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Northern Cape
Department of Education

PROVINCIAL PREPARATORY EXAMINATION



GRADE 12

ECONOMICS

PAPER 2

SEPTEMBER 2026



MARKS: 150

TIME: 2 hours

This question paper consists of 13 pages

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INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

   SECTION A: COMPULSORY
   SECTION B: Answer TWO of the three questions.
   SECTION C: Answer ONE of the two questions.

2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.

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

4. Write the question number above each answer.

5. Read the questions carefully.

6. Start EACH question on a NEW page.

7. Leave 2–3 lines between subsections of questions.

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

9. Use only black or blue ink.

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

11. Write neatly and legibly.

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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 numbers (1.1.1–1.1.8) in the ANSWER BOOK. e.g. 1.1.9 D.

1.1.1 The additional cost incurred by producing one more unit of a good or service is called …

A marginal cost.
B average cost.
C private cost.
D average variable cost.

1.1.2 A period in economics where all factors of production are variable, and firms can adjust plant size, enter or exit the industry is known as …

A short run.
B Intermediate run.
C long run.
D medium run.



1.1.3 A legal right granted to an inventor to exclusively produce, use, or sell an invention for a specified period is called a ...

A license.
B patent.
C collusion.
D permit.

1.1.4 An institute that monitors the quality of goods in South Africa is known as the…

A South African Reserve Bank.
B South African Revenue Services.
C South African Standards Agency
D South African Bureau Of Standards

1.1.5 An economic situation where high inflation occurs together with weak economic growth and high unemployment is known as …

A core inflation.
B all inclusive.
C administered inflation.
D stagflation.

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1.1.6 A measure of the average change in prices received by domestic producers for their output.

A Consumer Price Index
B Weigting
C Producer Price Index
D Basket

1.1.7 A traveler who passes through a country en route to another destination, usually staying for less than 24 hours.

A Transit tourist
B Inbound tourist
C Outbound tourist
D Domestic tourist

1.1.8 The World Summit on Sustainable Development (WSSD) that focused on sustainable development, poverty eradication, and environmental protection.

A COP 28
B Johannesburg Summit
C Paris Summit
D Rio + 20 Summit (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–I) next to the question numbers (1.2.1–1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Economic loss	A	the total cost of production divided by the number of units produced
1.2.2	Average cost	B	provided for the benefit of all members of society, often funded by the government
1.2.3	Price leadership	C	visitors traveling into a country from abroad
1.2.4	Collective goods	D	the act of maintaining and protecting resources, environments, or cultural heritage in their existing state
1.2.5	Hyperinflation	E	the sustainable management and protection of natural resources, environments, and biodiversity to ensure their availability for future generations
1.2.6	Inflation targeting	F	extremely rapid and excessive rise in the general price level, often exceeding 50% per month
1.2.7	Inbound tourist	G	a market situation where one dominant firm sets the price of a product, and other firms in the industry follow
1.2.8	Conservation	H	occurs when a firm's total costs exceed its total revenue
		I	a monetary policy strategy where the central bank sets an explicit target rate to maintain price stability and strengthen economic confidence

(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 numbers (1.3.1–1.3.6) in the ANSWER BOOK. Abbreviations, acronyms, and examples will NOT be accepted.

1.3.1 The level of output and price at which a firm's revenue fails to cover its variable costs

1.3.2 A group of producers that work together to control prices and production levels

1.3.3 A situation in which resources are allocated so that one person's welfare can improve without reducing another's.

1.3.4 Individuals or institutions that lend money or provide goods and services, with the expectation of repayment at a later date.

1.3.5 Businesses competing through innovation, customer service, branding, and product quality rather than changing prices

1.3.6 Traditional skills, practices, and wisdom developed and preserved by local communities over generations. (6 x 1) (6)

TOTAL SECTION A: 30

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SECTION B

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

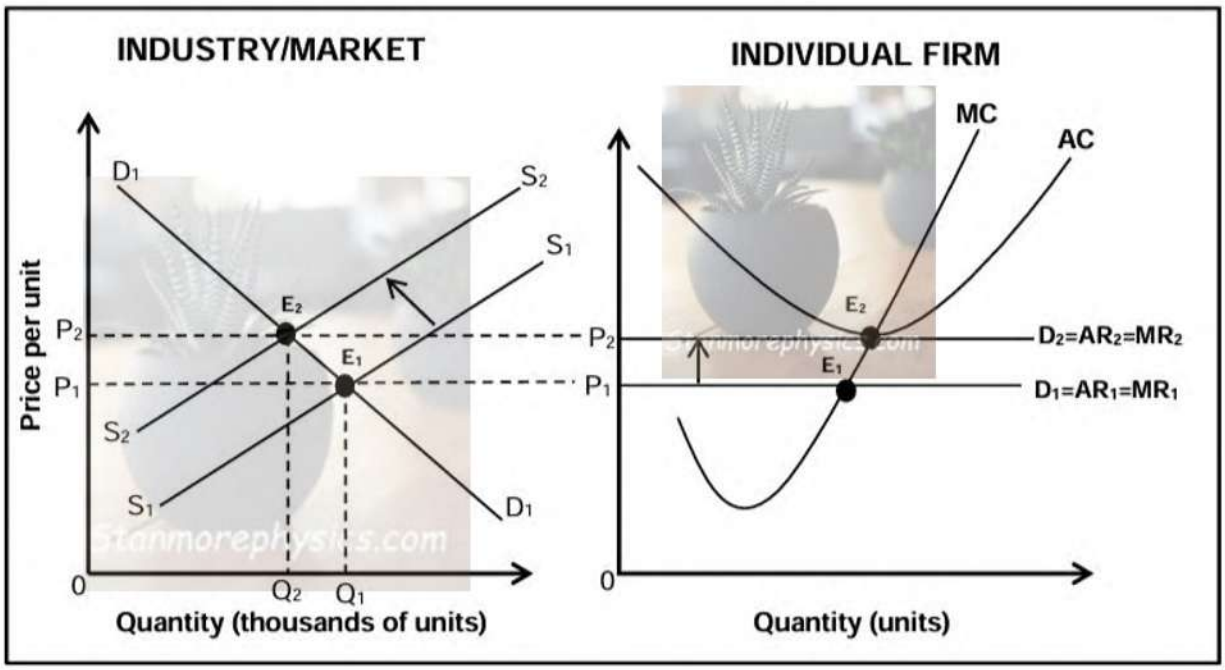
QUESTION 2: MICROECONOMICS **40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO examples of businesses that operate under monopolistic competition. (2 x 1) (2)

2.1.2 Why are restrictive business practices prohibited by competition policy? (1 x 2) (2)

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



2.2.1 Identify the initial price depicted in the graph above. (1)

2.2.2 Name the type of profit a firm can earn in the short run under perfect competition. (1)

2.2.3 Briefly describe the term *price taker*. (2)

2.2.4 How does perfect information benefit producers? (2)

2.2.5 Explain what happens to the equilibrium price and quantity in a perfectly competitive market when consumer demand increases. (2 x 2) (4)

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

BATTLE OF THE BANKS IN SOUTH AFRICA

South Africa's banking sector is undergoing rapid change, with new digital banks such as TymeBank, Discovery Bank, and OM Bank entering the market. Despite this, traditional banks remain dominant. The question of which bank is the largest depends on the measure used: Capitec leads in customer numbers, while Standard Bank is the largest in terms of assets. This highlights the different ways in which market power can be measured, reflecting both customer reach and financial strength. The competition between digital entrants and established banks is likely to intensify as technology reshapes the industry.

Source adapted from: BusinessTech,published on 15 September 2025.

2.3.1 Identify the bank in South Africa that has the largest assets. (1)

2.3.2 Name any barrier to entry that protect established banks in South Africa's oligopoly market. (1)

2.3.3 Describe the term *interdependence of firms*. (2)

2.3.4 Explain why collusion is a potential risk in oligopoly markets such as banking. (2)

2.3.5 What impact does increased consumer demand have on the profitability of banks in an oligopoly? (2 x 2) (4)

2.4 Differentiate between the demand curve of a monopolistic market structure and an oligopoly market structure. (2 x 4) (8)

2.5 Evaluate the role of the Competition Appeal Court in South Africa as an institution within the competition policy. (4 x 2) (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 causes of cost push inflation. (2 x 1) (2)

3.1.2 What effect does deforestation have on the environment? (1 x 2) (2)

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

ADMINISTERED PRICES

Category	Latest Update (2025–2026)	Impact of Inflation
Electricity Tariffs	Eskom and municipal tariffs rising again in 2026.	Major structural driver; systematically above target midpoint.
Fuel Prices	Petrol cut by 65c/litre in Feb 2026 due to lower global oil prices and stronger rand.	Short- term relief, but volatility and taxes keep fuel a long- term risk.
Public Transport Fares	Transport inflation cooled in late 2025.	Administered fares remain above midpoint, limiting consumer benefit.

Source:Adapted from: SARB and Stats SA

3.2.1 Identify the administered price category directly linked to Eskom. (1)

3.2.2 Name the administered price that is most sensitive to developments in international commodity markets. (1)

3.2.3 Briefly describe the term *core inflation.* (2)

3.2.4 What effect does headline inflation have on long-term investment decisions in South Africa's economy? (2)

3.2.5 Why does cost-push inflation affect household purchasing power more severely than demand-pull inflation? (2 x 2) (4)

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

The Contribution of Reusable Bags to Environmental Sustainability

Switching to reusable bags might feel small in the moment, but over a lifetime it adds up to tens of thousands of plastic bags prevented from contributing to environmental problems.



Source: Adapted from Icegreen (2025), *Reusable Bags in Reducing Plastic Pollution*.

3.3.1 Identify the environmental problem depicted in the information above. (1)

3.3.2 Name one government policy measure used to reduce the environmental problem depicted in the information above. (1)

3.3.3 Briefly describe the term *biodiversity loss.* (2)

3.3.4 How does hazardous waste affect groundwater quality? (2)

3.3.5 Why does soil erosion affect both food security and poverty levels? (2 x 2) (4)

3.4 Briefly discuss *grant property rights* and *pay environmental subsidies* as measures to intervene to ensure environmental sustainability. (2 x 4) (8)

3.5 How can inflation negatively impact industrial stability in South Africa? (4 x 2) (8)

[40]

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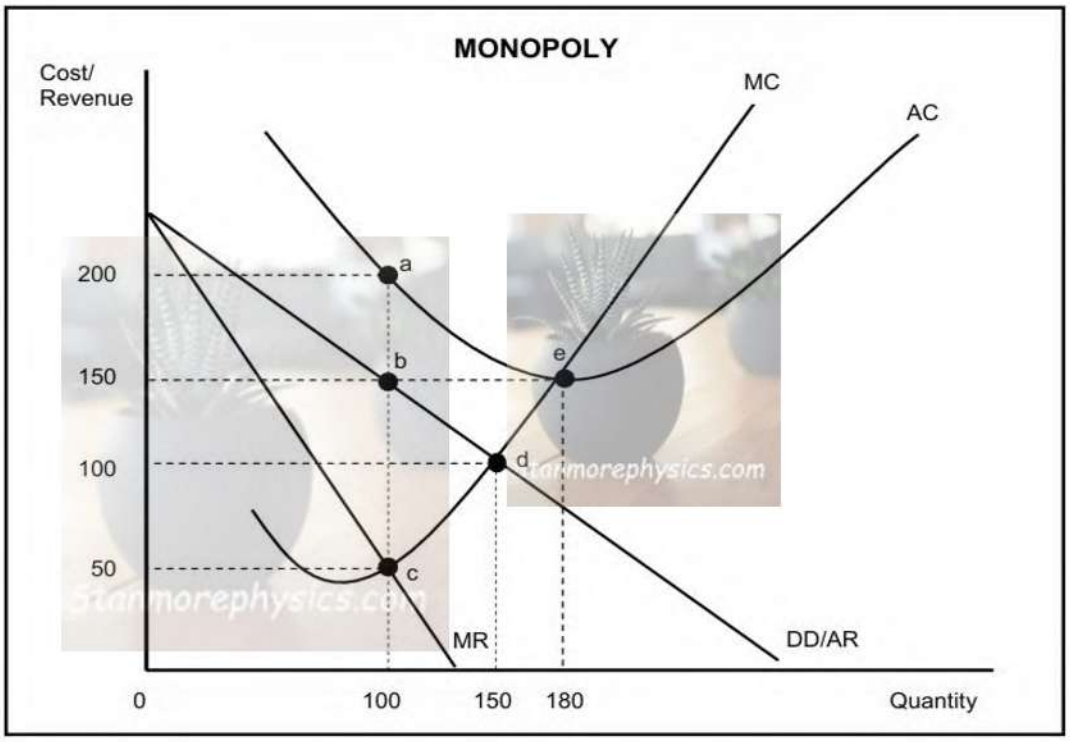
QUESTION 4: MICROECONOMICS & CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

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

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

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



4.2.1 Identify the point that represents profit maximisation in the graph above. (1)

4.2.2 Name the market price depicted from the graph. (1)

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

4.2.4 How does the monopoly's control over supply affect consumer prices? (2)

4.2.5 Using the monopoly graph above, calculate the profit or loss earned by the firm at its equilibrium output.
Show all calculations. (4)

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

A Heavy Machine Too Complex to Fix



Source: Adapted from OpenAI ChatGPT, 2026.

4.3.1 Identify the main problem the cartoonist is trying to illustrate. (1)

4.3.2 Name the main index used to measure inflation. (1)

4.3.3 Briefly describe the term *deflation.* (2)

4.3.3 How does inflation influence the central bank's decision on interest rates? (2)

4.3.5 Why can unexpected inflation negatively affect savers? (2 x 2) (4)

4.4 With the aid of a correctly labelled graph, explain profit maximisation using total cost (TC) and total revenue (TR) curves. (2 x 4) (8)

4.5 Analyse chemical waste as an international measure taken to ensure sustainable development. (4 x 2) (8)

[40]

TOTAL SECTION B: 80

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SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.
Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response: • A good starting point would be to define the main concept related to the question topic. • Do NOT include any part of the question in the introduction. • Do NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body.	Max. 2
Body **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/ Assess/Debate **A maximum of 8 marks may be allocated for headings/examples.** **Additional part:** Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/ Complete the given graph/Calculate/Deduce/Compare/Explain/ Distinguish/Interpret/Briefly debate/How?/Suggest **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 • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

QUESTION 5: MICROECONOMICS 40 MARKS – 40 MINUTES

- Discuss in detail the factors that lead to the misallocation of resources in the market. (26)

- Evaluate the performance of the state with regards to the redistribution of wealth in South Africa. (10)
[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Examine in detail the effects of tourism in South Africa. (26)

- Evaluate the effectiveness of marketing as a policy suggestion by the Department of Tourism in South Africa. (10)
[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150

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Northern Cape Department of Education

PROVINCIAL PREPARATORY EXAMINATION

GRADE 12

ECONOMICS

PAPRER 2

SEPTEMBER 2026

MARKING GUIDELINES

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MARKS: 150

These marking guidelines consist of 17 pages.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A marginal cost ✓✓
1.1.2 C long run✓✓
1.1.3 B patent.✓✓
1.1.4 D savings.✓✓
1.1.5 D stagflation.✓✓
1.1.6 C Produce Price Index.✓✓
1.1.7 A Transit tourist ✓✓
1.1.8 B Johannesburg Summit✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 H occurs when a firm's total costs exceed its total revenue✓
1.2.2 A the total cost of production divided by the number of units produced.✓
1.2.3 G a market situation where one dominant firm sets the price of a product, and other firms in the industry follow✓
1.2.4 B provided for the benefit of all members of society, often funded by the government.✓
1.2.5 F extremely rapid and excessive rise in the general price level, often exceeding 50% per month✓
1.2.6 I a monetary policy strategy where the central bank sets an explicit target rate to maintain price stability and strengthen economic confidence✓
1.2.7 C visitors traveling into a country from abroad✓
1.2.8 E the sustainable management and protection of natural resources, environments, and biodiversity to ensure their availability for future generations✓ (8 x 1) (8)

1.3 GIVE THE TERM

1.3.1 Shutdown point✓
1.3.2 Cartel✓
1.3.3 Pareto efficiency✓
1.3.4 Creditors✓
1.3.5 Non- Price competition✓
1.3.6 Indigenous knowledge✓ (6 x 1) (6)

TOTAL SECTION A: 30

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SECTION B

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

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

2.1 **SHORT QUESTIONS**

2.1.1 **Name any TWO examples of businesses that operate under monopolistic competition.**

- Restaurants ✓
- Clothing and fashion brands ✓
- Hair salons and beauty services ✓
- Retail stores (convenience shops, local supermarkets) ✓
- Consumer electronics (smartphones, laptops) ✓
- Coffee shops ✓

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

2.1.2 **Why are restrictive business practices prohibited by competition policy?**

Competition policy prohibits restrictive business practices to ensure fair competition, protect consumers from exploitation, promote economic efficiency, and encourage innovation in markets✓✓

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

2.2 **DATA RESPONSE**

2.2.1 **Identify the initial price depicted in the graph above.**

P1 ✓ (1)

2.2.2 **Name the type of profit a firm can earn in the long run under perfect competition.** (1)

Normal profit ✓

2.2.3 **Briefly describe the term *price taker*.**

A price taker is a market participant, such as a firm or individual that must accept the prevailing market price for a good or service because they have no influence over that price. ✓✓

(Accept any other correct relevant response) (2)

2.2.4 **How does perfect information benefit producers?**

- Perfect information helps producers make better production and pricing decisions because they have accurate knowledge about market conditions. ✓✓
- Producers can identify consumer preferences more easily and adjust their products to meet demand.✓✓
- It reduces uncertainty and the risk of losses, allowing producers to use resources more efficiently and maximise profits.✓✓

(Accept any other correct relevant response) (2)

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2.2.5 **Explain what happens to the equilibrium price and quantity in a perfectly competitive market when consumer demand increases.**

- When consumer demand increases in a perfectly competitive market, buyers are willing to purchase more goods at each price level. ✓✓
- This creates excess demand at the original equilibrium price, putting upward pressure on prices. ✓✓
- As prices rise, suppliers are encouraged to increase production because higher prices mean higher potential profits.✓✓
- Eventually, the market reaches a new equilibrium where both price and quantity are higher than before. ✓✓

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

2.3 DATA RESPONSE

2.3.1 **Identify the bank in South Africa that has the largest assets.**

Standard Bank ✓ (1)

2.3.2 **Name any barrier to entry that protect established banks in South Africa's oligopoly market.**

- High capital requirements ✓
- Strict regulatory compliance ✓
- Strong brand loyalty and trust ✓
- Economies of scale ✓
- Advanced technology and infrastructure ✓
- Extensive branch and service networks ✓
- Network effects from large customer bases ✓

(Accept any other correct relevant response) (1)

2.3.3 **Describe the term *interdependence of firms*.**

Refers to the situation where businesses in a market are mutually reliant on one another, meaning the decisions of one firm directly affect the outcomes of others. ✓✓

(Accept any other correct relevant response) (2)

2.3.4 **Explain why collusion is a potential risk in oligopoly markets such as banking.**

- Collusion is a risk in oligopoly markets like banking because dominant firms may coordinate to keep prices high and limit competition. ✓✓
- This harms consumers by reducing choice and efficiency in the economy. ✓✓

(Accept any other correct relevant response) (2)

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2.3.5 **What impact does increased consumer demand have on the profitability of banks in an oligopoly?**

- In an oligopoly like South Africa's banking sector, increased consumer demand generally raises profitability for established banks. ✓✓
- Higher demand allows them to expand lending, increase transaction volumes, and charge more for services, boosting short- run profits. ✓✓
- Because barriers to entry are strong, new competitors struggle to enter, so the dominant banks retain these gains rather than losing them to rivals.✓✓
- Over time, this entrenches their market power, reinforcing high profitability and limiting consumer benefits. ✓✓

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

2.4 **Differentiate between the demand curve of a monopolistic market structure and an oligopoly market structure.**

Monopolistic Competition

- The demand curve of a monopolistic competitor slopes downward because the firm can sell more units only by lowering its price.✓✓
- The demand curve is relatively elastic because consumers can easily switch to many close substitute products.✓✓
- Product differentiation allows firms to influence consumer preferences and maintain their own demand curves.✓✓
- The demand curve faced by each firm is independent and is not significantly affected by the actions of individual competitors.✓✓

Oligopoly

- The demand curve in an oligopoly is often represented as a kinked demand curve because firms expect competitors to react to price changes.✓✓
- The demand curve is influenced by the behaviour of rival firms since only a few firms dominate the market.✓✓
- If one firm increases its price, consumers may switch to competing firms, causing a large decrease in quantity demanded.✓✓
- Firms in an oligopoly tend to maintain stable prices because changing prices can trigger strong reactions from competitors.✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for mere listing of facts) (2 x 4) (8)

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2.5 **Evaluate the role of the Competition Appeal Court in South Africa as an institution within the country's competition policy.**

The Competition Appeal Court (CAC) in South Africa has both strengths and weaknesses within the country's competition policy framework.

Positives:

- It provides judicial oversight of the Competition Tribunal, ensuring fairness and accountability in decisions.✓✓
- Its judges are appointed with expertise in law, economics, and commerce, which strengthens the quality of rulings.✓✓
- It upholds constitutional principles by protecting consumer rights and preventing abuse of market power.✓✓
- National jurisdiction allows consistency in competition law enforcement across South Africa.✓✓

Negatives:

- Legal processes can be lengthy and costly, delaying resolution of competition disputes. ✓✓
- Smaller firms may struggle to challenge large corporations due to resource constraints, even with CAC oversight. ✓✓
- The complexity of cases and reliance on specialized knowledge can make rulings less accessible to the public.✓✓
- Limited capacity and backlog risks may weaken its effectiveness in promoting swift market corrections. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 SHORT QUESTIONS

3.1.1 **Name any TWO causes of cost push inflation.**

- Wages ✓
- Key inputs ✓
- Exchange rate depreciation ✓
- Profit margins ✓
- Productivity ✓
- Natural disasters ✓

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

3.1.2 **What effect does deforestation have on the environment?**

Deforestation harms the environment by destroying habitats, increasing carbon emissions, and disrupting ecosystems. ✓✓

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

3.2 DATA RESPONSE

3.2.1 **Identify the administered price category directly linked to Eskom.**

Electricity tariffs ✓ (1)

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3.2.2 **Name the administered price that is most sensitive to developments in international commodity markets.**
Fuel prices ✓ (1)

3.2.3 **Briefly describe the term *core inflation.***
Core inflation refers to the underlying inflation rate that excludes volatile items such as food and fuel, giving a clearer picture of long-term price trends.✓✓ (2)

3.2.4 **What effect does headline inflation have on long-term investment decisions in South Africa's economy?**
Headline inflation increases uncertainty and discourages long-term investment, as rising prices erode returns and make future costs unpredictable.✓✓
(Accept any other correct relevant response) (2)

3.2.5 **Why does cost-push inflation affect household purchasing power more severely than demand-pull inflation?**

- Cost-push inflation raises prices because of higher production costs (e.g., wages, fuel, electricity), which directly reduces households' real income.✓✓
- Demand-pull inflation results from higher demand, but households may still benefit from stronger economic activity, so the loss in purchasing power is less severe. ✓✓
- Cost-push inflation often increases the prices of essential goods and services, such as food, transport, and electricity, forcing households to spend a larger portion of their income on basic needs. ✓✓
- Household incomes do not always increase at the same rate as production costs, causing wages to lag behind rising prices and further reducing consumers' purchasing power.✓✓

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

3.3 DATA RESPONSE

3.3.1 **Identify the environmental problem depicted in the information above**
plastic pollution/ pollution, waste pollution ✓ (1)

3.3.2 **Name one government policy measure used to reduce the environmental problem depicted in the information above.**
plastic bag levy/tax ✓ (1)

3.3.3 **Briefly describe the term *biodiversity loss*.**
Biodiversity loss refers to the decline or disappearance of species and ecosystems, reducing variety of life and weakening ecological balance.✓✓
(Accept any other correct relevant response) (2)

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3.3.4 **How does hazardous waste affect groundwater quality?**

Hazardous waste contaminates groundwater by releasing toxic chemicals into soil and water systems, making water unsafe for human and ecological use.✓✓

(Accept any other correct relevant response) (2)

3.3.5 **Why does soil erosion affect both food security and poverty levels?**

- Soil erosion reduces agricultural productivity, threatening food security.✓✓
- It worsens poverty levels because communities dependent on farming lose income and face higher food costs.✓✓
- Soil erosion removes fertile topsoil, making it difficult for crops to grow and reducing the quantity and quality of food produced.
- Farmers may need to spend more money on fertilisers and other inputs to maintain production, increasing farming costs and placing additional financial pressure on poor households.

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

3.4 **Briefly discuss *grant property rights* and *providing environmental subsidies* as measures to intervene to ensure environmental sustainability.**

Granting Property Rights

- Granting property rights gives individuals or communities legal ownership of natural resources, encouraging them to manage these resources responsibly.✓✓
- When people have secure rights, they are less likely to exploit resources unsustainably, since they benefit from long-term preservation.✓✓
- This measure reduces overuse and promotes conservation, ensuring that resources remain available for future generations.✓✓

Providing Environmental Subsidies

- Environmental subsidies involve financial incentives from government to businesses or households that adopt eco-friendly practices.✓✓
- These subsidies lower the cost of sustainable technologies, such as renewable energy or recycling, making them more attractive.✓✓
- By reducing financial barriers, subsidies encourage widespread adoption of green practices, helping achieve environmental sustainability.✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for mere listing of facts) (2 x 4) (8)

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3.5 **How can inflation negatively impact industrial stability in South Africa?**

Inflation undermines industrial stability in South Africa in several ways:

- Rising production costs, such as fuel, electricity, and wages, reduce profitability for firms. ✓✓
- It creates uncertainty in planning and investment, discouraging long-term projects. ✓✓
- Inflation also weakens consumer demand, as households' purchasing power declines, lowering sales for industries.✓✓
- Labour unrest often increases because workers demand higher wages to keep up with rising prices, disrupting productivity. ✓✓
- Inflation erodes competitiveness in global markets, as South African goods become more expensive compared to imports. ✓✓
- Together, these effects destabilize industries and slow economic growth.✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)

[40]

QUESTION 4: MICROECONOMICS & CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 30 MINUTES

4.1 SHORT QUESTIONS

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

- Allocative inefficiency ✓
- Productive inefficiency✓ (2 x 1) (2)

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

An increase in productivity lowers production costs, which helps reduce cost push inflation because firms can produce more efficiently without raising prices.✓✓

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

4.2 DATA RESPONSE

4.2.1 **Identify the point that represents profit maximisation in the graph above.** (1)

c✓

4.2.2 **Name the market price depicted from the graph above**

R150 ✓ (1)

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

Price discrimination is when a firm charges different prices for the same product or service to different consumers, not because of cost differences but based on willingness or ability to pay.✓✓ (2)

4.2.4 **How does the monopoly's control over supply affect consumer prices?**

A monopoly's control over supply allows it to restrict output, which pushes consumer prices higher than they would be in a competitive market and vice versa. ✓✓ (2)

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4.2.5 **Using the monopoly graph above, calculate the profit or loss earned by the firm at its equilibrium output.**
Show all calculations.
PROFIT = TR - TC
(150 x 100)✓ - (200 x 100) ✓
15 000 - 20 000 ✓
= 5 000 Loss ✓

OR

PROFIT = (P - C) x Q
(150 - 200)✓ x 100 ✓
-50 x 100 ✓
= - 5 000 Loss ✓ (4)

4.3 DATA RESPONSE

4.3.1 **Identify the main problem the cartoonist is trying to illustrate.**
Rising inflation ✓
(Accept any other correct relevant response) (1)

4.3.2 **Name the main index used to measure inflation.**
Consumer Price Index ✓ (1)

4.3.3 **Briefly describe the term *deflation.***
Deflation is a sustained decrease in the general price level of goods and services, often linked to reduced demand and economic slowdown.✓✓
(Accept any other correct relevant response) (2)

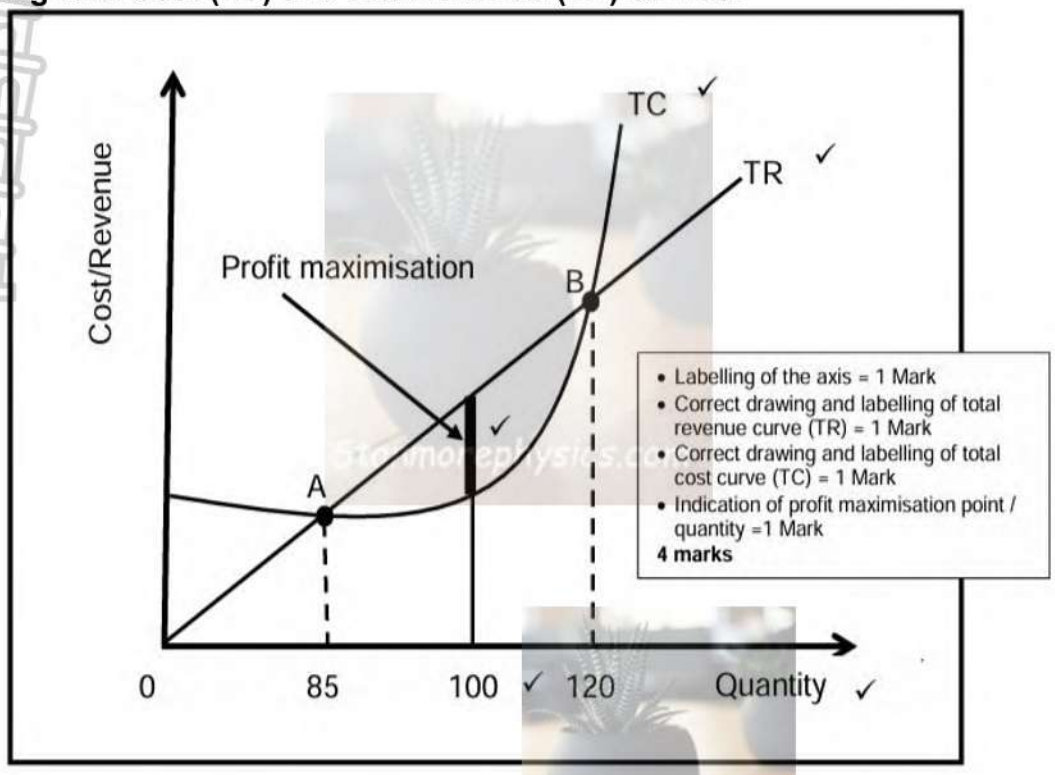
4.3.4 **How does inflation influence the central bank's decision on interest rates?**
Inflation influences the central bank's decision on interest rates because higher inflation usually leads to increased interest rates to reduce spending and borrowing, while low inflation may lead to lower interest rates to stimulate demand.✓✓
(Accept any other correct relevant response) (2)

4.3.5 **Why can unexpected inflation negatively affect savers?**
- Unexpected inflation can negatively affect savers because the money they saved loses purchasing power. ✓✓
- This means that even though the amount of money stays the same, it can buy fewer goods and services than before.✓✓
- If interest earned on savings is lower than the inflation rate, the real value of their savings decreases. ✓✓
- As a result, savers end up worse off because their future spending ability is reduced.✓✓

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

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4.4 **With the aid of a correctly labelled graph, explain profit maximisation using total cost (TC) and total revenue (TR) curves.**



- Labelling of the axis = 1 Mark
- Correct drawing and labelling of total revenue curve (TR) = 1 Mark
- Correct drawing and labelling of total cost curve (TC) = 1 Mark
- Indication of profit maximisation point / quantity =1 Mark

4 marks

- A firm maximises profit at the point where the gap between total revenue (TR) and total cost (TC) curves is widest.✓✓
- On the graph, this occurs when the firm produces 100 units.✓✓
- If production is below 100 units, the firm should increase output to reach maximum profit.✓✓
- If production is above 100 units, the firm should reduce output to return to the profit- maximising level. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for mere listing of facts) (2 x 4) (8)

4.5 **Analyse chemical waste as an international measure taken to ensure sustainable development.**

- Chemical waste management is an important international measure for sustainable development. ✓✓
- Hazardous chemicals can harm human health, causing diseases and long- term illnesses. ✓✓
- They also pollute soil, water, and air, leading to biodiversity loss and ecosystem damage. ✓✓
- Global agreements, such as the Stockholm Convention, promote safe disposal and recycling to reduce these risks. ✓✓
- By following international standards, countries avoid costly clean- ups and protect economic productivity. ✓✓
- Overall, managing chemical waste ensures that industrial growth is balanced with environmental protection and human well- being.✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)

[40]

TOTAL SECTION B: 80

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SECTION C

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

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

- **Discuss in detail the factors that lead to the misallocation of resources in the market.** **(26)**
- **Evaluate the performance of the state with regards to the redistribution of wealth in South Africa.** **(10)**

[40]

INTRODUCTION

Market failure occurs when the forces of demand and supply do not ensure that the correct quantity of goods and services is produced at the right price. In such cases, the market mechanism alone cannot achieve efficiency or fairness, and resources are not allocated in a way that maximizes social welfare.✓✓
(Accept any other correct relevant introduction.) **(Max 2)**

MAIN PART

Negative externalities: ✓

- These are harmful effects imposed on others without compensation.✓✓ For example, a factory that pollutes the air imposes health costs on the community. ✓✓
- The producer does not pay for these costs, so the good is overproduced relative to what is socially desirable.✓✓
- Other examples include noise pollution from airports or traffic congestion.✓✓

Positive externalities: ✓

- These are benefits enjoyed by others without payment.✓✓ For example, education benefits not only the student but also society through higher productivity, innovation, and reduced crime.✓✓
- Vaccinations are another example, as they protect both the individual and the wider community.✓✓ Because markets tend to underproduce such goods, governments often intervene by subsidizing or directly providing them.✓✓

Public Goods and Missing Markets

- Public goods are goods that are non-excludable (people cannot be prevented from using them) and non-rivalrous (one person's use does not reduce availability for others).✓✓ Because producers cannot charge users effectively, markets fail to provide these goods.✓✓

  - **Examples:** Street lighting, flood control, stormwater drainage, and lighthouses.✓✓
  - **Collective goods:** Parks, beaches, roads, bridges, public transport, sewerage systems, waste removal, and water supply.✓✓ These benefit communities but are difficult to provide through private markets.✓✓
  - **Community goods:** Defense, police services, prisons, and streetlights. These are essential for safety and order but cannot be efficiently supplied by private firms.✓✓

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Merit and Demerit Goods✓

- **Merit goods:** These are goods that are beneficial to society but undervalued by the market. Examples include healthcare, education, and public libraries.✓✓ If left to the market, too little of these goods would be consumed because people may not be able to afford them at market prices.✓✓ Governments therefore provide or subsidize them.✓✓
- **Demerit goods:** These are goods that are harmful to society, such as cigarettes, alcohol, and recreational drugs.✓✓ In a free market, they are often over-consumed because consumers may ignore or underestimate the long-term negative effects. ✓✓Governments may impose taxes (like excise duties), restrict advertising, or ban consumption to reduce demand.✓✓

Imperfect Competition✓

- In reality, many markets are dominated by a few large firms, giving producers more power than consumers.✓✓
- Under imperfect competition, firms can restrict output, raise prices, and produce at levels where price exceeds marginal cost.✓✓
- This leads to inefficiency because resources are not used in the most productive way. Examples include monopolies, oligopolies, and cartels.

Lack of Information✓

For markets to function efficiently, all participants need accurate information. In practice, consumers, workers, and entrepreneurs often lack sufficient knowledge.✓✓

- **Consumers:** They may not know the true quality or safety of products, even with modern technology.✓✓ For example, misleading advertising can cause poor choices.✓✓
- **Workers:** They may be unaware of better job opportunities elsewhere.✓✓
- **Entrepreneurs:** They may lack information about costs, availability, or productivity of resources, leading to poor investment decisions.✓✓

Immobility of Factors of Production✓

Factors of production (labour, capital, and land) cannot always move freely to where they are most needed.✓✓

- **Labour:** Workers may take time to retrain or relocate to new areas. For example, miners may struggle to find jobs in technology industries.✓✓
- **Physical capital:** Assets like factories, bridges, and airports cannot be moved easily to new locations.✓✓
- **Technology:** Advances such as robots replacing human labour change production methods, but industries and workers need time to adapt.✓✓ This immobility slows down adjustment to changes in demand.✓✓

Imperfect Distribution of Income and Wealth✓

- Markets are neutral regarding income distribution. If income is initially unequal, markets will not correct this imbalance.
- Instead, inequality persists or worsens. For example, wealthy individuals can afford luxury goods and better education, while poorer households struggle to meet basic needs.✓✓ This unequal distribution is often seen as a failure of the market system.✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 8 marks for mere listing of headings and examples)

(Max 26)

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ADDITIONAL PART

Evaluation of the State's Performance in Redistributing Wealth in South Africa

Positive Outcomes

- South Africa's tax system ensures that higher-income earners contribute proportionally more, which helps narrow income disparities.✓✓
- The government provides a wide range of grants (child support, pensions, disability aid) that directly reduce poverty and uplift vulnerable groups. ✓✓
- Subsidised or free healthcare, education, and housing initiatives extend benefits to poorer households, improving welfare.✓✓
- Policies such as BBBEE and land reform are designed to correct historical injustices and broaden ownership opportunities.✓✓
- Research shows that fiscal redistribution in South Africa significantly lowers poverty and inequality compared to many other middle-income countries.✓✓

Negative Outcomes

- Despite interventions, South Africa remains one of the most unequal nations, with wealth concentrated among a small elite.✓✓
- Redistribution alone cannot address inequality; without inclusive growth, unemployment and poverty persist.✓✓
- Programmes like land reform and BBBEE have been criticised for slow progress, corruption, and benefiting only a select few.✓✓
- Heavy reliance on grants and subsidies strains government finances, limiting investment in infrastructure and long-term development.✓✓
- Redistribution has been more effective in income than in wealth; ownership of land, property, and investments remains highly unequal.✓✓

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

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

CONCLUSION:

The persistence of market failures highlights the limits of state intervention, and while redistribution policies have softened poverty and inequality, their uneven impact underscores the need for deeper structural reforms to achieve lasting economic justice..✓✓

(Accept any other correct relevant response) **(Max 2)** **[40]**

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QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Examine in detail the effects of tourism in South Africa.** **(26)**
- **Evaluate the effectiveness of marketing as a policy suggestion by the Department of Tourism in South Africa.** **(10)**

[40]

INTRODUCTION

Tourism refers to the movement of people to destinations outside their usual environment for leisure, business, or other purposes, typically for less than a year. It is a vital sector in South Africa, contributing significantly to economic growth, employment, and development.✓✓

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

MAIN PART

GDP ✓

- Tourism is one of South Africa's largest industries, supporting thousands of hotels, guesthouses, and restaurants.✓✓
- It has proven resilient, with international arrivals reaching 8.92 million in 2024, a 5.1% increase from 2023. ✓✓
- The sector contributed 8.8% to GDP in 2024, both directly through visitor spending and indirectly through investments in infrastructure such as new hotels, transport systems, and aircraft. ✓✓
- This dual impact shows tourism's ability to stimulate growth across multiple sectors of the economy.✓✓

Employment ✓

- Tourism is a major employer, accounting for about 11.3% of jobs in South Africa.✓✓
- By 2025, employment in the sector was projected to reach 1.9 million jobs, surpassing pre - pandemic levels. ✓✓
- It provides opportunities across skill levels, from accountants and chefs to informal traders, and is especially important in rural areas where alternative employment is scarce. ✓✓
- The industry is labour- intensive, meaning it creates jobs quickly relative to investment, and supports entrepreneurship in both formal and informal sectors.✓✓

Poverty ✓

- Tourism generates income that supports national development and directly benefits poor communities.✓✓
- The Department of Tourism runs poverty relief projects that promote community- owned tourism products and services.✓✓
- These initiatives focus on infrastructure (e.g., tourist centres, ablution facilities, walkways) and product development (heritage sites, conservation projects), aiming to create sustainable work opportunities in rural areas. ✓✓
- Tourism also redistributes resources to underdeveloped regions, helping them grow as tourist destinations and reducing inequality.✓✓

Tourism Externalities✓
- Tourism creates both positive✓ and negative externalities✓.
- On the negative side, aircraft noise, congestion, crime, and environmental degradation affect communities. ✓✓
- Positive externalities include improved transport links like the Gautrain, new recreational amenities, and increased tax revenue.✓✓
- However, tourism can also drive inflation, making goods and services less affordable for locals. ✓✓
- This dual nature highlights the need for careful policy to balance benefits with costs.✓✓

Environment ✓
- Tourism places pressure on conservation areas, damaging vegetation and wildlife habitats.✓✓
- Transport linked to tourism contributes significantly to pollution and carbon emissions. Policies encourage eco - friendly transport options such as cycling, horse- riding, and the Gautrain, which reduces emissions. ✓✓
- Environmental degradation remains a major threat to the sustainability of the tourism industry, as damaged ecosystems reduce the attractiveness of destinations. ✓✓
- The environment is impacted through permanent restructuring (airports), direct stress from tourist activities, and changes in population dynamics.✓✓

Investment and Infrastructure ✓
- Tourism stimulates investment in capital goods and labour, encouraging both government and private sector spending.✓✓
- Infrastructure includes transport systems, utilities, sanitation, and communication networks. ✓✓
- South Africa has strong urban infrastructure, but rural areas still lack adequate facilities, limiting their participation in tourism.✓✓
- The absence of reliable transport and energy services prevents rural communities from fully benefiting as suppliers or tourists. Investment in infrastructure is therefore critical to ensure inclusive growth and broaden tourism's impact.✓✓

(Accept any other relevant response)

(Allocate a maximum of 8 marks for mere listing of headings and examples)

(Max 26)

ADDITIONAL PART

Evaluate the effectiveness of marketing as a policy suggestion by the Department of Tourism in South Africa.

Positive Aspects
- Campaigns like *Sho't Left* and *Meet South Africa* have successfully promoted the country's attractions, increasing international tourist arrivals. ✓✓
- Strong marketing efforts boost tourism numbers, which in turn contribute to GDP growth and support industries such as hospitality, transport, and retail. ✓✓
- By drawing more visitors, marketing indirectly creates jobs across formal sectors (hotels, airlines) and informal sectors (street vendors, guides). ✓✓
- Tourism campaigns highlight South Africa's cultural diversity, heritage sites, and natural beauty, fostering national pride and identity.✓✓
- Local marketing initiatives encourage South Africans to explore their own country, helping sustain the industry during global downturns. ✓✓

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Negative Aspects

- Large-scale marketing campaigns demand significant financial resources, which can strain government budgets and reduce funding for other priorities.✓✓
- Marketing often focuses on popular destinations like Cape Town and Kruger National Park, leaving rural and lesser-known areas underrepresented.✓✓
- Successful campaigns can lead to excessive tourism in certain areas, causing environmental damage and reducing visitor satisfaction.✓✓
- Marketing alone cannot guarantee growth if transport, safety, and service infrastructure are inadequate, particularly in rural regions.✓✓
- Some campaigns aim for immediate visitor increases rather than long-term sustainable tourism strategies, which can undermine environmental and social goals. ✓✓

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

CONCLUSION:
Tourism boosts economies and communities, but its benefits last only if marketing is paired with sustainable infrastructure, fair access, and environmental protection. In short: promotion attracts visitors, but sustainability ensures long- term impact.✓✓
(Accept any other correct relevant response) **(Max 2)** **[40]**



TOTAL SECTION C: 40
GRAND TOTAL: 150