



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P2

MAY/JUNE 2025

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 23 pages.

PRINCIPLES FOR MARKING ECONOMICS – SC/NSC MAY/JUNE 2025

The following marking principles have been developed to standardise marking in all provinces.

MARKING

- ALL questions and responses in candidates' scripts **MUST** be marked, irrespective of whether it is correct or incorrect.
- Where responses are in excess of what the instruction required, the following should apply
 - In section A, where candidates give **TWO** responses, the first response should be marked.
 - In section B, (2.1.1, 3.1.1 and 4.1.1) mark the first **TWO** responses and indicate **M 2** for responses that are in excess of what the question required.
 - In section B data response questions that require specific number of responses, (E.g. 2.2.1 and 2.2.2) mark the first response and indicate **M 1** for responses that are in excess.
 - In section B and C (choice questions), indicate **EXTRA** on questions in excess of the required number.
 - Where the maximum marks have been allocated for a particular question, mark all the responses up to the maximum marks for the question and indicate either **M 2 or M 8 or M 10 or M 26**. Thereafter, draw a line on the right-hand side of the responses that are in excess.
- A clear, neat tick must be used:
 - If **ONE** mark is allocated, **ONE** tick must be used: ✓
 - If **TWO** marks are allocated, **TWO** ticks must be used: ✓✓
 - The tick must be placed at the **FACT** that a mark is being allocated for.
 - Ticks must be kept **SMALL**, as various levels of moderation may take place.
- Incorrect answers must be marked with a clear, neat cross: ✗
 - Use one cross on every incorrect response in questions where candidates are required to give more than one response.
 - Try **NOT** to underline the candidates' responses
- For the following action words, **ONE-word** answers are acceptable: **list, name, state, identify**
- For the following action words, a **FULL** sentence must be written: **describe, explain, evaluate, analyse, suggest, differentiate, distinguish, define, discuss, why, how**
- The following action words need to be read within their context to determine whether a **ONE-word** answer or **FULL** sentence is required: **provide, what, tabulate, identify and give**
- Where candidates are required to draw a graph, mark the graph according to a marking grid provided in the official marking guideline.
- Where candidates are required to do calculations, the final answer would not necessarily be awarded full marks. **3 marks** are awarded for the **calculations** and **1 mark** for the **final answer**.

NOTE THE FOLLOWING

- If the numbering is incorrect or left out, as long as the sequence of answers to questions is followed candidates can be credited
- Where there are spelling errors, award the marks provided the meaning is correct.
- Pay attention to the sense of responses, which may be stated in a different way.
- In multiple-choice questions where a letter is the accepted response, but the learner writes the actual answer- award marks.
- There will be addendum to the marking guidelines for the marking of certain questions.

TOTALLING AND TRANSFERRING OF MARKS

- The sub-total for each sub-question must be recorded on the right-margin
 - Question1 in Section A has **THREE** sub-sections and **THREE** sub-totals should be recorded on the right margin.
 - Questions in Section B have **FIVE** sub-sections and **FIVE** sub-totals should be recorded on the right margin.
 - Sub-totals must be written legibly and leave space for moderated marks on the right margin
- The total mark for each question should be recorded on the top left margin next to the question number and transfer to cover page of answer book

SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 C – explicit ✓✓
1.1.2 A – monopolistic competition ✓✓
1.1.3 D – information ✓✓
1.1.4 C – maximum ✓✓
1.1.5 A – all inclusive ✓✓
1.1.6 D – lower profit margins ✓✓
1.1.7 D – one night ✓✓
1.1.8 B – environmental ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 F a group of businesses that produce or supply similar products ✓
1.2.2 H high development costs prevent other businesses from entering the market ✓
1.2.3 E the decision by one business to increase price is influenced by how other businesses will react ✓
1.2.4 I the amount of money set by the government, below which no employer may pay their workers ✓
1.2.5 G compiled by regularly recording the prices of a representative basket of goods and services ✓
1.2.6 B South African citizens travelling to other countries ✓
1.2.7 C aimed at making travelling more accessible and affordable within South Africa ✓
1.2.8 D an objective to eradicate extreme poverty and hunger ✓

(8 x 1) (8)

1.3 GIVE THE TERM

- | | | | |
|-------|---------------------------|---------|-----|
| 1.3.1 | Homogeneous ✓ | | |
| 1.3.2 | Patent ✓ | | |
| 1.3.3 | Cost benefit analysis ✓ | | |
| 1.3.4 | Cost-push inflation ✓ | | |
| 1.3.5 | Ecotourism ✓ | | |
| 1.3.6 | Non-renewable resources ✓ | (6 x 1) | (6) |

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES****2.1 SHORT QUESTIONS****2.1.1 Name any TWO features (characteristics) of public goods.**

- Non-rivalry ✓
 - Non-excludable ✓
 - Non-rejectable ✓
 - Indivisible ✓
 - Continuous consumption / Infinite consumption ✓
 - Social benefits outstrip private benefits / External benefits ✓
- (Accept any other correct relevant response) (2 x 1) (2)

2.1.2 Why does the kinked demand curve discourage an oligopoly firm from raising its price?

A smaller increase in price may result in bigger decrease in the quantity demanded which will lower income (total revenue), due to the elastic section of the kinked demand curve. ✓✓

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

2.2 DATA RESPONSE**2.2.1 Identify the market structure that represents the banking industry, from the information above.**

Oligopoly ✓ (1)

2.2.2 Name the institution that investigates restrictive business practices.

Competition Commission ✓ (1)

2.2.3 Briefly describe the term *price leadership*.

A situation where the dominant business sets the price and the other firms accept it as the market price. ✓✓

(Accept any other correct relevant response) (2)

2.2.4 Explain the impact of collusion by banks on consumers.

Collusion will result in consumers paying high prices on the banking services. ✓✓

The collusive banks may provide poor quality services to consumers as they will not have any other alternatives. ✓✓

(Accept any other correct relevant response) (2)

2.2.5 Why do businesses aim to achieve economies of scale?

- To reduce the average cost which enables businesses produce more output. ✓✓
 - To increase the competitiveness of businesses through lower prices which increase demand. ✓✓
 - To improve the profitability of businesses due to increased sales / To earn higher profit and expand the investment capacity. ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

2.3 DATA RESPONSE**2.3.1 Identify any ONE negative externality from the above information.**

- Smoking cigarettes ✓
- Traffic congestion ✓

(1)

2.3.2 State a private benefit enjoyed by producers of goods and services.

- Profit ✓
- Sales revenue ✓

(1)

2.3.3 Briefly describe the term *social cost*.

The total costs of a good or service incurred by the producers and the community at large / Social cost is the sum of private costs and external costs ✓✓

(Accept any other correct relevant response)

(2)

2.3.4 Why do positive externalities such as education lead to market failure?

- Goods and services with positive externalities are not highly rated by the market, hence they are under supplied by markets.✓✓
- Markets tend to produce less quantities of goods with positive externalities because they do not take into account the social benefits. ✓✓

(Accept any other correct relevant response)

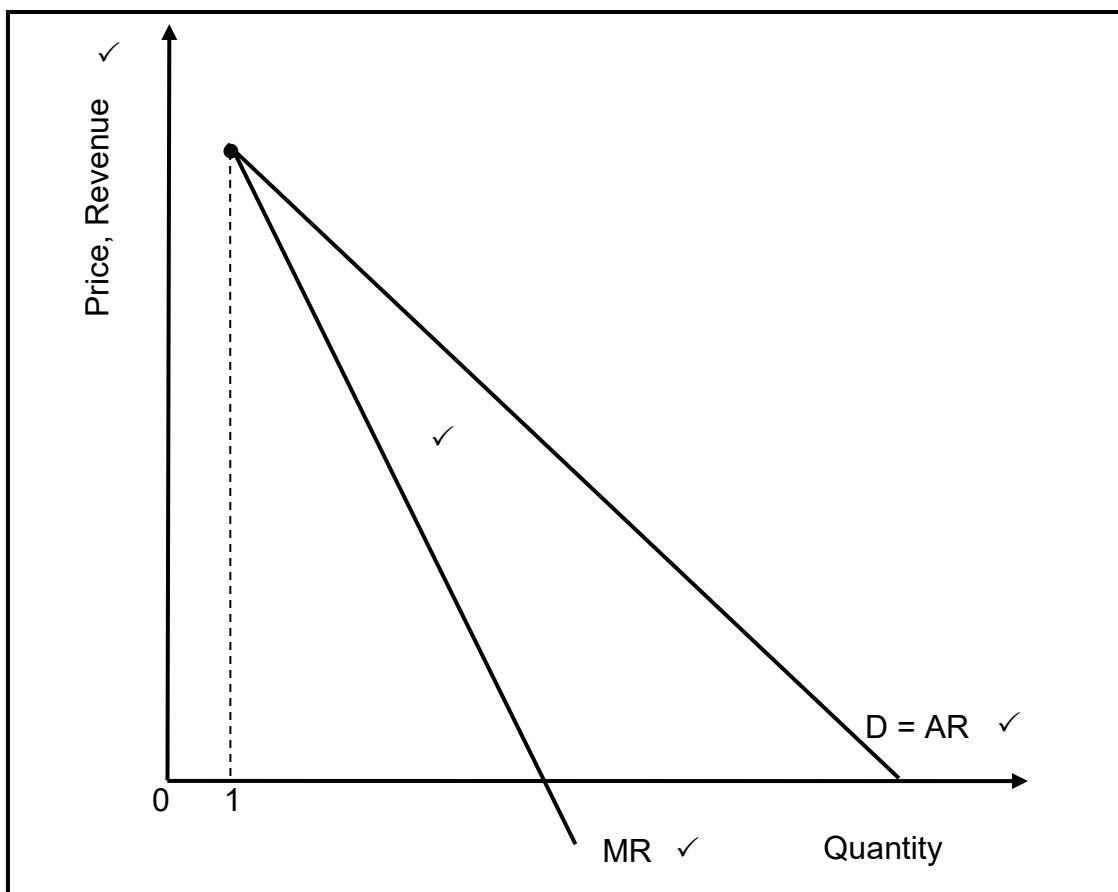
(2)

2.3.5 How can the government discourage the consumption of demerit goods?

- The government can increase indirect taxes or excise duties which will increase the price of demerit goods resulting in a decrease in consumption. ✓✓
 - Awareness campaigns may be created to educate people about the harmful effects of demerit goods. ✓✓
 - The government can ban the promotion/advertising of demerit goods by producers. ✓✓
 - Laws can be enforced to regulate the selling of demerit goods, such as tobacco, to people who are under a specific age. ✓✓
- (Accept any other correct relevant response) (2 x 2)

(4)

2.4 With the aid of correctly-labelled graph, explain the relationship between the demand curve (AR) and the marginal revenue curve of a monopoly.



Correct labelling of vertical and horizontal axis	= 1 mark
Correct drawing and labelling of the demand curves (AR)	= 1 mark
Correct drawing and labelling of the marginal revenue curve	= 1 mark
Correct positioning of the MR curve in relation to the demand curve (AR)	= 1 mark
Max 4	

- The demand curve (AR) and the marginal revenue (MR) curve for a monopoly are both downward sloping from left to right. ✓✓
- The demand curve shows the relation between the price and the quantity demand while the marginal revenue shows the additional income earned when one additional unit is sold. ✓✓
- The marginal revenue (MR) curve is less elastic than the demand curve. ✓✓
- The marginal revenue (MR) curve intersects the horizontal axis at the midpoint of the origin and the point of intersection of the demand curve (AR). ✓✓

Max 4

(8)

2.5 How can the government redistribute income and wealth to correct market failures?

- A progressive income tax system is used to make higher income earners pay higher tax rate than lower income earners. ✓✓
- The government may provide subsidies on goods and services such as housing, education and healthcare to increase affordability for the poor. ✓✓
- Welfare or transfer payments such as old-age grants, disability grants and child support grants can be used to provide income to the poor. ✓✓
- Tax revenue can be used to provide free services, such as free electricity and water, for the poor people. ✓✓
- Implement job creation programmes, such as the expanded public works programmes, to create a source of income for the poor. ✓✓
- Intensify the implementation of the Broad Based Black Economic Empowerment Act to accelerate economic transformation for the previously disadvantaged groups. ✓✓
- Land reform programmes, such as land restitution and redistribution can be used to increase the ownership of land amongst the previously disadvantaged groups. ✓✓
- Ensure that the Employment Equity Act promotes affirmative action and eliminate discrimination in employment opportunities. ✓✓

(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 ways used to measure inflation.**

- Indexes (CPI/PPI) ✓
- Weighting (Basket of goods and services)✓
- Inflation rate ✓
- Implicit GDP deflator ✓

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

3.1.2 How can the government use education to ensure environmental sustainability?

- Use various methods to create awareness and change people's attitudes towards the environment. ✓✓
- Make the society aware of environmental issues and how their action impact on the environment, it will ensure that better decisions are made. ✓✓
- Educate children to be conscious of the effects of their actions on the environment so that they can become more environmentally aware and empowered adults. ✓✓
- Setting up community wildlife reserves to educate people about the importance of protecting the environment. ✓✓

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

3.2 DATA RESPONSE**3.2.1 Identify a term that relates to natural resources that can be replaced when used from the above cartoon.**

Renewables ✓ (1)

3.2.2 Name any ONE international agreement that was taken to reduce climate change.

- UNFCCC (United Nations Framework Convention on Climate Change ✓
- Kyoto Protocol ✓
- Paris agreement ✓
- Montreal protocol ✓
- Conference of parties (COP) ✓

(Accept any other correct relevant response) (1)

3.2.3 Briefly describe the term *global warming*.

The gradual and continual increase in the earth's average temperature. ✓✓

(Accept any other correct relevant response) (2)

3.2.4 Why does the government impose (levy) green taxes on certain goods and services?

- To reduce environmental damage caused by the carbon emissions during the production process. ✓✓
- To raise revenue that can be used to address environmental issues. ✓✓
- To reduce the supply of products that damage the environment. ✓✓

(Accept any other correct relevant response)

(2)

3.2.5 Explain the environmental benefits of reducing the use of fossil fuels.

- The amount of carbon emissions in the atmosphere may decrease which reduces the greenhouse effects. ✓✓
- Reduction in air pollution caused by fossil fuel may help to reduce ozone depletion which may slow-down global warming. ✓✓
- Demand for non-renewable resources may decrease which reduces pressure on the environment. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.3 DATA RESPONSE

3.3.1 Identify the inflation expectations of households in the third quarter of 2024 in the extract above.

6.9% ✓

(1)

3.3.2 State the inflation target range set by the South African Reserve Bank.

3% to 6% ✓

(1)

3.3.3 Briefly describe the term stagflation.

When the economy experiences low economic growth, high unemployment and high inflation at the same time. ✓✓

(Accept any other correct relevant response)

(2)

3.3.4 Explain the behaviour of workers when they expect prices to increase.

- Workers may demand higher wages due to the expected higher cost of living. ✓✓
- Workers may embark on industrial actions if employers do not agree to their wage demands. ✓✓

(Accept any other correct relevant response)

(2)

3.3.5 How can an increase in interest rates help to combat inflation in the economy?

- The cost of borrowing will increase and reduce excess demand leading to a decrease in demand-pull inflation. ✓✓
- Higher interest rate will encourage savings as investors expect higher return on investment which will help curb demand-pull inflation. ✓✓
- Higher interest rates may lead to the appreciation of local currency which makes imported production inputs to be cheaper and lower cost-push inflation. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.4 Briefly discuss the *conservation and preservation* in relation to the state of the environment

Conservation

- Conservation relates to the sustainable management of natural resources that are non-renewable to ensure that they are not completely used up and disappear from the environment. ✓✓
- Conservation seeks a creative continuity of the environment while ensuring that change is sympathetic to the quality of life for both present and future generation. ✓✓
- Conservation is necessary when the stocks of natural resources are utilised more than they can reproduce what has been used. ✓✓
- Conservation includes game parks, protected areas for animals and forests, botanical parks, museums, reptile and butterfly sanctuaries. ✓✓
- Conservation strategies are employed to ensure sustainable use of natural resources through the utilization of conservation areas. ✓✓
- The government can apply different control methods, such as permits and quotas, to conserve natural resources. ✓✓

(Accept any other correct relevant response)

Max 4

Preservation

- Preservation refers to keeping resources that are non-renewable intact or unharmed, such as wetlands, an indigenous forest or a river mouth ecosystem. ✓✓
- Preservation helps to preserve existing assets to ensure that they do not get used in a way that is destructive to the environment. ✓✓
- Preservation involves the elements of the environment that are threatened by extinction, such as Africa's remaining rhino and animal species. ✓✓
- Heritage sites that have special cultural or environmental significance are often targeted for preservation. ✓✓
- The government may intervene in the market when it is necessary to preserve environmental assets. ✓✓

(Accept any other correct relevant response)

Max 4

(Allocate a maximum of 4 marks for mere listing of facts and examples)

(Allocate a maximum of 2 marks for examples only)

(2 x 4)

(8)

3.5 Analyse the negative impact of high inflation on the South African economy.

- Households may save less as more of their income is used to purchase goods and services when there is high inflation. ✓✓
- Consumers' confidence may decrease which may lead to a decline in consumption expenditure. ✓✓
- Investments may decrease as high inflation create a negative sentiment towards the South African economy. ✓✓
- High demands for wage increases may lead to an increase in labour costs which reduces production of goods and services. ✓✓
- Workers may engage in industrial actions if their wage demands are not met, which may disrupt economic activity. ✓✓
- Taxpayers pay higher taxes as their nominal wages increase which shift their income levels into higher tax bracket (bracket creep). ✓✓
- Higher inflation results in a decrease in the purchasing power of money leading to the rand buying fewer goods and services than before ✓✓
- Interest rates may increase which leads to an increase in the cost of borrowing money in the economy. ✓✓
- High cost of production may force some businesses to reduce their operations which may lead to job losses ✓✓
- High inflation stimulates spending on imported goods and services, as consumers consider them to be cheaper. ✓✓
- Increased prices of South African exports may reduce their competitiveness on global markets. ✓✓
- The value of local currency may decrease as balance of payments deficit increases. ✓✓

(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 AND CONTEMPORARY-ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 SHORT QUESTIONS

4.1.1 Name any TWO types of pollution

- Water ✓
- Air ✓
- Land/environmental/Soil ✓
- Noise/sound ✓

(Accept any other correct relevant response)

(2 x 1) (2)

4.1.2 Why does the government impose minimum prices on certain products in the market, such as maize?

- To allow farmers to make comfortable profits from the production of basic food stuffs, such as maize and wheat. ✓✓
- To ensure food security to the country's population by encouraging farmers to produce sufficient quantities. ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

4.2 DATA RESPONSE

4.2.1 Identify the annual growth rate of online grocery sales in South Africa from the extract above.

54% ✓

(1)

4.2.2 State the nature of the product sold in a monopolistic competitive market.

Differentiated/Heterogenous ✓

(1)

4.2.3 Briefly describe the term *non-price competition*.

Competition that is not based on prices but on factors relating to the product uniqueness, efficient services and advertisements. ✓✓

(Accept any other correct relevant response)

(2)

4.2.4 Explain the importance of branding in imperfect markets.

- Branding helps to build consumer loyalty where a consumer may choose one producer over another. ✓✓
- Distinguishes the product which enables easy identification by consumers. ✓✓
- Branding helps to attract more customers which increases the business' market share. ✓✓

(Accept any other correct relevant response)

(2)

4.2.5 Why does a monopolistic competitive firm earn normal profit in the long-run?

- There are no barriers to entry which allows new businesses to enter the market when there is economic profit. ✓✓
- Increase in the number of businesses will increase the market supply and reduce prices until existing firms earn normal profit. ✓✓

OR

- The freedom of exit allows some existing businesses to leave the market when there is economic loss. ✓✓
- Decrease in the number of businesses will reduce the market supply and increase prices until existing firms earn normal profit. ✓✓

(Accept any other correct relevant response)

(2 x 2) (4)

4.3 DATA RESPONSE

4.3.1 Identify the CPI inflation rate for March 2024, in the graph above

5,3%✓

(1)

4.3.2 Name the price index that excludes value added tax (VAT)

Producer price index/PPI ✓

(1)

4.3.3 Briefly describe the term *administered prices inflation*.

The increase in prices of goods and services that are set by government or controlled by government appointed institutions. ✓✓
(Accept any other correct relevant response)

(2)

4.3.4 Why is core inflation more stable than consumer price index (CPI) inflation?

- Core inflation excludes items that have high volatility in prices and that are regulated by government intervention while the CPI inflation includes items with high volatile prices. ✓✓
- Core inflation is not affected by the seasonal variances of food prices while the CPI inflation is affected by seasonal variances of food prices. ✓✓

(Accept any other correct relevant response)

(2)

4.3.5 How can an increase in productivity help to combat inflation?

- The average cost of production will decrease which reduces cost push-inflation. ✓✓
 - Increases in productivity that are linked to wage increases may neutralise cost-push inflation. ✓✓
 - Higher productivity through education and training may increase production output which will stimulate aggregate supply. ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

4.4 Briefly discuss *productive inefficiency* and *allocative inefficiency* as consequences of market failures.

Productive inefficiency

- Occurs when businesses do not maximise output with the available inputs (factors of production). ✓✓
- Productive inefficiency means that a business does not produce goods at the lowest possible cost. ✓✓
- Productive inefficiency allows businesses to reduce cost without producing fewer goods and lowering quality of goods / There is room for businesses to produce more output at a lower cost. ✓✓
- The consequence of productive inefficiency is a loss of output and wasted resources ✓✓

(Accept any other correct relevant response) (Max 4)

Allocative inefficiency

- Allocative inefficiency means that the product mix does not reflect consumer's tastes and therefore resources are not allocated in the right proportions. ✓✓
- Consumer preferences can be satisfied if businesses can use its resources more efficiently. ✓✓
- Supply of goods and services does not correspond with demand as quantities required by consumers are not available, which shows shortage or surplus. ✓✓
- Allocative inefficiency occurs when businesses allocate resources inefficiently and produce goods and services that consumers do not want. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 4 marks for mere listing of facts and examples)

(Allocate a maximum of 2 marks examples only)

(2 x 4)

(8)

4.5 How can the government use command and control measures to ensure environmental sustainability?

- The government can impose a range of policies to legislate what people may and may not do. ✓✓
- Regulations may be set to enforce environmental limits or standards in terms of how resources may be used. ✓✓
- Maximum permitted levels may be set on environmental activities, such as carbon dioxide emissions or resource use. ✓✓
- Minimum permitted levels may be imposed on the extraction of resources such as water in reserves and trees in plantation. ✓✓
- Quantity standards are set to prescribe the predetermined amount of pollution caused, such as factory and car gas emissions. ✓✓
- As technology for reducing pollutants improves, tougher standards can be imposed based on the best available technology. ✓✓
- Quality standards are set to prescribe rules and regulations on the environmental impact of pollution emitted. ✓✓
- Social impact standards are set to focus on the effect of environmental pollution on people. ✓✓
- Tougher standards for noise levels may be imposed in densely populated areas than in rural areas. ✓✓
- The government can maintain the stock levels of environmental resources through the issuing of permits/licences and quotas. ✓✓
- Inspectors may be assigned to monitor the environmental activities of businesses and compliance to the predetermined standards. ✓✓
- Environmental offences can be punishable by law through imposition of fines or withdrawal of permits/licences, quotas and compensation to victims or imprisonment. ✓✓
- Direct controls may be used to force offending firms to incur the actual costs of the offending activity. ✓✓

(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**

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

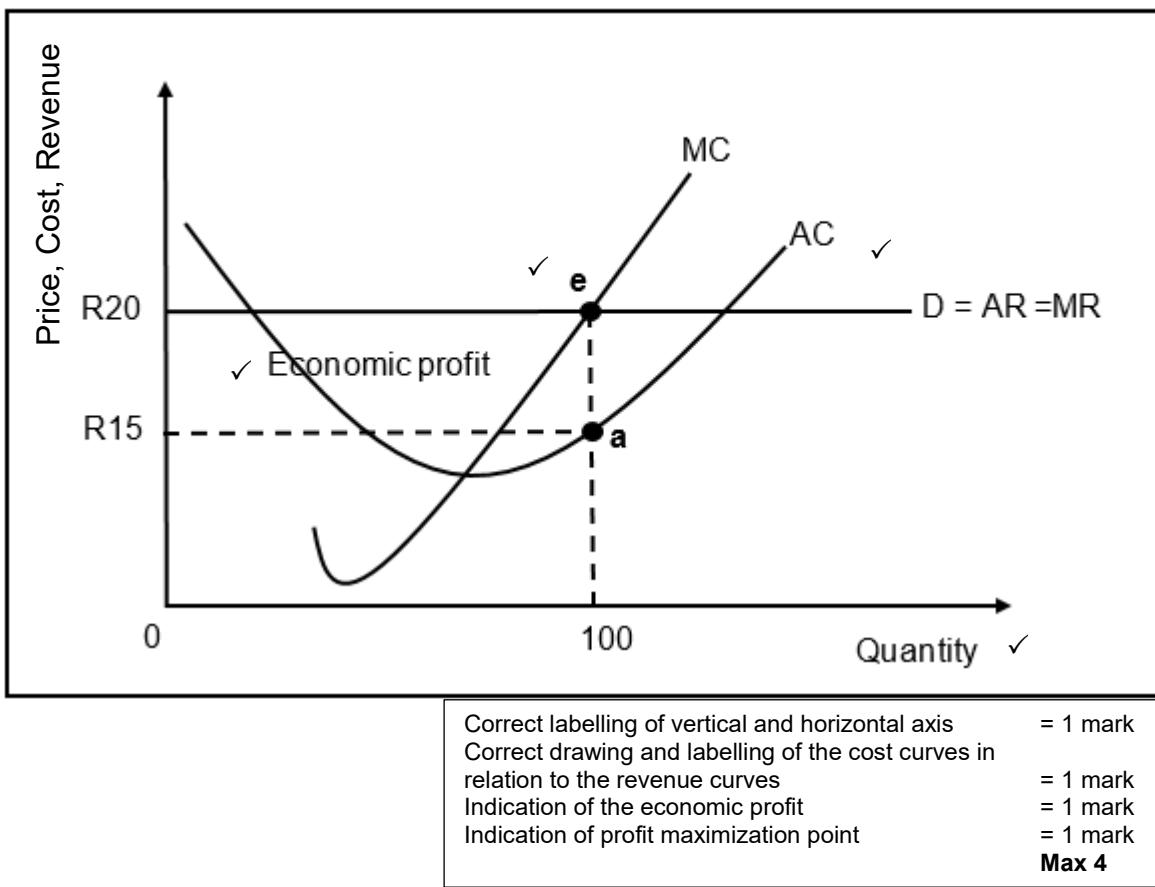
- Discuss in detail the short-run equilibrium positions in a perfect market with the aid of three separate graphs. (26 marks)
- Evaluate the impact of perfect competition on consumers. (10 marks)

INTRODUCTION

- A market is a place where buyers and sellers meet to exchange goods and services for price. ✓✓
- Perfect competition is a market structure with large numbers of buyers and sellers of homogenous products, and free market entry and exit. ✓✓
- Short-run is a period of production in which at least one of the factor inputs is fixed. ✓✓
(Accept any other relevant introduction) (Max 2)

BODY: MAIN PART**Economic profit ✓**

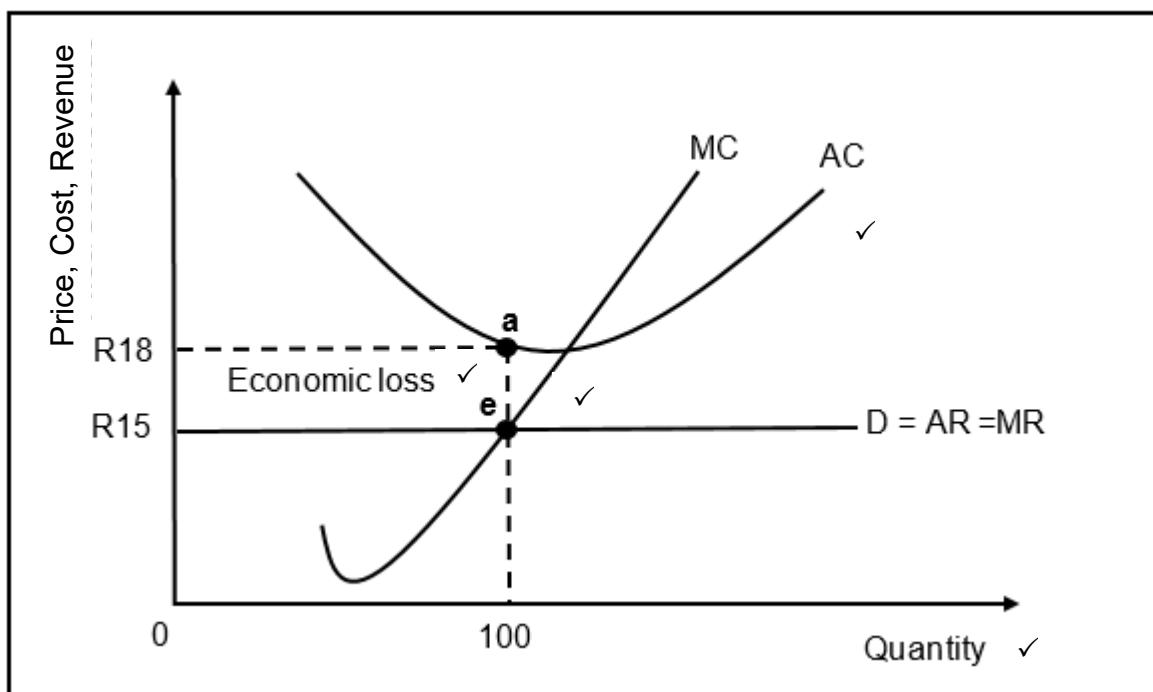
- Economic profit occurs when the total revenue (TR) is greater than the total cost (TC)/when the average revenue (AR) is greater than the average cost (AC). ✓✓
- Economic profit is the extra profit made by a business in addition to normal profit. ✓✓



- At the market price of R20, profit is maximised at point e, where $MR = MC$. ✓✓
- 100 units of the product will be produced at an average cost of R15. ✓✓
- The business is making economic profit because the market price is above the AC. ✓✓
- When there is economic profit (supernormal profit), new businesses will be attracted to enter into the market. ✓✓
- The firm makes a total economic profit of R500 ($R20 \times 100 = R2000 - R15 \times 100 = R1500$) OR an economic profit of R5 per unit ($R20 - R15$). ✓✓

Economic loss ✓

- Economic loss occurs when the total revenue (TR) is less than the total cost (TC)/ when the average revenue (AR) is less than the average cost (AC). ✓✓
- Economic loss is the negative difference between TR and TC. ✓✓

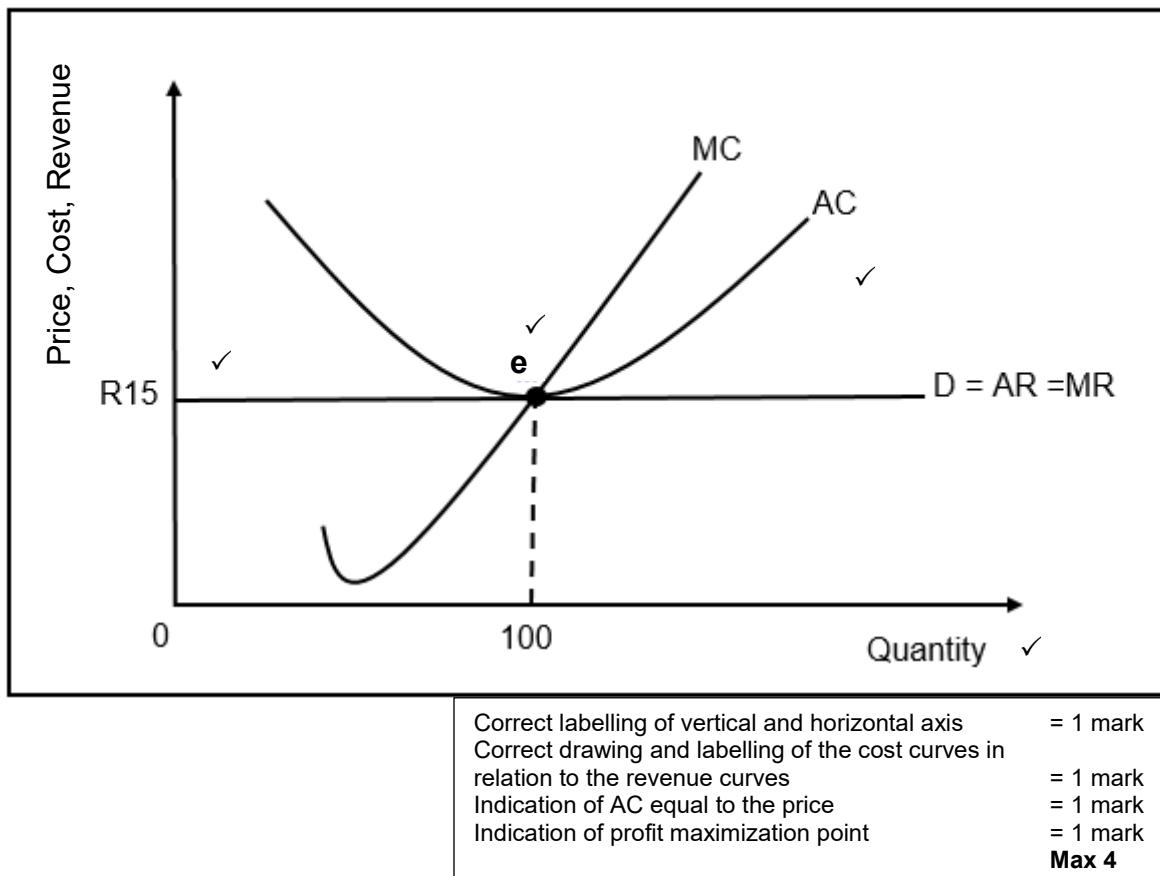


Correct labelling of vertical and horizontal axis	= 1 mark
Correct drawing and labelling of the cost curves in relation to the revenue curves	= 1 mark
Indication of the economic loss area	= 1 mark
Indication of loss minimization point	= 1 mark
Max 4	

- At the market price of R15, loss is minimised at point e, where $MR = MC$. ✓✓
- 100 units of the product will be produced at an average cost of R18.✓✓
- The business is making economic loss because the market price is less than the AC. ✓✓
- When there is economic loss, some businesses will leave the market. ✓✓
- The firm makes a total economic loss of R300 ($R15 \times 100 = R1500 - R18 \times 100 = R1800$) OR an economic loss of R3 per unit ($R15 - R18$). ✓✓

Normal profit ✓

- Normal profit occurs when the total revenue (TR) is equal to the total cost (TC)/when the average revenue (AR) is equal to the average cost (AC). ✓✓
- Normal profit is the minimum earnings required to prevent the entrepreneurs from leaving the industry and invest their money somewhere else. ✓✓
- Normal profit is referred to as ZERO economic profit (break-even) because $TR - TC / AR - AC = 0$. ✓✓



- At the market price of R15, profit is maximised at point e, where $MR = MC$. ✓✓
- 100 units of the product will be produced at an average cost of R15. ✓✓
- The business is making normal profit because the market price is equal to the AC. ✓✓
- When businesses are making normal profit there will be no incentive for new businesses to enter or existing businesses to leave the market. ✓✓
- The firm makes a normal profit of R0 ($R15 \times 100 = R1500 - R15 \times 100 = R1500$) OR a normal profit of R0 per unit ($R15 - R15$). ✓✓

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

(Allocate a maximum of 8 marks for mere listing of facts / examples)

ADDITIONAL PART

Positive impact

- Consumers have full information about the prevailing market conditions such price and quality of the product which helps them to make informed decisions. ✓✓
- Homogeneous products allow consumers to have access to products of the same standard (quality). ✓✓
- There are many businesses which ensures consumers of adequate availability (supply) of goods and services. ✓✓
- Consumers pay lower prices as businesses produce goods at the lowest possible average cost (productive or technical efficiency). ✓✓
- Consumers may not be exploited by businesses since collusion is impossible and businesses have no control over the market price. ✓✓

Negative impact

- Consumers' choice and satisfaction may be limited because of homogenous products in the perfect market. ✓✓
- Consumers may be confined to lower quality products due to lack of innovation or product development. ✓✓
- Consumers may not negotiate for lower price since no individual participant has influence over the market price. ✓✓
- Consumers may be exposed to price fluctuations due to entry and exit of suppliers in the market. ✓✓

(Accept any other correct higher order, relevant response) **(Max 10)**

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

CONCLUSION

In the long-run a perfectly competitive firm can only make normal profit due to the freedom of entry and exit. / Although perfect competition does not exist in real life, it is necessary to study it to understand an ideal market in which efficiency is achieved. ✓✓

(Accept any other correct higher order, relevant conclusion)

(Max 2)

[40]

QUESTION 6: CONTEMPORARY-ECONOMIC ISSUES 40 MARKS – 30 MINUTES

- Examine in detail the benefits of tourism. (26 marks)
- Analyse the importance of Indigenous Knowledge Systems (IKS) in promoting tourism. (10 marks)

INTRODUCTION

Tourism are activities of people travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business or others purposes. ✓✓

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

BODY: MAIN PART**HOUSEHOLDS ✓**

- Members of households earn income directly from the tourism sector as tour operators and travel agents. ✓✓
- Many households are indirectly involved in tourism as employees such as in hotels, transport sector. ✓✓
- Households that operate as curio producers or musicians can earn income from tourism. ✓✓
- A large number of households acquire skills in the tourism industry such as tourism has been introduced as a subject in SA schools since 2000 offering opportunities to people to acquire skills. ✓✓
- School curriculum and learnerships can be used to offer households opportunities to acquire skills. ✓✓
- Tourism encourages rural development because many tourist attractions are located in rural areas. ✓✓
- Local people benefit from improved infrastructure meant for tourists. ✓✓

BUSINESSES ✓

- Tourism stimulates business in areas such as accommodation and entertainment. ✓✓
- Manufacturing sector and recreation sector all benefits from increased demand due to tourism. ✓✓
- The previously disadvantaged communities get entrepreneurial opportunities through the black economic empowerment schemes. ✓✓
- A large number of people get business opportunities in the informal sector, such as, selling of hand-craft products. ✓✓
- Local retailers may have an increase in sales that leads to profits because of increased demand from tourists. ✓✓
- Private enterprises and government can form private-public partnerships to provide the infrastructure needed for tourism which increases the income of businesses. ✓✓
- Tourism activities encourage businesses to improve the quality and variety of their products. ✓✓
- Natural monopolies such Table Mountain Cableway can achieve abnormal profits from tourism activities. ✓✓
- The public sector provides a range of financial incentives, such as grants, subsidies, loans, tax rebates, for private sector tourism investment. ✓✓

GOVERNMENT ✓

- Tourism contributes to the income of the government through:
 - personal income taxes from the income received from tourism employees. ✓✓
 - taxes from tourists such as airport entry and departure taxes, air ticket taxes and taxes on hotel room occupancy. ✓✓
 - tax revenue/income from indirect taxes such as VAT and duties on goods and services supplied to tourists. ✓✓
- Taxes are charged to recover external costs which is the amount not included in the price. ✓✓
- Taxes compensates the host community for providing infrastructure and basic amenities. ✓✓
- Tourism is an important foreign exchange earner and boosts the country's foreign exchange reserves. ✓✓
- Government is able to achieve its socio-economic objectives of informal sector growth, black economic empowerment and SMME development. ✓✓
- Tourism creates a good image of the country by marketing itself. ✓✓
- Government is able to create jobs at a minimum cost. ✓✓

INFRASTRUCTURE ✓

- Adequate and well-maintained infrastructure is essential for tourist destinations. ✓✓
- Physical infrastructure such as roads, telecommunication, railway systems, airports and accommodation have been improved and upgraded to meet international standards, such as, the Gautrain. ✓✓
- Local people benefit from the improved and upgraded infrastructure for tourists, such as, 2010 World Cup stadiums. ✓✓
- Government often prioritises economic infrastructure such as ports and beaches. ✓✓
- Social infrastructure such as clinics and hospitals is also important for the growth of tourism. ✓✓
- SDIs and development corridors also have tourism as an important focus. ✓✓
- Private-partnerships are used for infrastructure development. ✓✓

(Accept any other correct relevant response)

(Max 26)**(Allocate a max of 8 marks for headings/subheadings/examples)****ADDITIONAL PART**

- Indigenous Knowledge Systems (IKS) help to attract tourists as they seek authenticity and uniqueness at local destinations. ✓✓
- IKS allow tourists to experience and learn more about South Africa's cultural diversity, indigenous culture, history, environment and how local people live and work. ✓✓
- The use of indigenous medicines for health, traditional stories, dances, music, painting, handicraft, hunting and cooking methods attract tourists to local villages. ✓✓
- Cultural villages, such as Basotho in the Free State and Simunye Zulu Lodge in Kwazulu-Natal, promote tourism through activities where tour-guides explain and demonstrate storytelling and indigenous knowledge practices. ✓✓

- Cultural and township tours, such as Soweto, encourage tourists to experience religious activities, life with local households and eat in township restaurants. ✓✓
- World Heritage Sites, such as Mapungubwe Cultural Landscape, Richtersveld Cultural and Botanical Landscape, and Robben Island, promote significant cultural and historical aspects of the country, in which tourists are interested. ✓✓
- Environmental World Heritage Sites, such as the Cape Fynbos Region, Isimangaliso Wetlands Park and uKhahlamba Drakensberg Park, allow tourists to enjoy the extreme of South Africa's indigenous environmental uniqueness. ✓✓
- Arts and culture festivals, such as the National Arts Festival held annually in Makhanda and the Awesome Africa Music Festival, encourage tourists to visit South Africa to attend such events. ✓✓
- African arts and crafts, such as Maboneng Township Arts Experience in Cape Town, showcase and display local artists and crafters to international tourists. ✓✓

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

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

CONCLUSION

The government should implement suitable strategies that can help promote tourism as it contributes to the gross domestic product and economic growth. ✓✓

(Accept any other relevant higher order conclusion) **(Max. 2)** **[40]**

TOTAL SECTION C:	40
GRAND TOTAL:	150