



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P2

NOVEMBER 2024

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.

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.

SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

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

1.1.1 A business that has no influence over the market price is called a price ...

- A maker.
- B searcher.
- C taker.
- D setter.

1.1.2 High development costs are frequently a reason for a/an ... monopoly.

- A local
- B natural
- C artificial
- D geographical

1.1.3 The shut-down point for a perfectly competitive firm is where the average revenue is equal to the ... cost.

- A average variable
- B total variable
- C average
- D average fixed

1.1.4 When the government passes laws to reduce market failures, it is referred to as ...

- A indirect control.
- B taxation.
- C deregulation.
- D direct control.

1.1.5 The inflation target range used by the South African Reserve Bank (SARB) is ...

- A 3%–6%.
- B 1%–3%.
- C 4%–6%.
- D 2%–6%.

1.1.6 The minimum length of stay for tourism activities should be ... day(s).

- A three
- B seven
- C five
- D one

1.1.7 A sustained decrease in the prices of goods and services over a period of time is called ...

- A disinflation.
- B deflation.
- C hyperinflation.
- D inflation.

1.1.8 The process of removing trees from the land without replacing them, is known as ...

- A soil erosion.
- B desertification.
- C deforestation.
- D land degradation.

(8 x 2) (16)

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 to 1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Short-run	A	South African residents travelling to other countries
1.2.2	Patent	B	converts current (nominal) prices to constant (real) prices
1.2.3	Minimum price	C	introduction of waste material into the environment
1.2.4	Community goods	D	looking after natural resources to ensure that they are not completely used up
1.2.5	GDP deflator	E	at least one factor of production remains fixed
1.2.6	Outbound tourists	F	imposed by the government to allow producers of essential goods to be profitable
1.2.7	Conservation	G	provided free of charge by the government
1.2.8	Pollution	H	all the factors of production can change
		I	an exclusive right to manufacture a particular product

(8 x 1) (8)

- 1.3 Give ONE term for EACH of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.
- 1.3.1 The value of inputs that are owned by the entrepreneur and used in the production process
- 1.3.2 When the average cost of production decreases as the output produced increases
- 1.3.3 The lowest amount of money that employers are required by law to pay their employees
- 1.3.4 An increase in prices that occurs when the aggregate demand in the economy exceeds the aggregate supply
- 1.3.5 Refers to the culture, history and environment that is unique to a specific culture or society
- 1.3.6 Natural resources that can be replaced or regenerated (6 x 1) (6)
- TOTAL SECTION A: 30**

SECTION B

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

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

2.1 Answer the following questions.

2.1.1 Give any TWO examples of markets that may be regarded as perfect competition. (2 x 1) (2)

2.1.2 Why is cost-benefit analysis (CBA) important for public projects? (1 x 2) (2)

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

MONOPOLISTIC COMPETITION

In any city, many restaurants compete based on the quality of their food and prices. The basic concept of providing hospitality services differs when restaurants change their strategies.

One restaurant might charge R150 for a pizza and burger combo, while another might charge R180 for the same order. The price of the dish can depend on other factors, such as the quality of the ingredients used, the restaurant's location, its popularity and other services they offer. This product differentiation is a key element of the restaurant business.

[Source: www.educba.com]

2.2.1 Identify an example of non-price competition in the extract above. (1)

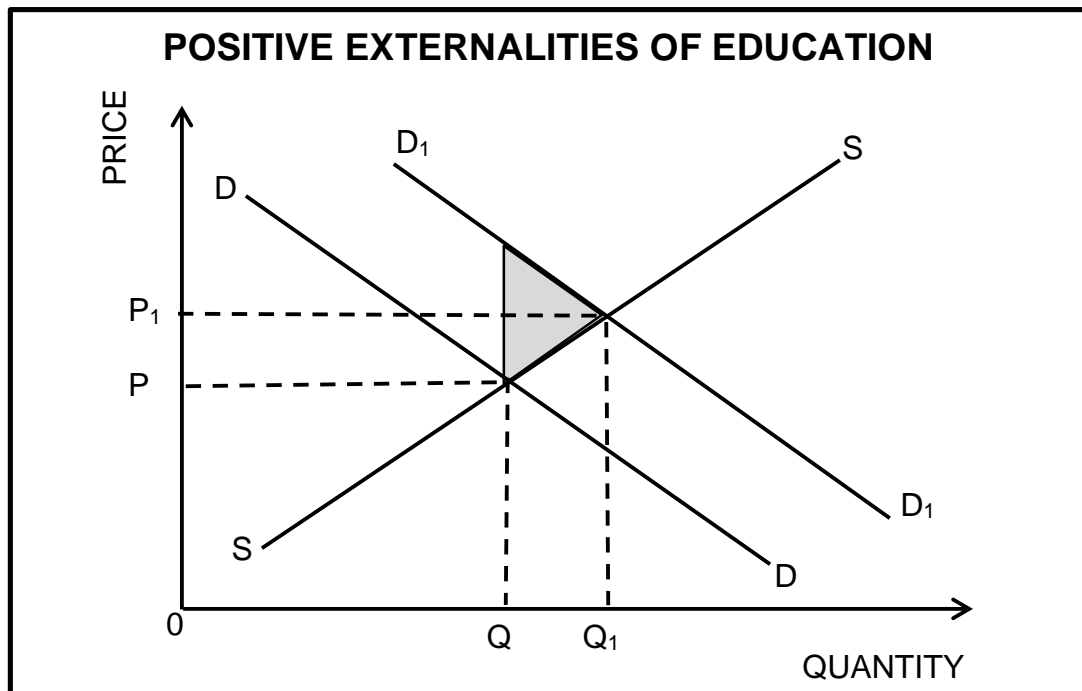
2.2.2 Name the type of profit earned by a monopolistic competitor in the long run. (1)

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

2.2.4 Explain the role of advertising in a monopolistic competitive market. (2)

2.2.5 Why does a monopolist enjoy greater profits than a monopolistic competitor? (2 x 2) (4)

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



2.3.1 Identify the curve that represents the marginal private benefit. (1)

2.3.2 Give any ONE example of negative externalities. (1)

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

2.3.4 Why is quantity Q_1 regarded as socially efficient? (2)

2.3.5 How can the government encourage the consumption of merit goods? (2 x 2) (4)

2.4 With the aid of a correctly labelled graph, explain the relationship between *total cost (TC)*, *fixed cost (FC)* and *variable cost (VC)*. (2 x 4) (8)

2.5 How can a lack of information by various market participants lead to the misallocation of resources? (4 x 2) (8)

[40]

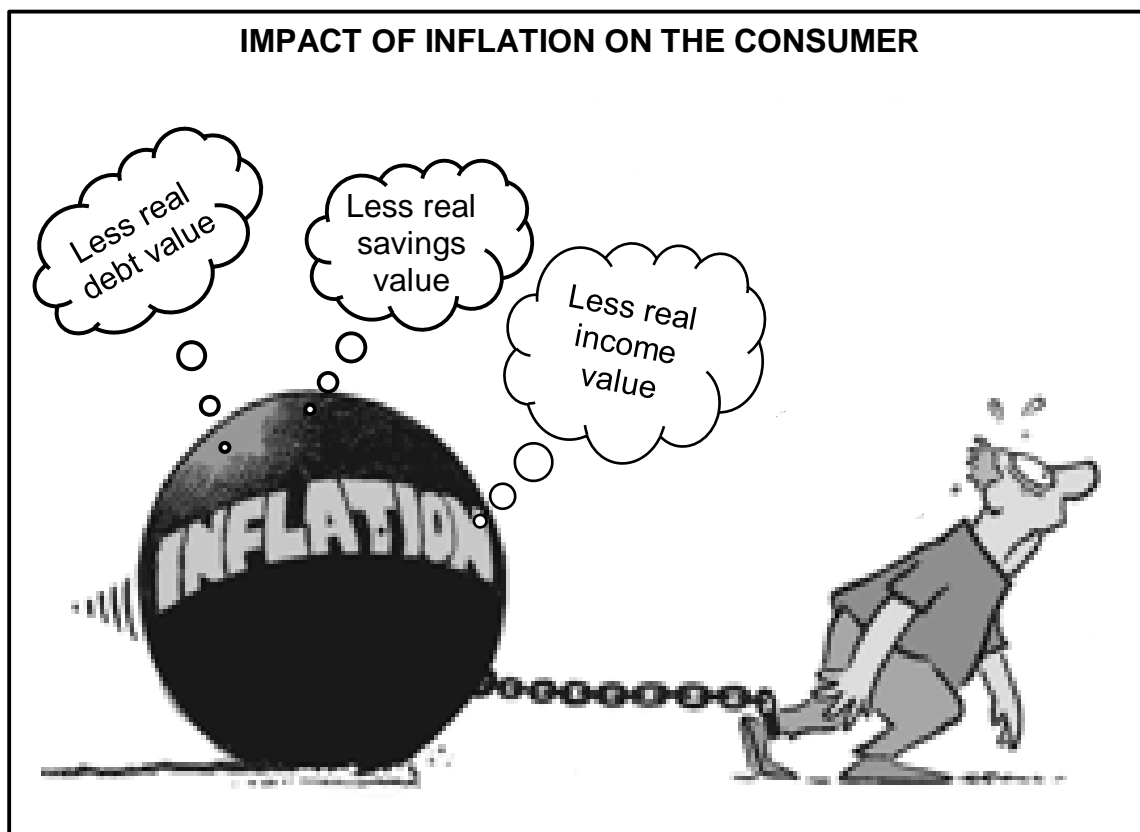
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO types of consumer inflation. (2 x 1) (2)

3.1.2 Why does the government levy or impose taxes on tourism activities? (1 x 2) (2)

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



[Adapted from www.ilearnthis.com]

3.2.1 Identify a positive impact of inflation on the consumer in the cartoon above. (1)

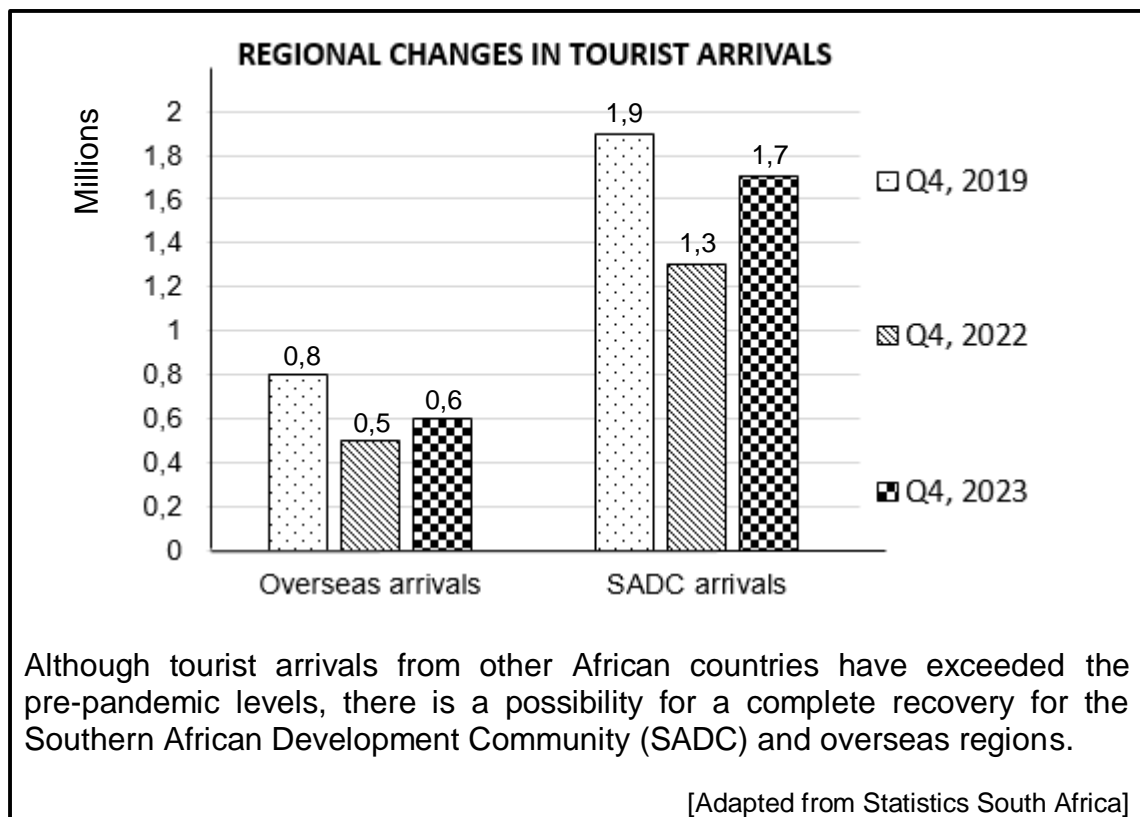
3.2.2 Name the institution that uses interest rates to control inflation in South Africa. (1)

3.2.3 Briefly describe the term *stagflation*. (2)

3.2.4 Explain the impact of inflation on taxpayers. (2)

3.2.5 How can natural disasters contribute to inflation in the economy? (2 x 2) (4)

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



- 3.3.1 Identify the number of SADC tourist arrivals in the 4th quarter of 2023. (1)
- 3.3.2 Name any ONE environmental World Heritage Site in South Africa. (1)
- 3.3.3 Briefly describe the term *domestic tourism*. (2)
- 3.3.4 Explain the impact of a weaker rand on foreign tourist arrivals. (2)
- 3.3.5 How can the South African government ensure that tourists visit the various destinations across the country? (2 x 2) (4)
- 3.4 Briefly discuss *export earnings* and *government expenditure* as causes of demand-pull inflation. (2 x 4) (8)
- 3.5 How can tourism activities negatively impact South Africa? (4 x 2) (8)
- [40]**

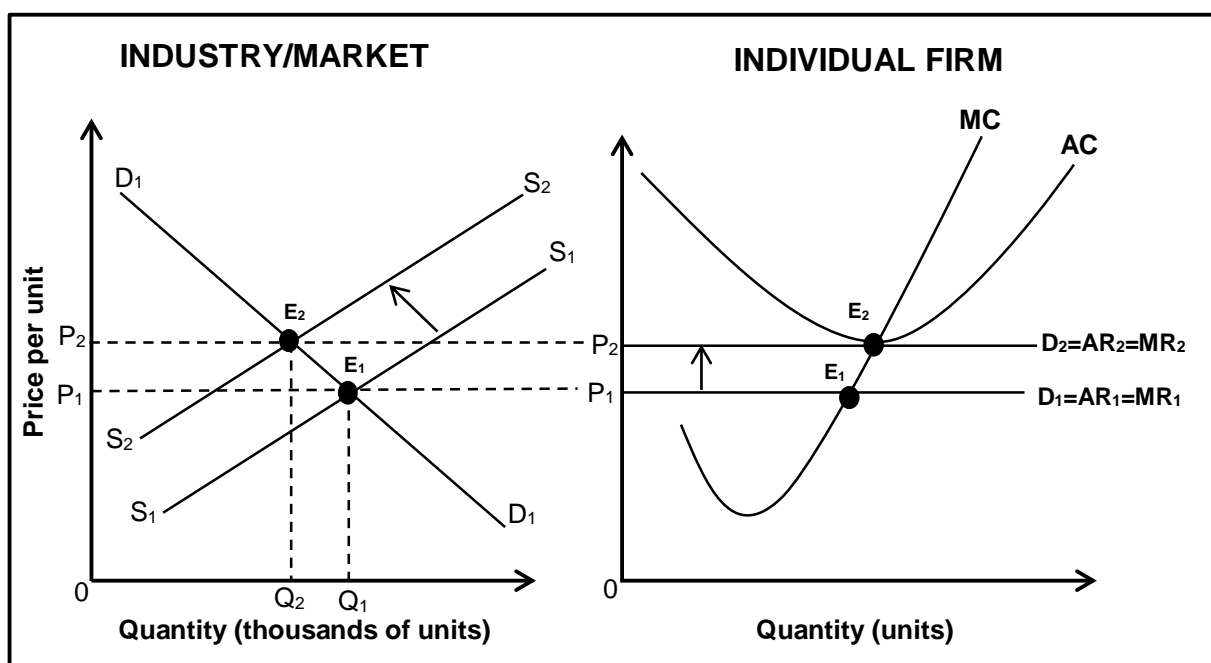
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name TWO types of inefficiencies caused by market failures. (2 x 1) (2)

4.1.2 How can the South African Reserve Bank (SARB) use open-market transactions to reduce money supply in the economy? (1 x 2) (2)

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



4.2.1 Identify the curve that represents the supply curve for the individual firm in the graph above. (1)

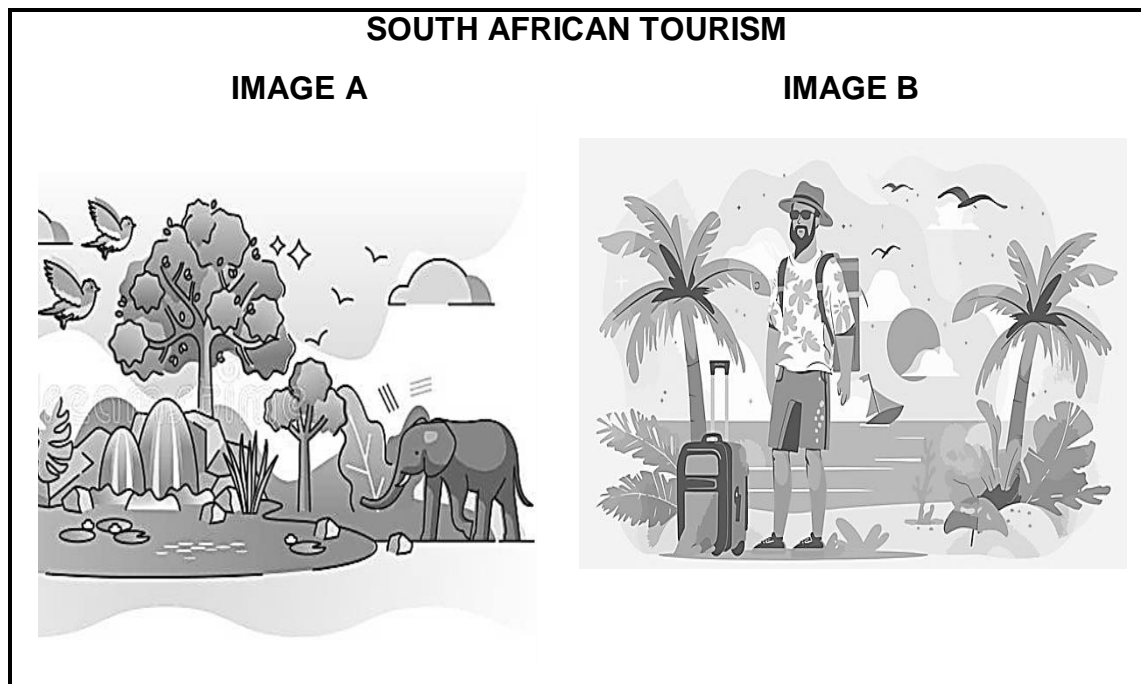
4.2.2 State the nature of products sold in a perfect market. (1)

4.2.3 Briefly describe the term *marginal revenue*. (2)

4.2.4 Why is the individual firm's demand curve horizontal? (2)

4.2.5 Use the graphs above to explain how economic loss in the short run leads to normal profit in the long run. (2 x 2) (4)

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



[Source: www.google.com]

- 4.3.1 Identify the image that relates to eco-tourism. (1)
- 4.3.2 Name the institution that is responsible for promoting tourism in South Africa. (1)
- 4.3.3 Briefly describe the term *paleo tourism*. (2)
- 4.3.4 Explain the impact of households' income levels on tourism. (2)
- 4.3.5 Why would South Africans be discouraged to visit tourist sites within the country? (2 x 2) (4)
- 4.4 With the aid of a correctly labelled graph, explain the effect of maximum prices on the market. (2 x 4) (8)
- 4.5 Analyse the measures that can be used to combat cost-push inflation. (4 x 2) (8)
- [40]**

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order response. <ul style="list-style-type: none"> • 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/Discuss in detail with the aid of graphs/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.	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/Distinguish/Suggest/Interpret/Debate/How A maximum of 2 marks may be allocated for mere listing of facts.	Max. 10
Conclusion Any higher-order conclusion should include: <ul style="list-style-type: none"> • 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**

- Examine in detail the oligopoly market structure. (26)
 - How has the competition policy helped to reduce anti-competitive behaviour in South Africa? (10)
- [40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Discuss in detail how the government can ensure sustainable development or environmental sustainability. (26)
 - Analyse the international measures taken to reduce environmental problems. (10)
- [40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150



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GRADE 12

**ECONOMICS P2
MARKING GUIDELINES
NOVEMBER 2024**

MARKS: 150

These marking guidelines consist of 22 pages.

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

- 1.1.1 C - taker ✓✓
- 1.1.2 B - natural ✓✓
- 1.1.3 A - average variable ✓✓
- 1.1.4 D - direct control ✓✓
- 1.1.5 A - 3% - 6% ✓✓
- 1.1.6 D - one ✓✓
- 1.1.7 B - deflation ✓✓
- 1.1.8 C - deforestation ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 E - at least one factor of production remains fixed ✓
- 1.2.2 I - an exclusive right to manufacture a particular product ✓
- 1.2.3 F - imposed by the government to allow producers of essential goods to be profitable ✓
- 1.2.4 G - provided free-of-charge by the government ✓
- 1.2.5 B - converts current (nominal) prices to constant (real) prices ✓
- 1.2.6 A - South African residents travelling to other countries ✓
- 1.2.7 D - looking after natural resources to ensure that they are not completely used up ✓
- 1.2.8 C - introduction of waste material into the environment ✓ (8 x 1) (8)

1.3 GIVE THE TERM

- 1.3.1 Implicit cost ✓
- 1.3.2 Economies of scale ✓
- 1.3.3 Minimum wage ✓
- 1.3.4 Demand pull inflation ✓
- 1.3.5 Indigenous knowledge systems ✓
- 1.3.6 Renewable resources ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the three questions from 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 markets that may be regarded as perfect competition.**

- Johannesburg Securities Exchange (JSE) ✓
 - Foreign exchange market ✓
 - Agricultural products market ✓
- (Accept any other correct relevant response) (2 x 1) (2)

2.1.2 **Why is cost-benefit analysis (CBA) important for public projects?**

- To compare the expected social costs and social benefits of a new public project over its estimated time span ✓✓
 - To bring greater objectivity in decision making concerning the execution of public project ✓✓
 - To ensure efficient allocation of resources ✓✓
- (Accept any other correct relevant response) (1 x 2) (2)

2.2 **DATA RESPONSE**

2.2.1 **Identify an example of non-price competition from the extract above.**

- Product differentiation (Quality of the ingredients, quality of their food, hospitality services) ✓
 - Location ✓
- (1)

2.2.2 **Name the type of profit earned by a monopolistic competitor in the long-run.**

Normal profit ✓ (1)

2.2.3 **Briefly describe the term *monopolistic competition*.**

Exists in a market where there are relatively many businesses selling differentiated products / A market structure that combines the features of perfect competition and monopoly. ✓✓
(Accept any other correct relevant response) (2)

2.2.4 Explain the role of advertising in monopolistic competitive market.

- Advertising is used to create product awareness and brand loyalty. ✓✓
 - Businesses may advertise to inform customers about the distinctive features of the product. ✓✓
 - Monopolistic-competitive businesses may use advertising to attract customers to buy their products. ✓✓
- (Accept any other correct relevant response)

(2)

2.2.5 Why does a monopolist enjoy greater profits than a monopolistic competitor?

- A monopolist has no competition whereas the monopolistic competitor has a higher degree of competition which lowers prices, hence less profit ✓✓
 - A monopolist can manipulate prices to higher levels whereas the monopolistic competitor has little control over prices due to many sellers ✓✓
 - A monopolist can charge higher prices and make higher profit because demand is inelastic whereas a monopolistic competitor cannot charge higher due to elastic demand which leads to lower profit ✓✓
- (Accept any other correct relevant response)

(2 x 2)

(4)

2.3 DATA RESPONSE

2.3.1 Identify the curve that represents the marginal private benefit.

DD / D ✓

(1)

2.3.2 Give any ONE example of negative externalities.

- Pollution ✓
 - Illnesses and diseases ✓
 - Traffic congestion ✓
- (Accept any other correct relevant response)

(1)

2.3.3 Briefly describe the term externalities.

Cost and benefits to third parties which are not included in market prices/Spill-over effects to individuals and businesses that are not directly involved in the consumption and production of goods and services ✓✓

(Accept any other correct relevant response)

(2)

2.3.4 Why is quantity Q₁ regarded as socially efficient?

The price at quantity Q₁ takes into consideration the external benefits of education / Quantity Q₁ is exchanged at a price where the marginal private cost is equal to the marginal social benefit ✓✓

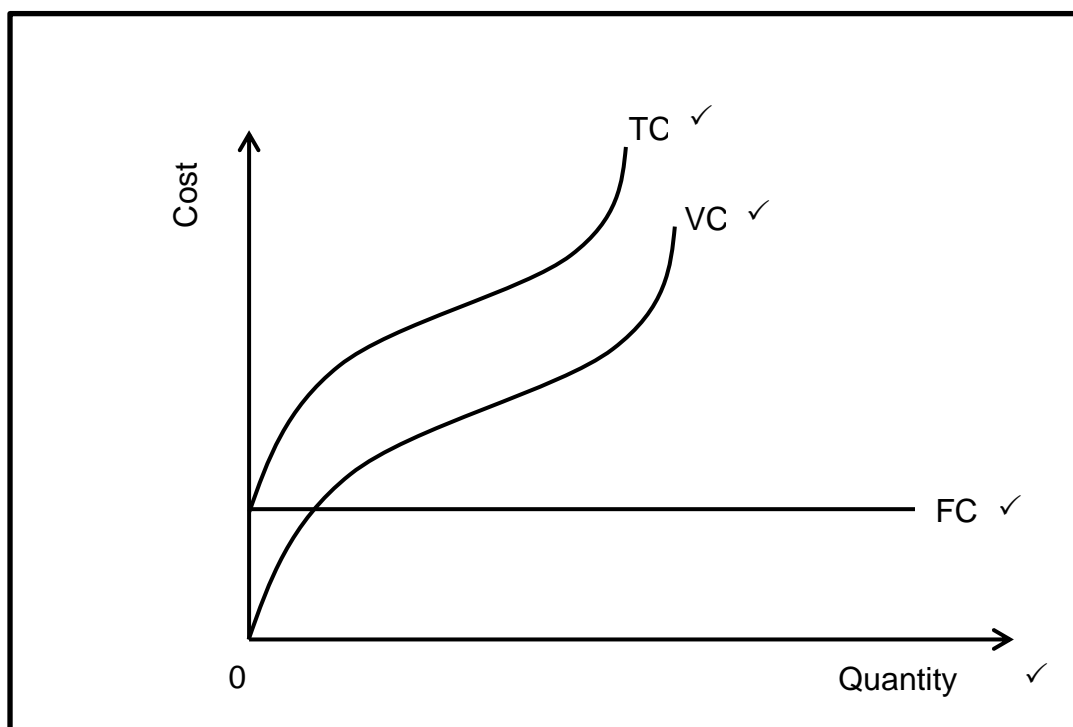
(Accept any other correct relevant response)

(2)

2.3.5 **How can government encourage the consumption of merit goods?**

- The government can provide consumer subsidies to lower the prices of merit goods which will increase demand ✓✓
 - The government can provide tax exemptions which allow merit goods to be more affordable to consumers ✓✓
 - The government may provide merit goods, such as education and healthcare, free-of-charge or at a lower cost which will encourage people to buy more quantities ✓✓
 - Public positive campaigns may be used to inform the public about the benefits of merit goods to increase demand ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

2.4 **With the aid of a correctly-labelled graph, explain the relationship between total cost (TC), fixed cost (FC) and variable cost (VC).**



Allocation of marks:

- Labelling of the axis = 1 Mark
 - Correct drawing and labelling of the TC curve = 1 Mark
 - Correct drawing and labelling of the VC curve = 1 Mark
 - Correct drawing and labelling of the FC curve = 1 Mark
- (Max 4)**

- Fixed cost (FC) is the difference between the total cost (TC) and the variable cost (VC) / Variable cost is the difference between the total cost and fixed cost / Total cost is the sum of fixed cost and variable cost ✓✓
 - The variable cost curve starts from zero (0) while the total cost curve starts from the fixed cost level on the vertical axis ✓✓
 - Total cost and variable cost curves slope upwards as quantity increases. ✓✓
 - The gap between the total cost curve and the variable cost curve represents the value of fixed cost ✓✓
- (Accept any other correct relevant response) (Max 4) (8)

2.5 How can lack of information to various market participants lead to misallocation of resources?

- Market participants do not always have the necessary information at their disposal to make rational or informed decision ✓✓
- Consumers may pay higher prices due to lack information about the prices of goods and services charged by different suppliers ✓✓
- Consumer buy products that are harmful to their health because they do not have enough information about the ingredients ✓✓
- Workers may earn less income because they are unaware of other jobs opportunities outside their current employment ✓✓
- Potential workers may stay unemployed due to lack of information about the available job opportunities in different industries ✓✓
- Businesses incur higher cost of production due to lack of knowledge about new technologies that are more cost effective ✓✓
- Producers may experience disruptions in their operations because they do not have information about the availability of production inputs such as raw materials ✓✓
- Lack of accurate information about the productivity of labour may result in entrepreneurs employing incompetent workers ✓✓
- Investors may venture into business opportunities that are less profitable as result of lack of full knowledge about market opportunities ✓✓
- The government may implement policies that do not improve the efficiency of market due to lack of information about the actual prevailing market conditions ✓✓
- Producers who know more about the market than buyers may create a situation where buyers are exploited. ✓✓
- Some producers may even use their knowledge of market conditions to block entry of new participants into the market. ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts/examples)

(4 x 2)

(8)
[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 **Name any TWO types of consumer inflation.**

- Headline / CPI inflation ✓
 - Core ✓
 - Administered prices ✓
- (Accept any other correct relevant response) (2 x 1) (2)

3.1.2 **Why does the government levy or impose taxes on tourism activities?**

- To raise revenue to finance government expenditure. ✓✓
 - To recover the external costs incurred due to tourism activities. ✓✓
 - To compensate the host community for providing infrastructure and amenities that they use. ✓✓
 - To raise revenue to achieve developmental goals. ✓✓
- (Accept any other correct relevant response) (1 x 2) (2)

3.2 **DATA RESPONSE**

3.2.1 **Identify a positive impact of inflation on the consumer from the cartoon above.**

Less real debt value ✓ (1)

3.2.2 **Name the institution that uses interest rate to control inflation in South Africa.**

South African Reserve Bank / SARB ✓ (1)

3.2.3 **Briefly describe the term *stagflation*.**

Occurs when the economy experiences low levels of economic growth with high levels of unemployment as well as high rate of inflation. ✓✓
(Accept any other correct relevant response) (2)

3.2.4 **Explain the impact of inflation on taxpayers.**

- Inflation increases the taxpayers' nominal income even when their real income remains unchanged or decrease ✓✓
 - Taxpayers pay higher tax rates as their nominal income increases even if they are not better off than before (bracket creep) ✓✓
- (Accept any other correct relevant response) (2)

3.2.5 How can natural disasters contribute to inflation in the economy?

- Unfavourable weather conditions such as droughts, floods and global warming may increase the cost of production, resulting in an increase in prices for goods and services. ✓✓
- Natural disasters may lead to unplanned expenditure such rebuilding cost by businesses which may be recovered by increasing the prices of goods and services. ✓✓
- Natural disasters may reduce the supply of goods and services which may increase the general price level if demand remains the same. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.3 DATA RESPONSE**3.3.1 Identify the number of SADC tourist arrivals in the 4th quarter of 2023.**

1,7 million ✓

(1)

3.3.2 Give any ONE environmental world heritage site in South Africa.

- iSimangaliso wetland park / Greater St Lucia wetland park ✓
- Cape Fynbos region ✓
- Maloti / uKhahlamba Drakensberg park ✓
- Vredefort Dome ✓
- Richtersveld Cultural and Botanical Landscape ✓
- Barberton Makhonjwa ✓

(1)

3.3.3 Briefly describe the term *domestic tourism*.

The activities of people visiting places within the boundaries of their own country. ✓✓

(Accept any other correct relevant response)

(2)

3.3.4 Explain the impact of a weaker rand on foreign tourist arrivals.

Foreign tourist arrivals may increase as it becomes cheaper for them to visit or spend money in South Africa. ✓✓

(Accept any other correct relevant response)

(2)

3.3.5 How can the South African government ensure that tourists visit the various destinations across the country?

- The South African government may create representative bodies to provide information about all tourist attractions in the country. ✓✓
- The Department of Tourism may improve marketing to provide accurate information about product descriptions and prices in less well-known tourist destinations. ✓✓
- The government should improve supporting services such as transport, accommodation and other amenities in less developed tourist destinations. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.4 Briefly discuss *export earnings* and *government expenditure* as causes of demand-pull inflation

Export earnings

- Growth in economies of trading partner countries may create demand for a variety of local products ✓✓
- Increase in world demand for commodities may lead to greater volumes of South African exports such as gold ✓✓
- The income earned from exports may add to aggregate demand in South Africa, resulting in higher prices ✓✓
- Increase in demand for exports without corresponding increase in supply of goods and services may result in price increases ✓✓ (Max 4)

Government expenditure

- An increase in government expenditure on infrastructure development, consumption spending and social spending may lead to an increase in aggregate demand ✓✓
- An increase in government spending without a corresponding rise in aggregate supply may lead to price increases ✓✓
- Increases in government spending that are financed by borrowing from the banking system add money into circulation which increases demand for goods and services ✓✓ (Max 4)

(Accept any other correct relevant response)

(A maximum of 4 marks may be allocated for mere listing of facts/examples)

(8)

3.5 How can tourism activities negatively impact South Africa?

- Development of infrastructure and facilities for tourism can cause permanent environmental restructuring ✓✓
- Transportation of tourists may cause traffic congestion in tourist areas during holiday seasons ✓✓
- Tourism may lead to loss of wildlife species due to activities such as safari hunting ✓✓
- Increase in tourists may lead to the use of water in large quantities may lead to water shortages especially in dry areas ✓✓
- Use of aircrafts by tourists may lead to noise pollution to residents near airports ✓✓
- Additional demand for goods and services by tourists may lead to product shortages on local market ✓✓
- Local prices may increase resulting in local consumers failing to afford basic goods and services which may increase poverty ✓✓
- Infrastructure at tourist sites can be under pressure to cater for a large number of tourists. ✓✓
- Tourism activities may cause environmental damage at tourist sites through additional waste products ✓✓
- Tourism may affect population dynamics due to migration and changes in population density to the needs of tourist sites ✓✓
- People may incur relocation costs as they are displaced from their land to make way for tourism development ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts/examples)

(4 x 2)

(8)

[40]

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

4.1 Answer the following questions.

4.1.1 **Name TWO types of inefficiencies caused by market failures.**

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

4.1.2 **How can the South African Reserve Bank (SARB) use open market transactions to reduce money supply in the economy?**

The South African Reserve Bank (SARB) can sell government securities or bonds to commercial banks which will reduce the amount of money in circulation ✓✓
 (Accept any other correct relevant response) (1 x 2) (2)

4.2 **DATA RESPONSE.**

4.2.1 **Identify the curve that represents the supply curve for the individual firm in the graph above.**

Marginal cost / MC ✓ (1)

4.2.2 **State the nature of products sold in a perfect market.**

Homogeneous / Identical ✓ (1)

4.2.3 **Briefly describe the term *marginal revenue*.**

The additional amount of income gained from selling one extra unit of a product ✓✓
 (Accept any other correct relevant response) (2)

4.2.4 **Why is the individual firm's demand curve horizontal?**

The firm can only sell different quantities at the same price because it is a price taker / A large number of sellers in the market makes the individual firm not to have an influence over the market price. ✓✓
 (Accept any other correct relevant response) (2)

4.2.5 **Use the graphs above to explain how economic loss in the short-run leads to normal profit in the long-run.**

- Economic loss forces some businesses to exit the market and the market supply curve shifts to the left from S_1 to S_2 ✓✓
- The decrease in supply will result in an increase in market price from P_1 to P_2 which leads to a decrease in losses ✓✓
- In the long-run the remaining businesses will make normal profit when the price, P_2 will be equal to the average cost ✓✓
 (Accept any other correct relevant response) (2 x 2) (4)

4.3 DATA RESPONSE**4.3.1 Identify the image that relates to eco-tourism.**

Image A ✓ (1)

4.3.2 Name the institution that is responsible for promoting tourism in South Africa.

South African Tourism (SAT/SATOUR) ✓ (1)

4.3.3 Briefly describe the term *paleo tourism*.

The activities of tourists visiting sites of great archaeological significance to learn about fossils ✓✓
(Accept any other correct relevant response) (2)

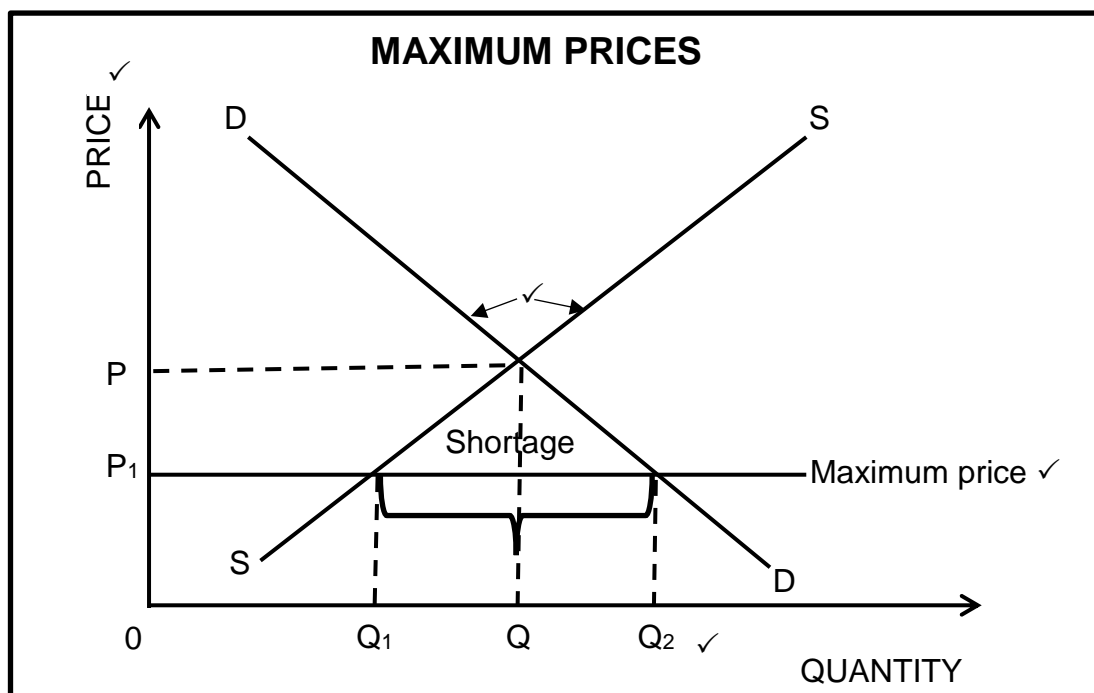
4.3.4 Explain the impact of households' income levels on tourism.

Increase in households' disposable income may increase the number of people who participate in tourism activities / Decrease in disposable income reduces the number of people who travel for leisure and recreation ✓✓
(Accept any other correct relevant response) (2)

4.3.5 Why would South Africans be discouraged to visit tourist sites within the country?

- Social unrests and high crime rate may discourage people from visiting tourist attractions in certain parts of the country. ✓✓
 - Health hazards, such as malaria and unsafe drinking water, may discourage people from visiting tourist sites in the affected areas. ✓✓
 - Natural disasters, such as floods, cyclones and heavy rains may destroy tourist sites and infrastructure which may disrupt tourism activities across the country. ✓✓
 - Increasing costs, such as entrance fees, accommodation and transport, may result in some people failing to afford visiting various sites across the countries. ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

- 4.4 With the aid of a correctly labelled graph, explain the effect of maximum prices on the market.



Allocation of marks:

- Correct labelling of the axes (price and quantity) = 1 Mark
- Correct drawing and labelling of demand and supply curves = 1 Mark
- Correct indication or labelling of maximum price = 1 Mark
- Correct labelling on the axes = 1 Mark

(Max 4)

- The government sets a maximum price of P_1 below the equilibrium market price P to allow consumers to afford basic products ✓✓
 - The quantity demanded increases from Q to Q_2 and the quantity supplied decreases from Q to Q_1 . ✓✓
 - A shortage of Q_1 to Q_2 is created in the market, as demand is more than supply. ✓✓
 - Product shortages can lead to the creation of black markets, where the goods may be sold at higher prices ✓✓
- (Accept any other correct relevant response)

(Max 4)

(8)

4.5 Analyse the measures that can be used to combat cost-push inflation.

- Improvement of education and training to increase productivity which helps to reduce the average cost of production and increase aggregate supply ✓✓
- Investing in technology to improve productivity which will reduce the cost of production ✓✓
- Promoting competition domestically and from abroad which helps to control high profit margins by businesses ✓✓
- Imposing price controls, such as maximum prices, on certain goods and services to ensure that they remain affordable ✓✓
- Implementing a wage policy to break the inflationary spiral of increased wages and prices ✓✓
- Reducing import controls to make imported production inputs, such as agricultural chemical, cheaper and reduce cost of production ✓✓
- Improve the efficiency of infrastructural services, such as energy and transport, to reduce the cost of doing business in the economy ✓✓
- Providing subsidies to producers of certain goods and services to reduce their cost of production ✓✓
- Promoting small business development to increase competition and increase the supply of goods and services ✓✓
- Reducing taxes paid by business to reduce their cost of production which allows them to produce output ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts/examples)

(4 x 2)

(8)
[40]

TOTAL SECTION B: 80

SECTION C

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

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

- **Examine in detail the oligopoly market structure.** (26 marks)
- **How has the competition policy helped to reduce anti-competitive behaviour in South Africa?** (10 marks)

INTRODUCTION

Market structure describes how buyers and sellers are organised and interact in a market / Refers to the characteristic of a market that influence its performance and the level of competition. ✓✓

(Accept any other correct relevant introduction)

(Max. 2)

BODY**MAIN PART****CHARACTERISTICS OF OLIGOPOLY****Number of businesses ✓**

- Only few large businesses dominate the oligopoly market. ✓✓ E.g. the mobile network industry. ✓
- There is limited competition in an oligopoly market structure. ✓✓
- A market that is dominated by two businesses only is referred to as a duopoly. ✓✓

Nature of the product ✓

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

Entrance ✓

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

Information ✓

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

Control over the price ✓

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

Mutual dependence ✓

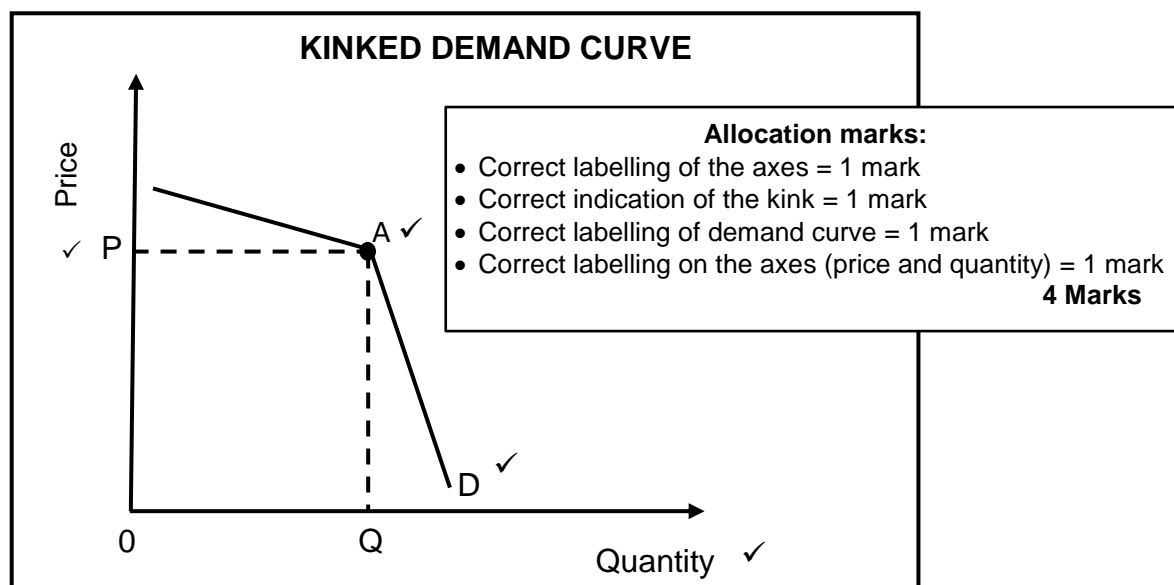
- There are few businesses selling a particular product, each business depends on other businesses' actions. ✓✓
- Decisions by one business can influence decisions by other businesses. ✓✓
- An oligopoly's decisions on decreasing or increasing the price are more complex than other markets because of other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

Demand curve ✓

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

Kinked demand curve is based on the following assumptions; -

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



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

Collusion✓

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

Non-price competition ✓

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

Economic profit/Loss ✓

- Oligopolistic firms can make economic profit in both short run and long-run. ✓✓

Productive and allocative efficiency ✓

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

(Accept any other correct relevant response)

(Max. 26)

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

ADDITIONAL PART:

- The Competition Policy prevented the abuse of economic power by monopolist through the establishment of new businesses in various markets ✓✓
- Regulation of mergers and takeovers helped to reduce the growth of market powers ✓✓
- The Competition Policy provided for the establishment of the Competition Commission to investigate restrictive practices such as price fixing by oligopolies ✓✓
- The establishment of the Competition Tribunal has helped to reduce unfair methods of exercising market powers by imposing fines and penalties on businesses that are found guilty ✓✓
- The Competition Appeal Court reviews or amends decisions taken by the Competition Tribunal in a way that ensures that competition is not compromised. ✓✓
- Consumers are protected from unfair prices and inferior products through the implementation of the Competition Act ✓✓
- The Competition Policy has improved the equity in markets by giving all South Africans equal opportunities to participate in economic activity ✓✓
- Foreign competition has been allowed which has helped to reduce market dominance by domestic large businesses ✓✓
- Healthy competition has been promoted which has helped to improve the efficiency of markets ✓✓

(Accept any other correct relevant response)

(Max. 10)

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

CONCLUSION

Oligopoly businesses may enjoy economic profit in both the short-run and long-run due to the market powers they possess / Oligopolies produce goods and services at a higher cost and use resources inefficiently which may lead to higher prices and wastage of resources in the economy ✓✓

(Accept any other correct relevant higher-order conclusion)

(Max. 2)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Discuss in detail how the government can ensure sustainable development or environmental sustainability. (26 marks)**
- **Analyse the international measures taken to reduce environmental problems. (10 marks)**

INTRODUCTION

Environmental sustainability refers to the ability of the environment to survive its use for economic activity. / Sustainable development refers development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. ✓✓

(Accept any other correct relevant introduction)

(Max. 2)

BODY**MAIN PART:****GOVERNMENT MEASURES TO ENSURE SUSTAINABLE DEVELOPMENT****Granting property rights ✓**

- Property rights have a conservationist effect whereby people will take care of resources that belong to them. ✓✓
- Property rights promote collective responsibility towards the environment while at the same time preventing over-exploitation. ✓✓
- People are granted property rights if they agree to preserve the flora and fauna to prevent extinction. ✓✓
- Property rights can be expanded to common resources such as clean air. ✓✓

Charging for the use of the environment ✓

- The government levies fees for waste produced and disposed to the environment. ✓✓
- In South Africa, local authorities levy charges on garbage collection and sewage disposal. ✓✓
- The best results are achieved when charges are proportional (related to) to waste produced. ✓✓
- Emission charges are used when the government sets a price per unit of pollution. ✓✓

Levy environmental tax ✓

- Environmental taxes are imposed on the output of goods that generate external environmental costs such as pollution. ✓✓
- Environmental taxes ensure that practices that are harmful to the environment are reduced. ✓✓
- The government can use the income generated through environmental taxes to plough back into environmental issues. ✓✓
- In South Africa, carbon tax is levied on carbon emissions from industrial processes, fuel burning and vehicle tyres. ✓✓
- The rate of environmental tax should be equal to the marginal external cost. ✓✓

Pay environmental subsidies ✓

- Environmental subsidies refer to the payment made by the government to businesses to reduce activities that negatively affect the environment. ✓✓
- Subsidies are granted to; -
 - encourage businesses to develop new technologies or equipment such as LED light bulbs and solar geysers ✓✓
 - promote production of environmentally-friendly substitutes such as reusable shopping bags and rechargeable batteries ✓✓
 - encourage recycling waste material such as bottles and cans ✓✓
 - encourage businesses to use environmentally-friendly sources of energy such as solar and wind ✓✓
- Environmental subsidies can be recovered from the levying of taxation. ✓✓

Issue marketable permits ✓

- Marketable permits are licenses that are sold by the government to businesses which allow them to pollute to a certain degree. ✓✓
- The government decides on a maximum desired level of pollution in a particular area. ✓✓
- Businesses with low levels of pollution can sell part of their permits to firms with high levels of pollution. ✓✓
- In South Africa, marketable permits are granted by the Department of Minerals and Energy. ✓✓

Command and Control (CAC) ✓

- CAC refers to regulations set by the government to enforce environmental limits and standards. ✓✓
- The government enforces policy by setting maximum levels of the emission of pollution. ✓✓
- The Department of Environmental Affairs assigns inspectors to monitor the environmental activities of businesses and impose fines if the legal limits are not adhered to. ✓✓
- Most developed countries have regulations that control air and water pollution. ✓✓
- There are 3 approaches in CAC systems:
 - **Quantity standards** that focus on the amount of pollution emitted. ✓✓
 - **Quality standards** that focus on the environmental impact of the pollution emitted. ✓✓
 - **Social impact standards** that focus on the effect of the pollution emitted on people. ✓✓

Voluntary agreements ✓

- Voluntary agreements refer to formal and informal arrangements between the government and businesses to reduce pollution. ✓✓
- Businesses are empowered to negotiate arrangements that suit their own circumstances and create better opportunity for planning. ✓✓
- Voluntary agreements ensure commitment by businesses as they support agreements that they have negotiated. ✓✓

Education ✓

- Education refers to methods used to create awareness and change people's attitudes towards the environment ✓✓
- Awareness of environmental issues ensures better decision making when interacting with the environment ✓✓
- Educating children on the effects of their actions on the environment helps them to become more environmentally empowered adults ✓✓
- Setting up community wildlife reserves educate people about the importance of protecting the environment ✓✓

(Accept any other correct relevant response)

(Max. 26)

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

ADDITIONAL PART:

- The Convention on International Trade in Endangered Species (CITES) bans commercial international trade in a list of endangered species to reduce biodiversity loss. ✓✓
- CITES uses permits and quotas to regulate and monitor trade in other species that may become endangered. ✓✓
- The Basel Convention controls the disposal of hazardous waste by allowing their export only to parties that have not banned its import. ✓✓
- Countries are obliged to prevent the import or export of hazardous waste if they have reason to believe that it will not be treated in an environmentally sound manner. ✓✓
- The Stockholm protocol bans some of the deadliest manufactured substances such as DDT, which is a highly toxic insecticide to reduce the effects of chemical waste. ✓✓
- The Rotterdam Convention protects countries that lack adequate infrastructure to monitor the import and export of dangerous chemicals. ✓✓
- Prior Informed Consent insures that governments have all information they need for assessing risks and taking informed decisions on chemical waste imports. ✓✓
- The UN's Declarations requires indigenous capacity building to use alternative ways to manage resources ✓✓
- The Kyoto Protocol sets binding targets for developed countries to limit the production of greenhouse gases, which helps to reduce the effects of climate change ✓✓
- The Kyoto Protocol is an international agreement whereby developed countries pay developing countries for their right to pollute. ✓✓
- The Paris Agreement limits the increase in global average temperature to below 2°C above pre-industrial levels ✓✓
- Paris Agreement pursue efforts to limit it to 1.5°C above pre-industrial levels. ✓✓
- The agreement aims to reduce global greenhouse gas emissions to the same levels that trees, soil, and oceans can absorb naturally. ✓✓
- Paris Agreement aims to provide financing to developing countries to reduce and adapt to climate change. ✓✓

(Accept any other correct relevant response)

(Max. 10)

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

CONCLUSION

Environmental problems are complex, hence solutions must involve market-based environmental policies, government regulations and international measures to sustain the available resources of the country. ✓✓

(Accept any other correct relevant higher-order conclusion)

(Max. 2)

[40]

TOTAL SECTION C:

40

GRAND TOTAL:

150