



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P2

2023

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 The amount by which total cost increases when one extra product is produced is known as ... cost.

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

1.1.2 The process during which a business makes itself known to the public is known as ...

- A advertising.
- B differentiation.
- C copyright.
- D patent.

1.1.3 When the business does not produce at the lowest possible cost, it is said to be ... inefficient.

- A allocatively
- B productively
- C market
- D Pareto

1.1.4 In a perfect market normal profit is achieved when total revenue is equal to ...

- A total variable cost.
- B marginal cost.
- C average revenue.
- D total cost.

1.1.5 The prices set or controlled by government are called ... prices.

- A infiltrated
- B administered
- C circulated
- D directed

1.1.6 The activity of people travelling through South Africa using air, road, water or rail transport to get to another destination is known as ... tourism.

- A transit
- B foreign
- C outbound
- D inbound

1.1.7 The introduction of harmful substances into the atmosphere is called ... pollution.

- A land
- B noise
- C water
- D air

1.1.8 The Command and Control (CAC) that focuses on the environmental impact of the pollution emitted is called ... standard.

- A quantity
- B social impact
- C quality
- D economic

(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	Explicit cost	A	pertains to the cost of living
1.2.2	Non-price competition	B	incurred by consumers when they buy goods
1.2.3	Minimum prices	C	a variety of plant and animal species in a particular area
1.2.4	Private costs	D	actual expenditure of a business, such as wages and rent
1.2.5	Consumer Price Index	E	set above the market equilibrium to assist the producer in making a profit
1.2.6	Tourism	F	imposed on the output of goods that generate external costs
1.2.7	Biodiversity	G	granted to businesses to reduce environmental damages
1.2.8	Environmental taxes	H	the activity of people travelling to and staying outside their usual environment for no longer than one year
		I	a marketing strategy whereby firms seek to increase sales through methods such as extended shopping hours

(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 period of production where all factors of production can change

1.3.2 A point where a firm's average revenue (price) is equal to the average variable cost

1.3.3 The sum of private benefit and external benefit

1.3.4 A type of inflation where an economy experiences high rates of unemployment, high rates of inflation and low economic growth

1.3.5 South African citizens travelling within the borders of the country

1.3.6 The permanent destruction of trees and forests (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

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

2.1 Answer the following questions.

- 2.1.1 Name TWO types of costs that are used to calculate the total costs of a firm. (2 x 1) (2)
- 2.1.2 How does the government address the challenge of an oversupply of demerit goods? (1 x 2) (2)

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

FLYING AROUND SA HAS JUST GOT MORE EXPENSIVE

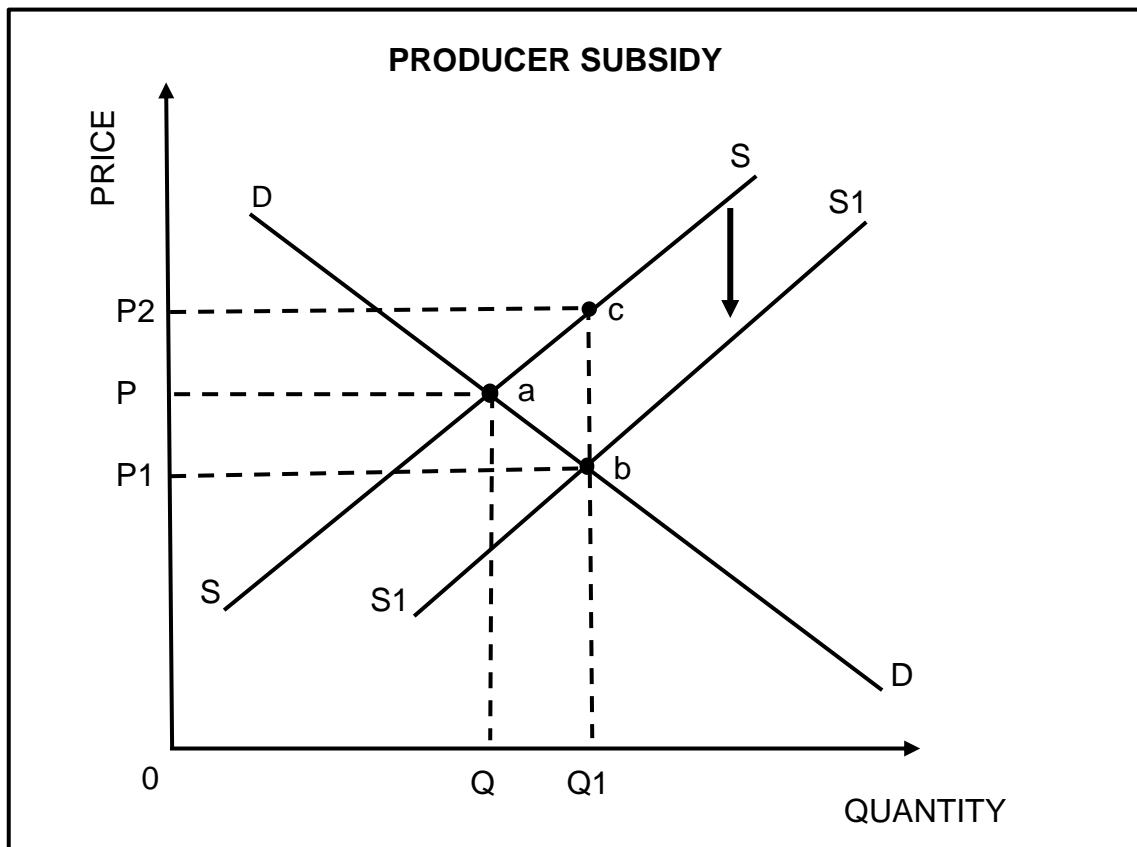
Comair has been forced to ground flights several times due to safety and security risks. This has resulted in limited competition in the aviation space.

With a considerable amount of competition almost instantly cut from South Africa's airspace, demand outstripped supply, driving up prices on other airlines and triggering a warning from the Competition Commission around price fixing.

[Adapted from *Business Insider SA*, 1 June 2022]

- 2.2.1 Identify any ONE term in the extract that relates to price formation. (1)
- 2.2.2 Name the market structure where price fixing is common. (1)
- 2.2.3 Briefly describe the term *cartel*. (2)
- 2.2.4 Explain the role of the Competition Commission in the economy. (2)
- 2.2.5 How can low prices negatively affect the producers of goods and services? (2 x 2) (4)

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



2.3.1 Identify the original market price on the graph above. (1)

2.3.2 Name any ONE product on which the government can offer a subsidy to consumers. (1)

2.3.3 Briefly describe the term *market failure*. (2)

2.3.4 Explain the effect of subsidies on producers of goods and services. (2)

2.3.5 Why are markets reluctant (unwilling) to produce public goods and services? (2 x 2) (4)

2.4 Briefly discuss *immobility of factors of production* and *imperfect competition* as causes of market failure. (2 x 4) (8)

2.5 How can an exit of firms in a perfect market affect the economy? (4 x 2) (8)

[40]

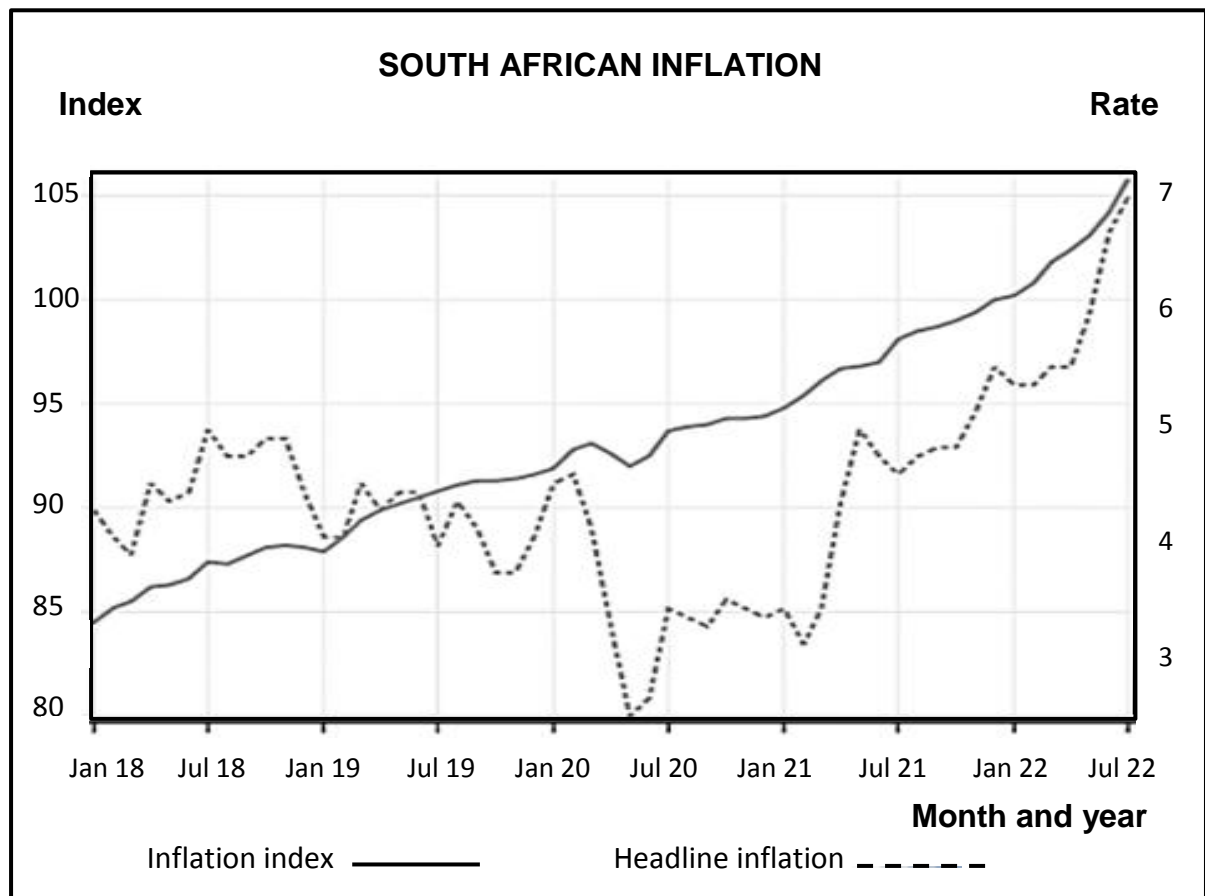
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO ways of measuring inflation. (2 x 1) (2)

3.1.2 How does tourism positively contribute to the gross domestic product (GDP)? (1 x 2) (2)

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



[Adapted from Stats SA]

3.2.1 Identify the month and year when the inflation rate was above the inflation target. (1)

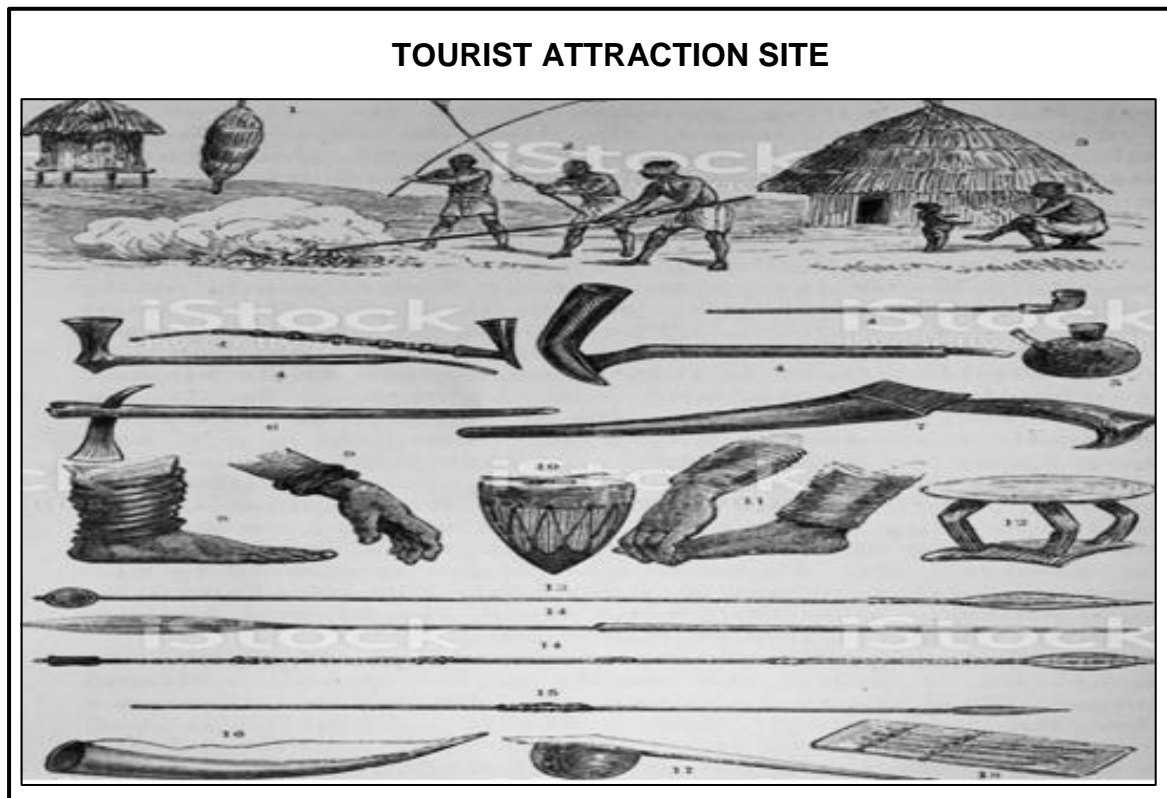
3.2.2 Give ONE possible reason for an increase in the inflation rate in 2022. (1)

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

3.2.4 Explain the reason for the South African Reserve Bank to reduce interest rates when the inflation rate is below 3%. (2)

3.2.5 How does inflation psychologically influence the various participants in the economy? (2 x 2) (4)

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



[Adapted from www.istockphotos.com]

- 3.3.1 Identify the type of tourism depicted by the picture above. (1)
- 3.3.2 Name any ONE World Heritage Site found in South Africa. (1)
- 3.3.3 Briefly describe the term *indigenous knowledge systems (IKS)*. (2)
- 3.3.4 Explain the benefit of investing in tourism infrastructure. (2)
- 3.3.5 How can tourism activities lead to environmental stress (challenges)? (2 x 2) (4)
- 3.4 Briefly discuss *household consumption* and *government expenditure* as causes of demand-pull inflation. (2 x 4) (8)
- 3.5 Why is tourism in developing countries important in alleviating poverty? (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 any TWO groups of workers that benefit from minimum wages. (2 x 1) (2)

4.1.2 Why do international tourists prefer South Africa as a tourist destination? (1 x 2) (2)

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

MARKET A			MARKET B		
Quantity	Price	TR	Quantity	Price	TR
0	R10	-	0	R12	-
1	R10	R10	1	R10	R10
2	R10	R20	2	R8	R16
3	R10	R30	3	R6	R18
4	R10	R40	4	R4	R16
5	R10	R50	5	R2	R10

4.2.1 Identify the market in which the demand curve shows a downward slope. (1)

4.2.2 What is the nature of the products sold in a perfect market? (1)

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

4.2.4 Why do individual firms find it easy to enter a perfect market? (2)

4.2.5 Calculate the marginal revenue for market **B** at quantity 2. Show ALL calculations. (4)

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

TOURISM ACTIVITIES IN SOUTH AFRICA

Tourist arrivals in South Africa averaged 542 648 from 1979 until 2022. It reached a high of 1 598 893 in January 2018 and a record low of 29 341 in April 2020.

South Africa offers both domestic and international tourists a wide variety of options, such as beautiful natural landscapes and game reserves, a diverse cultural heritage and highly regarded wines.

[Adapted from www.google.com]

- 4.3.1 Identify an example of ecotourism in the extract above. (1)
- 4.3.2 Give ONE reason for a decline in tourism in April 2020. (1)
- 4.3.3 Briefly describe the term *leisure tourism*. (2)
- 4.3.4 Why are indigenous knowledge systems (IKS) important for tourists? (2)
- 4.3.5 How does tourism solve the problem of unemployment in South Africa? (2 x 2) (4)
- 4.4 With the aid of a correctly labelled graph, explain maximum prices as a consequence of market failure. (8)
- 4.5 How can the South African Reserve Bank (SARB) use the monetary policy to combat inflation? (4 x 2) (8)
- [40]**

TOTAL SECTION B: 80



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P2

2023

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 18 pages.

SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES****1.1 MULTIPLE-CHOICE QUESTIONS**

1.1.1 C - marginal ✓✓

1.1.2 A - advertising ✓✓

1.1.3 B - productively ✓✓

1.1.4 D - total cost ✓✓

1.1.5 B - administered ✓✓

1.1.6 A - transit ✓✓

1.1.7 D - air ✓✓

1.1.8 C - quality ✓✓

(8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 D - actual expenditure of a business such as wages and rent ✓

1.2.2 I - a marketing strategy by which firms seek to increase sales through methods such as extended shopping hours ✓

1.2.3 E - set above the market equilibrium to assist the producer in making a profit ✓

1.2.4 B - incurred by consumers when they buy goods ✓

1.2.5 A - pertains to the cost of living ✓

1.2.6 H - the activity of people travelling to and staying outside their usual environment for no longer than one year ✓

1.2.7 C - a variety of plant and animal species in a particular area ✓

1.2.8 F - imposed on the output of goods that generate external costs ✓

(8 x 1) (8)

1.3 GIVE THE TERM

1.3.1 Long-run / Long-term ✓

1.3.2 Shut down ✓

1.3.3 Social benefit ✓

1.3.4 Stagflation ✓

1.3.5 Domestic tourists ✓

1.3.6 Deforestation ✓

(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer any TWO of the three questions in this section.

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

2.1 Answer the following questions.

2.1.1 **Name TWO types of costs that are used to calculate the total costs of a firm.**

- Variable ✓
- Fixed ✓

(2 x 1) (2)

2.1.2 **How does the government address the challenge of an oversupply of demerit goods?**

Government levies taxes such as sin tax to discourage consumption of demerit goods which will reduce the quantities supplied. ✓✓

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

2.2 **DATA RESPONSE**

2.2.1 **Identify any ONE term from the extract that relates to price formation.**

Demand/Supply ✓ (1)

2.2.2 **Name the market structure where price fixing is common.**

Oligopoly ✓ (1)

2.2.3 **Briefly describe the term *cartel*.**

It is an organisation of firms coming together operating like a monopoly / Firms coming together to limit the quantity and fix prices. ✓✓

(Accept any other correct relevant response) (2)

2.2.4 **Explain the role of competition commission in the economy.**

- Competition Commission investigates, controls and evaluates restrictive business practices, abuse of dominant positions and mergers in different markets. ✓✓
 - Makes recommendations to the Competition Tribunal on penalties to be imposed on businesses that are found guilty ✓✓
- (Accept any other correct relevant response) (2)

2.2.5 How can low prices negatively affect the producers of goods and services?

- The producers may not be able to make sufficient revenue to cover production costs. ✓✓
 - Lower profits may result in businesses unable to pay their employees leading to retrenchments. ✓✓
 - Investors may withdraw their investment resulting in producers not having enough funds to continue doing business. ✓✓
- (Accept any other correct relevant response)

(2 x 2) (4)

2.3 DATA RESPONSE**2.3.1 Identify the original market price from the above graph.**

P ✓

(1)

2.3.2 Name any ONE product on which the government can offer a subsidy to consumers.

- Brown bread ✓
- Public transport ✓
- Milk ✓
- Housing ✓
- Solar panels ✓

(Accept any other correct relevant response)

(1)

2.3.3 Briefly describe the term *market failure*.

Market failure occurs when the forces of demand and supply fail to allocate resources efficiently / Market failure exists when the best available (optimal) production output has not been achieved ✓✓

(Accept any other correct relevant response)

(2)

2.3.4 Explain the effect of subsidies on producers of goods and services.

- The subsidy helps reduce the production costs for the producers. ✓✓
 - The producers will produce more goods and services and sell at lower prices ✓✓
- (Accept any other correct relevant response)

(2)

2.3.5 Why are markets reluctant (unwilling) to produce public goods?

- Provision of public goods is not profitable which may discourage private businesses ✓✓
- Public goods are non-excludable and consumption cannot be confined only to those who paid for them. ✓✓
- There is no way of measuring how much a person consumes a public good and therefore, there is no basis to establish a market price. ✓✓
- High start-up capital is needed to provide public goods which private businesses may not have. ✓✓
- Public goods are non-rivalry which means that consumption by one person does not reduce consumption by another individual, hence the market cannot determine a price for these goods. ✓✓

(Accept any other correct relevant response)

(2 x 2) (4)

2.4 Briefly discuss *immobility of factors of production and imperfect competition* as causes of market failure.

Immobility of factors of production

- Factors of production are very often immobile and take time to move from one place to another. ✓✓
 - The supply of skilled labour/entrepreneurs cannot be increased because of the time it takes to be trained or educated. ✓✓
 - Land and physical capital, such as factory buildings or infrastructure such as telephone lines cannot be reallocated easily. ✓✓
 - Structural changes like a change from producing plastic packets to paper packets might take time for workers to adjust. ✓✓
 - Technological changes may need workers to be flexible and willing to update their skills throughout their life. ✓✓
- (Max 4)**

Imperfect competition

- Competition in market economies is limited by the power of certain producers to prevent new businesses from entering the market. ✓✓
 - Barriers to entry are created because of advertising, a lack of capital and the controlling of resources. ✓✓
 - The imperfect market does not allow for price negotiations. ✓✓
 - Advertising is used to promote producer dominance which encourages consumers to buy existing products. ✓✓
- (Accept any other correct relevant response) **(Max 4)**
(Allocate a maximum of 4 marks for a mere listing of facts/examples)

(8)

2.5 How can an exit of firms in a perfect market affect the economy?

- There will be a decrease in competition due to limited number of firms in the market. ✓✓
 - Prices of goods and services are likely to increase because of a decrease in supply. ✓✓
 - Unemployment levels will increase as some businesses shut-down their operations. ✓✓
 - The aggregate demand for goods and services will decrease due to a decrease in employment levels. ✓✓
 - The remaining businesses may enjoy economic profit due to an increase in prices. ✓✓
 - Government will collect less revenue due to reduced number of firms in the economy. ✓✓
 - Consumers will have less access of goods and services to choose from. ✓✓
- (Accept any other correct relevant response)
(Allocate a maximum of 2 marks for a mere listing of facts/ examples)

(8)
[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO ways of measuring inflation.

- Indexes (CPI/PPI) ✓
- Weighting (Basket of goods and services) ✓
- Inflation rate ✓ (2 x 1) (2)

3.1.2 How does tourism positively contribute to the Gross Domestic Product (GDP)?

- Tourism can directly contribute to GDP when both residents and non-residents spend on leisure and accommodation. ✓✓
- The indirect contribution to GDP occurs by purchasing from suppliers of goods and services which deal directly with tourists, ✓✓ e.g. purchasing done by cleaning services for hotels or catering. (Accept any other correct relevant response) (1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 Identify the month and year when the inflation rate was above the inflation target.

Jul 2022 ✓ (1)

3.2.2 Give ONE possible reason for an increase in the inflation rate in 2022.

- Increase in international oil price/fuel price/transport costs ✓
- Increase in food prices ✓
- Electricity shortages ✓
- Russia/Ukraine war ✓ (Accept any other correct relevant response) (1)

3.2.3 Briefly describe the term *core inflation*.

It is a type of inflation that excludes items from the CPI basket with highly volatile prices and those items whose prices are affected by government intervention and policy. ✓✓ (Accept any other correct relevant response) (2)

3.2.4 Explain the reason for the South African Reserve Bank to reduce interest rates when the inflation rate is below 3%?

- To stimulate aggregate demand which will increase the level of economic activity. ✓✓
- To make borrowing cheaper which will encourage consumer spending and investments. ✓✓ (Accept any other correct relevant response) (2)

3.2.5 How does inflation psychologically influence the various participants in the economy?

- Consumers' confidence may decrease thereby reducing consumer spending and increasing savings in instruments that are inflation-linked or above inflation rate ✓✓
 - When inflation is high consumers expect prices to rise further and they start to buy more goods and services. ✓✓
 - During times of inflation labour unions wish to protect their members' real income by demanding higher wage. ✓✓
 - Businesses may increase the price of goods and services in advance to protect their profit margins. ✓
- (Accept any other correct relevant response) (2 x 2) (4)

3.3 DATA RESPONSE**3.3.1 Identify the type of tourism depicted by the above picture.**

Cultural/Community tourism ✓ (1)

3.3.2 Name any ONE World Heritage Site found in South Africa.

- Richtersveld Cultural & Botanical Landscape ✓
 - iSimangaliso Wetland Park ✓
 - Cape Floral Region ✓
 - Cradle of Humankind ✓
 - Mapungubwe Cultural Landscape ✓
 - Robben Island ✓
 - Ukhahlamba/Maloti Drakensberg Park ✓
 - Vredefort Dome ✓
 - Khomani Cultural Landscape ✓
 - Barberton Makhonjwa Mountains ✓
- (1)

3.3.3 Briefly describe the term *Indigenous knowledge system (IKS)*.

Local or traditional knowledge related to a specific culture or religion. ✓✓
(Accept any other correct relevant response) (2)

3.3.4 Explain the benefit of investing in tourism infrastructure.

- More tourists will be attracted in the country as they enjoy adequate and well-maintained infrastructure. ✓✓
 - South Africa will benefit because all the infrastructure built to support tourism become an asset to the country / Local households will benefit from the infrastructure that was developed for the tourist. ✓✓
- (Accept any other correct relevant response) (2)

3.3.5 How can tourism activities create environmental stress (challenges)?

- Permanent environmental restructuring such as infrastructure development of roads, airports and accommodation can create environmental stress. ✓✓
- Waste product generation can create health hazards and affect the attractiveness of a tourist destination. ✓✓
- Tourist activities such as destruction of coral reefs, vegetation and dunes may lead to direct environmental stress. ✓✓
- Migration of people from rural to urban areas results in increased urban densities which cause stress on the environment. ✓✓
- Safari hunting may result in loss of wildlife and damage to natural sites ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.4 Briefly discuss *household consumption* and *government expenditure* as causes of demand-pull inflation.**Household consumption**

- A decrease in personal income tax will result in households having more disposal income to spend on goods and service. ✓✓
- Lower interest rates will result in credit becoming easily available which will lead to higher disposal level of income, thus increasing demand for goods and services. ✓✓
- Less savings will result in increased consumption of goods and services. ✓✓

Government expenditure

- Government expenditure on infrastructure requires high amount of production inputs and labour, which stimulate demand for goods and services. ✓✓
- An increase in consumption expenditure by government creates demand-pull inflation if the corresponding supply does not increase. ✓✓
- An increase in social spending programmes such as Expanded Public Works Programme (EPWP) without an increase in supply will stimulate demand-pull inflation. ✓✓

(Accept any other correct relevant response)

(2 x 4)

(8)

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

3.5 Why is tourism in developing countries important in alleviating poverty?

- It is a source of foreign exchange and job creation as tourism benefits labour-intensive industries.✓✓
- The taxing of tourists creates the necessary funds to improve the infrastructure, education and health of the poor.✓✓
- It employs many women which contributes to gender equality and women empowerment in developing countries
- Locally owned small businesses benefit as they are supported by tourists especially in rural areas.✓✓
- Tourism leads to employment diversification which reduces the vulnerability of the poor.✓✓
- As tourism is the fastest growing industry more poor people are likely to benefit from it.✓✓
- Tourism provides a number of jobs that require no formal training which reduces the cost to the poor.✓✓
- The poor are able to provide tourism products that can be built from natural resources and cultural heritage.✓✓
- The poor are able to supply formal businesses with goods which are sold to tourists for example curio shops.✓✓
- Tourism employs a high proportion of youth under the age of 25 which can be used as a stepping stone to better opportunities.✓✓

(Accept any other correct relevant response)

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

(8)
[40]

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

4.1 Answer the following questions.

4.1.1 **Name any TWO groups of workers that benefit from minimum wages.**

- Farm workers ✓
- Domestic workers ✓
- Expanded public works programme workers ✓
- Learnership agreements workers ✓

(Accept any other correct relevant response)

(2 x 1)

(2)

4.1.2 **Why do international tourists prefer South Africa as a tourist destination?**

The country offers international tourists the following benefits:

- favourable climatic condition ✓✓
- favourable exchange rates ✓✓
- world in one country ✓✓
- the friendliness of the South African people ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

4.2 **DATA RESPONSE**

4.2.1 **Identify the market in which the demand curve shows a downward slope.**

Market B ✓

(1)

4.2.2 **What is the nature of the products sold in a perfect market?**

Homogenous/identical ✓

(1)

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

The income received for selling one unit of a product. ✓✓

(Accept any other correct relevant response)

(2)

4.2.4 **Why do individual firms find it easy to enter a perfect market?**

- There are no regulations or restrictions to enter the market. ✓✓
- Sunk costs such as advertising are kept low since products are already known in the market. ✓✓
- Less capital is required to enter the market ✓✓

(Accept any other correct relevant response)

(2)

4.2.5 Calculate the marginal revenue for market B at quantity 2. Show ALL calculations

$$\begin{aligned}
 MR &= \Delta TR / \Delta Q \\
 &= (16 - 10) \checkmark / (2 - 1) \checkmark \\
 &= 6/1 \checkmark \\
 &= \underline{6} \checkmark
 \end{aligned}
 \tag{4}$$

4.3 DATA RESPONSE

4.3.1 Identify an example of ecotourism from the above extract.

- Beautiful natural landscapes ✓
 - Game reserves ✓
- (1)

4.3.2 Give ONE reason for a decline in tourism in April 2020.

- Lockdown/Covid-19 ✓
 - Travelling restrictions ✓
- (1)

4.3.3 Briefly describe the term *leisure tourism*.

When people go on a holiday to play sports and visit friends. ✓✓
(Accept any other correct relevant response)

(2)

4.3.4 Why are Indigenous Knowledge System (IKS) important for tourists?

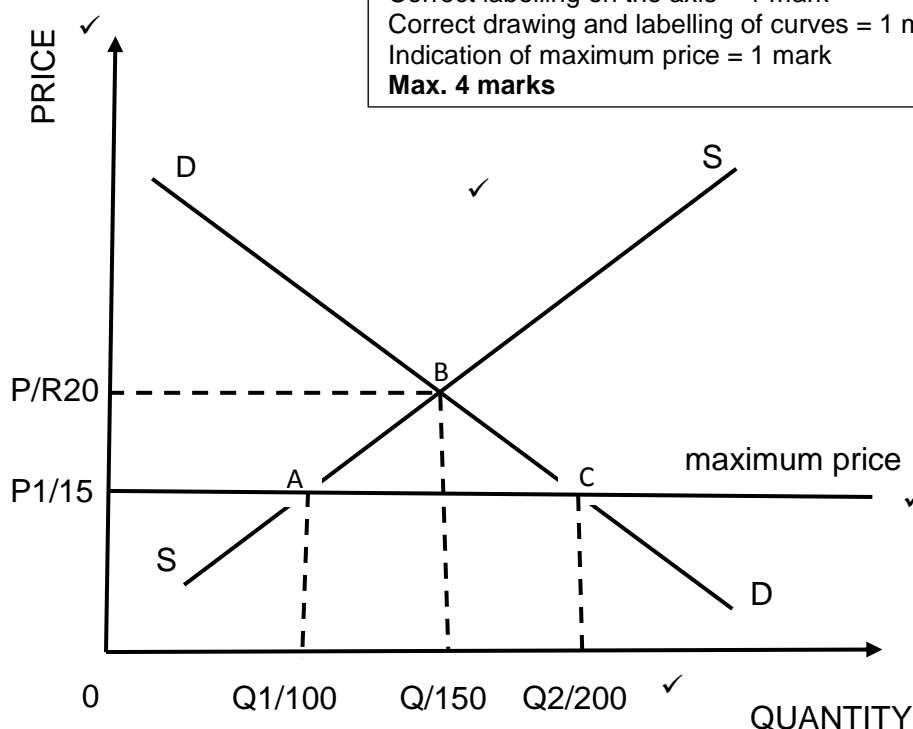
- Tourists want to understand the indigenous/local culture, history and environment. ✓✓
 - Tourists seek authentic (genuine) and unique tourist sites ✓✓
 - Tourists want to see how local people live and work ✓✓
(Accept any other correct relevant response)
- (2)

4.3.5 How does tourism solve the problem of unemployment in South Africa?

Tourism provides:

- employment for many different kinds of skills such as tourist guides, hotel staff, etcetera. ✓✓
 - immediate employment as many job positions do not need education qualification which take long period of time to acquire. ✓✓
 - residents with the opportunity to become entrepreneurs such as selling art works. ✓✓
(Accept any other correct relevant response)
- (4)

4.4 With the aid of a correctly labelled graph, explain maximum prices as a consequence of market failure.



- The government sets a maximum price (ceiling) below the market price to make goods more affordable. ✓✓
- Maximum prices allow the poor greater access to certain goods and services. ✓✓
- Initially the market equilibrium price is P/R20 and equilibrium quantity is Q/150. ✓✓
- The government intervenes and passes a law that products cannot be sold for more than P1/R15. ✓✓
- The effect of this maximum price is that quantity supplied decreases to Q1/100 and quantity demanded increases to Q2/200. ✓✓
- Maximum prices may cause a shortage of goods in the economy, however, they improve the welfare of some consumers since goods can be purchased at reasonable prices. ✓✓
- Black markets develop because producers may want to charge higher prices than the maximum prices. ✓✓

(Accept any other correct relevant response)

(4 max)

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

(8)

4.5 How can the South African Reserve Bank (SARB) use the monetary policy to combat inflation?

- The SARB can curb inflation by increasing the repo rate which makes it expensive to borrow money. ✓✓
 - Banks pass on the increased cost of borrowing (repo rate) to their clients by increasing the interest rate. ✓✓
 - High interest rate discourages consumers from taking unnecessary credit, discouraging consumer spending. ✓✓
 - The SARB can directly decrease the supply of money by selling government securities in the open market. ✓✓
 - Commercial banks are required to hold a certain minimum cash reserve with the central bank. ✓✓
 - An increase in the cash reserve requirement limits the amount of money that banks can give out as credit and helps to curb inflation. ✓✓
 - The SARB can persuade commercial banks to act in a responsible manner when granting credit under inflationary conditions. ✓✓
 - Moral suasion helps to reduce inflation because credit will be granted to fewer consumers. ✓✓
 - The SARB can revalue the value of the currency which will result in more imported goods into the country thereby increasing aggregate supply. ✓✓
- (Accept any other correct relevant response)

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

(8)
[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section.

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

- **Examine the characteristics of monopoly in detail.** (26 marks)
- **How does the existence of monopolies cause a challenge to the various role players in the economy?** (10 marks)

INTRODUCTION

Monopoly exists where there is only one seller of a product, where the product has no close substitutes, and where barriers block entry into the market completely. ✓✓

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

BODY**MAIN PART****Number of firms/businesses ✓**

- The monopolist is the only supplier of a product which implies that there is no competition in this market structure. ✓✓
- The monopoly also responsible for the industry's total output ✓✓ such as De Beers and Eskom. ✓

Nature of product ✓

- The product is unique and it has no close substitutes which implies that consumers' choice is limited ✓✓
- The product has relatively inelasticity demand which means that quantity demanded less responsive to price changes. ✓✓

Market entry ✓

- Market entry refers to how easy or difficult for the businesses to enter or to leave the market. ✓✓
- Market entry into a monopoly market is entirely/completely blocked. ✓✓
- The reason why other producers are unable to supply the same product as the monopolist is that there are barriers that prevent them from entering the product market, ✓✓ such as high development costs, limited size of the market, exclusive ownership of raw materials, patents, licensing, sole rights, import restrictions. ✓
- These barriers can be divided into two main groups:

Natural monopolies. ✓

- High development costs are frequently a reason for the existence of natural monopolies ✓✓
- The provision of electricity is an example of natural monopoly because building power stations and transmission lines to distribute electricity costs billions of rand. ✓✓
- Natural monopolies are frequently owned or regulated by the government and can serve the whole market at a lower price than two or more businesses together. ✓✓

Artificial monopolies. ✓

- Artificial monopolies exist due to barriers to entry are not economic in nature such a patent. ✓✓
- A patent is the legal and exclusive right of a patent holder to manufacture a product using his or her unique invention. ✓✓
- Licences protect operators against the entry of competitors and is another way in which an artificial monopoly may exist. ✓✓

- In South Africa licences are required for radio and TV broadcasting, telephone and cellular phone communication networks, and commercial production of electricity. ✓✓

Control over price ✓

- A monopolist has full control over the market price and it is regarded as a price maker. ✓✓
- Monopolist can decide on price-quantity combination, that suits it the best, on the demand curve. ✓✓
- There is always the possibility of consumer exploitation because a monopolist is the only supplier of a product. ✓✓
- A monopoly business may restrict output or supply of the product to charge higher price. ✓✓
- However, this is often limited by the market demand since monopolist does not have control over demand. ✓✓
- Consumers have limited budgets and a monopoly can therefore not demand excessive prices for its product. ✓✓
- The monopolist's product has to compete for consumers' favour (and money) with all the other products available in the economy. ✓✓

Market information ✓

- All buyers and the single seller have full knowledge about the current market conditions. ✓✓
- This implies that there is high degree of transparency in the monopoly as there is no incentive for the monopoly to hide information from consumers ✓✓

Demand curve ✓

- A monopolist is faced with a normal demand curve which slopes downwards from left to right. ✓✓
- The demand curve is relatively inelastic because the product has no close substitutes. ✓✓
- Demand curve for a monopoly is equal to its average revenue curve. ✓✓
- For every additional unit sold by a monopoly, marginal revenue is less than the price, thus marginal revenue curve lies below the demand curve. ✓✓

Economic profit/loss ✓

- A monopolist can earn an economic profit or economic loss in the short run. ✓✓
- If a monopoly is making economic loss in the short-run, it will build a new production plant that yields economic profit in the long-run. ✓✓
- If a monopoly is making economic profit in the short-run, it will expand its production scale or capacity in order to make more economic profit in the long-run. ✓✓

Decision making ✓

- A monopoly business makes decisions independently because there are no competitors ✓✓
- However, a monopoly's decisions may be influenced by government laws and regulations, ✓✓ for instance Eskom's decisions are influenced by NERSA ✓

Collusion ✓

- Collusion is irrelevant because there is one business in the market. ✓✓

Productive and allocative efficiency ✓

- A monopoly does not achieve productive efficiency because output is produced without minimising the average cost. ✓✓
- There is allocative inefficiency because the output produced by a monopoly does not correspond with the quantity demanded by consumers. ✓✓
- Monopoly produces output level where the price is above the marginal cost ✓✓
(Accept any other correct relevant response)

(Allocate a maximum of 8 marks for headings and examples)**(Max. 26)****ADDITIONAL PART****The existence of monopolies may cause challenges to the various role players in the economy as follows; -**

- Monopolies produce at a level where prices exceed the marginal costs thereby charging higher prices above market equilibrium. ✓✓
- Barriers to entry prevent new businesses from entering the industry thereby stifling competition and leaving consumers with limited choices. ✓✓
- Consumers are manipulated by monopolies using aggressive advertising to create false needs to dictate what consumers must buy. ✓✓
- Market failure occurs as monopolies reduce consumer surplus therefore leaving few consumers affording to buy goods and services. ✓✓
- Consumers can be made to pay a higher price for inferior quality goods as close substitutes are not available. ✓✓
- Monopolies raise the cost of living for consumers by charging high prices in an effort to maintain high profitability. ✓✓
- Government is forced to implement policies that will regulate the operation of monopolies to prevent them from exploiting their market power. ✓✓
- Lack of competition may lead to low quality and out-dated goods and services for consumers. ✓✓
- Monopolies create a shortage of goods and services in the market leading to allocative inefficiencies. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts)**(Max. 10)****CONCLUSION**

A monopoly fails to achieve both productive and allocative efficiency as they do not produce at the lowest possible average cost and do not produce at optimum output level. ✓✓

(Accept any other correct higher order conclusion)

(Max. 2)**[40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Discuss in detail any FIVE environmental problems and the international measures taken to address these challenges. (26 marks)**
- **How can conservation and preservation help to ensure that the environment is sustained? (10 marks)**

INTRODUCTION

Environmental sustainability is the ability of the environment to survive its use for economic activities/Environmental issues are global issues such as pollution that affect the environment and natural resources. ✓✓

(Accept any other correct relevant introduction)

(Max. 2)

MAIN PART**Biodiversity loss ✓**

- The diversity of species in the world decreases rapidly due to extinction and this is an irreversible process. ✓✓
- Modern techniques such as gene transplant can help to limit the loss of species. ✓✓
- The United Nations' Convention on International Trade in Endangered Species (CITES) prohibits trade in endangered plant and animal species. ✓✓
- Monitoring and regulation of trade in endangered species is carried out using permits and quotas in South Africa. ✓✓

Chemical waste ✓

- Chemical waste is toxic and their effect on an organism can be death or infertility. ✓✓
- Chemical waste needs to be carefully managed to ensure that it does not leak in to the ground water. ✓✓
- The Stockholm Protocol bans twelve of the deadliest manufactured chemicals. ✓✓
- The Rotterdam Convention protects countries that lack adequate infrastructure to monitor the import of and export of dangerous chemicals. ✓✓

Hazardous waste ✓

- Hazardous waste is more than a chemical waste and it includes toxic metal waste such as lead. ✓✓
- Hazardous waste has a slow decomposition rate (It stays poisonous for a long time). ✓✓
- Hazardous waste can endanger all life forms and the entire ecosystem. ✓✓
- The Basel Convention on the control of Trans boundary Movement of Hazardous waste allows trade between countries that have signed the convention. ✓✓

Climate change ✓

- A build-up of certain gases such as carbon dioxide in the atmosphere causes the heat to be captured in to the atmosphere, which leads to global warming. ✓✓
- Effects of climate change include change in temperature and weather patterns which may cause destruction to plant and animal inhabitants. ✓✓
- The United Nations' Framework Convention on Climate Change (UNFCCCC) sets objectives to reduce greenhouse gases. ✓✓
- Kyoto Protocol was signed as an agreement in which greenhouse gases emission levels for developed countries were agreed upon. ✓✓

Loss of indigenous knowledge ✓

- The loss of knowledge about the natural environment may result in indigenous people losing their way of making a living. ✓✓
- Indigenous people use organic methods and natural processes in dealing with the environment, and this knowledge may be lost to the future generation. ✓✓
- Local capacity building is important as it can help indigenous people to learn more of the environment beyond their traditional life style and experiences. ✓✓
- UNESCO's management of social transformation programme (MOST) is a global effort to document local/indigenous knowledge before it is lost forever. ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 8 marks for mere listing of facts/examples)**(Accept other major environmental problems such as pollution and deforestation)** **(Max. 26)****ADDITIONAL PART****Conservation and preservation can help to ensure that the environment is sustained as follows; -**

- Conservation in South Africa can ensure a sustainable environment by bringing a balance in the ecosystem as animals and plants interact. ✓✓
- Reducing the amount of greenhouse gases that reach the atmosphere thereby decreasing global warming. ✓✓
- Conservation will ensure management of natural resources to benefit future generation. ✓✓
- Using water wisely, as it is basic to plant and animal existence, various local municipalities impose restrictions on water consumption to ensure conservation. ✓✓
- Reusing, reducing and recycling will make people to use fewer resources and production of things such as plastics can decrease. ✓✓
- Setting quotas for fishing by government, to stop catches being so large that they exceed the growth of the fish population. ✓✓
- Setting quotas for cutting down trees to ensure deforestation does not exceed the rate required. ✓✓
- Ensure availability of food security and sustainability of animals and mountains to attract more tourists. ✓✓
- Natural resources can be sold to other countries to get foreign exchange which can be used to finance imports. ✓✓
- Preservation ensures environmental sustainability by protecting sites that have cultural significance by classifying them as heritage sites. ✓✓
- The government can intervene to preserve the environment by purchasing, confiscating and expropriating natural assets. ✓✓

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

The success in protecting the environment will take a united effort from consumers, businesses and governments. ✓✓

(Accept any other correct higher order conclusion)

(Max. 2)**[40]****TOTAL SECTION C:****40****GRAND TOTAL:****150**