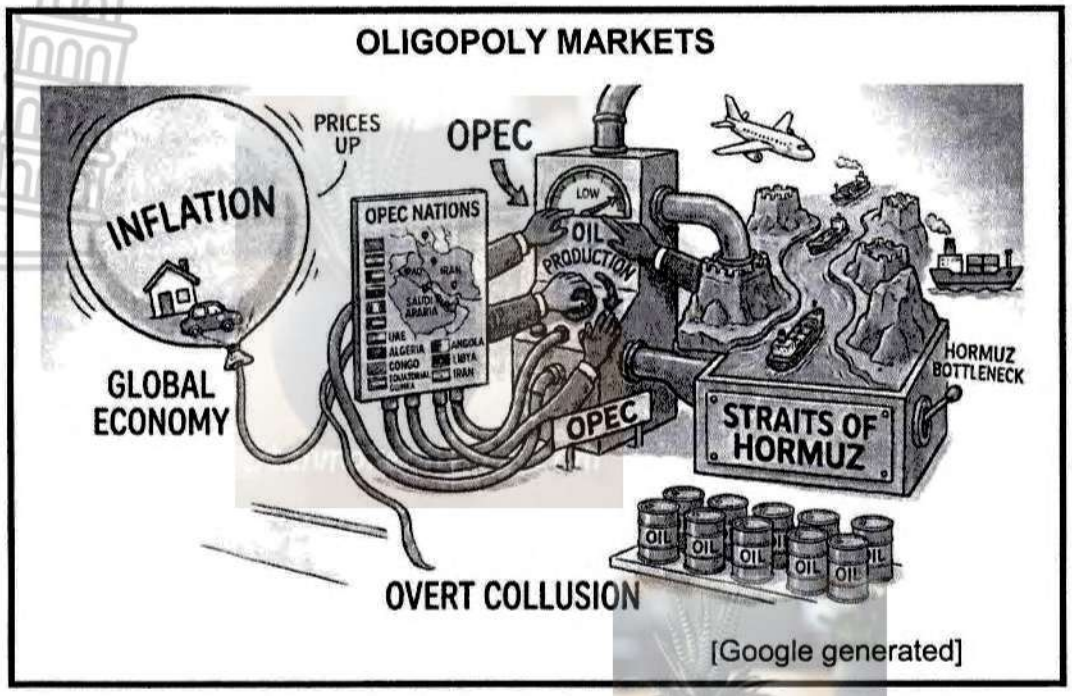
2.2.5 Use the information in the graph to calculate economic loss made by a firm. Show all calculations.

(2 x 2) (4)

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



[Google generated]

2.3.1 Identify an example of a cartel from the above cartoon. (1)

2.3.2 Name the shape of the demand curve of an oligopoly firm. (1)

2.3.3 Briefly describe the term *overt collusion*. (2)

2.3.4 Why is it difficult for new firms to enter oligopoly markets? (2)

2.3.5 How can collusion in the oil industry affect the economy? (2)

2.4 With the aid of a correctly drawn and labelled graph, explain the *derivation of the demand curve* for a perfectly competitive firm. (8)

2.5 Analyse the forms of non-price competition strategies used by monopolistic competitive firms. (8)

[40]

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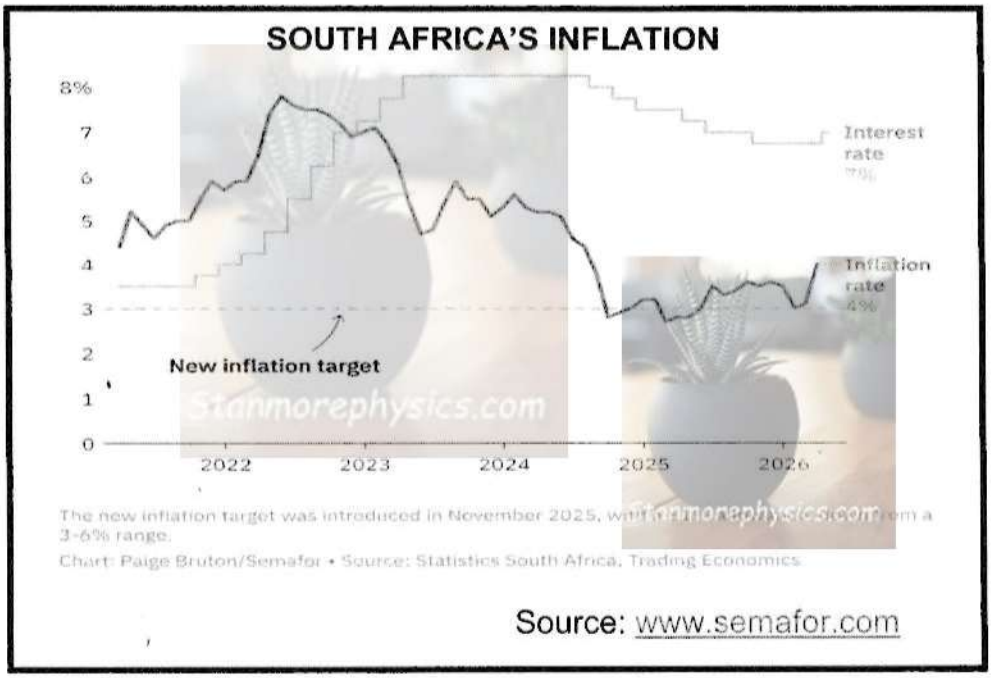
QUESTION 3 CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO types of environmental pollution. (2 x 1) (2)

3.1.2 How can a decrease in savings affect the level of inflation? (2)

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



3.2.1 Identify the year in which interest rates mostly remained unchanged from the above graph. downloaded from Stanmorephysics.com (1)

3.2.2 Name the institution that implements monetary policy in South Africa. (1)

3.2.3 Briefly describe the term *producer price index.* (2)

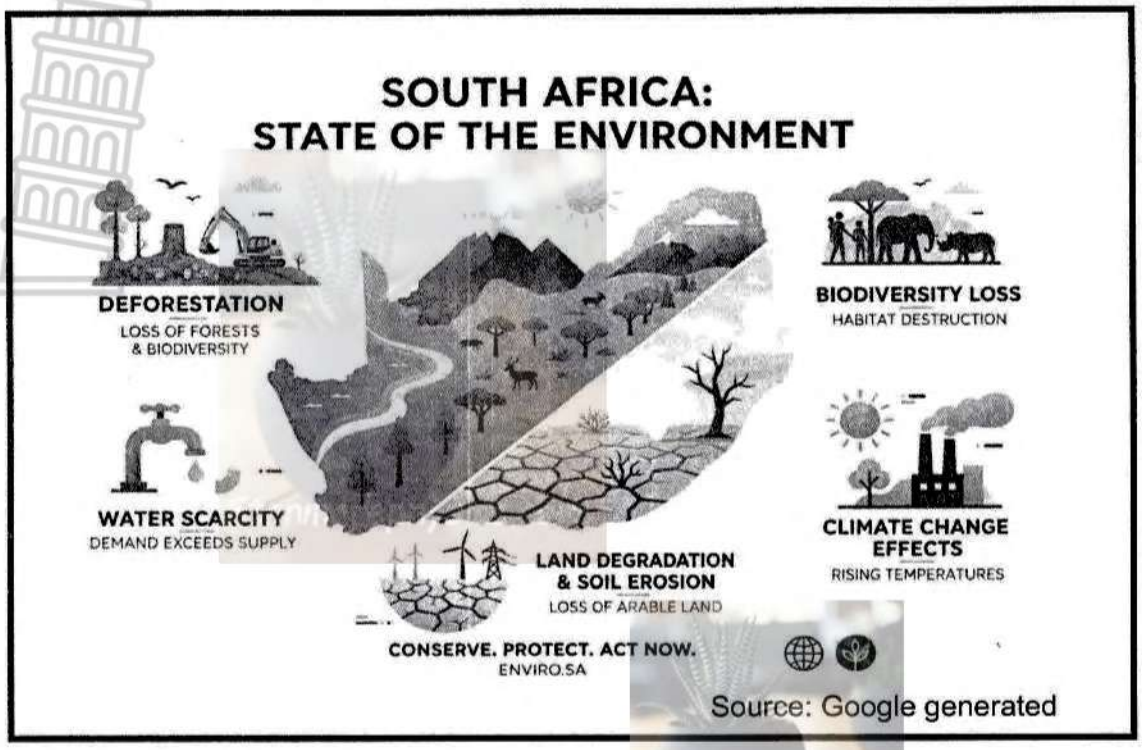
3.2.4 Explain the impact of an increase in interest rates on consumers. (2)

3.2.5 How do price increase expectations influence the inflation rate? (2 x 2) (4)

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



Source: Google generated

3.3.1 Identify the cause of soil erosion from the information above. (1)

3.3.2 Name the tax that is charged on producing goods that are harmful to the environment in South Africa. (1)

3.3.3 Briefly describe the term *conservation*. (2)

3.3.4 Explain the impact of water scarcity on the standard of living. (2)

3.3.5 How can government educate the public about the importance of environmental sustainability? (4)

3.4 Discuss the causes of cost-push inflation. (8)

3.5 How can the loss of arable land affect the economy? (8)

[40]

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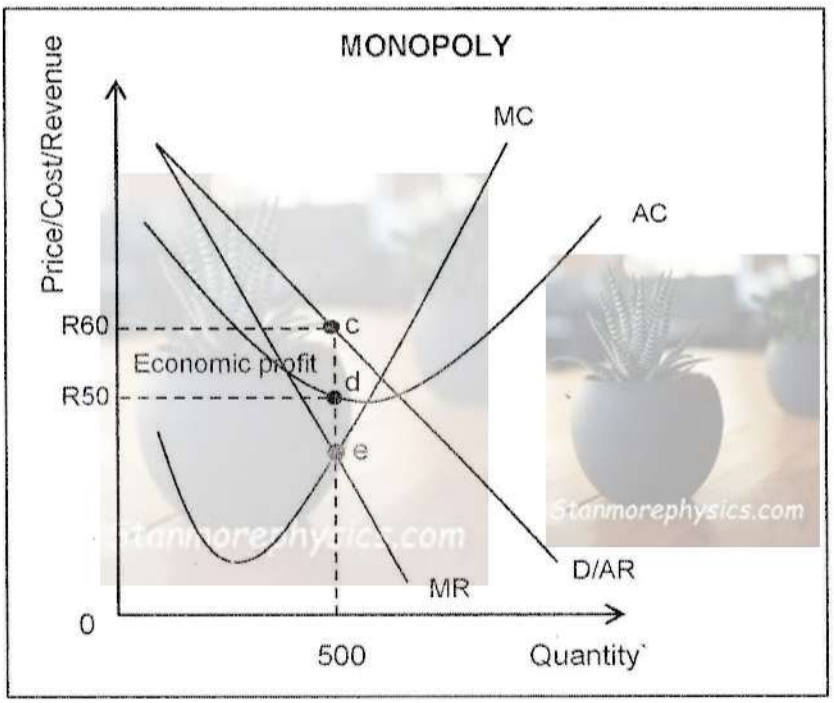
QUESTION 4 MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO examples of homogeneous products. (2 x 1) (2)

4.1.2 Why does the increase in inflation benefit debtors? (2)

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



4.2.1 Identify the profit maximisation point from the above graph. (1)

4.2.2 Give the formula that is used to calculate marginal revenue. (1)

4.2.3 Briefly describe the term *artificial monopoly*. (2)

4.2.4 Explain the impact of a price decrease on a monopoly firm's total revenue. (2)

4.2.5 Why would the government grant a patent to a particular firm? (4)

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

THE COSTS OF GREENHOUSE GASES IN SOUTH AFRICA

South Africa is a carbon intensive economy where the burning of coal and liquid fuels places a number of external impacts on the environment and society.

When external costs are accounted for, the price of carbon intensive goods increases to reflect their true price or social cost. This inevitably makes sustainable options, such as renewable sources of energy, more economically attractive and will encourage policymakers and private investors to begin investing in such sustainable technologies.

[Adapted from www.wwf.org.za]

4.3.1 Identify any ONE example of a non-renewable resource from the above extract. (1)

4.3.2 Name the international agreement that aims to limit the production of greenhouse gases. (1)

4.3.3 Briefly describe the term *global warming*. (2)

4.3.4 Explain the negative impact of chemical waste on the economy. (2)

4.3.5 How can subsidies be used to reduce environmental damage? (4)

4.4 Discuss the aims (objectives) of competition policy in SA. (8)

4.5 How can fiscal policy be used to combat inflation? (8)

[40]

TOTAL SECTION B: [80]

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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 downloaded from Stanmorephysics.com	Max. 2
TOTAL	**40**

QUESTION 5 MICRO-ECONOMICS MARKS – 40 MINUTES

- Discuss in detail state intervention as a consequence of market failures, with the aid of relevant graphs. (26)
- Analyse imperfect competition as a cause of market failures. (10)

[40]

QUESTION 6 CONTEMPORARY ECONOMICS ISSUES MARKS – 40 MINUTES

- Examine in detail the effects of tourism. (26)
- How does tourism assist in improving the standard of living? (10)

[40]

TOTAL SECTION C: 40

GRAND TOTAL: 150

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KWAZULU-NATAL PROVINCE

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FINAL

PROVINCIAL STANDARDISED ASSESSMENT

GRADE 12

ECONOMICS P2

PREPARATORY EXAMINATION

SEPTEMBER 2026

MARKING GUIDELINES

Stanmorephysics.com

MARKS : **150**

TIME : **2 Hours**

This marking guideline consists of 20 pages including this cover page.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE CHOICE QUESTIONS

1.1.1 A – long-run ✓✓
1.1.2 B – leadership ✓✓
1.1.3 D – black ✓✓
1.1.4 A – demerit ✓✓
1.1.5 C – stagflation ✓✓
1.1.6 D – leisure ✓✓
1.1.7 C – recycling ✓✓
1.1.8 B – monetary ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 F – A situation where the average costs per unit of production decrease as output increases ✓
1.2.2 A – A distinctive wording or design used to identify a particular product ✓
1.2.3 B – A technique used by government to determine the feasibility of a project ✓ downloaded from Stanmorephysics.com
1.2.4 I – A process of determining the present value of a future sum of money to reflect its time value ✓
1.2.5 G – A programme that encourages the public to visit their own local tourist attractions ✓
1.2.6 C – An act of maintaining and protecting the environment from damage to keep it in its original condition ✓
1.2.7 H – A condition where a firm's average revenue is equal to average -variable cost ✓
1.2.8 E – A sustainable decline in general prices over a specific period of time ✓

(8 x 1) (8)

GIVE THE TERM

1.3.1 Variable cost ✓
1.3.2 Duopoly ✓
1.3.3 Free riders ✓
1.3.4 Demand-pull inflation ✓
1.3.5 Transit tourism ✓
1.3.6 Biodiversity ✓

(6 x 1) (6)

TOTAL SECTION A: 30 MARKS

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SECTION B

Answer any TWO questions in this section.

QUESTION 2 MICROECONOMICS 30 MINUTES – 40 MARKS

2.1 Answer the following questions.

2.1.1 Name any TWO examples of fixed cost. (2 x 1) (2)

Rent ✓
Insurance ✓
Fixed interest payment ✓
(Accept any other correct relevant response)

2.1.2 Why are sunk costs mostly experienced under imperfect markets? (2)

Firms that operate under imperfect markets invest large amounts of money on irrecoverable costs such as advertising and legal fees with an aim to attract customers and maintain their position in the market. ✓✓
(Accept any other correct relevant response)

2.2 DATA RESPONSE

2.2.1 Identify the price charged by the firm from the above graph. (1)

R50 ✓

2.2.2 Name the production period shown by the graph. (1)

Short-run ✓

2.2.3 Briefly describe the term *perfect competition.* (2)

A market structure characterised by high competition where there is large number of producers and buyers. ✓✓
(Accept any other correct relevant response)

2.2.4 Why would firms that operate under a perfect market make normal profit in a long-run? (2)

- New firms are attracted to enter the market when existing firms make economic profit and that results to normal profit in the long-run as quantity supplied would increase, causing the market price to decrease. ✓✓
- An economic loss in the short-run would cause firms to leave the market, resulting to a decrease in supply that is accompanied by an increase in the market price which enables firms to earn normal profit. ✓✓
(Accept any other correct relevant response)

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2.2.5 Use the information in the graph to calculate economic loss made by a firm. Show all calculations. (2 x 2) (4)

Economic loss = TR – TC
= (50 x 200) ✓ – (70 x 200) ✓
= 10000 – 14000 ✓
= - R4000 ✓

OR

Economic loss = (AR – AC) x Q
= (50 – 70) ✓ x 200 ✓
= - 20 x 200 ✓
= - R4000 ✓ **(4)**

2.3 DATA RESPONSE

2.3.1 Identify an example of a cartel from the above cartoon. (1)

OPEC ✓

2.3.2 Name the shape of the demand curve of an oligopoly firm. (1)

Kinked ✓

2.3.3 Briefly describe the term *overt collusion*. (2)

Overt collusion occurs when businesses formally agree to cooperate, restrict competition and fix prices or control output levels. ✓✓
(Accept any other correct relevant response)

2.3.4 Why is it difficult for new firms to enter oligopoly markets? (2)

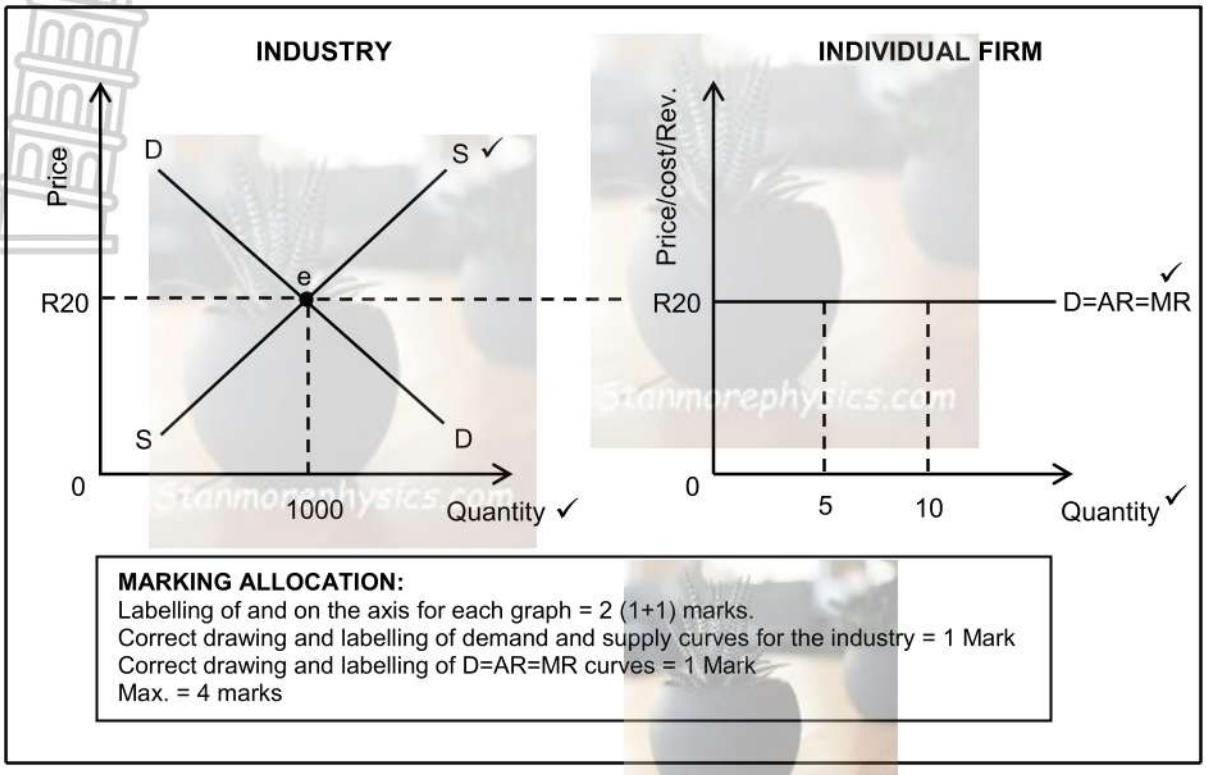
- Existing firms enjoy advantages such as brand loyalty, economies of scale, exclusive or natural access to resources that new businesses may be unable to overcome. ✓✓
- Non-economic barriers such as government regulations, licenses and patents may prevent new firms from entering oligopoly markets. ✓✓
(Accept any other correct relevant response)

2.3.5 How can collusion in the oil industry affect the economy? (2 x 2) (4)

- High oil prices would result to an increase in fuel prices as it is a source of these refined products. ✓✓
- The economy would experience high production costs and transportation costs which can cause an increase in inflation. ✓✓
- The standard of living in the economy may decline as costs of living would be high. ✓✓downloaded from Stanmorephysics.com
(Accept any other correct relevant response)

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2.4 With the aid of a correctly drawn and labelled graph, explain the *derivation of the demand curve* for a perfectly competitive firm. (8)



MARKING ALLOCATION:
Labelling of and on the axis for each graph = 2 (1+1) marks.
Correct drawing and labelling of demand and supply curves for the industry = 1 Mark
Correct drawing and labelling of D=AR=MR curves = 1 Mark
Max. = 4 marks

- The market forces in the industry graph are in equilibrium at the point of intersection of the demand and supply curves, at point "e". ✓✓
- The market price, R20, is determined at point "e" as quantity supplied and demanded are equal at 1000. ✓✓
- The individual firm graph shows that one producer will not be able to influence the market price since it's faced with high competition and has to accept the R20 charged in the industry. ✓✓
- As a price-taker, the individual firm can only increase its profit by increasing the quantity that it sells such as from 5 to 10 units. ✓✓
- The demand curve for the firm is derived as a horizontal line by plotting the different output levels at which the firm can sell at the market price of R20. ✓✓
- The demand curve (D), the average revenue (AR) curve and the marginal revenue (MR) curve are the same since every unit is sold at the same market price. ✓✓

(Max. 4)

(Accept any other correct relevant response)

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2.5 Analyse the forms of non-price competition strategies used by monopolistic competitive firms. (8)

- Monopolistic competitive firms use product differentiation to make their products differ slightly in physical appearance, packaging and service. ✓✓
- A large amount of money is spent on advertising campaigns on media platforms to lure consumers into buying a product instead of lowering a price. ✓✓
- Product differentiation is used extensively to build brand loyalty and make consumers believe that the firm's product is the best among all others. ✓✓
- Firms under monopolistic competition may use product proliferation whereby they produce a variety of products in order to cater for different target markets with an aim to increase their market share. ✓✓
- Customer service and experience such as after-sale service, extended shopping hours and online purchasing are used to win consumers. ✓✓
- The distribution of products is made in a manner that makes it easier to buy and more conveniently located than those of competitors. ✓✓
- Loyalty programmes are used to make consumers sign up loyalty cards that encourage to shop in one place. ✓✓
- Fast food chains, for instance, compete through store ambiance/environment, drive-thru service and digital app convenience. ✓✓

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

[40]

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QUESTION 3 CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO types of environmental pollution. (2 x 1) (2)

Air pollution ✓
Water pollution ✓
Soil pollution ✓
Noise / sound pollution ✓
(Accept any other correct relevant response)

3.1.2 How can a decrease in savings affect the level of inflation? (2)

Inflation rate would increase as the decrease in savings suggests that there is an increase in aggregate demand which may not be accompanied by an increase in supply.✓✓
(Accept any other correct relevant response)

3.2 DATA RESPONSE

3.2.1 Identify the year in which interest rates mostly remained unchanged from the above graph. (1)

2024 ✓

3.2.2 Name the institution that implements monetary policy in South Africa. (1)

South African Reserve Bank / SARB ✓

3.2.3 Briefly describe the term *producer price index.* (2)

The measure of the average change in price of goods and services sold by manufacturers in the wholesale market during a given period of time. ✓✓
(Accept any other correct relevant response)

3.2.4 Explain the impact of an increase in interest rates on consumers. (2)

- Raised borrowing costs put a strain on consumers' finances as the debt burden becomes more expensive. ✓✓
- Consumers' standard of living may decrease since the purchasing power drops due to the portion of income that is spent on paying interest on debts. ✓✓
- High interest rates benefit consumers through better returns on investment and fixed savings. ✓✓
(Accept any other correct relevant response)

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3.2.5 How do price increase expectations influence the inflation rate? (2 x 2) (4)

- The belief by consumers that goods will cost significantly more in a near future tends to make them stock up goods immediately which drives up current prices even quicker. ✓✓
- Expectations by workers that the cost of living will rise, makes them demand higher wages to which firms respond by raising prices to cover the increased labour costs. ✓✓ downloaded from Stanmorephysics.com
- Businesses may adjust their price list based on expected future expenses for raw materials and labour. ✓✓

(Accept any other correct relevant response)

3.3 DATA RESPONSE

3.3.1 Identify the cause of soil erosion from the information above. (1)

Deforestation ✓

3.3.2 Name the tax that is charged on producing goods that are harmful to the environment in South Africa. (1)

Environmental tax / Green tax / carbon tax ✓
(Accept any other correct relevant response)

3.3.3 Briefly describe the term *conservation*. (2)

Sustainable use and management of natural resources that are non-renewable to ensure that they are not completely used up and disappear from the environment. ✓✓
(Accept any other correct relevant response)

3.3.4 Explain the impact of water scarcity on the standard of living. (2)

- The public may experience financial strain as households would have to find alternative sources of water such as buying water from retail shops, and spending on rainwater harvesting infrastructure. ✓✓
- Water scarcity increases the risk for an outbreak of diseases such as cholera since the public may resort to untreated water. ✓✓

(Accept any other correct relevant response)

3.3.5 How can government educate the public about the importance of environmental sustainability? (4)

- Government can conduct media campaigns on platforms such as television, radio and social media in order to increase public awareness about the need use the environment sparingly. ✓✓
- Local authorities may conduct community workshops to teach the public about actions that can be taken by households on daily basis to preserve the environment. ✓✓
- Collaborating with schools and tertiary institutions by offering bursaries can increase the uptake of environmental studies and help create intense public awareness. ✓✓

(Accept any other correct relevant response)

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3.4 Discuss the causes of cost-push inflation. (8)

- Wages: an increase in wages constitutes 50% of GVA at basic prices and is one of the major causes of cost-push inflation. ✓✓
- Key inputs: When the prices of key input goods that are imported increase, domestic cost of production increases especially in the manufacturing sector. ✓✓
- Exchange rate depreciation: The depreciation in the rand lead to more expensive imports that fuel inflation domestically. ✓✓
- Profit margins: When businesses increase their profit margins, their cost of production and prices consumers must pay will also increase. ✓✓
- Productivity: Less productive factors of production result to increased cost per unit.
- Natural disasters: Prices may increase due to economic shocks such as droughts, floods and global warming. ✓✓

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

3.5 How can the loss of arable land affect the economy? (8)

- The agricultural sectors may experience a shock in production which can lead to a decline in economic growth as the sector is also key in food manufacturing in the secondary sector. ✓✓
- Businesses in the agricultural sector may be forced to shut down as costs of production would increase drastically resulting in losses. ✓✓
- There would be an increase in unemployment rate and poverty as the majority of unskilled labour rely on this sector as a source of income. ✓✓
- The decrease in agricultural inputs for food processing would cause a decline in supply and result to food inflation. ✓✓
- The country would lose food security, causing it to depend on foreign imports which can create a trade deficit in the balance of payment. ✓✓
- The value chain in the economy may take a knock as industries such as packing and transportation play a critical role in the agricultural industry. ✓✓
- Urbanisation in the country would increase as people would move from rural farming areas to cities to look for economic opportunities which puts pressure on the economic infrastructure. ✓✓

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

[40]

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QUESTION 4 MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO examples of homogeneous products. (2 x 1) (2)

Cabbage ✓
Gold ✓
Shares / stock ✓
(Accept any other correct relevant response)

4.1.2 Why does the increase in inflation benefit debtors? (2)

Debtors benefit because they receive money with a high purchasing power and repay their debts with money that has lost its value. ✓✓
(Accept any other correct relevant response)

4.2 DATA RESPONSE

4.2.1 Identify the profit maximisation point from the above graph. (1)

e ✓

4.2.2 Give the formula that is used to calculate marginal revenue. (1)

$MR = \frac{\Delta TR}{\Delta Q}$ ✓ OR $MR = \frac{\text{Change in total revenue}}{\text{Change in quantity}}$ ✓

4.2.3 Briefly describe the term *artificial monopoly.* (2)

A market structure that exists because of government created barriers to market entry such as licenses, copyrights and laws imposed by the state. ✓✓
(Accept any other correct relevant response)

4.2.4 Explain the impact of a price decrease on a monopoly firm's total revenue. (2)

A monopoly firm has a relatively inelastic demand and that causes a decrease in price to result to an increase in quantity demanded that is proportionately smaller than the price drop, causing total revenue to decrease. ✓✓
(Accept any other correct relevant response)

4.2.5 Why would the government grant a patent to a particular firm? (4)

- A patent may be granted with an aim to promote innovation as it would serve as an incentive for firms to conduct research and produce new products. ✓✓
- An exclusive right to produce a product may assist a firm to recover its research and development costs without the pressure of facing competition from other firms. ✓✓
- Allowing competition against a newly developed product may cause its value to be quickly reduced by new entrants including counterfeits products. ✓✓
- Promotion of innovation through patents enables economic diversification and helps achieve economic growth. ✓✓

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

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4.3 DATA RESPONSE

4.3.1 Identify any ONE example of a non-renewable resource from the above extract. (1)

Coal / liquid fuels ✓

4.3.2 Name the international agreement that aims to limit the production of greenhouse gases. (1)

Kyoto Protocol ✓

4.3.3 Briefly describe the term *global warming.* (2)

The long-term increase in earth's average surface temperature due to the build-up of greenhouse gases in the atmosphere. ✓✓
(Accept any other correct relevant response)

4.3.4 Explain the negative impact of chemical waste on the economy. (2)

- Chemical waste can seep into the ground water, causing water pollution and land degradation which may affect agricultural production. ✓✓
- The toxins from chemical waste have a negative effect on living beings and can cause infertility or death. ✓✓
(Accept any other correct relevant response)

4.3.5 How can subsidies be used to reduce environmental damage? (4)

- The government can provide subsidies to firms to improve techniques or equipment such as solar geyser systems to save energy, and wind power to reduce pollution. ✓✓downloaded from Stanmorephysics.com
- Environmental subsidies can promote green economy by subsidising programs such as training workers on green farming methods. ✓✓
- Subsidies can be used to encourage the recycling and reuse program on material such as steel, paper and bottles. ✓✓
- Production of environmentally friendly substitutes such as unleaded petrol can reduce damage to the environment. ✓✓
(Accept any other correct relevant response)

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4.4 Discuss the aims (objectives) of competition policy in SA. (8)

- The competition Act promotes the efficiency, adaptability and development of the economy. ✓✓
- The Act aims to provide consumers with competitive prices and product choices. ✓✓
- It promotes employment and advance the social and economic welfare of South Africans. ✓✓
- The objective of the Act is to expand opportunities for South African participation in world markets and recognises the role of foreign competition in the Republic. ✓✓
- It aims to ensure that small and medium-sized enterprises have an equitable opportunity to participate in the economy. ✓✓
- The Act aims to promote a greater spread of ownership, in particular to increase the ownership stakes of historically disadvantaged persons. ✓✓

(Accept any relevant and correct responses)
(Allocate a maximum of 4 marks for mere listing of facts)

4.5 How can fiscal policy be used to combat inflation? (8)

- An increase in direct and indirect taxation can help to decrease spending because goods become more expensive. ✓✓
- An introduction or increase of loan levy reduces the disposable income of Consumers which assists to lower the overall aggregate demand. ✓✓
- The state can cut back on expenditure by cancelling non-essential projects or services such administrative and support services, conferences and defence. ✓✓
- The country's finance budget deficit should be non-inflationary, (the government should use loans from the non-banking sector to limit inflation). ✓✓
- A surcharge may be imposed on imported goods which increases the price of these imported goods, resulting in many people being unable to afford to buy these goods.✓✓
- The government can introduce a policy to break the inflationary spiral of increased wages and prices by keeping the increase in wages below or at the level of inflation. ✓✓

(Accept any relevant and correct responses)
(Allocate a maximum of 2 marks for mere listing of facts)

[40]

TOTAL SECTION B: [80]

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SECTION C

Answer any ONE of the two questions in this section.

QUESTION 5 MICRO-ECONOMICS MARKS – 40 MINUTES

- **Discuss in detail state intervention as a consequence of market failures, with the aid of relevant graphs. (26)**
- **Analyse imperfect competition as a cause of market failures. (10)**

INTRODUCTION

Market failure refers to a situation where the market fails to produce sufficient (optimum) quantities of goods and services that people want. ✓✓ (Max. 2)
(Accept any other correct relevant introduction)

BODY (MAIN PART)

1. Direct controls ✓

- The state can pass laws or use existing legislative frameworks to control businesses and industries or individuals who generate negative externalities. ✓✓
- In South Africa, emissions of potentially dangerous chemicals, air and scenic pollution, environmental preservation are controlled through various regulations. ✓✓
- Advertising by the tobacco industry is prohibited and alcohol may not be sold on Sundays or to persons under the age of 18 years. ✓✓

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2. Imperfect markets ✓

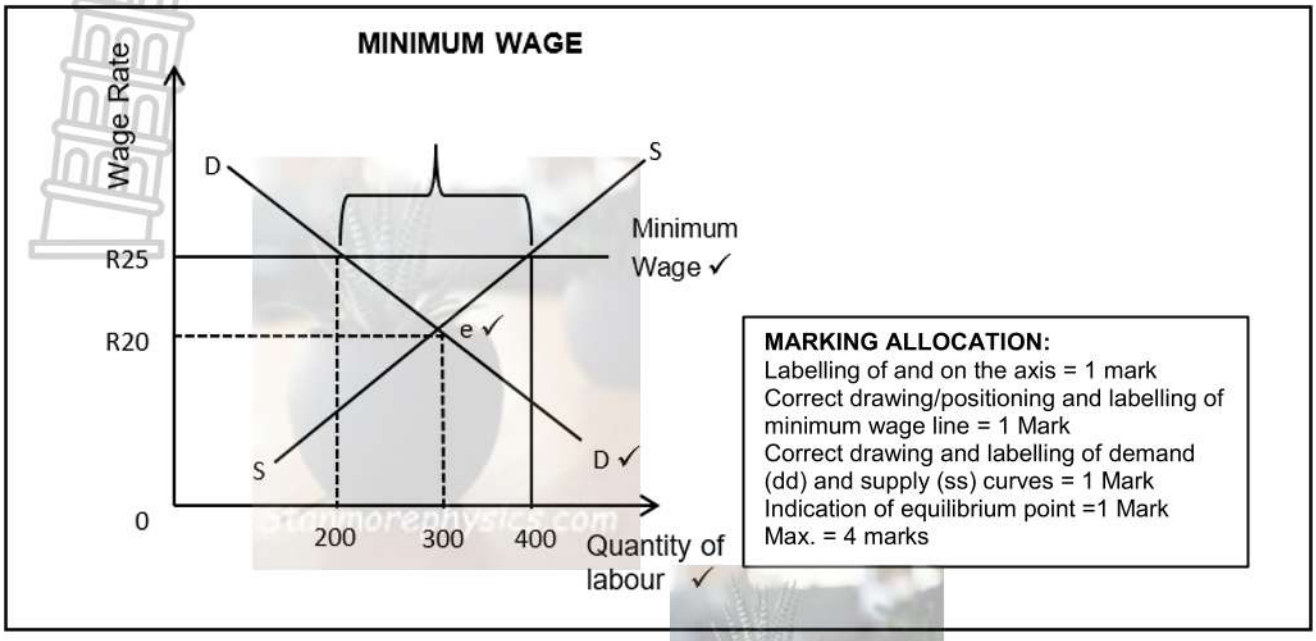
- The government uses competition policies to limit imperfect markets and promote competition. ✓✓
- Laws on competition are used to prevent exorbitant prices charged by firms, to ensure that entry to the market is free, prevent harmful collusion and encourage foreign competition which helps to keep prices low. ✓✓
- The state grants licences to more business in order to limit state monopolies. ✓✓
- Price controls are imposed to ensure that goods and services remain affordable. ✓✓

3. Minimum wages ✓

- A minimum wage is the lowest remuneration that employers are required by law to pay their workers. ✓✓
- Government introduces a minimum wage in order for workers to be afford their basic needs which helps to improve the standard of living. ✓✓
- The graph below shows that if the market wage is R20 per hour, the demand and supply for labour will be 300. ✓✓
- The introduction of a minimum wage of R25 per hour causes the demand for labour to decrease from 300 to 200 as it raises cost of production for firms. ✓✓
- The quantity of labour supplied increases from 300 to 400 since workers are attracted by the wage rate increase. ✓✓

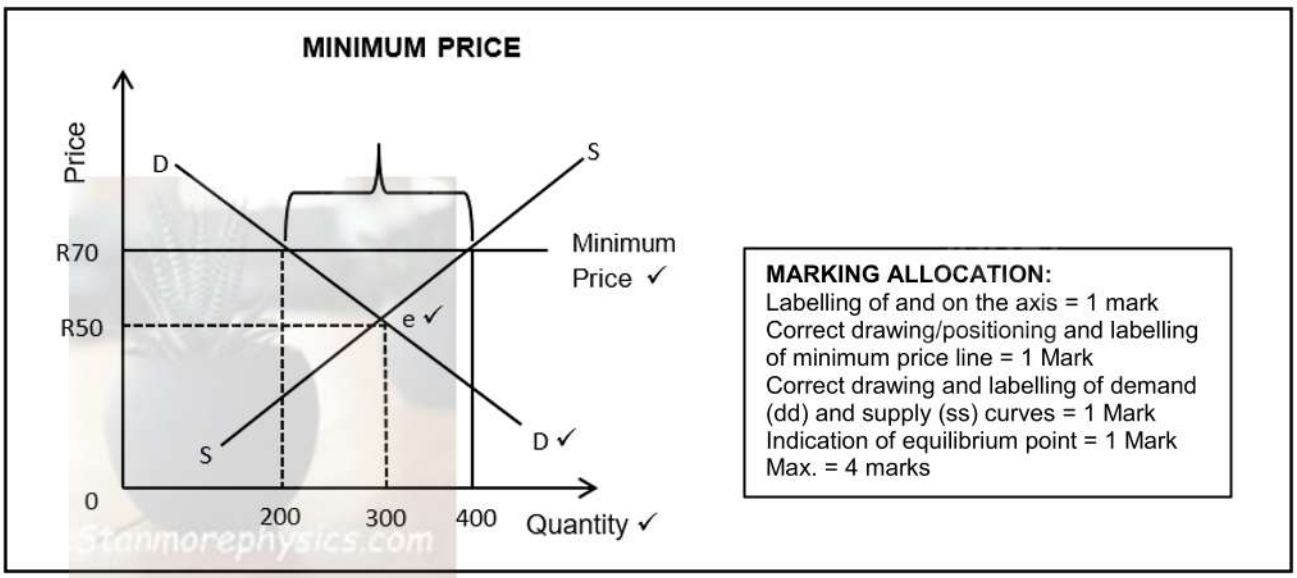
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- There are workers who may become unemployed due to the introduction of a minimum wage. ✓✓



4. Minimum prices / price floors ✓

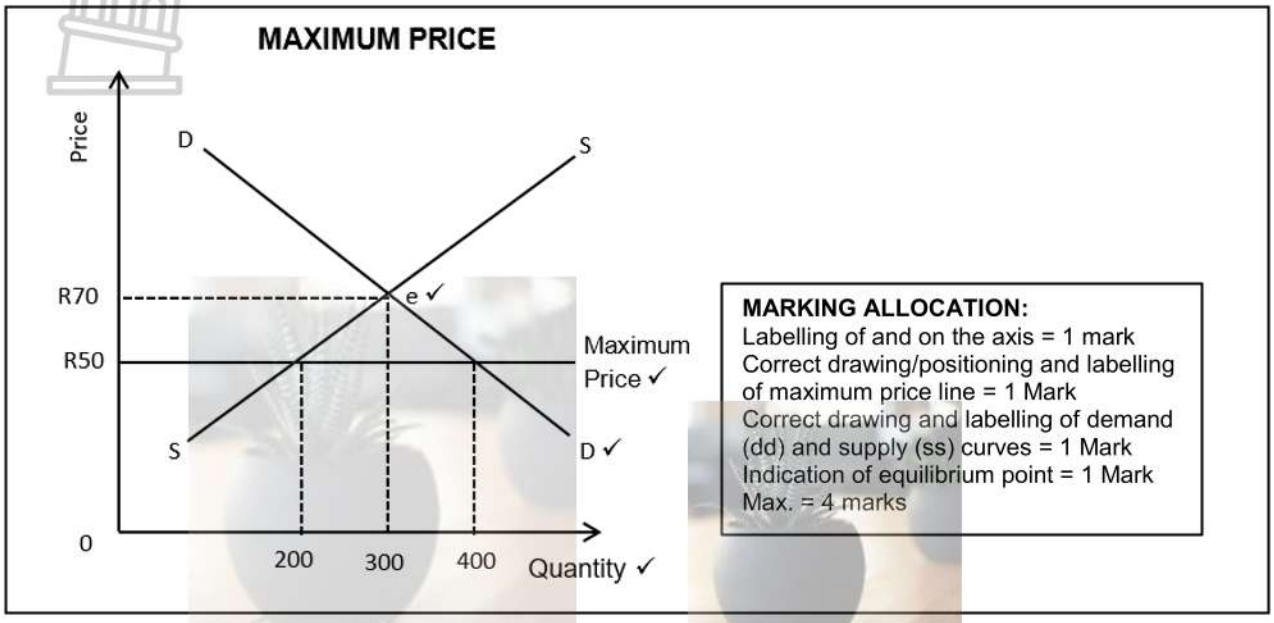
- The government sets a minimum price above the market price to enable producers to make a comfortable profit and encourage them to increase production of staple food. ✓✓
- The graph below shows a market price of R50 and the equilibrium quantity of 300. ✓✓
- At a minimum price of R70 farmers will earn greater profits and supply more quantity of 400. ✓✓
- The quantity demanded will decrease to 200 resulting to a surplus supply of 200. ✓✓
- A surplus means the government will have to buy the extra products and dump it abroad which is prohibited by the World Trade Organisation. ✓✓
- Minimum prices may cause a surplus, however, they do encourage the supply of essential goods and prevent inflation. ✓✓



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5. Maximum prices / price ceilings ✓

- The government sets a maximum price (price ceiling) below the market price to make essential goods affordable. ✓✓downloaded from Stanmorephysics.com
- In South Africa the price of petrol, diesel fuel and paraffin are controlled at their maximum prices. ✓✓

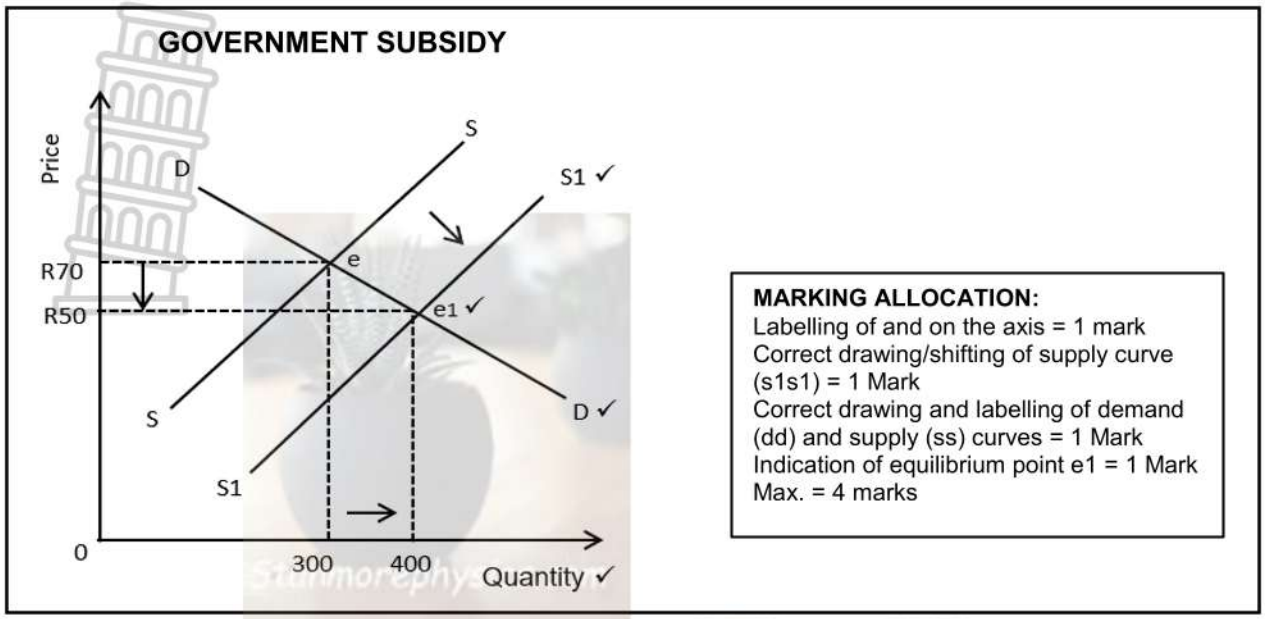


- Initially the market equilibrium price is R70 and equilibrium quantity is 300. ✓✓
- The government intervenes and passes a law that the product should not be sold for more than R50. ✓✓
- The effect of this maximum price is that quantity supplied decreases to 200 and quantity demanded increases to 400. ✓✓
- There is a shortage of the product that is equal to the difference of 400 and 200 (200). ✓✓
- Shortages in supply for certain goods in the market will result to the establishment of the black markets. ✓✓
- Maximum prices may cause a shortage of goods but they do improve the welfare of some consumers since goods can be purchased at lower prices. ✓✓

6. Providing producer subsidies ✓

- The government provides subsidies to producers in order to encourage them to increase the production of goods and services. ✓✓
- Producer subsidies are often given to suppliers of agricultural products such as milk, wheat and maize. ✓✓
- Subsidies lower the cost of producing goods and thus the market price of these goods is lowered. ✓✓

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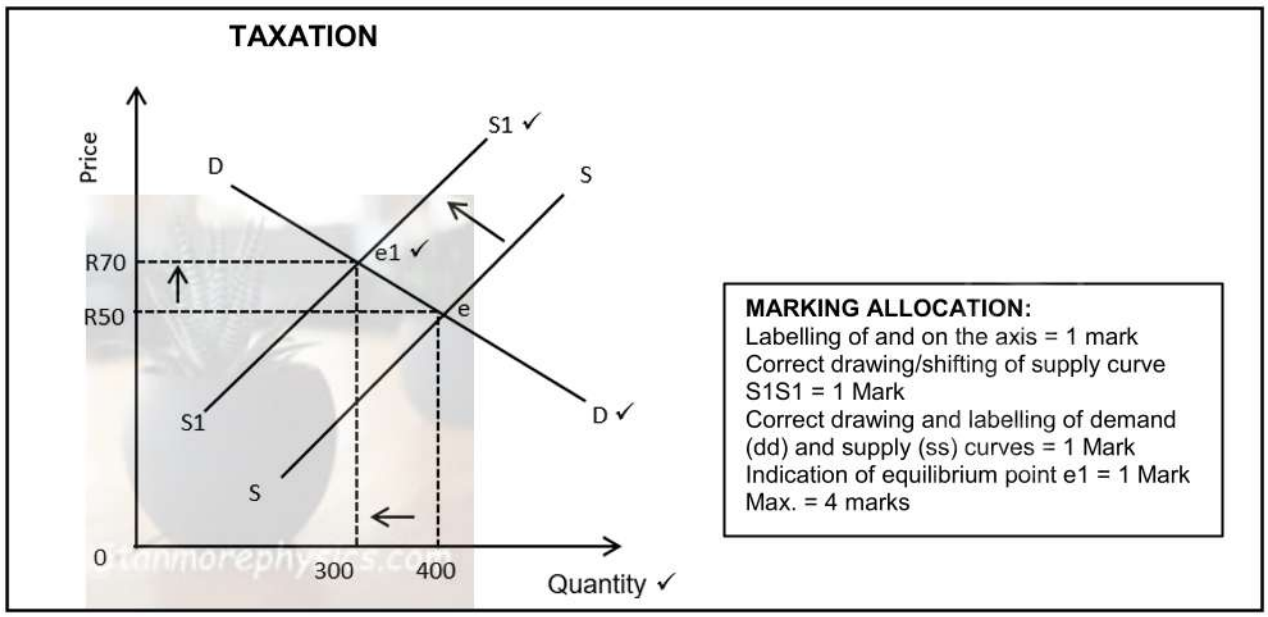


MARKING ALLOCATION:
Labelling of and on the axis = 1 mark
Correct drawing/shifting of supply curve (s1s1) = 1 Mark
Correct drawing and labelling of demand (dd) and supply (ss) curves = 1 Mark
Indication of equilibrium point e1 = 1 Mark
Max. = 4 marks

- In the graph above the market price is R70 and the equilibrium quantity is 300. ✓✓
- A government subsidy of R20 would decrease the market price to R50 and the quantity demanded increases to 400. ✓✓

7. Levying of taxes ✓

- Governments intervene in the market by levying taxes to recover the external cost resulting from market failures. ✓✓
- Taxes increase the price of the product and result to a decrease in production. ✓✓
- Taxes could help to reduce a negative externality such as pollution. ✓✓



MARKING ALLOCATION:
Labelling of and on the axis = 1 mark
Correct drawing/shifting of supply curve S1S1 = 1 Mark
Correct drawing and labelling of demand (dd) and supply (ss) curves = 1 Mark
Indication of equilibrium point e1 = 1 Mark
Max. = 4 marks

- The graph above shows that taxation causes the price of product to increase from R50 to R70 and that causes production to decrease from 300 to 400. ✓✓
- In S.A such taxes are levied on demerit goods such as cigarettes and alcohol. ✓✓

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8.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, 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. ✓✓

9.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)
(Allocate a maximum of 8 marks for heading/sub-headings and examples)

ADDITIONAL PART:

- Competition in market economies is limited by the power of certain producers to prevent new businesses from entering the market. ✓✓
- High barriers such as, licenses, lack of capital, and exclusive access to resources prevent new, efficient competitors from entering the market and driving prices down. ✓✓
- Firms that operate under imperfect markets normally manipulate the market price by limiting production to keep prices high which makes goods unfordable for poor consumers. ✓✓
- Lack of competition causes limited consumer choice as there are few firms that operate under imperfect markets. ✓✓
- Shortage of supply as a result of inefficiencies may leave consumers with unsatisfied needs. ✓✓
- The society may suffer negative externalities such as pollution and poor quality products when firms face limited competition to improve their production techniques. ✓✓
- Advertising is used to promote producer dominance, which encourages consumers to buy existing products and allows producers to delay new products from entering the market until it is in their own interest. ✓✓
- Misallocation of resources and limited competition can contribute to an increase in unemployment. ✓✓
- Firms would not be encouraged to be innovative when there is lack of competition and that creates inefficiencies and new missing markets. ✓✓
- The imperfect market doesn't allow for price negotiations. ✓✓

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

CONCLUSION

Government needs to strike a good balance between developing policies to intervene in limiting market failures and financing programmes that encourage the consumption of merit goods. ✓✓
(Accept any other correct relevant higher-order conclusion) (Max. 2) **[40]**

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QUESTION 6 CONTEMPORARY ECONOMICS ISSUES MARKS – 40 MINUTES

- **Examine in detail the effects of tourism. (26)**
- **How does tourism assist in improving the standard of living? (10)**

INTRODUCTION
Tourism involves the activities of people travelling to and staying in places outside their usual residential environment for not more than one year for leisure, business and other purposes. ✓✓
(Accept any other correct relevant introduction) (Max. 2)

BODY
MAIN PART:

Gross Domestic Product (GDP) ✓
- Tourism impacts more on the service industry and contributes to the country's GDP directly and indirectly to the economy. ✓✓
- The direct contribution of travel and tourism reflects internal spending on travel and tourism by residents and non-residents for business and leisure purposes on items such as food, accommodation, transport, etc. ✓✓
- The indirect contribution includes purchases from suppliers of goods and services by the sectors dealing directly with tourists, including purchases of cleaning services by hotels, fuel and catering services by airlines, and services by travel agents. ✓✓

Employment ✓
- Tourism industry employs the majority of the South African workforce, and is potentially regarded as the largest provider of jobs and earner of foreign exchange. ✓✓
- The industry is ideal for providing employment in areas that offer few employment opportunities. ✓✓
- Tourism is labour intensive because it has the lowest ratio of investment to employment creation. ✓✓
- The tourism industry can create many jobs within a short period of time, for instance, if one quarter of tourist accommodation establishments in South Africa starts to offer live entertainment to guests, thousands of entertainers could be employed within days. ✓✓
- Tourism provides entrepreneurial opportunities and uses different skills, from accountants to hairdressers. ✓✓

Poverty ✓
- The income earned by the tourism industry contributes to the country's growth and development. ✓✓
- The Department of Tourism is involved in poverty relief projects that promote community owned tourism products and services. ✓✓
- The industry allows local communities to share in the benefits of tourism development, thereby promoting more balanced and sustainable forms of development. ✓✓
- Tourism provides an alternative to urbanisation, permitting people to continue a rural family lifestyle and enfranchising both women and the youth. ✓✓
- Poverty relief programme manages and administers poverty relief proposals and spin-off projects in the tourism and environment sectors. ✓✓

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- Tourism offers opportunities to diversify sources of income for poor people by creating partnerships which link up with mainstream tourism businesses supplying goods or services. ✓✓
- Infrastructure investment such as on information centres, tourist ablution facilities, walkways) and product development (for example, heritage sites, rock art and conservation) bring about poverty relief in communities. ✓✓
- Tourism is an effective mechanism for distributing resources to rural areas to develop them as tourist sites. ✓✓

Externalities ✓

- Tourism activities may result in benefits or costs to third parties who are not part of the buyer-seller market. ✓✓

Negative externalities

- Tourism can cause undue environmental damage that can harm the very foundation on which it depends. ✓✓
- Tourism can cause inflation, which makes some goods unaffordable to locals. ✓✓
- Tourism has a negative effect on traffic and congestion, extra policing due to crime, increased health services and sanitation, destruction of flora and fauna, spoiling views of the landscape, increased maintenance of infrastructure. ✓✓

Positive Externalities

- Tourism attracts large amounts of revenue for government through taxes. ✓✓
- Infrastructure such as Gautrain provides links to different areas speedily especially to the airport. ✓✓
- The sector promotes the development of services such as new recreational amenities.✓✓

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Environment ✓

- The influx of tourists and vehicles into conservation areas damages grass cover affecting plant and animal species. ✓✓
- Tourism involves transport which is a major source of pollution. ✓✓
- Policy should be in place to ensure tourists are transported in the most environmentally friendly way. ✓✓for example, Rickshaw at the beachfront, horse-riding and cycling. ✓
- The challenges faced by the environment are divided into four main categories:
  - permanent environmental restructuring like airports direct environmental stress caused by tourist activities. ✓✓
  - waste product generation, such as biological and non-biological waste that damages fish production, creates health hazards and detracts from the attractiveness of a destination. ✓✓
  - direct environmental stress caused by tourist activities, ✓✓ for example, the destruction of coral reefs, vegetation, and dunes. ✓
  - effects on population dynamics, such as migration and increased urban densities accompanied by declining populations in other rural areas. ✓✓

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Investment/infrastructure ✓

- Tourism leads to increased demand, which makes business more willing to invest in capital goods and labour. ✓✓
- Government expenditure on infrastructure is encouraged because it can generate income. ✓✓
- Tourism infrastructure includes fixed passenger transportation investment, destination services such as power, water and sewerage, cleaning and health, fixed communications investments. ✓✓
- South Africa has a first-world infrastructure; however, there is a lack of infrastructure in the rural areas, which limits the participation of the rural communities in the tourism industry. ✓✓
- The absence of adequate transportation services also prevents rural communities from participating in the tourism industry, both as potential suppliers of products, and as tourists themselves. ✓✓
- Energy infrastructure like electricity is needed by tourists at tourist sites. ✓✓
- Tourists need basic services like clean water and refuse removal. ✓✓

(Accept any other correct relevant response) (Max. 26)
(Allocate a maximum of 8 marks for headings / sub-headings/examples)

ADDITIONAL PART:

- Tourism is a fast and effective mechanism for distributing resources to rural areas to develop them as tourist sites. ✓✓
- The tourism sector is a source of foreign exchange and job creation as it benefits labour-intensive industries. ✓✓
- The taxes paid by tourists creates the necessary funds to improve the infrastructure, education and healthcare for the poor. ✓✓
- The industry employs a large number of women which contributes to women empowerment in developing countries. ✓✓
- Locally owned small businesses benefit as they are supported by tourists especially in rural areas. ✓✓
- Tourism provides a number of jobs that require no formal training which reduces the costs of education and training for the marginalised groups. ✓✓
- Marginalised people are able to provide tourism products that can be built from natural resources and cultural heritage. ✓✓
- Tourism promotes a balanced and sustainable form of development as it enables people to earn a living in their home areas, resulting in a reduction in urbanisation and a more balanced population distribution. ✓✓
- Tourism employs a high proportion of youth under the age of 25 which can be used as a stepping stone to better opportunities. ✓✓

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

CONCLUSION

A country that is able to grow its tourism industry stands greater chances of attracting foreign investments, international sport events and conferences which all helps in strengthening the country's currency and make the economy competitive. ✓✓
(Accept any other correct relevant higher order conclusion) (Max. 2) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150

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