JENN

Training and Consultancy

The path to enlightened education

SUBJECT: ECONOMICS

GRADE 12

2026 LAST PSUH

QUESTION PAPER BANK

PAPER 2

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PAPER 2

NSC JUNE 2026

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 actual expenditure of a business, such as wages and rent, is known as … cost.

A implicit
B marginal
C external
D explicit

1.1.2 The supply curve for a perfectly competitive firm is represented by the … curve.

A marginal cost
B average cost
C marginal revenue
D total revenue

1.1.3 When a group of businesses work together with the aim of fixing prices, it is known as …

A tacit collusion.
B price leadership.
C informal collusion.
D overt collusion.

1.1.4 The cost to the third party, which is not included in the market price, is known as a/an … cost.

A internal
B external
C social
D private

1.1.5 A rapid increase in the general price level that is more than 50% per month is referred to as …

A core inflation.
B bracket creep.
C hyperinflation.
D disinflation.

1.1.6 The activity of tourists who visit a country to receive healthcare services is known as … tourism.

A medical
B adventure
C cultural
D paleo-

1.1.7 An example of communication infrastructure that promotes tourism is ...

A transport.
B energy.
C internet facilities.
D railway lines.

1.1.8 Arrangements between the government and businesses to reduce pollution without imposing laws and regulations, are known as ...

A property rights.
B voluntary agreements.
C marketable permits.
D environmental taxes. (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 to1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A		COLUMN B
1.2.1	Shut-down point	A a technique used to evaluate the total social costs and the total social benefits associated with a public project
1.2.2	Average revenue	B the activities of people travelling to places to play sport, visit friends and experience new attractions
1.2.3	Diseconomies of scale	C believe that inflation is caused by an increase in the total money supply in the economy
1.2.4	Cost-benefit analysis	D low growth rate, high unemployment rate and high inflation rate occurring at the same time
1.2.5	Stagflation	E a command and control approach that focuses on the amount of environmental pollution emitted
1.2.6	Monetarist	F the additional revenue received for selling one extra unit of a product
1.2.7	Quantity standards	G the income received by the firm for selling one unit of a product
1.2.8	Leisure tourism	H when a business's average revenue is equal to average variable cost
		I a situation where average cost rises as production output increases (8x1)(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 where at least one factor of production remains fixed

1.3.2 The removal of unnecessary laws and rules that restrict competition in the market

1.3.3 The gains derived by the producers and the consumers of goods and services

1.3.4 The unadjusted consumer inflation rate that reflects the cost of a shopping basket of goods and services

1.3.5 The activities of people travelling with the purpose of attending meetings, conferences and trade affairs

1.3.6 Keeping non-renewable resources intact to ensure that they are not threatened by extinction (6 x 1) (6) TOTAL SECTION A: 30

NSC NOV 2025

SECTION A

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 costs that will always decrease when production increases, isreferred to as ... cost.

A average
B average variable
C total
D average fixed

1 .1 .2 The demand curve of a monopolistic competitor is ...

A relatively elastic.
B relatively inelastic.
C perfectly elastic.
D perfectly inelastic.

1 .1 .3 The price that is set by the government above the equilibrium price to allow producers to make a fair profit is called ...

A market price.
B selling price.
C maximum price.
D minimum price.

1 .1 .4 Failure by businesses to produce goods and services at the lowest possible average cost is called ... inefficiency.

A allocative
B market
C productive
D distributive

1 .1 .5 When the general price level increases, the real value of savings will ...

A rise.
B decline.
C remain the same.
D increase.

1 .1 .6 The activities of people visiting places for meetings and conferences is known as ... tourism.

A paleo
B business
C leisure
D eco-

1.1.7 Internet facilities needed by tourists is called ... infrastructure.

A transport
B energy
C communication
D basic services

1.1.8 The process of converting waste material into economic goods is known as ...

A recycling.
B re-using.
C littering.
D resourcing. (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	Homogenous products	A	method used to prevent the extinction of non-renewable resources
1.2.2	Price-taker	B	people who enjoy goods and services without paying for them
1.2.3	Collusion	C	the activities of people travelling to and staying in places outside their usual environment
1.2.4	Free riders	D	a firm that has no influence over the market price
1.2.5	Inflation targeting	E	goods that are identical in terms of appearance, packaging and quality
1.2.6	Ecotourism	F	monetary policy approach used by the SARB to keep price changes within 3—6%
1.2.7	Tourism	G	an agreement among firms within the same industry to reduce competition through price fixing
1.2.8	Preservation	H	a firm that has control over the market price
		I	activities of people visiting places to enjoy the natural environment

(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 A market in which decisions are left to individual sellers and buyers without government interference

1 .3.2 The percentage of total sales in an industry that a particular business controls

1 .3.3 A technique used to evaluate the social costs and benefits associated with public projects

1 .3.4 A general rise in prices caused by increases in the cost of the factors of production

1 .3.5 Places listed by the United Nations as having cultural, historical and scientific significance

1 .3.6 The gradual increase in the temperature of the Earth's atmosphere due to a increase in carbon emissions (6 x 1) (6)

TOTAL SECTION A: 30

NSC JUNE 2025

SECTION A

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 actual expenditure that a business incurs in the production process is known as ... costs.

A opportunity
B implicit
C explicit
D additional

1 .1 .2 The market structure that is regarded as a hybrid structure is known as …

A monopolistic competition.
B a monopoly.
C perfect competition.
D an oligopoly.

1 .1 .3 Most markets fail to adjust rapidly to changes in supply and demand due to a lack of ...

A positive externalities.
B expenditure.
C negative externalities.
D information.

1.1.4 Black markets develop when the government intervenes by imposing a/an ... price.

A minimum
B aggregate
C maximum
D supply

1.1.5 The calculation of the inflation rate of all final goods and services by using the implicit GDP deflator is referred to as ... inflation.

A all-inclusive
B all-exclusive
C consumer
D whole-economy

1.1.6 Cost-push inflation will result in ...

A lower wages.
B natural disasters.
C increase in productivity.
D lower profit margins.

1.1.7 The minimum length of stay should be ... when measuring tourism.

A one week.
B two days.
C one month.
D one night.

1.1.8 Financial support provided by the government to encourage investment in green energy, is known as a/an ... subsidy.

A property
B environmental
C employment
D export (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 Industry	A. legal restrictions that prevent other suppliers from entering the market
1 .2.2 Natural monopolies	B. South African citizens travelling to other countries
1 .2.3 Mutual dependency	C. aimed at making travelling more accessible and affordable within South Africa
1 .2.4 Minimum wage	D. an objective to eradicate extreme poverty and hunger
1 .2.5 Indexes	E. the decision by one business to increase prices is influenced by how other businesses will react
1 .2.6 Outbound tourists	F. a group of businesses that produce or supply similar products
1 .2.7 Sho't left campaign	G. compiled by regularly recording the prices of a representative basket of goods and services
1 .2.8 Millennium Development Goal	H. high development costs prevent other businesses from entering the market
	I. the amount of money set by the government below which no employer may pay their workers

(8x1)(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 Products that are identical in terms of quality, size and appearance

1.3.2 A legal and exclusive right to manufacture a product

1.3.3 A technique for evaluating the social cost and social benefits associated with large government projects

1.3.4 Occurs when there is an increase in the general price level caused by an increase in the cost of production

1.3.5 Tourist activities in which people visit places where they can experience the diverse natural beauty of a country

1.3.6 Resources that cannot be replaced once they have been extracted

(6 x 1) (6)

TOTAL SECTION A: 30

NSC NOV 2024

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

(8x1)(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

NSC NOV 2023

SECTION A

QUESTION 1

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 costs that do not change with the output are called ... costs.

A variable
B average
C fixed
D basic

1 .1 .2 The removal of rules and procedures to allow easy entry of new firms in the market is called ...

A deregulation.
B free market.
C adjustment.
D market domination.

1 .1 .3 The benefit gained by a third party which is not included in the market price is known as ... externality.

A internal
B positive
C negative
D marginal

1.1.4 Actual expenditure of a business on inputs required for production is called ... costs.

A implicit
B total
C average
D explicit

1.1.5 The rate at which the central bank lends money to commercial banks is called ... rate.

A prime
B bank
C repo
D inflation

1.1.6 Religious events are classified under ... tourism.

A eco-
B medical
C business
D cultural

1.1.7 The international protocol and agreement that focus on the eradication of poverty as one of its goals is known as the ...

A Rio+20 Summit.
B Millennium Development Goals.
C Johannesburg Summit.
D World Summit on Sustainable Development.

1.1.8 The ability of the environment to survive its use for economic activity is known as ...

A sustainability.
B deforestation.
C deregulation.
D erosion. (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	where goods are bought and sold illegally
1 .2.2	Duopoly	B	a landmark or area which is selected by the United Nations as having cultural, historical or another form of significance
1 .2.3	Black market	C	the variety of plant and animal life in a particular habitat
1 .2.4	Merit goods	D	a process where trees are removed from the land and not replaced
1 .2.5	Producer price index	E	the period of production in which at least one of the factors of production remains fixed
1 .2.6	Weighted index	F	measures the prices of goods as they leave the factory floor
1 .2.7	World Heritage Site	G	a market that is dominated by two firms
1 .2.8	Deforestation	H	shows the relative importance of an item in a basket of goods and services that are used to calculate inflation
		I	highly desirable for the general welfare of the society

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 A market structure that produces a unique product with no close substitutes

1 .3.2 When the average revenue is greater than the average costs of a firm

1 .3.3 A price set below the market equilibrium to make goods affordable to consumers

1 .3.4 A very high increase in prices that exceeds 50% per month

1 .3.5 Traditional ways of doing things that are unique to a given culture

1 .3.6 A licence given to businesses to pollute to a certain limit (6 x 1)(6)

TOTAL SECTION A: 30

MICROECONOMICS

PERFECT MARKET

QUESTION 2

2.1 Answer the following questions

2.1.1 Give any TWO examples of variable costs. (2 x 1) (2)

2.1.2 Why would a perfectly competitive firm consider shutting down its operations? (1x2)(2)

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

PERFECT MARKET

Free entry and exit mean that new firms can enter or leave the market without facing significant barriers and higher costs. The free flow of firms into and out of the market ensures that there is always a supply of goods and services, and that resources are allocated efficiently. The opportunity to make profit serves as a natural incentive for new firms to enter the market.

2.1.1 Identify ONE characteristic of a perfect market in the extract above. (1)

2.1.2 Give an economic term for a firm that can only sell different quantities of a product at the same market price. (1)

2.1.3 Briefly describe the term *allocative efficiency*. (2)

2.1.4 Explain the importance of complete information to consumers in a perfect market. (2)

2.1.5 How can the entrance of new businesses into a perfectly competitive market affect producers in the long run? (2 x 2) (4)

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

COST AND REVENUE SCHEDULE				
Quantity	TOtal revenue (rands)	Marginal revenue (rands)	Marginal COst (rands)	TOtal COst (rands)
0	0	-	-	100
2	40	20	10	120
4	80	20	8	136
6	120	20	10	156
8	160	20	20	196
10	200	20	A	256

2.3.1 Identify the profit maximisation quantity in the table above. (1)

2.3.2 Name the concept that refers to income earned by a business for each unit sold. (1)

2.3.3 Briefly describe the term implicit cost. (2)

2.3.4 Why is the marginal revenue the same for a perfectly competitive firm when production increases? (2)

2.3.5 Use the information in the table above to calculate the marginal cost (A) if 10 units are produced. Show ALL calculations. (4)

2.4 With the aid of a correctly labelled graph, explain profit maximisation for a perfectly competitive firm using the marginal revenue (MR) and the marginal cost (MC) curves. (8)

2.5 Briefly discuss the role of the Competition Commission and the Competition Tribunal in promoting competition in South Africa. (2x4)(8)

IMPERFECT MARKETS

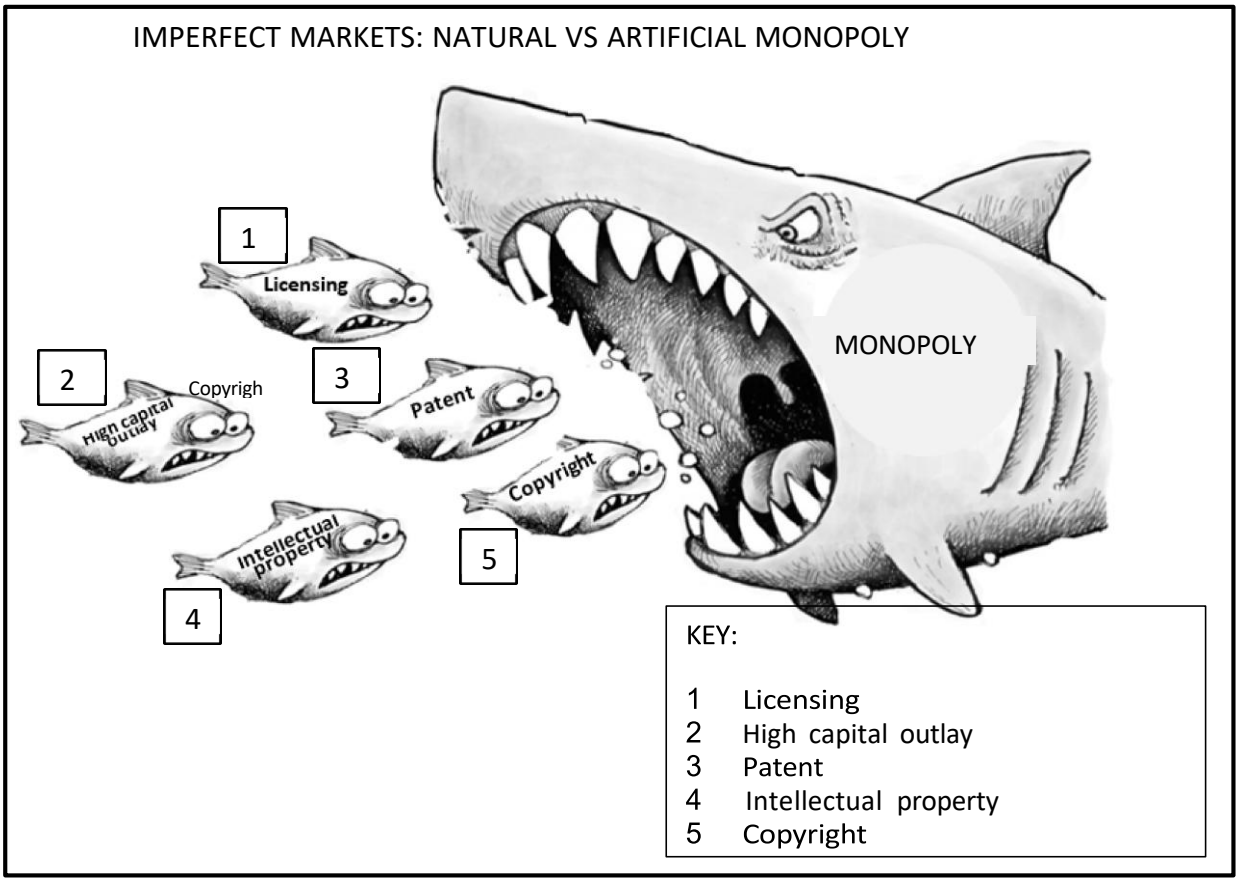
QUESTION 2

2.1 Answer the following questions

2.1 .1 Name any TWO forms (strategies) of non-price competition. (2 x 1)(2)

2.1.2 Why is a monopolistic competitive market regarded as a hybrid market structure? (1x2)(2)

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



[Adapted from https://Davegranwnd.com]

2.2.1 Identify the barrier to entry that protects inventors of new products in the cartoon above. (1)

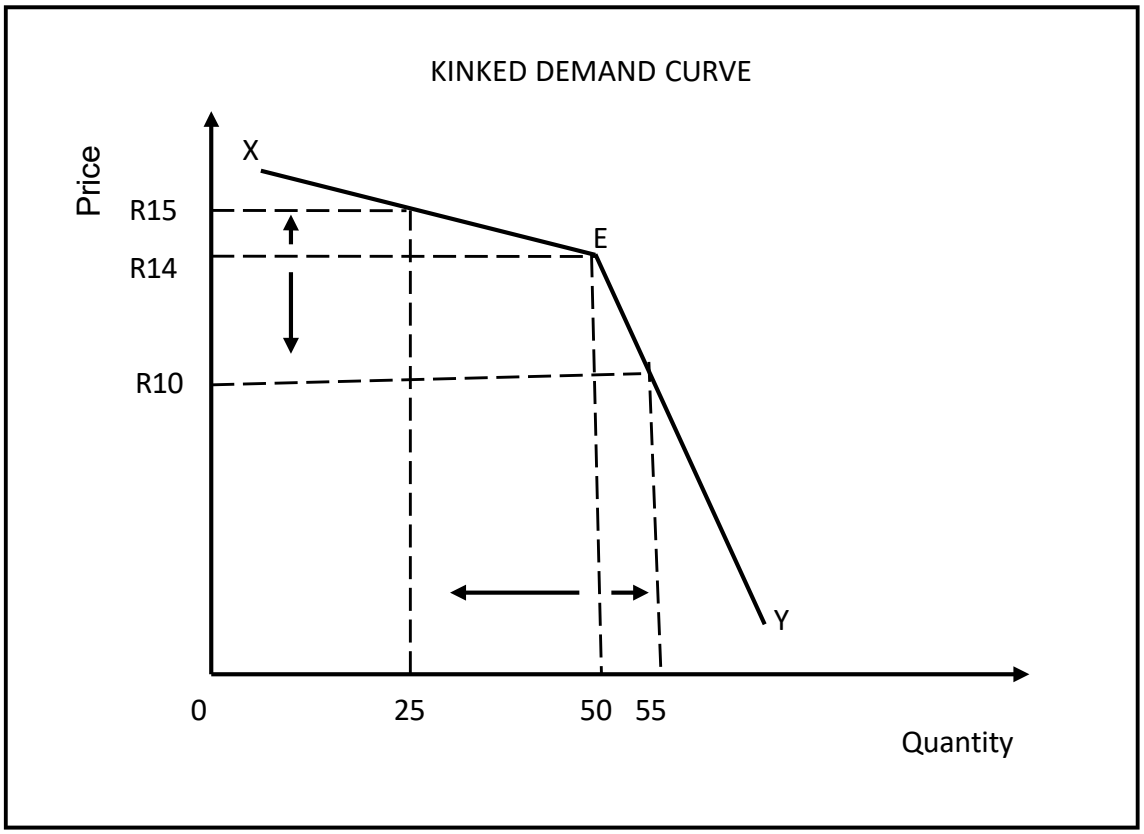
2.2.2 Name the type of profit made by a monopolist in the long run (1)

2.2.3 Briefly describe the term *natural monopoly*. (2)

2.2.4 Explain the reason for the relatively inelastic demand in a monopoly market. (2)

2.2.5 Why is it a challenge for monopolies to charge excessively high prices? (2x2)(4)

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



2.3.1 Identify the relatively inelastic segment (part) of the kinked demand curve in the graph above. (1)

2.3.2 State the nature of products that are sold in a pure oligopoly. (1)

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

2.3.4 How does price fixing negatively affect consumers? (2)

2.3.5 Use the graph above to calculate the change in total revenue if an oligopolist increases its price from R14 to R15. Show ALL calculations. (4)

2.4 With the aid of a correctly labelled graph, explain the relationship between the demand curve (AR) and the marginal revenue curve of a monopoly. (2x4)(8)

2.5 Analyse the positive impact of non-price competition on a monopolistic competitive firm. (4x2)(8)

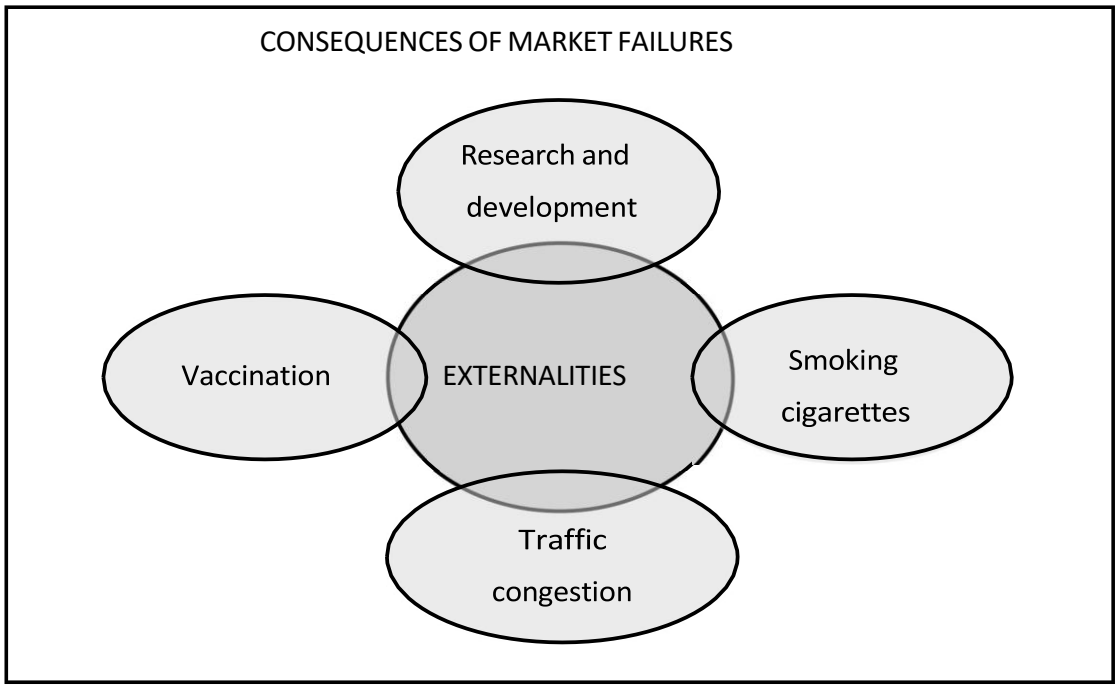
MARKET FAILURES
QUESTION 2

2.1 Answer the following questions

2.1.1 Give any TWO examples of private costs associated with the building of a school. (2x1)(2)

2.1.2 Why does the government impose minimum prices on certain products in the market, such as maize? (2x1)(2)

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



2.2.1 Identify any ONE negative externality in the information above. (1)

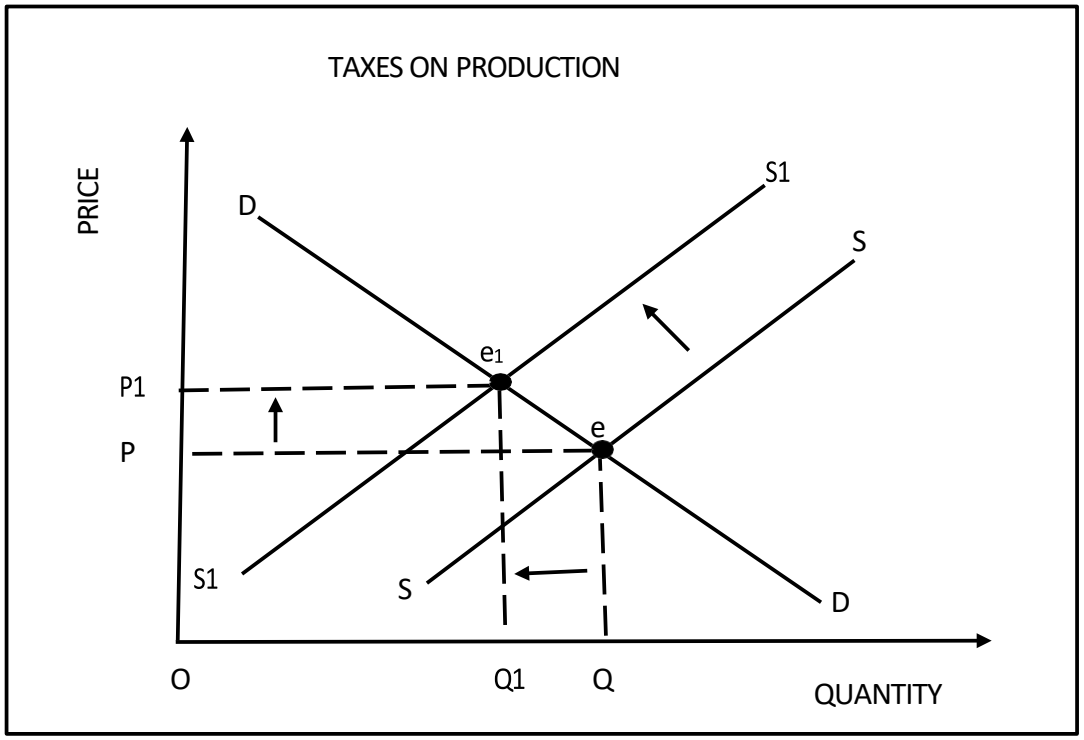
2.2.2 State a private benefit enjoyed by producers of goods and services. (1)

2.2.3 Briefly describe the term social cost. (2)

2.2.4 Why do positive externalities, such as education, lead to market failure? (2)

2.2.5 How can the government discourage the consumption of demerit goods? (2 x 2) (4)

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



2.3.1 Identify the original equilibrium price in the graph above. (1)

2.3.2 Give any ONE example of a direct tax. (1)

2.3.3 Briefly describe the term Pareto efficiency. (2)

2.3.4 Why does the government impose excise duties, such as sin tax, on demerit goods? (2)

2.3.5 How can producer subsidies positively influence the economy? (2 x 2) (4)

2.4 Briefly discuss the immobility of factors of production and lack of information as factors that may lead to misallocation of resources in markets. (2 x 4) (8)

2.5 How would the provision of subsidies to producers positively influence the economy? (4 x 2) (8)

CONTEMPORARY ECONOMIC ISSUES

INFLATION

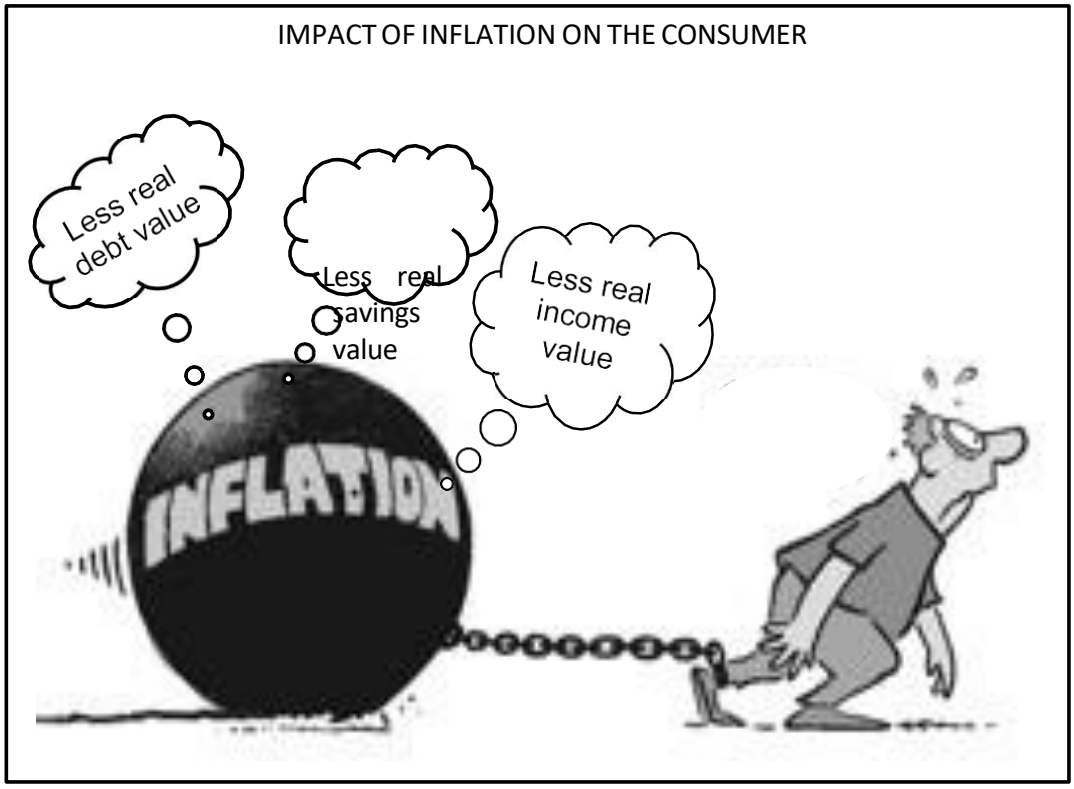
QUESTION 3

3.1 Answer the following questions

3.1.1 Name any TWO ways used to measure inflation. (2 x 1)(2)

3.1.2 How can debtors (borrowers) benefit from inflation? (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 table below and answer the questions that follow.

SOUTH AFRICA'S PRICE INDEXES – 2025

MONTH	PRODUCER PRICE INDEX (PPI)	CONSUMER PRICE INDEX (CPI)
January	101,2	100,3
February	101,6	101,2
March	102,2	101,6
April	102,7	101,9
May	102,4	102,1

[Source: https//www.tradingeconomics.com]

3.3.1 Identify the price index that excludes value-added tax (VAT) in the table above. (1)

3.3.2 Name any ONE institution in South Africa that publishes inflation figures. (1)

3.3.3 Briefly describe the term *demand-pull inflation.* (2)

3.3.4 Explain the purpose of weightings in a consumer basket when measuring inflation. (2)

3.3.5 Use the information in the table above to calculate the month-on-month CPI inflation for March 2025. Show ALL calculations. (4)

3.4 Briefly discuss the consequences of inflation to taxpayers and industrial stability. (8)

3.5 How does high inflation negatively affect the South African economy? (4 x 2)(8)

TOURISM

QUESTION 3

3.1 Answer the following questions.

3.1.1 State any TWO effects of tourism (1x2)(2)

3.1.2 Why does the government levy or impose taxes on tourism activities? (2x1)(2)

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

TOURISM TRANSFORMATION FUND

The Tourism Transformation Fund (TTF) is a capital investment funding mechanism established by the Department of Tourism. It was established in collaboration with the National Empowerment Fund (NEF) and focuses on financial support for entrepreneurs investing in the tourism sector.

The TTF provides grant funding, debt financing and equity contributions to facilitate capital investment in the tourism sector. Through partnerships, the NEF is responsible for administering the TTF.

3.2.1 Identify a government initiative that provides financial assistance to tourism investments in the extract above. (1)

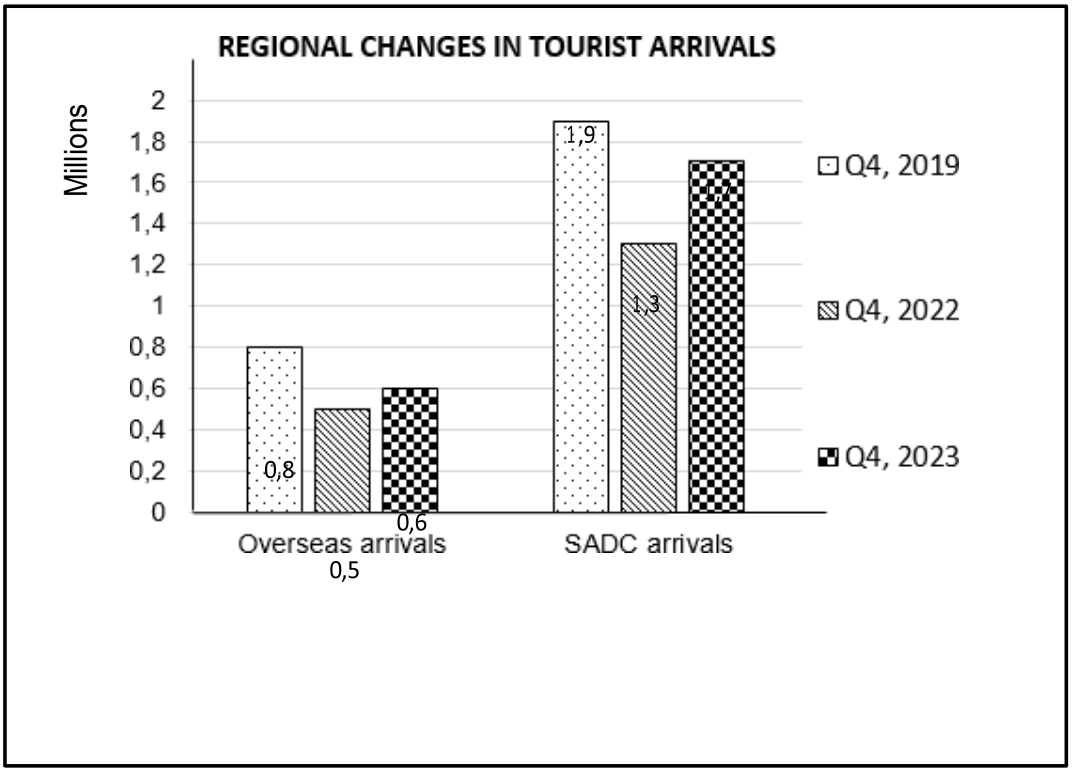
3.2.2 Name an economic sector under which tourism is classified. (1)

3.2.3 Briefly describe the term cultural tourism. (2)

3.2.4 Explain the importance of public-private partnerships (PPPs) in developing tourist destinations. (2)

3.2.5 How can natural disasters negatively impact the tourism industry? (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 the effects of tourism on gross domestic product (GDP) and poverty. (2 x 4) (8)

3.5 Analyse the strategies (ways) that can be used to promote tourism in South Africa. (4 x 2) (8)

ENVIRONMENTAL SUSTAINABILITY

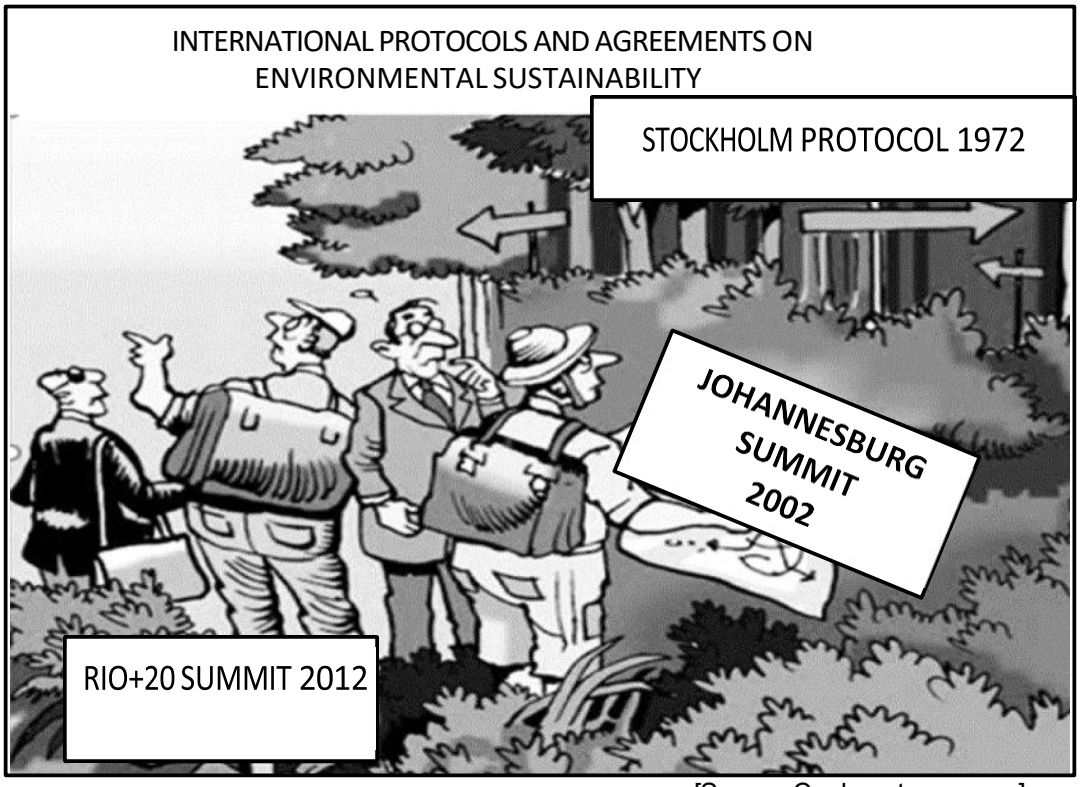
QUESTION 3

3.1 Answer the following questions

3.1.1 Name any TWO approaches used in command and control systems for ensuring environmental sustainability. (2 x 1)(2)

3.1.2 How can soil erosion impact agricultural production? (1 x 2) (2)

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



[Source: Caglecartoons.com]

3.2.1 Identify, in the cartoon above, the international agreement that refers to the world summit on sustainable development. (1)

3.2.2 State the environmental problem that relates to the removal of trees. (1)

3.2.3 Briefly describe the term marketable permit. (2)

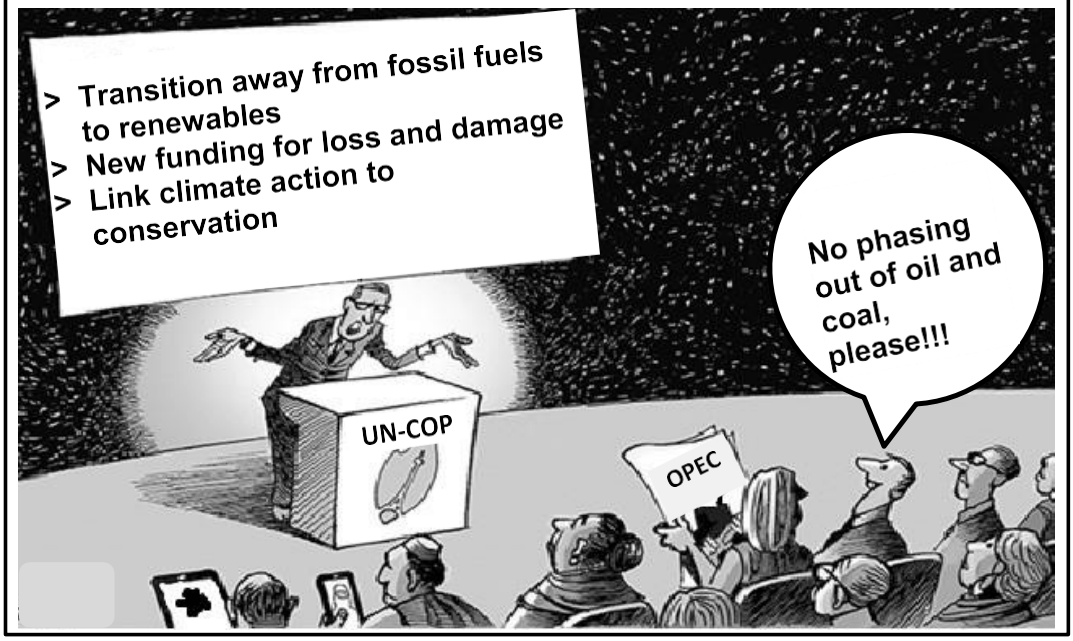
3.2.4 Explain the impact of the loss of indigenous knowledge on the environment. (2)

3.2.5 Why do markets fail to ensure environmental sustainability? (2 x 2)(4)

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

COP-28, DUBAI 2023

Assessing world efforts to address climate change



[Adapted from www.greenhumour.com]

3.3.1 Identify a term in the cartoon above that relates to natural resources that can be replaced when used. (1)

3.3.2 Name any ONE international agreement that was made to reduce climate change. (1)

3.3.3 Briefly describe the term global warming. (2)

3.3.4 Why does the government impose (levy) green taxes on certain goods and services? (2)

3.3.5 Explain the environmental benefits of reducing the use of fossil fuels. (2 x 2) (4)

3.4 Briefly discuss the conservation and preservation in relation to the state of the environment (8)

3.5 Analyse the various international measures in reducing climate change. (4 x 2)(8)

QUESTION 4

Note: QUESTION 4 of SECTION B is a combination of the two main topics (MICROECONOMICS & CONTEMPORARY ECONOMIC ISSUES). Each weigh 20 MARKS making a total of 40 MARKS.

A typical structure of section B is used as follows:

4.1.1 MICROECONOMICS – Low order (command verbs: give, name, list) (2 MARKS)

4.1.2 CONTEMPORARY ECONOMIC ISSUES – Middle order (command verbs: how, why and what) (2 MARKS)

4.2 MICROECONOMICS – Middle order (scenario / extract/ cartoon/ graph/ table) (10 MARKS)

4.3 CONTEMPORARY ECONOMIC ISSUES – Middle order (scenario / extract/ cartoon/ graph/ table) (10 MARKS)

4.4 MICROECONOMICS – Middle order (command verbs: briefly discuss, explain, distinguish, with aid of a well labelled graph) (8 MARKS)

4.5 CONTEMPORARY ECONOMIC ISSUES – High order (command verbs: evaluate, analyse, justify, how, why) (8 MARKS)

SECTION C – ESSAYS

QUESTION 5 - MICROECONOMICS

PERFECT MARKET

- Discuss in detail the various equilibrium positions with the aid of graphs. (26 marks)
- Evaluate the impact of perfect competition on consumers. (10 marks)

IMPERFECT MARKET

- Discuss in detail the characteristics of a monopoly market structure, including a graph showing long-run economic profit. (26 marks)
- How can the government prevent the abuse of market power by dominant businesses? (10 marks)

AND

- 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)

AND

- Compare and contrast the market structures of monopolistic competition with an oligopoly in detail. (26 marks) **(NOTE: COMPARISON CAN BE BETWEEN ANY MARKET STRUCTURES)**
- How can collusion negatively affect the economy? (10 marks)

MARKET FAILURE

- Discuss in detail the factors leading to the misallocation of resources in the market(causes of market failure) (26 marks)
- Analyse the impact of minimum prices in the economy (10 marks)

AND

- Discuss in detail state intervention as a consequence of market failure with the aid of relevant graphs, (26 marks)
- Why do markets fail to provide public goods? (10 marks)

QUESTION 6 - CONTEMPORARY ECONOMIC ISSUES

INFLATION

- Discuss in detail the consequences of inflation (26 marks)
- How can the continued stages of loadshedding cause inflation (10 marks)

AND

- Discuss in detail the measures to combat inflation. (26 marks)
- How can South Africa's trading partners, such as USA and China, influence the domestic inflation rate? (10 marks)

TOURISM

- Discuss in detail the effects of tourism (26 marks)
- How can South Africa's tourism profile be used to promote tourism in South Africa? (10 marks)

AND

- Examine in detail the benefits of tourism.(26 marks)
- Analyse the importance of Indigenous Knowledge Systems (IKS) in promoting tourism. (1 0 marks)

ENVIRONMENTAL SUSTAINABILITY

- 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)

AND

- Discuss, in detail, the environmental problems together with the international measures taken to ensure sustainable development. (26 marks)
- Evaluate the impact of environmental subsidies on businesses. (10 marks)

SOLUTIONS

NSC JUNE 2026

QUESTION 1 30 MARKS – 20 MINUTES

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 D / explicit ✓✓
1.1.2 A / marginal cost ✓✓
1.1.3 D / overt collusion ✓✓
1.1.4 B / external ✓✓
1.1.5 C / hyperinflation ✓✓
1.1.6 A / medical ✓✓
1.1.7 C / internet facilities ✓✓
1.1.8 B / voluntary agreements✓✓ (8 x 2)(16)

1.2 MATCHING ITEMS

1.2.1 H / when a business's average revenue is equal to average variable cost ✓
1.2.2 G / the income received by the firm for selling one unit of a product ✓
1.2.3 I / a situation where average cost rises as production output increases ✓
1.2.4 A / a technique used to evaluate the total social costs and the total social benefits associated with a public project ✓
1.2.5 D / low growth, high unemployment and high inflation rate occurring at the same time ✓
1.2.6 C / believe that inflation is caused by an increase in the total money supply in the economy ✓
1.2.7 E / a command and control approach that focuses on the amount of environmental pollution emitted ✓
1.2.8 B / the activities of people travelling to places to play sport, visit friends and experience new attractions ✓ (8 x 1)(8)

1.3 CONCEPTS

1.3.1 Short-run / Short-term ✓
1.3.2 Deregulation ✓
1.3.3 Private benefits / Internal benefits ✓
1.3.4 Headline inflation / Headline consumer price inflation ✓
1.3.5 Business tourism ✓
1.3.6 Preservation ✓

(6 x 1) (6)

TOTAL SECTION A: 30

NSC NOV 2025

SECTION A (COMPULSORY) QUESTION 1

1 .1 MULTIPLE-CHOICE QUESTIONS

1 .1 .1 D — average fixed ✓✓

1 .1 .2 A — relatively elastic ✓✓

1 .1 .3 D — minimum price ✓✓

1 .1 .4 C — productive ✓✓

1 .1 .5 B — decline. ✓✓

1 .1 .6 B — business ✓✓

1 .1 .7 C — communication ✓✓

1 .1 .8 A — recycling ✓✓ (8 x 2) (1 6)

1 .2 MATCHING ITEMS

1 .2.1 E - goods that are identical in terms of appearance, packaging and quality ✓

1 .2.2 D - a firm that has no influence over the market price ✓

1 .2.3 G - a agreement among firms within the same industry to reduce competition by fixing prices ✓

1 .2.4 B - people who enjoy goods and services without paying for them ✓

1 .2.5 F - monetary policy approach used by the SARB to keep price changes within 3-6%✓

1 .2.6 I - activities of people visiting places to enjoy the natural environment ✓

1 .2.7 C - the activities of people travelling to and staying in places outside their usual environment ✓

1 .2.8 A - method used to prevent the extinction of non-renewable resources✓ (8 x 1)(8)

1 .3 GIVE THE TERM

1 .3.1 Unregulated market / Perfect market / Free market ✓

1 .3.2 Market share ✓

1 .3.3 Cost benefit analysis✓

1 .3.4 Cost-push inflation ✓

1 .3.5 World heritage site ✓

1 .3.6 Global warming ✓ (6 x 1)(6)

TOTAL SECTION A: 30

NSC JUNE 2025

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) (1 6)

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

NSC NOV 2024

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) (1 6)

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 .2.8C - 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

NSC NOV 2023

QUESTION 1

1 .1 MULTIPLE CHOICE

1 .1 .1 C- fixed ✓✓

1 .1 .2 A- deregulation ✓✓

1 .1 .3 B- positive ✓✓

1 .1 .4 D- explicit ✓✓

1 .1 .5 C- repo ✓✓

1 .1 .6 D- Cultural ✓✓

1 .1 .7 B- Millennium Development Goals ✓✓

1 .1 .8 A- sustainability ✓✓ (8 x 2) (1 6)

1 .2 MATCH ITEM

1 .2.1 E- the period of production in which at least one of the factors of production remains fixed ✓

1 .2.2 G- a market that is dominated by two firms ✓

1 .2.3 A- where goods are bought and sold illegally ✓

1 .2.4 I- highly desirable for the general welfare of the society ✓

1 .2.5 F- measures the prices of goods as they leave the factory floor ✓

1 .2.6 H- shows the relative importance of an item in a basket of goods and services that are used to calculate inflation ✓

1 .2.7 B- a landmark or area which is selected by the United Nations as having cultural, historical or another form of significance ✓

1 .2.8 D- a process where trees and forests are removed from the land and not replaced ✓

(8 x 1) (8)

1 .3 CONCEPTS

1 .3.1 Monopoly ✓

1 .3.2 Economic profit✓

1 .3.3 Maximum price / price ceiling ✓

1 .3.4 Hyperinflation ✓

1 .3.5 Indigenous Knowledge Systems ✓

1 .3.6 Marketable permit ✓ (6 x 1) (6)

TOTAL SECTION A: 30

PERFECT MARKETS

QUESTION 2

2.1.1 Give any TWO examples of variable costs.

- Raw materials ✓
- Electricity ✓
- Wages / Direct labour✓
- Water ✓

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

2.1.2 Why would a perfectly competitive firm consider shutting down its operation

- A perfectly competitive firm will shut down because its average revenue cannot cover all the average variable cost or total revenue is not able to cover its variable cost of production. //

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

2.2 DATA RESPONSE

2.2.1 Identify ONE characteristic of a perfect market in the extract above.

- Free entry and exit ✓
- Resources are allocated efficiently ✓ (1)

2.2.2 Give an economic term for a firm that can only sell different quantities of a product at the same market price.

- Price taker ✓(1)

2.2.3 Briefly describe the term allocative efficiency.

- When markets allocate resources optimally in such a manner that the product mix corresponds with consumers' preferences ✓✓
- The state of the market where businesses produce a combination of goods and services that the society most desire ✓✓
- Allocative efficiency means that the quantities of goods and services supplied by producers are equal to the quantities demanded by consumers. ✓✓

(Accept any other correct relevant response) (2)

2.2.4 Explain the importance of complete information to consumers in a perfect market.

- When consumers have full information about market conditions, they can make informed decisions on when buying products. ✓✓
- Consumers are less likely to be exploited if they have full knowledge about the market. ✓✓

(Accept any other correct relevant response) (2)

2.2.5 How can the entrance of new businesses into a perfectly competitive market affect producers in the long run?

- The existing businesses will be forced to sell their product at a lower price due to the increase in market supply. ✓✓
- The entrance of new businesses will increase the level of competition resulting in the existing businesses making lower profit. ✓✓
- In the long-run the economic profit will be eliminated and the existing firms will earn normal profit. ✓✓
- The existing firms may lose some of their customers to the new entrants, which leads to reduced sales. ✓✓

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

2.3 DATA RESPONSE

2.3.1 Identify the profit maximisation quantity in the table above.

- 8 ✓ (1)

2.3.2 Name the concept that refers to the income earned by a business for each unit sold.

- Average revenue ✓ (1)

2.3.3 Briefly describe the term *implicit cost*.

- The value of inputs owned by the entrepreneur and used in the production process.✓✓

(Accept any other correct relevant response) (2)

2.3.4 Why is the marginal revenue the same for a perfectly competitive firm when production increases?

- A perfectly competitive firm sells every additional unit of a product at the same prices✓✓

(Accept any other correct relevant response) (2)

2.3.5 Use the information in the above table to calculate the marginal cost (A) if 1 0 units are produced. Show all calculations.

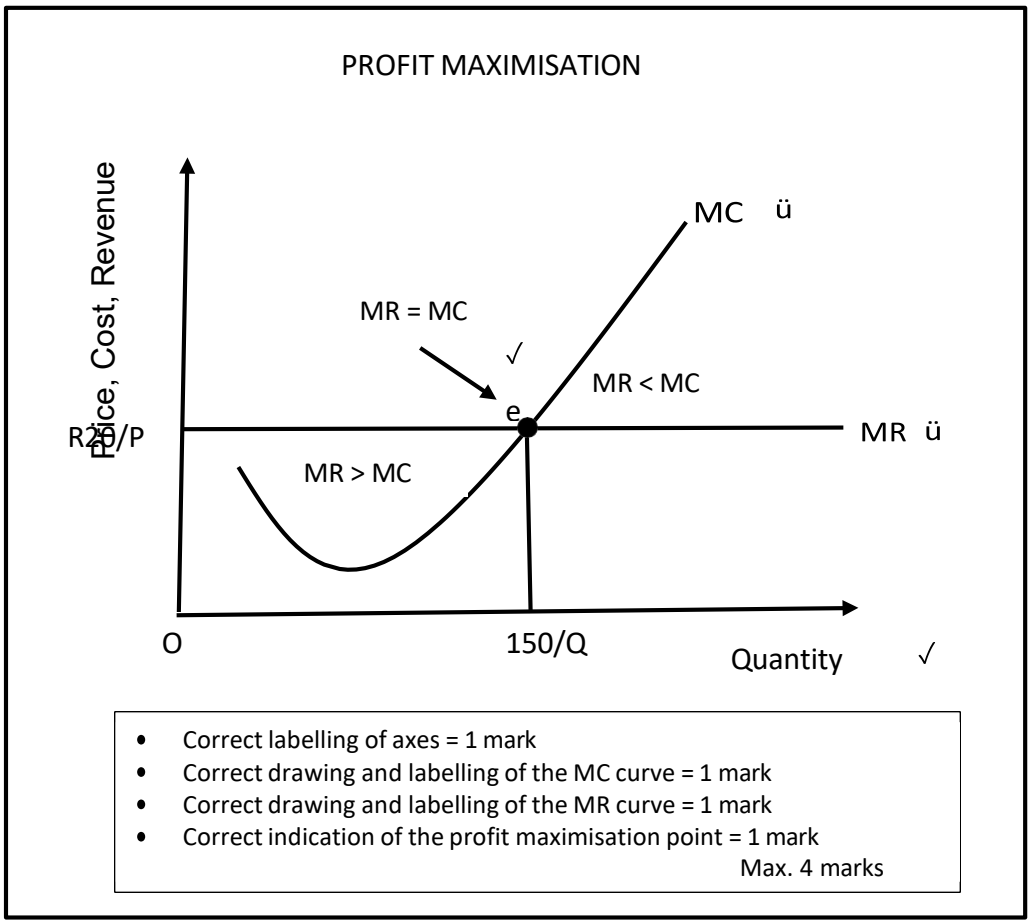
Marginal cost (A) = ΔTC / ΔQ

= (R256 — R1 96)✓ / (1 0 — 8)✓

= 60 / 2 ✓

= 30 ✓ (4)

2.4 With the aid of a correctly labelled graph, explain profit maximisation for a perfectly competitive firm using the marginal revenue (MR) and marginal cost (MC) curves.



- Correct labelling of axes = 1 mark
- Correct drawing and labelling of the MC curve = 1 mark
- Correct drawing and labelling of the MR curve = 1 mark
- Correct indication of the profit maximisation point = 1 mark

Max. 4 marks

- The firm maximises profit where marginal revenue is equal to marginal cost (MR = MC). ✓✓
- Profit is maximised when the firm produces 150/Q units at a price of R20/P✓✓
- When the quantities produced are fewer than 150/Q (MR>MC), the firm must increase the quantities produced in order to maximise profit. ✓✓
- When the quantities produced are more than150/Q (MR<MC), the firm must decrease the quantities produced in order to maximise profit. ✓✓

(Accept any other correct relevant response) (Max. 4) (8)

2.5 Briefly discuss the role of the *Competition Commission* and the *Competition Tribunal* in promoting competition in South Africa.

Competition Commission

- The Competition Commission investigates restrictive business practices and the abuse of market power by businesses. ✓✓
- It decides if mergers and acquisitions should go ahead or not. ✓✓
- The Competition Commission makes recommendations to the Competition Tribunal on penalties for businesses that it finds guilty of anticompetitive behaviour. ✓✓ (2 x 2)

Competition Tribunal

- The Competition Tribunal adjudicates on matters referred to it by the Competition Commission and issues any order for costs. ✓✓
- It can accept, reject or amend the recommendations of the Competition Commission. ✓✓
- The Competition Tribunal has jurisdiction throughout the Republic. ✓✓
- The Competition Tribunal grants exemptions, authorises or prohibits large mergers. ✓✓

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

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

IMPERFECT MARKETS

QUESTION 2

2.1 Answer the following questions

2.1 .1 Name any TWO forms (strategies) of non-price competition.

- Doing business over the internet ✓
- After-sales service ✓
- Loyalty rewards for customers ✓
- Door-to-door deliveries ✓
- Building brand loyalty and product recognition ✓
- Offering additional services (free travel insurance by banks) ✓
- Product differentiation and efficient service ✓
- Convenience shopping e.g. extended shopping and business hours ✓
- Advertising ✓
- Sales promotion ✓
- Product proliferation ✓

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

2.1.2 Why is a monopolistic competitive market regarded as a hybrid market structure?

- It combines the characteristics of both perfect competition and a monopoly. ✓✓
  (Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 Identify the barrier to entry that protects inventors of new products in the cartoon above.

- Patent ✓ (1)

2.2.2 Name the type of profit made by a monopolist in the long-run.

- Economic profit / Supernormal profit / Abnormal profit ✓ (1)

2.2.3 Briefly describe the term natural monopoly.

- A single supplier of a product that exists due to high development cost / A single business that can serve the whole market at a lower price due to economies of scale✓✓
  (Accept any other relevant correct response) (2)

2.2.4 Explain the reason for the relatively inelastic demand in a monopoly market.

- Monopolists sell unique products with no close substitutes / Consumers have no other alternative options of goods and services. ✓✓
- Competition is limited due to the unique nature of the product or huge capital is needed to start the business. ✓✓
  (Accept any other relevant correct response) (2)

2.2.5 Why is it a challenge for monopolies to charge excessively high prices?

- Monopoly is limited by the market demand and consumers' budgets may limit buying if prices are too high. ✓✓
- A monopolist's product still has to compete for consumers' favour with all other products in the economy. ✓✓
- Price increases are sometimes regulated by the government to protect the consumer✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

2.3 DATA RESPONSE

2.3.1 Identify the relatively inelastic segment (part) of the kinked demand curve in the graph above.

- EY ✓ (1)

2.3.2 State the nature of products that are sold in a pure oligopoly.

- Homogeneous / Identical ✓ (1)

2.3.3 Briefly describe the term duopoly.

- An oligopoly market structure that is dominated by or consists of only two suppliers of a particular product or service. ✓✓
  (Accept any other correct relevant response) (2)

2.3.4 How does price fixing negatively affect consumers?

- Consumers may pay higher prices for goods and services leading to a higher cost of living. ✓✓
- Consumers may fail to satisfy some of their needs which leads to a lower standard of living. ✓✓
- Consumers may be exposed to poor quality products due to less competition between the producers. ✓✓
  (Accept any other correct relevant response) (2)

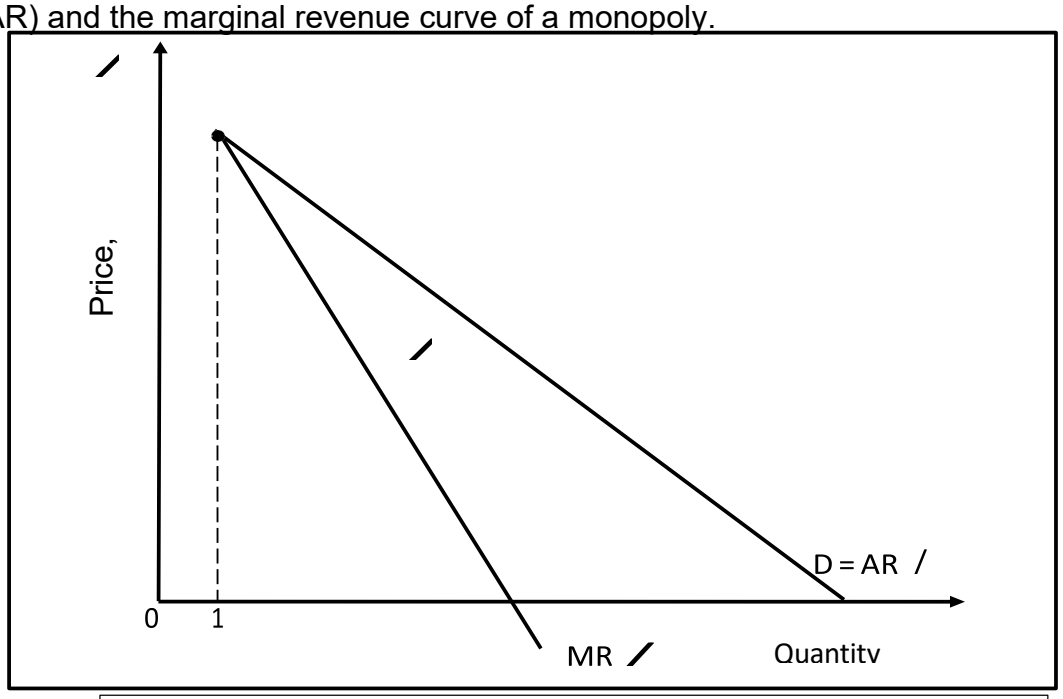
2.3.5 Use the graph above to calculate the change in total revenue if the oligopolist increases its price from R14 to R15. Show ALL calculations.

Change in total revenue = $TR_1 - TR_0$
= (R15 x 25) – (R14 x 50) ✓
= R375✓ – R700✓
= <u>- R325</u> ✓

OR

TR_1 = (R15 x 25)
=R375✓
TR_0 = (R14 x 50)
= R700✓
Change in total revenue = $TR_1 - TR_0$
= R375 – R700 ✓
= <u>- R325</u> ✓ (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) Correct drawing and labelling of the marginal revenue curve	= 1 mark = 1 mark
Correct positioning of the MR curve in relation to the demand curve (AR) = 1 mark	

- 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. ✓✓

(Accept any other correct relevant response) Max 4 (8)

2.5 Analyse the positive impact of non-price competition on a monopolistic competitive firm.

- The use of non-price competition may help the business to avoid price wars which will allow it to earn higher profits. ✓✓
- The business may gain more customers than its competitors through advertising and sales promotions. ✓✓
- The business can improve its profitability through increased sales by extending its shopping hours. ✓✓
- Innovation and creativity may be promoted through product differentiation and the introduction of new products. ✓✓
- The business may retain its customers by offering loyalty rewards. ✓✓
- The firm may increase customer satisfaction by offering after-sales services, such as free delivery. ✓✓
- Accessibility of the business' product may increase by doing business over the internet. ✓✓
- The product may be easily identified by customers through product differentiation and branding. ✓✓
- The business may create brand loyalty by offering unique and better-quality products that meet customers' expectations. ✓✓

(Accept any other correct relevant response)

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

MARKET FAILURES

QUESTION 2

2.1 Answer the following questions.

2.1.1 Give any TWO examples of private costs associated with the building of a school.

- Building material costs ✓
- Labour costs ✓
- Overhead costs ✓
- The cost of land ✓
- Water and electricity ✓
- (Accept any other correct relevant response) (2 x 1) (2)

2.1.2 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)

2.2 DATA RESPONSE

2.2.1 Identify any ONE negative externality from the above information.

- Smoking cigarettes ✓
- Traffic congestion ✓ (1)

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

- Profit ✓
- Sales revenue ✓ (1)

2.2.3 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)

2.2.4 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)

2.2.5 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)

2.3 DATA RESPONSE

2.3.1 Identify the original equilibrium price in the graph above.

- P ✓ (1)

2.3.2 Give any ONE example of a direct tax.

- Pay As You Earn/PAYE/Personal income tax ✓
- Corporate tax / Company tax ✓
- Capital Gain Tax/CGT ✓

(Accept any other correct relevant response) (1)

2.3.3 Briefly describe the term Pareto efficiency.

- A situation whereby resources are allocated in such a way that no one can be made better off without making someone else worse off. ✓✓

(Accept any other correct relevant response) (2)

2.3.4 Why does the government impose excise duties, such as sin tax, on demerit goods?

- To recover the external costs that are caused by the consumption of demerit goods. ✓✓
- To discourage the consumption of demerit goods by making them more expensive✓✓

(Accept any other correct relevant response) (2)

2.3.5 How can producer subsidies positively influence the economy?

- Producers will incur lower cost of production which may reduce inflation in the economy ✓✓
- Businesses may be encouraged to produce more goods and services which stimulates economic growth ✓✓
- Increase in production may create more job opportunities thereby reducing unemployment in the economy ✓✓
- Consumers may pay lower prices for goods and services leading to higher consumers spending. ✓✓

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

2.4 Briefly discuss the immobility of factors of production and lack of information as factors that may lead to misallocation of resources in markets.

Immobility of factors of production

- Most markets do not adjust rapidly to changes in supply and demand due to immobility of factors of production. ✓✓
- Labour may take time to move into new occupations due to skills that may need to be upgraded / The supply of skilled labour cannot be increased immediately because of the time it takes to be trained. ✓✓
- Labour may take time to move geographically to meet the changes in consumer demand due to high relocation cost and social ties. ✓✓
- Physical capital, such as factory buildings and infrastructure cannot be moved to fit a change in demand. ✓✓
- Other physical capital, such as machinery and equipment, may be moved from one place to another at higher cost. ✓✓
- Technological applications change production methods, but it takes time for most industries to adapt. ✓✓example, the use of robots rather than physical labour.✓
- Greater technological change requires workers to be flexible and update their skills to change employment, occupations and work patterns which may take time. ✓(2x2)

Lack of information

- Consumers, workers and entrepreneurs do not always have the necessary information at their disposal to make rational decisions. ✓✓
- Despite the advances in technology, consumers still lack information about products and producers to maximise their utility. ✓✓
- Workers may be unaware of job opportunities outside their current employment to ensure that they use their labour effectively. ✓✓
- Entrepreneurs may lack information about the costs, availability and productivity of some factors of production which may lead to productive inefficiency. ✓ ✓ (2 x 2)

(Accept any other correct relevant response)
(A maximum of 4 marks may be allocated for mere listing of facts/examples)

2.5 How would the provision of subsidies to producers positively influence the economy?

- Firms produce more goods and services due to reduced costs of production. ✓✓
- Consumers are able to buy goods and services at lower prices which will increase consumer spending. ✓✓
- Production levels increase resulting in economic growth and creation of more job opportunities ✓✓
- Total income and aggregate demand increase due to an increase in the level of employment ✓✓
- The government will collect more tax revenue as businesses will generate more income from higher production levels. ✓✓
- Export subsidies may increase exports which will improve the balance of payments. ✓✓

- The value of the country's currency would appreciate due to increased level of exports. ✓✓
  (Accept any other relevant correct response) (4 x 2)
  (Allocate a maximum of 2 marks for mere listing of facts) (8)

INFLATION

QUESTION 3

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 debtors (borrowers) benefit from inflation?

- During periods of rising prices, debtors gain in real terms because they repay loans with money that has low purchasing power. ✓✓
  (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 price index that excludes value added tax (VAT).

- Producer price index / PPI ✓ (1)

3.3.2 Name any ONE institution in South Africa that publishes inflation figures.

- South African Reserve Bank / SARB ✓
- Statistics South Africa / Stats SA ✓ (1)

3.3.3* Briefly describe the term *demand-pull inflation.

- An increase in the general price level which is caused by the level of aggregate demand being in excess of aggregate supply in the economy✓✓
- An increase in prices which is caused by money supply growing faster than real output or too much money chasing too few goods. ✓✓

(Accept any other correct relevant response) (2)

3.3.4 Explain the purpose of weightings in a consumer basket when measuring inflation.

- Weightings reflect the relative importance of an item to consumers or the percentage of consumers' income spent on the item. ✓✓

(Accept any other correct relevant response) (2)

3.3.5 Use the information in the table above to calculate the month-on-month CPI inflation for March 2025. Show ALL calculations.

MoM Inflation rate (March) = $(CPI_{March} - CPI_{February}) / CPI_{February} \times 100$
= (101,6 -101,2) ✓ / 101,2 ✓ x 100 ✓
= 0,4/101,2 x 100
= 0.395 / 0.4 ✓

OR

MoM Inflation rate (March) = (CPI_{March}/$CPI_{February}$) - 1 x 100
= (101.6 /101,2) ✓ -1✓ x 100 ✓
= (1.00395 -1) x 100
= 0.395 / 0.4 ✓

3.4 Briefly discuss the consequences of inflation to tax payers and industrial stability.

Tax payers:

- With inflation, taxpayers' nominal income (wages and salaries) rise even when their real income remains unchanged. ✓✓
- When the income tax schedule remains unchanged, inflation increases the average rate of personal income tax. ✓✓
- Individuals will have to pay higher taxes even if they are actually no better off than before. ✓✓
- Tax payers experience bracket creep, resulting from inflation and progressive income tax as well as the government benefits. ✓✓
  (Accept any other relevant and correct response) (Max. 4)

Industrial Stability:

- High inflation often disturbs industrial peace and makes consumers to demand higher wages. ✓✓
- Wage bargaining usually comes because of a decrease in real wages due to high rate of inflation, and are often accompanied by strikes and mass action. ✓✓
- The presence of exceptionally high inflation together with a government that is determined not to yield to wage increase demands, may sometimes spill over into violence, which affects society. ✓✓
  (Accept any other relevant and correct response) (Max. 4)
  (Allocate a maximum of 4 marks for mere listing of facts) (8)

3.5 How does high inflation negatively affect the South African economy?

- Inflation reduces the purchasing power of money as fewer goods will be bought which reduces the standard of living of households. ✓✓
- High inflation may cause uncertainty and instability in the economy as it may be difficult to predict future costs. ✓✓
- Inflation may reduce the level of investment in the economy resulting in a decrease in the production of goods and services. ✓✓
- The level of poverty may increase as low-income groups spend a large part of their income on basic food. ✓✓
- Inflation increases income inequality in a country and negatively affects people with fixed income the most. ✓✓
- Higher interest rates may result in reduced investment and demand for goods and services which may slow economic growth. ✓✓
- Inflation may lead to less savings which will reduce capital investment by businesses and increase unemployment levels in the country. ✓✓
- Export prices will increase, making local businesses less competitive on global markets. ✓✓

- Reduced exports will decrease export earnings, which may increase the deficit on the balance of payments and weaken the exchange rate. ✓✓
  (Accept any other correct relevant response) (4 x 2)
  (Allocate a maximum of 2 marks for mere listing of facts) (8)

TOURISM

QUESTION 3

3.1

3.1.1 State any TWO effects of tourism

- Increase GDP✓
- Increase employment ✓
- Reduce poverty✓
- Causes environmental stress✓
- Improves investments✓
  (Accept any other correct relevant response)

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 government initiative that provides financial assistance to tourism investments in the extract above.

- Tourism Transformation Fund / TTF ✓ (1)

3.2.2 Name the economic sector under which tourism is classified.

- Tertiary sector ✓ (1)

3.2.3 Briefly describe the term cultural tourism.

- The activities of people travelling to museums and art galleries to learn and engage more in the culture of the place they are visiting. ✓✓
  (Accept any other correct relevant response) (2)

3.2.4 Explain the importance of public-private partnerships (PPPs) in developing tourist destinations.

- Public-private partnerships allow the government and private sector businesses to share resources and costs in developing tourist destinations in the country. ✓✓
- The government may provide capital to develop infrastructure in tourist destinations while private sector businesses provide capital to establish tourism businesses. ✓✓
- The public sector may provide financial incentives to the private sector for tourism investments. ✓✓

(Accept any other correct relevant response) (2)

3.2.5 How can natural disasters negatively impact the tourism industry?

- Natural disasters, such as floods and cyclones, may create unfavourable conditions for tourists to participate in certain tourism activities. ✓✓
- Damaged infrastructure due to natural disasters may discourage people to visit tourists' destinations. ✓✓
- Natural disasters can result in loss of wildlife, beaches, forests and cultural sites which may reduce tourism activities. ✓✓

(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 the effects of tourism on gross domestic product /GDP) and poverty.

Gross Domestic Product /GDP)

- Tourism impacts more on the service industry and contributes to the country's GDP directly and indirectly to the economy. ✓✓
- The direct contribution of tourism reflects internal spending on tourism by residents and non-residents for business and leisure purposes on items such as food, accommodation, transport, etc. ✓✓
- The indirect contribution includes purchases from suppliers of goods and services by the sectors dealing directly with tourists, including purchases of cleaning services by hotels, fuel and catering services by airlines, and services by travel agents. ✓✓ (2 x 2)

Poverty

- Tourism is widely recognised as one of the fastest and more effective redistribution mechanisms in bringing development to the poor in rural areas. ✓✓
- Tourism provides an alternative to urbanisation, permitting people to continue a rural family lifestyle and enfranchising both women and the youth. ✓✓
- Tourism offers opportunities to diversify sources of income for poor people. ✓✓
- Tourism allows people to start and operate small-scale tourism businesses around community assets, such as forests, parks and rivers. ✓✓
- Households may establish SMMEs to provide services to tourists, such as retail, transport and accommodation. ✓✓
- Tourism empowers people in rural communities to exploit opportunities of on-the-job and other training. ✓✓
- Tourism may create partnerships for rural communities by linking up with mainstream tourism businesses supplying goods or services. ✓ ✓ (2 x 2)

(Accept any other correct relevant response)

(A maximum of 4 marks may be allocated for mere listing of facts/examples) (8)

3.5 Analyse the strategies (ways) that can be used to promote tourism in South Africa.

- South Africa may promote tourism through increased marketing and advertising of different tourist destinations to create awareness and encourage travelling. ✓✓ For example, the Shot 'left campaign ✓
- Improving infrastructure, such as communication and transport, in tourist destinations can help to attract tourists to different tourist sites around the country. ✓✓
- Establishing new tourist sites and properly maintaining the existing ones may improve South Africa's tourism profile and attract more tourists. ✓✓
- Rewarding businesses and individuals who improve the quality of tourism services may help to promote excellence in tourism. ✓✓
- Enhancing the efficiency of tourism information services may help to distribute tourists to different tourist sites across the country. ✓✓
- Promoting special holiday packages, such as the special off-season rates, may encourage domestic tourists to travel within the country ✓✓
- Making use of tourism indaba to showcase South Africa's best tourism products may attract international visitors from across the world. ✓✓
- Promoting local culture and offering tourists an authentic experience at cultural villages may help to increase international tourist arrivals, ✓✓ e.g. the Shangana village in Mpumalanga ✓
- Promoting the World Heritage Sites, such as the Robben Island, may attract tourists to visit and experience the environmental and cultural uniqueness of South Africa ✓✓
- Promoting art festivals, such as the National Arts Festival held in Grahamstown (Makhanda), may attract more international tourists to visit South Africa. ✓✓
- Imposing fair taxes on tourism activities may encourage foreign tourists to visit South Africa. ✓✓

(Accept any other correct relevant response) (4 x 2)
(A maximum of 2 marks may be allocated for mere listing of facts/examples) (8)

ENVIRONMENTAL SUSTAINABILITY

QUESTION 3

3.1 Answer the following questions.

3.1.1 Name any TWO approaches used in command and control systems for ensuring environmental sustainability.

- Quality standards ✓
- Quantity standards ✓
- Social impact standards ✓ (2 x 1) (2)

3.1.2 How can soil erosion impact agricultural production?

- Soil erosion may reduce soil fertility which will lead to a decrease in agricultural production output. ✓✓
- Soil erosion may damage the landscape and close water sources, such as dams, which disrupts agricultural production. ✓✓
- Soil erosion may encourage farmers to adopt soil conservation techniques, such as terracing, which improves long-term productivity. ✓✓

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

3.2 DATA RESPONSE

3.2.1 Identify, in the cartoon above, the international agreement that refers to the world summit on sustainable development.

- Johannesburg summit 2002 ✓ (1)

3.2.2 State the environmental problem that relate to the removal of trees.

- Deforestation ✓ (1)

3.2.3 Briefly describe the term marketable permit.

- A license that is sold by the government to a business to allow it to pollute the environment to a certain degree. ✓✓

(Accept any other correct relevant response) (2)

3.2.4 Explain the impact of the loss of indigenous knowledge on the environment

- Environmental damage may increase as future generations will not be able to co-exist with the environment without indigenous knowledge. ✓✓
- Loss of indigenous knowledge may lead to over-exploitation of natural resources. ✓✓

(Accept any other correct relevant response) (2)

3.2.5 Why do markets fail to ensure environmental sustainability?

- The market views the environment as a common resource where many parts of the environment are not privately owned, such as the air and the seas. ✓✓
- Most of the resources provided by the environment do not have a price, so there is no economic incentive to economise on their use. ✓✓
- Markets may cause environmental damage due to lack of knowledge even if they would like to be more environmentally friendly in their activities. ✓✓
- Consumers and businesses show carelessness as they continue with various harmful practices and leave future generations to worry about their environmental consequences. ✓✓

- Businesses overproduce goods that cause negative externalities because they do not bear the external costs which result in environmental degradation. ✓✓
- Markets are driven by the profit motive and they may reduce their cost of production at the expense of the environment. ✓✓

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

3.2 DATA RESPONSE

3.3.1 Identify a term that relates to natural resources that can be replaced when used from the above cartoon.

- Renewables ✓ (1)

3.3.2 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)

3.3.3 Briefly describe the term global warming.

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

(Accept any other correct relevant response) (2)

3.3.4 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)

3.3.5 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)

3.4 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 it is destructive to the environment. ✓✓
- Preservation involves the elements of the environment that are threatened by extinction, such as Africa' 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 various international measures in reducing climate change.

- United Nations Framework Convention on Climate Change (UNFCCC) was established to reduce greenhouse gas emissions in the atmosphere. ✓✓
- Most countries agree o/n taking measures to protect the environment, but they differ on who is most responsible for the damage and how to set emissions-reduction goals. ✓✓
- The UNFCCC did not succeed because it was voluntary for individual countries. ✓✓
- The Kyoto Protocol was an improvement on the UNFCCC as it attempted to get developed countries to commit to reducing their emission of greenhouse gases. ✓✓
- The Kyoto Protocol established binding targets whereby industrialised countries agreed to reduce their emissions. ✓✓

- The major shortcoming of the Kyoto Protocol was its focus on developed countries only and developing countries were excluded from the agreement. ✓✓
- Kyoto Protocol failed as countries that did not meet targets were not penalised. ✓✓
- Big polluters (like the USA) failed to meet the targets set by Kyoto Protocol and still contribute to global warming and are less interested in solving the crises due to expensive technology to reduce pollution. ✓✓
- Major polluters like the USA pulled out and this impacted negatively on the success of the agreement. ✓✓
- The Paris Agreement was an improvement on the Kyoto Protocol as its goal is to limit global warming to well below 2 °C, preferably to 1 ,5 °C, compared to pre-industrial levels. ✓✓
- Assistance in the form of subsidies was pledged to developing countries to reduce greenhouse emissions. ✓✓
- The success of Paris Agreement will be determined by the financial, technical and capacity-building support offered to countries who need it. ✓✓
- Global warming targets are not met as we are fast approaching an increase in global temperatures of 2 °C. ✓✓
- There was a lack of strict law enforcement because penalties were not imposed on those who did not meet the targets. ✓✓

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

  (A maximum of 2 marks may be allocated for mere listing of facts/examples) (8)

MICROECONOMICS

PERFECT MARKET

QUESTION 5

- Discuss in detail the various equilibrium positions in a perfect market with the aid of graphs. (26 marks)
- Evaluate the impact of perfect competition on consumers. (1 0 marks)

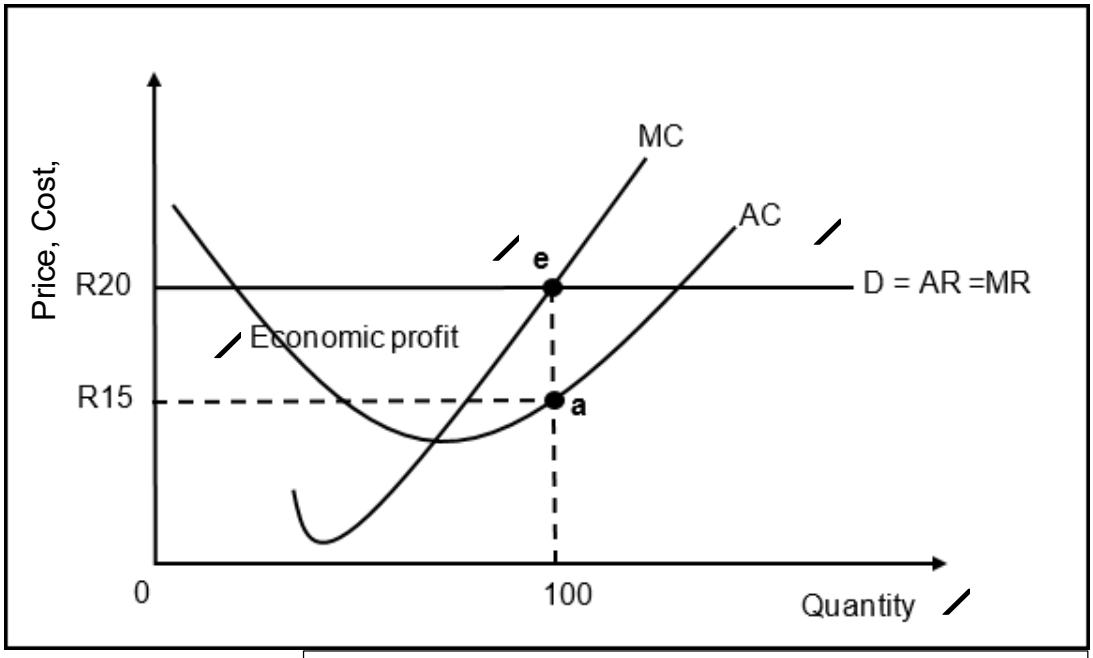
INTRODUCTION

- 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. ✓✓

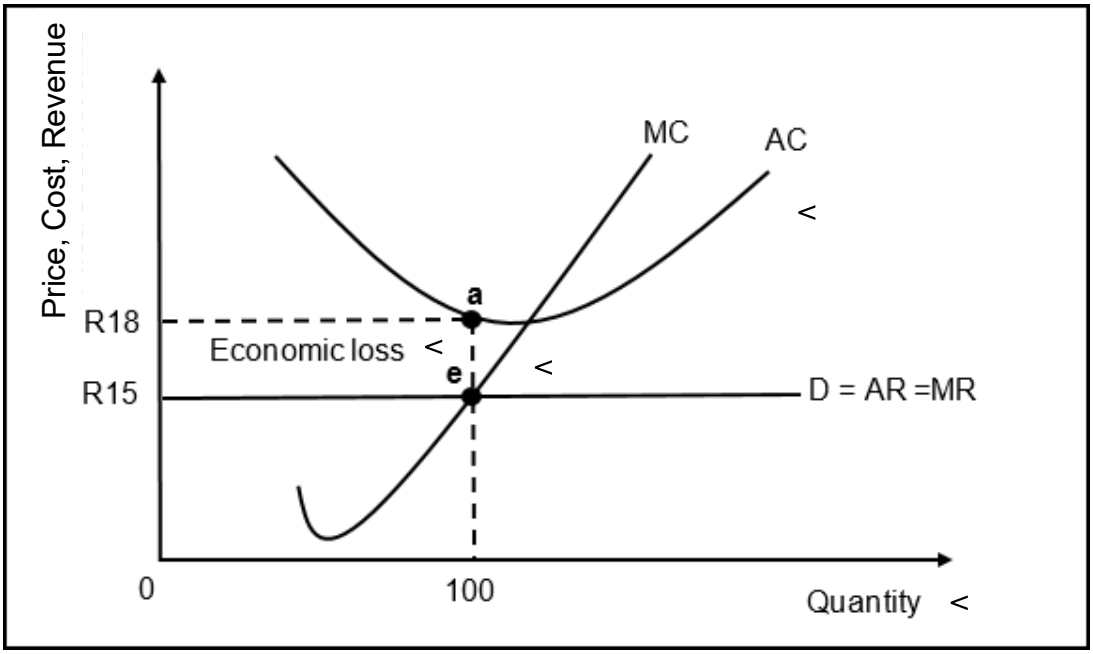


Correct labelling of vertical and horizontal axis	= 1 mark
Correct drawing and labelling of the cost curves in relation to the revenue curves	= 1 mark = 1 mark
Indication of the economic profit	= 1 mark
Indication of profit maximization point	

- At the market price of R20, profit is maximised at point e, where MR = MC. ✓✓
- 1 00 units of the product will be produced at an average cost of R1 5. ✓✓
- 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 x 1 00 = R2000 — R1 5 x 1 00 = R1 500) OR an economic profit of R5 per unit (R20 — R1 5). ✓✓

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. ✓✓

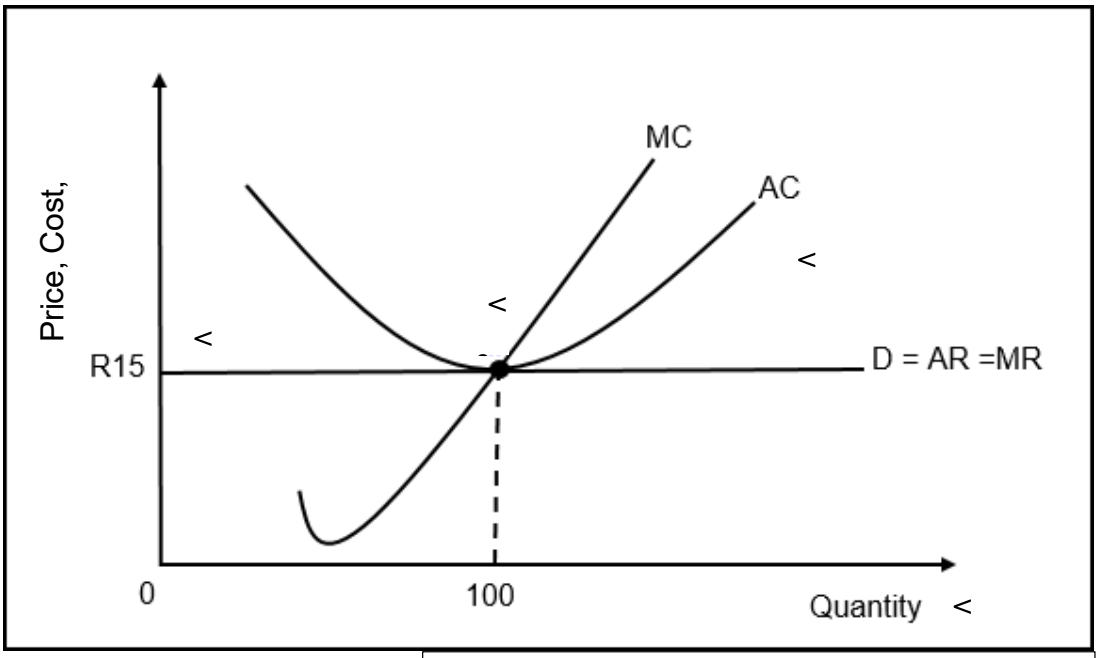


Correct labelling of vertical and horizontal axis	= 1 mark
Correct drawing and labelling of the cost curves in relation to the revenue curves	= 1 mark
	= 1 mark
Indication of the economic loss area	= 1 mark
Indication of loss minimization point	Max 4

- At the market price of R1 5, loss is minimised at point e, where MR = MC. ✓✓
- 1 00 units of the product will be produced at an average cost of R1 8. ✓✓
- 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 (R1 5 x 1 00 = R1 500 — R1 8 x 1 00 = R1 800) OR an economic loss of R3 per unit (R1 5 — R1 8). ✓✓

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. ✓✓



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 = 1 mark
Indication of AC equal to the price	= 1 mark
Indication of profit maximization point	Max 4

- At the market price of R1 5, profit is maximised at point e, where MR = MC. ✓✓
- 1 00 units of the product will be produced at an average cost of R1 5. ✓✓
- 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 (R1 5 x 1 00 = R1 500 — R1 5 x 1 00 = R1 500) OR a normal profit of R0 per unit (R1 5 — R1 5). ✓✓

(Accept any other correct relevant response) (Max 26)
(Allocate a maximum of 8 marks for mere listing of facts / examples)

ADDITIONAL PART
Evaluate the impact of perfect competition on consumers.

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 prices 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]

IMPERFECT MARKET

QUESTION 5: MICROECONOMICS 40 MARKS — 40 MINUTES

- Discuss in detail the characteristics of a monopoly market structure, including a graph showing long-run economic profit. (26 marks)
- How can the government prevent the abuse of market power by dominant businesses? (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

MONOPOLY MARKET STRUCTURE

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 is responsible for the industry's total output ✓✓, for example Eskom is responsible for the thermal electricity industry. ✓

Nature of product ✓

- The product is unique and it has no close substitutes✓✓ for example, De Beers selling unique diamonds✓
- Consumers' choice is limited to the product sold by the monopolist. ✓✓
- The product has relatively inelasticity demand which means that quantity demanded is less responsive to price changes. ✓✓

Market entry ✓

- Entry into a monopoly market structure is completely blocked which implies that new businesses cannot enter the market. ✓✓
- A monopoly is protected by barriers to entry, which allows it to enjoy favourable market conditions. ✓✓
- These barriers to entry divide monopoly into the following two broad types:

  - Natural monopolies ✓

• High development costs are frequently a reason for the existence of natural monopolies. ✓✓

• In South Africa, Eskom is an example of natural monopoly because the provision of electricity requires building power stations and transmission lines costing billions of rand. ✓✓

• A single business in the industry can serve the whole market at a lower price than two or more businesses as it is regulated by the government. ✓✓

Artificial monopolies ✓

• Artificial monopolies exist due to barriers to entry that are not being 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. ✓✓

• Licenses protect monopolies against the entry of competitors and is another way in which an artificial monopoly may exist. ✓✓

• In South Africa licenses are required for radio and TV broadcasting and telephone communication networks. ✓✓

Control over price ✓

- A monopolist can influence the market price and it is regarded as a price maker. ✓✓
- A monopolist can decide on a 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 although it is limited by market demand. ✓✓
- A monopoly cannot charge excessively high prices because consumers have limited budgets. ✓✓
- The monopolist's product has to compete for consumers' favour (and money) with all the other products available in the economy. ✓✓

Market information ✓

- Both buyer and the seller have full knowledge about the market conditions which shows that there is complete market information. ✓✓
- A high degree of transparency exist in the market as there is no incentive for the monopoly to hide information from consumers. ✓✓
- In some cases, a monopoly maybe characterised by incomplete information to make informed decisions. ✓✓
- The monopolist may withhold information which leads to exploitation of consumers and restriction of new firms from entering the market. ✓✓

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. ✓✓
- The 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. ✓✓
- Economic loss in the short-run will force the monopoly to build a new production plant that yields economic profit in the long-run. ✓✓
- Economic profit in the short-run allows the monopoly to 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 ✓✓
- A monopoly's decisions may be influenced by government laws and regulations. ✓✓

Collusion ✓

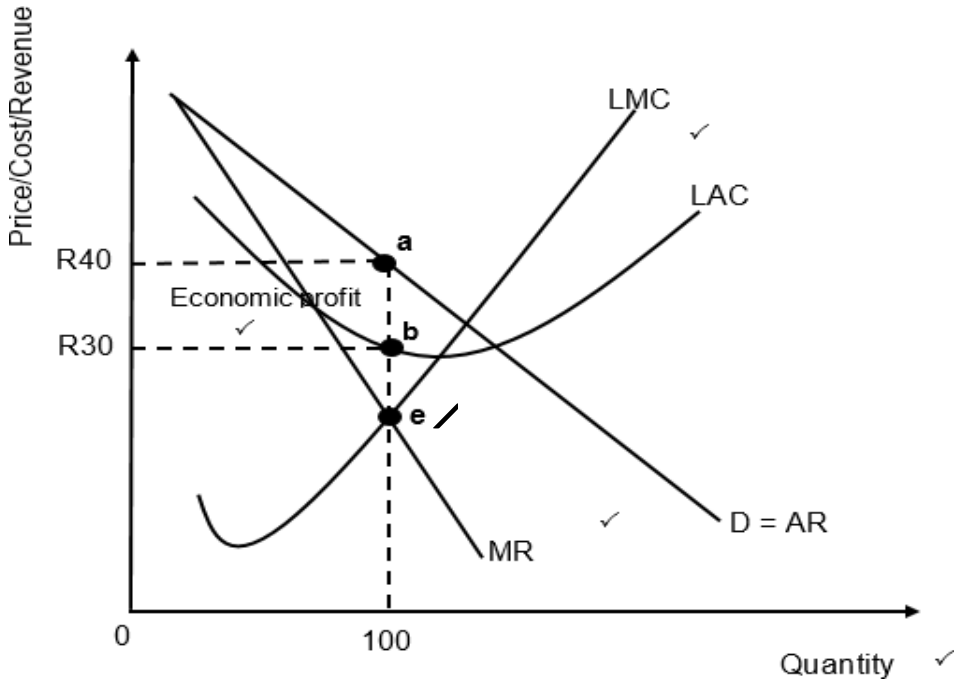
- Collusion is irrelevant because there is one business in the market. ✓✓

Productive and allocative efficiency ✓

- A monopoly does not achieve productive efficiency because output is produced without minimising the average cost. ✓✓
- Allocative efficiency is not achieved 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. ✓✓

(Max. 22)

Long-run Economic profit



Allocation of marks:

- Correct positioning and labelling of cost curves = 1 Mark
- Correct drawing and labelling of revenue curves = 1 Mark
- Correct indication of equilibrium / profit maximisation point = 1 Mark
- Correct indication of economic profit =1 Mark

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

ADDITIONAL PART:

- The government may regulate the pricing of goods and services by monopolies to prevent excessively high prices, ✓✓for example NERSA regulates the pricing of electricity by Eskom ✓
- Reduce or remove barriers to entry, such as patents and licenses, in oligopoly and monopoly industries to attract new businesses and increase competition. ✓✓
- Encourage private sector investments through subsidies and incentives to reduce the dominance of state monopolies in industries such as electricity, rail transport. ✓✓
- Intensify the implementation of the Competition policy which promotes fair competition through the Competition Commission, Competition Tribunal and Competition Appeal Court. ✓✓
- The Competition Commission may intensify its investigations on oligopolies and monopolies that may abuse their market powers by deploying more officials to monitor business practices. ✓✓

- The Competition Tribunal should impose penalties on all dominant businesses that are found guilty of abusing market powers at the expense of other businesses and consumers. ✓✓
- Prevent the market dominance by prohibiting mergers and takeovers that may lead to monopolies that could exploit consumers. ✓✓

(Accept any other correct relevant response) (Max. 1 0)

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

CONCLUSION

Monopolies may result in low economic growth and high inflation which may lead to low standard of living. ✓✓

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

IMPERFECT MARKET

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 ✓

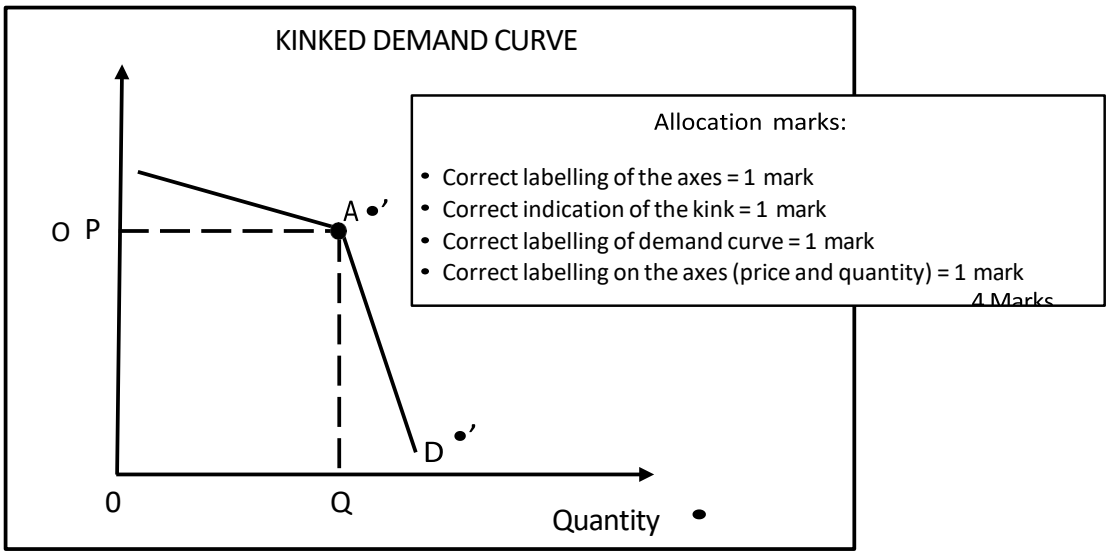
- There are few businesses selling a particular product, each business depends on other businesses' actions. ✓✓
- Decisions by one business can influence decisions by other businesses. ✓✓
- An oligopoly's decisions on decreasing or increasing the price are more complex than other markets because of other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

AND

IMPERFECT MARKET

QUESTION 5: MICROECONOMICS 40 MARKS — 40 MINUTES

- Compare and contrast the market structures of monopolistic competition with an oligopoly in detail.
- How can collusion negatively affect the economy?

INTRODUCTION

A market is a mechanism that brings together the buyers and the sellers of goods and services / Market structure refers to how the market is organized. ✓✓

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

BODY

MAIN PART

Number of businesses ✓

- Monopolistic competition has a large number of sellers ✓ whereas a few large numbers of sellers dominate an oligopoly market. ✓
- There is high degree of competition in monopolistic competition ✓ whereas competition is limited in an oligopoly✓

Nature of the product ✓

- Goods produced by businesses in a monopolistic competitive market are heterogeneous ✓while products manufactured in an oligopoly market may be either homogenous or differentiated. ✓
- In both market structures products are slightly different in appearance, shape, size and taste, differences may be imaginary ✓✓

Market entry ✓

- There is freedom to enter into and exit from a monopolistic competition ✓whereas entry in to an oligopoly market is difficult ✓
- In monopolistic competition there are no barriers to entry ✓ whereas in an oligopoly there are various barriers to entry ✓such as large amount of capital outlay often needed. ✓

Control over the price✓

- An individual business in a monopolistic competitive market has little control over price ✓ while oligopoly business has considerable control over the price ✓
- A monopolistic competitor may influence the price of its brand ✓while oligopolies may collude to control the market price✓

Market Information ✓

- Information in both oligopoly and monopolistic competition is incomplete. ✓✓
- For instance, variety of products or marginal difference causes a lack of information for sellers and buyers for monopolistic competition whereas oligopolists often do not know how competitors will react to their actions. ✓✓

Examples ✓

- Examples of industries found in monopolistic competition include, among others, fast-food outlets/restaurants, clothing shops ✓whereas in an oligopoly they may include petrol and oil industries, cell phone network, banks. ✓

Demand curve ✓

- In both oligopoly and monopolistic competitive market structures the demand curve is sloping downwards from left to right. ✓✓
- The demand curve for the firm in the monopolistic competitive market structure is relatively elastic ✓ whereas the demand curve for an oligopolistic firm is kinked. ✓
- The MR curve in both oligopoly and monopolistic competition is lying below the demand curve. ✓✓
- In both market structures the AR curve is also the demand curve ✓✓

Economic profit/loss ✓

- In the short run firms in both monopolistic competition and oligopoly can make either economic profit or loss ✓✓
- In the long run businesses in monopolistic competition make normal profit ✓while oligopolies earn economic profit. ✓

Decision-making ✓

- In a monopolistic competitive market structure, each firm makes independent decisions ✓ whereas in an oligopolistic market, due to mutual interdependence, firms influence one another's decision making. ✓

Collusion ✓

- In the monopolistic competitive market structure collusion is impossible ✓whereas in an oligopoly market it is possible for businesses to collude ✓
- Oligopoly businesses often collude as they are few in the market ✓while in monopolistic competition it is difficult for many businesses to have an agreement to reduce competition ✓

Non-price competition ✓

- Businesses in both monopolistic competition and oligopoly use non-price strategies such as advertising and branding to increase their market shares✓✓
- Whereas oligopoly businesses avoid price wars monopolistic competitor may compete on prices ✓✓

Productive/Technical efficiency ✓

- Businesses in both market structures do not achieve productive efficiency as they do not produce at the lowest possible average cost. ✓✓

Allocative efficiency ✓

- Businesses in both market structures do not achieve allocative efficiency as the quantities produced do not correspond with quantities demanded by consumers. ✓✓

(Accept any other correct relevant response) (Max. 26)
(Allocate a maximum of 8 marks for mere listing of facts/examples)

ADDITIONAL PART

- Collusion can result in higher prices for consumers, as firms agree to fix prices at artificially high levels. ✓✓
- Collusion leads to reduced consumer welfare and higher inflation, particularly if the collusion is widespread and long-lasting. ✓✓
- Firms can be discouraged from investing in new technologies and products, as they may be more interested in maintaining their existing market positions and profits. ✓✓
- Lack of innovation and competitiveness by colluding firms can harm the economy in the long run. ✓✓

- Lower quality products and services may be produced as firms may be less incentivised to invest in quality improvement technologies. ✓✓
- Consumers may be negatively affected by collusion as it reduces the overall quality and quantity of goods and services available in the market. ✓✓
- Collusion can reduce competition in the market, which can result

in higher prices for consumers. ✓✓

- Collusion reduces the competitiveness of businesses in the long run thereby decreasing GDP and employment. ✓✓
- Creates scarcity by producing less in order to increase profit margins while also protecting inefficiency. ✓✓

(Accept any other correct relevant response) (Max. 1 0)
(Allocate a maximum of 2 marks for mere listing of facts)

CONCLUSION

By controlling the price/supply of the product or service in the market, the firm aims to keep prices and profits high. ✓✓
(Accept any other correct relevant conclusion) (Max. 2) [40]

MARKET FAILURE

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

- **Discuss in detail the causes of market failure** (26)
- **Analyse the impact of minimum prices in the economy.** (10)

INTRODUCTION

Market failure is when the forces of supply and demand fail to allocate resources efficiently / When markets fail to allocate goods and services efficiently. ✓✓ (Max. 2)
(Accept any other correct relevant response)

MAIN PART

EXTERNALITIES ✓

- Externalities are costs and benefits to the third party that are not included in the market price. ✓✓
- Goods that have negative externalities are over-produced because the cost to the third party is not included in the market price. ✓✓
- Goods that have positive externalities are under-produced because the benefit to the third party is not included in the market price. ✓✓
- Externalities are the cost and benefits (spill-over effects or third-party effects) that convert private cost and benefits into social cost and benefits. ✓✓

Basic cost and benefit concepts of externalities include the following;

- Private costs are the internal costs incurred by consumers and producers when they buy or produce goods and services. ✓✓
- Private benefits are enjoyed by those who buy the goods and those who produce the goods. ✓✓ For example, the family enjoys using the car and the producer sells it (profit). ✓
- Social costs are the costs to individual producers and consumers as well as to society at large. ✓✓ For example, pollution that is caused by waste products, such as tyres, batteries, oil. ✓
- No value is given for these extra or external costs because no market exists to price them. ✓✓
- Social costs include both private costs and external costs. ✓✓
- Social benefits are the total benefits enjoyed by producers, consumers and the society at large. ✓✓
- Social benefits include both private benefit and external benefit. ✓✓

Missing Markets ✓

- Markets are often incomplete in the sense that they cannot meet the demand for certain goods. ✓✓
  Public oods: ✓
- They are not provided by the price mechanism because producers cannot withhold the goods from non-payment and there is often no way of measuring how much a person consumes. ✓✓
  Public goods, which include community and collective goods, have the following features:

- Non-rivalry which means that consumption by one person does not reduce the consumption of another person, ✓✓ for example, a lighthouse. ✓
- Non-excludability which means that consumption cannot be confined to those who have paid, so there are free riders, ✓✓ for example, radio and TV licences in South Africa. ✓
- Non-rejectability which means that individuals cannot abstain from consumption on public goods such as street lights ✓✓

Merit oods✓

- These are goods/services that are deemed necessary or beneficial to the society, ✓✓ For example, education, health care etc. ✓
- These goods are highly desirable for general welfare but not highly rated by the market, therefore provide inadequate output/supply. ✓✓
- The reason for the undersupply of merit goods is that the market only takes the private costs and benefits into account and not the social costs and benefits. ✓✓

Demerit oods ✓

- These are goods/services that are regarded as bad or harmful for consumption hence we should use less of these ✓✓ For example, alcohol, cigarettes, etc. ✓
- Demerit goods lead to a lot of social costs, therefore, the government charges sin tax / excise duties to discourage the consumption of such goods. ✓✓
- The market tends to oversupply demerit goods. ✓✓
- Some consumers may be unaware of the true cost of consuming them. ✓✓

Lack of information ✓

- Markets do not respond to changes in consumer demand if resources cannot be easily reallocated due to lack of information. ✓✓
- Technical and allocative efficiency require that both producers and consumers have complete and accurate information about the costs and benefits of the goods and services produced and consumed in the market. ✓✓
- Producers and consumers make production and consumption decisions based on the information they have. ✓✓
- When information is incomplete or inaccurate, it leads to wrong decisions about what to produce, how to produce and for whom to produce, and a waste of resources occurs. ✓✓
- Producers might not know all the different technologies and production techniques that are available and the different resources that can best be used to produce goods/services more efficiently. ✓✓
- Consumers might not know that the price of a product is lower from other suppliers or about the harmful effects of a product since they might just base their decisions to use the product on the information from a misleading supplier. ✓✓

Immobility of factors of production ✓

- The supply of labour cannot be increased because of the time it takes to be trained or educated. ✓✓
- Labour takes time to move into new occupations and geographically due to the long time it takes to upgrade skills, and family ties. ✓✓
- Physical capital such as equipment, buildings, land and raw materials can only move from one place to another at a high cost.✓✓
- Technological applications change production methods such the use of robots rather than physical labour. ✓✓

- With greater technological change there is an increasing need for workers to become flexible, to update skills, change employment, occupations and work patterns. ✓✓

Imperfect competition ✓

- In market economies, competition is often weakened by market power because power often lies to a greater extent with producers than with consumers. ✓✓
- Most businesses operate under conditions of imperfect competition that allows them to restrict output, raise prices and produce where price exceeds marginal cost. ✓✓
- Monopolies and oligopolies restrict supply in order to maximise profits and can also prevent new businesses from entering the industry. ✓✓
- Resources are under allocated to the production of goods and services produced under conditions of imperfect competition. ✓✓
- The government may choose to do nothing about imperfect competition and trust that large profits will attract competitors to the market or it can regulate the market through competition policy. ✓✓

Imperfect distribution of income and wealth ✓

- The shortcoming of market systems is that it is neutral in the issue of income distribution. ✓✓
- If the initial distribution of income is unequal, the final distribution will also be unequal hence the market is failing. ✓✓
- Unequal distribution of income is caused by varying of skill levels and the ability to produce output. ✓✓
- The market fails to ensure that everyone gets equal access to the output of the economy. ✓✓
- Too many of the resources are used to produce output for the rich and too few for the poor. ✓✓

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

(Allocate a maximum of 8 marks for headings / sub-headings/examples)

ADDITIONAL PART

Minimum prices may positively impact on the economy as follows; -

- Minimum prices are set above the equilibrium price to benefit farmers as they will make adequate profits. ✓✓
- Minimum prices allow agricultural producers to produce sufficient output to ensure food security in the country. ✓✓
- More workers may be employed to produce more agricultural output which will reduce unemployment in the economy. ✓✓
- Increase in agricultural production may contribute to the GDP which stimulates economic growth ✓✓
- More goods may be exported to generate more foreign exchange and reduce BOP problems ✓✓
- Businesses can be encouraged to invest more in the industries that are covered by minimum prices resulting in even more surpluses.✓✓

Minimum prices may negatively impact on the economy as follows; -

- Manufacturing businesses may be forced to procure agricultural raw materials at higher cost which may contribute to inflation. ✓✓
- Consumers may buy manufactured goods at higher prices which may increase their cost of living ✓✓
- The standard of living for the households may decrease as they fail to afford essential goods and services. ✓✓
- The implementation of minimum prices creates product surpluses as quantity supplied is greater than the quantity demanded in the country hence resulting in wasted resources. ✓✓
- The surplus products are either dumped or sold at prices that are below the market price in foreign countries in order to stabilise prices in the country. ✓✓
- Sometimes surplus products are destroyed or used as animal fodder as dumping goods is against the rules of the World Trade Organisation.

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

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

CONCLUSION

Taxes and subsidies can be effective tools for addressing market failures. However, the design of the tax or subsidy needs to be carefully considered to ensure that it is effective in addressing the market failure without creating unintended consequences. ✓✓

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

AND

MARKET FAILURE

QUESTION 5: MICROECONOMICS 40 MARKS – 40 MINUTES

- With the aid of relevant graphs, discuss in detail state intervention as a consequence of market failure.(26 marks)
- Why do markets fail to provide public goods? (10 marks)

INTRODUCTION

Market failure refers to when the markets (market forces) fail to allocate resources efficiently / Market failure means that the best available or optimal production outcome has not been achieved. ✓✓

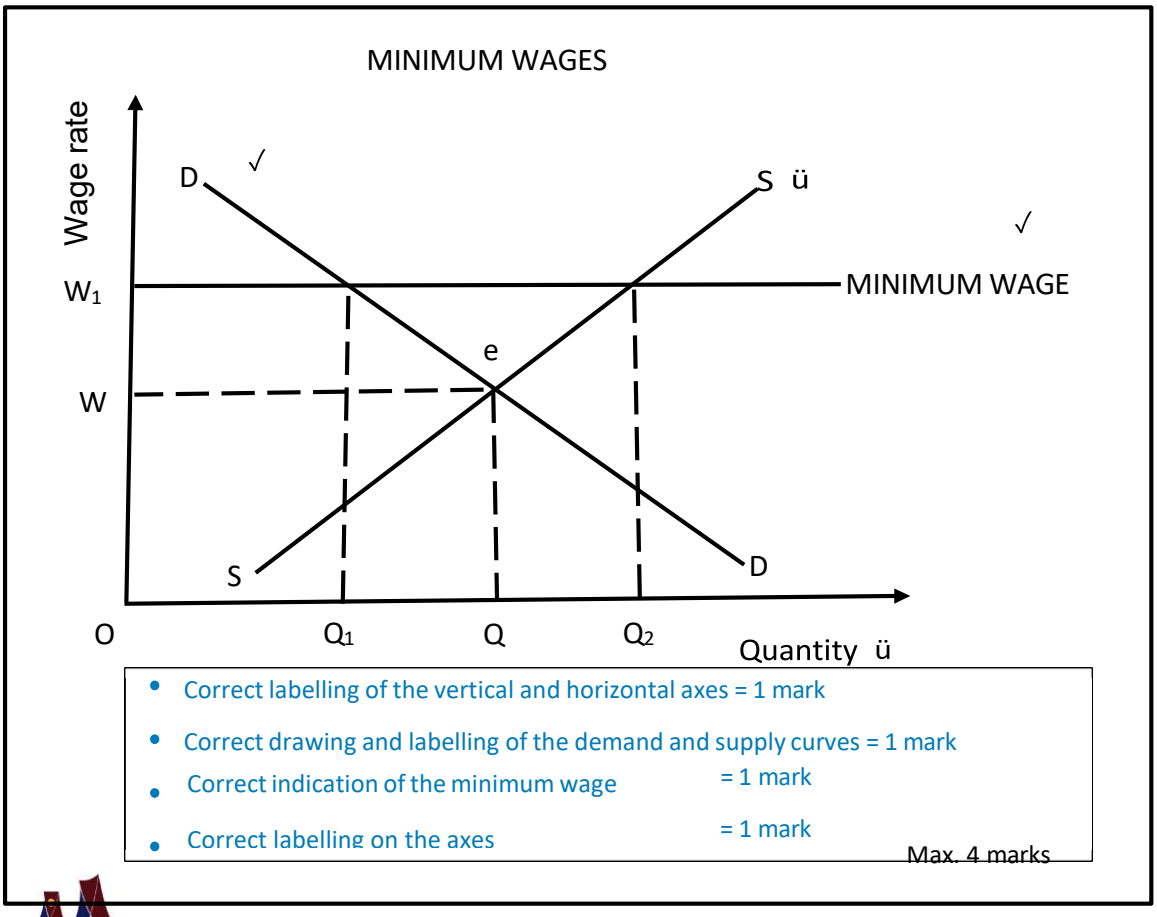
(Accept any other correct relevant response) (Max. 2)

MAIN PART

State intervention as a consequence of market failure

Minimum wages ✓

- A minimum wage is the lowest remuneration that employers are required by law to pay their workers. ✓✓
- The government sets the minimum wage above the equilibrium wage rate. ✓✓



- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the demand and supply curves = 1 mark
- Correct indication of the minimum wage = 1 mark
- Correct labelling on the axes = 1 mark

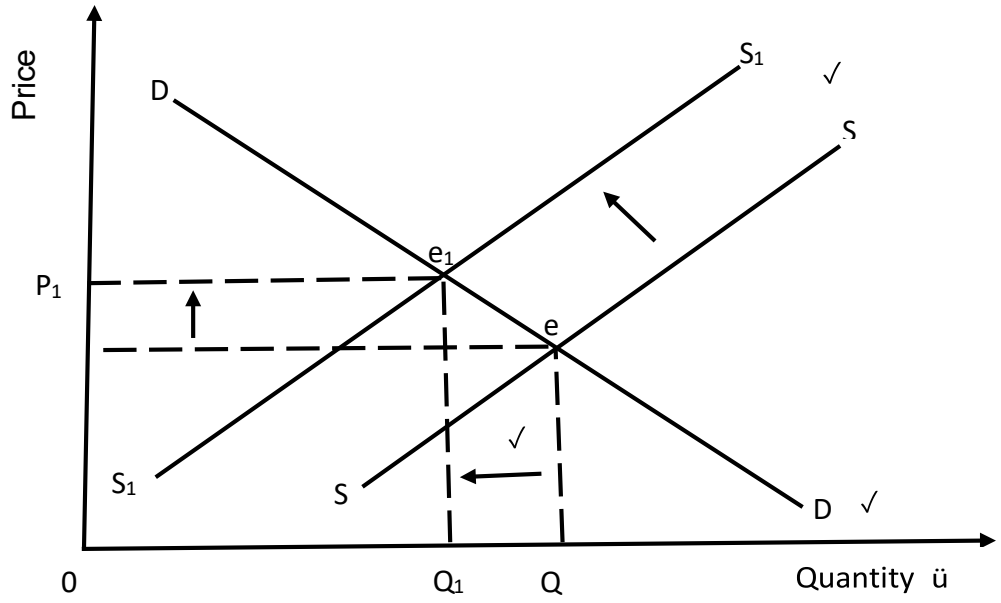
Max. 4 marks

- A minimum wage of W_1 leads to a decrease in demand for labour from Q to Q_1 and an increase in supply of labour from Q to Q_2 ✓✓
- The excess supply of labour will lead to an increase in unemployment as some workers may be retrenched due to the higher cost of production. ✓✓
- The income of workers will increase which improves their standard of living. ✓✓

Levying of taxes / Taxes ✓

- The government will intervene in the market by levying taxes to recover external costs. ✓✓
- The taxes will increase the price resulting in a decrease in consumption and production of a specific good. ✓✓
- Levying taxes could be used as a strategy of reducing production and consumption of demerit goods as well as generating revenue for the state. ✓✓

TAXES ON PRODUCTION



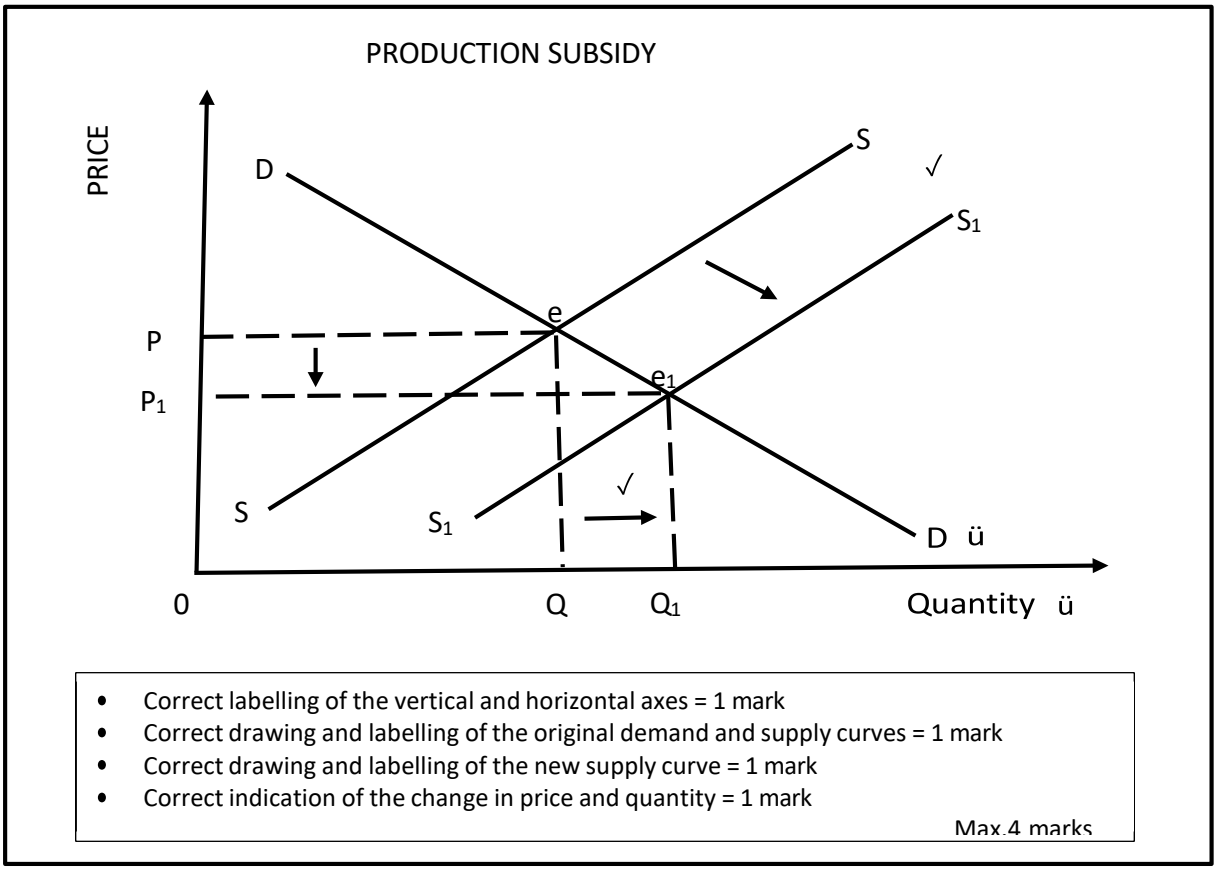
- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the original demand and supply curves = 1 mark
- Correct drawing and labelling of the new supply curve = 1 mark
- Correct indication of the change in price and quantity = 1 mark

Max.4 marks

- The market price is P and the corresponding quantity is Q. ✓✓
- If the government imposes tax on production, the market price will increase to P_1 with corresponding quantity Q_1. ✓✓
- The higher price P_1 decreases the consumption and production of the product. ✓✓

Providing producer subsidies / Subsidies ✓

- The government provides subsidies to producers to encourage them to produce more goods and services. ✓✓
- Subsidies increase the supply of specific goods and services such as milk, wheat and maize. ✓✓
- Subsidies lower the cost of producing goods and thus the market price of these goods is lowered, increasing consumption. ✓✓



- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the original demand and supply curves = 1 mark
- Correct drawing and labelling of the new supply curve = 1 mark
- Correct indication of the change in price and quantity = 1 mark

Max.4 marks

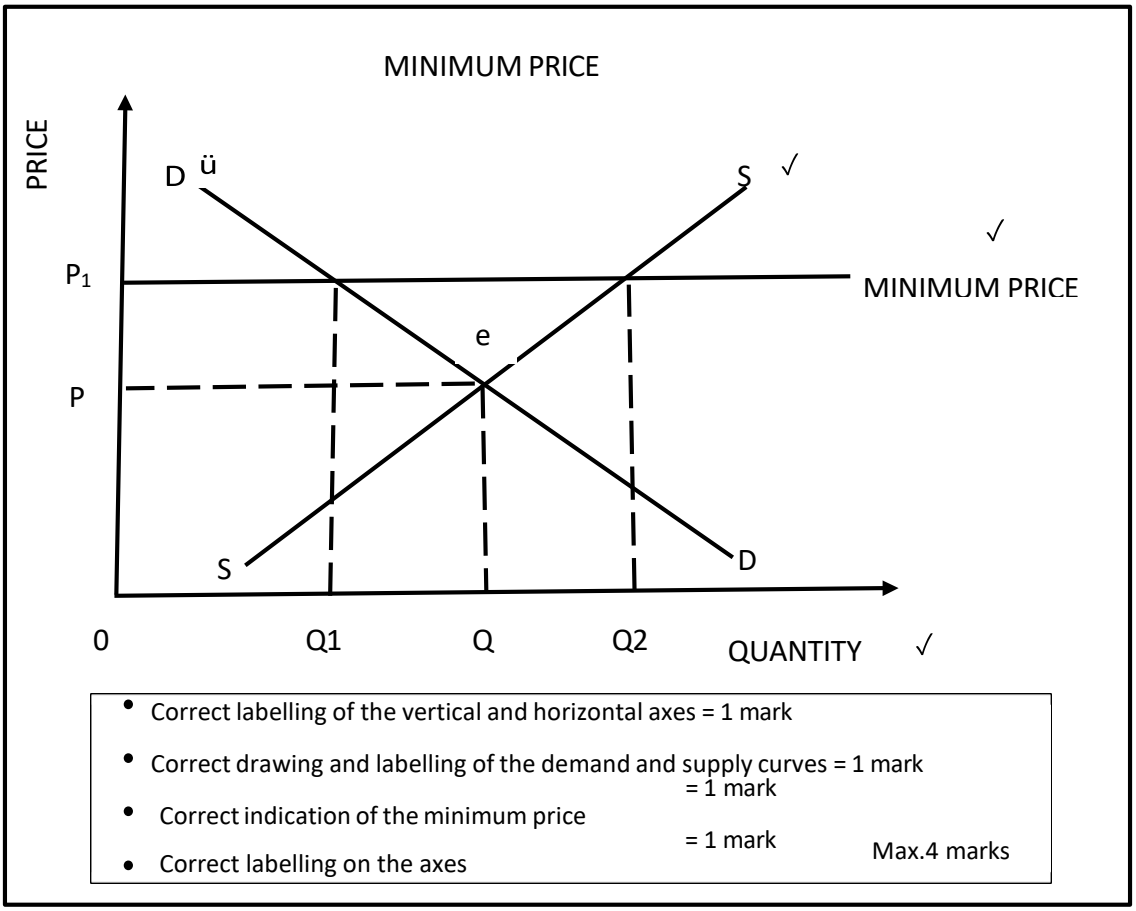
- The market price is P and the corresponding quantity is Q. ✓✓
- If the government subsidises production, the market price will decrease to P1 with corresponding quantity Q_1. ✓✓
- The lower price P_1 allows consumers to purchase more quantities of the product. ✓✓

Direct control ✓

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

Minimum prices ✓

- The government intervenes in markets to ensure sufficient supplies of staple food. ✓✓
- Minimum prices or price floors allow producers to make a comfortable profit and produce desired quantities of essential goods. ✓✓



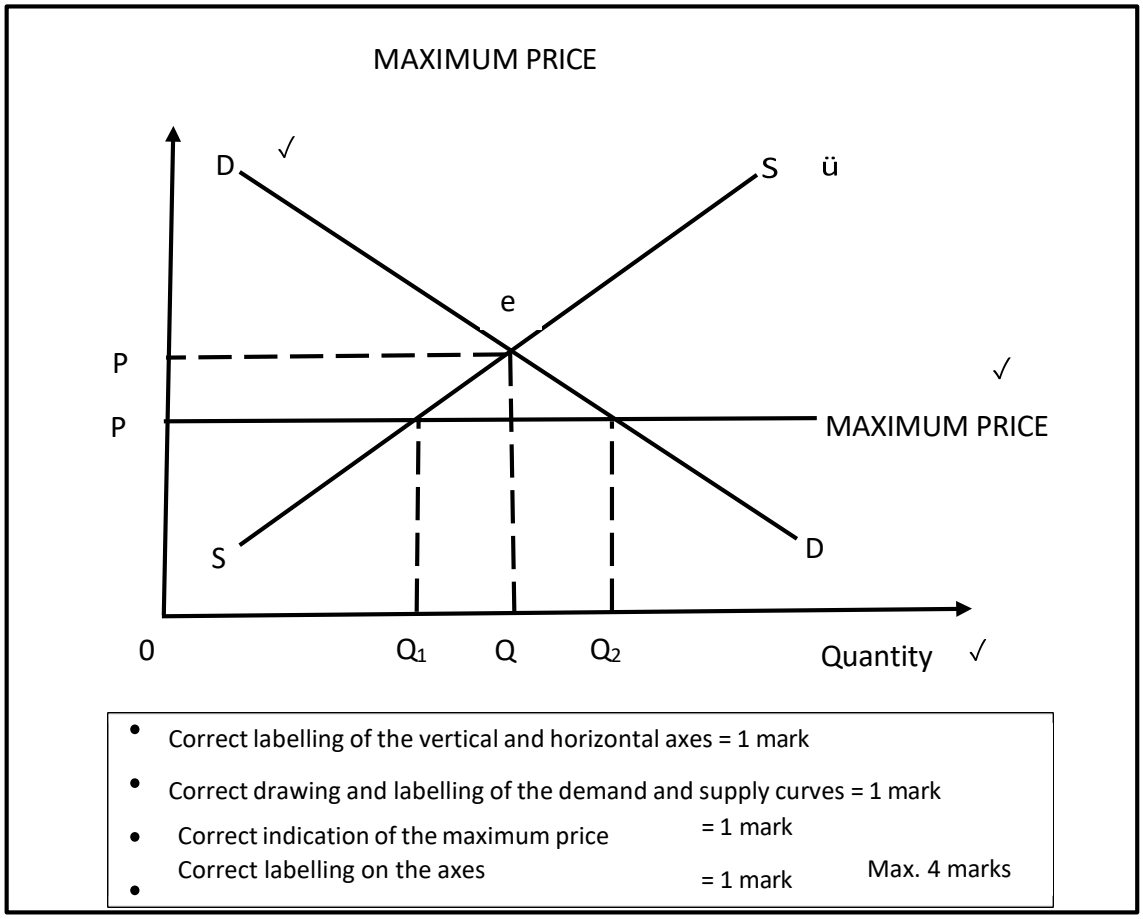
- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the demand and supply curves = 1 mark = 1 mark
- Correct indication of the minimum price = 1 mark
- Correct labelling on the axes

Max.4 marks

- The government sets a minimum price P_1 above the equilibrium market price P to make it worthwhile for producers to stay in the market. ✓✓
- The quantity demanded decreases from Q to Q_1 and the quantity supplied increases from Q to Q_2. ✓✓
- A surplus of Q_1 to Q_2 is created in the market, as supply is more than demand. ✓✓
- Surplus products may force producers to sell at lower prices or dump in other countries, which may reduce their profits. ✓✓

Maximum prices ✓

- The government will set a maximum price if the price is deemed too high for essential goods (basic goods). ✓✓
- The maximum price that is set by the government below the market price is known as a price ceiling. ✓✓
- The government will intervene in the market by passing a law that suppliers may not charge more than a maximum price. ✓✓
- The immediate effect of maximum prices in the market is that the quantity supplied drops, thus causing shortages. ✓✓



- Correct labelling of the vertical and horizontal axes = 1 mark
- Correct drawing and labelling of the demand and supply curves = 1 mark
- Correct indication of the maximum price = 1 mark
- Correct labelling on the axes = 1 mark

Max. 4 marks

- The government sets a maximum price 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. ✓✓

Imperfect markets ✓

The government can deal with imperfect competition by:

- Implementing the competition policy to prevent the abuse of market power by dominant firms ✓✓
- Allowing imports to increase the level of competition ✓✓
- Granting more business licences for new businesses to compete with existing monopolies ✓✓
- Imposing price controls to decrease prices of goods and services ✓✓

Redistribution of wealth ✓

- The South African government uses a progressive income tax system to redistribute income and wealth. ✓✓
- Traditional methods, such as levying various taxes, provision of free services, benefits in kind and cash benefits, are used to reduce the income gap. ✓✓
- The government can also implement redress methods, such as BBBEE and affirmative action, to redistribute wealth among the population. ✓✓

Government involvement in production ✓

The government may be involved in the production of goods and services by:

- Subsidising merit goods to increase production ✓✓
- Imposing taxes on demerit goods to reduce production ✓✓
- Levying income taxes, indirect taxes and wealth taxes to provide community goods free of charge ✓✓
- Providing collective goods such as refuse removal, waste disposal and sewerage drainage for a user fee ✓✓

(Accept any other correct relevant response) (Max. 26)
(Allocate a maximum of 8 marks for mere listing facts/examples)
(Allocate a maximum of 12 marks for the graphs without explanation and 14 marks for the explanations without graphs)

ADDITIONAL PART

Why do markets fail to provide public goods?

- Public goods are not provided by the price mechanism which creates no basis for establishing a market price. ✓✓
- Community goods, such as streetlighting, are non-excludable which makes it difficult for businesses to charge a price, hence markets cannot supply them. ✓✓
- Consumers are not prepared to pay for public goods because they cannot exclude free riders from consuming them. ✓✓
- Markets are discouraged from supplying public goods for non-payment because they may not generate profit from the provision of such goods. ✓✓
- The provision of public goods, such as public roads, may require huge capital investments which many private sector businesses may not be able to afford. ✓✓
- Some public goods are indivisible which makes it difficult for market to supply them in smaller quantities that are convenient for consumption. ✓✓
- Merit goods are under-valued by market which makes the supply of such goods and services to be less than the quantity demanded. ✓✓
- Markets cannot supply the desired quantities of merit goods, such as education, because their external benefits are not included in the market prices. ✓✓
- Some public goods are non-rival in consumption, which makes it difficult to measure how much a person consumes and establish market prices. ✓✓

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

CONCLUSION

The government should regularly monitor and evaluate the effectiveness of the measures that are implemented to reduce market failures to ensure more desirable outcomes. ✓✓

(Accept any other correct relevant higher order conclusion) (Max. 2)

[40]

CONTEMPORARY ECONOMIC ISSUES

INFLATION

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- **Discuss in detail the consequences of inflation.**
- **How can the continued stages of load shedding cause inflation?**

INTRODUCTION

Inflation is a considerable and sustainable increase in the general price level of goods and services over a period of time. ✓✓ (Max. 2)
(Accept any other correct relevant introduction)

BODY:
MAIN PART

Creditors ✓

- Creditors (lenders) suffer due to price increases because they get money back which has a lower purchasing power, especially if the interest rate has been below the inflation rate / inflation harms creditors as they lose due to a fall in the real value of money. ✓✓
- Changes in price levels affect debtors and creditors differently at different time periods. ✓✓

Debtors ✓

- Debtors (borrowers) receive money with a high buying power and pay back with money with a lower buying power. ✓✓
- Borrowers benefit from price increases because they repay with money that has a low purchasing power.✓✓
- During periods of rising prices, debtors gain in real terms because the contract was signed in advance and cannot be changed. ✓✓
- Debtors receive the money with a relatively high purchasing power and repay their loans with low purchasing power, unless interest rates are sufficient to prevent the situation. ✓✓

Salary and wage earners ✓

- Price increases affect people negatively because their incomes are relatively fixed.✓✓
- Real wages fall sharply during period of high inflation as a result of a decline in capital stock and a shift in relative prices. ✓✓
- Inflation can impoverish large segments of the population by eroding the real wages.✓✓
- Wages are the important component of wealth; they constitute the main source of income for many households, especially for the less well-off. ✓✓
- The behaviour of real wages therefore has a direct bearing on income distribution and the level of poverty. ✓✓
- Retired people, pensioners and the poor, will experience the erosion of spending power and eventually earn too little to survive. ✓✓
- Wage increases are lower than the inflation rate increase. ✓✓

Investors and savers ✓

- Assets with a fixed nominal value have a fixed return and lower purchasing power as prices increase. ✓✓
- Purchasing power is reduced unless the interest rate is above the inflation rate. ✓✓
- People who invest in negotiable instruments such as shares, often benefit from inflation, because during periods of inflation, interest rates are increased to encourage savings. ✓✓
- Investors in assets with flexible market value gain when prices increase, because assets with a flexible market value increase at least proportionately to the rate of inflation. ✓✓
- The prices of assets increase more rapidly than increases in the general price level.✓✓
- People save money for long periods with the aim of using these funds to meet future expectations, these savings may be invested as fixed deposits, in the money market, as life policies or in pension funds. ✓✓

Tax payers ✓

- With inflation taxpayers' nominal income rise although their real income remain unchanged, because taxes are levied on the nominal income but not on real income, and this affects the purchasing power of tax payers. ✓✓
- When the income tax brackets remain unchanged, inflation increases the average rate of personal income tax. ✓✓
- Individuals will have to pay higher taxes even if they are actually no better off than before – bracket creep leads to a redistribution of income from taxpayers to the government. ✓✓

Industrial peace ✓

- Wage bargaining is accompanied by strikes and mass action. ✓✓
- Mass actions can sometimes spill over into violence which affects society at large.✓✓
- Inflation leads to demands for increased wages as trade unions put increasing pressure on employers to raise wages and salaries. ✓✓
- In extreme situations, in the presence of exceptionally high inflation together with a government that is determined not to yield to wage increase demands (which can push inflation to even higher levels) widespread civil unrest would follow ✓✓

Balance of payments problems ✓

- Inflation has an adverse effect on a country's balance of payments. ✓✓
- Inflation makes domestic prices to increase and this makes domestic exports uncompetitive on the international markets and South African exporters may lose major trading partners. ✓✓
- The high prices of exports will discourage foreign businesses from buying South African goods resulting in decrease in exports and a loss of foreign exchange earnings. ✓✓

Unemployment and poverty ✓

- The effects of inflation are uneven, because they do not benefit anyone and harms most – some less than others. ✓✓
- Inflation also tends to redistribute income from low-income groups to higher income groups. ✓✓
- The low-income groups do not have assets than can rise in value faster than the rate of inflation to help them overcome the effects of inflation. ✓✓

- Powerful groups such as trade unions, large companies and the wealthy people, are able to increase their share of national income at the expense of disadvantaged people such as pensioners, the unemployed and the welfare recipients. ✓✓

Psychological influence ✓

- Consumer and businesses expectations of what the economy holds in store influence their confidence within the economy. ✓✓
- When their perception about the economy is negative, it will be reflected in poor consumer and business confidence and vice versa. ✓✓
- High inflation rates decrease consumer confidence resulting in consumers choosing to save their income rather than spending it as they are uncertain of what the economic future holds for the country. ✓✓
- When consumers choose to save their income rather than spending it, aggregate spending will decrease in the economy causing businesses to have limited expansion opportunities and thereby decreasing business confidence in the economy. ✓✓
- When producers' cost increases due to spiralling inflation, it will decrease their competitiveness and the demand for their goods or service. ✓✓

Low inflation expectations ✓

- limit excessive wage demands by different labour unions because workers do not expect increases in cost of living in the future. ✓✓
- allow consumers to postpone consumption expenditure thereby reducing pressure on price increases. ✓✓
- give households confidence that inflation rate will be low in future and encourage them to save more from the income, thereby controlling excess demand. ✓✓
- reduce panic buying by consumers when they expect that prices will be stable in the future. ✓✓
- boost real interest rates which will encourage savings. ✓✓
- increase the burden on debtors which discourages them from borrowing money, due to the real interest rate ✓✓

High inflation expectations ✓

- Excessive wage demands by different labour unions because workers anticipate increases in cost of living in the future will lead to producers increasing prices in order to recover extra costs of production ✓✓
- Prompts consumers to engage in panic buying when they expect prices to rise and thereby increasing pressure on price to rise. ✓✓
- Make households to save less, thereby leading to excess demand for goods and services ✓✓
- Decreases real interest rates which will discourage savings. ✓✓
- Reduce the burden on creditors as they will receive their money at higher interest rates ✓✓

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

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

ADDITIONAL PART

- Load shedding can lead to reduced production in many industries causing shortages of goods and services which may result to demand-pull inflation. ✓✓
- During load shedding, businesses may have to rely on backup power sources such as generators which increase the cost of production resulting in cost-push inflation.✓✓
- Load shedding can lead to a weakened value of the rand due to a decrease in foreign investor confidence in the country's economy hence decreasing the aggregate supply and lead to inflation.✓✓
- A weakened rand value will result in an increase in key-imported inputs which will increase prices of goods ✓✓
- Lower levels of investment contribute to stagflation through decreased employment and low economic growth which can negatively affect the inflation rate. ✓✓
- Load shedding can lead to supply chain disruptions thereby causing inflation as businesses tend to pass on added costs to consumers. ✓✓
- Inefficient allocation of resources due to load shedding hinder economic development and lead to cost inefficiencies which may contribute to higher prices. ✓✓
- Load shedding may lead to increased government expenditure as government is forced to invest in infrastructure such as power generators to address load shedding issues leading to inflationary pressures due to increased government borrowing. ✓✓

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

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

CONCLUSION

Inflation reduces the purchasing power of money which means consumers can buy fewer goods resulting in a decrease in the standard of living thus it is important for wage increases to be higher than the inflation rate. ✓✓

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

AND

INFLATION

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS — 40 MINUTES

- Discuss in detail the measures to combat inflation. (26 marks)
- How can South Africa's trading partners, such as USA and China, influence the domestic inflation rate? (10 marks)

INTRODUCTION

Inflation is a considerable and sustainable increase in the general price level of goods and services over a period of time. ✓✓

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

BODY

MAIN PART:

MEASURES TO COMBAT INFLATION

MONETARY POLICY MEASURES ✓

- Monetary policy in South Africa is formulated and implemented by the SARB within an inflation targeting framework of 3% - 6% ✓✓
- Monetary policy measures that can be taken include: -

Interest rates ✓

- The SARB curbs inflation by increasing the repo rate, which makes it more expensive to borrow money. ✓✓
- Banks pass on the increased cost of borrowing (repo rate) to their households and businesses by increasing the interest rate. ✓✓
- High interest rate discourages consumers from taking unnecessary credit, which helps to reduce consumer spending. ✓✓
- A decrease in credit creation results to a reduction of money supply thereby reducing demand-pull inflation. ✓✓
- The increase in interest rates stabilises the value of the currency, which helps to reduce cost-push inflation through lower import cost. ✓✓

Open market transactions / Open market operations ✓

- The SARB can directly decrease the supply of money by selling government securities in the open market. ✓✓
- When banks buy securities money flows from banks to the SARB which, reduces money supply. ✓✓

- Reduction in money supply will reduce aggregate demand controlling demand-pull inflation. ✓✓

Cash Reserve Requirements ✓

- 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. ✓✓

Moral suasion / Persuasion ✓

- 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. ✓✓

FISCAL POLICY MEASURES✓

- Fiscal policy refers to the measures taken by the Minister of Finance regarding taxation and expenditure. ✓✓

  The following are actions that can be taken:

Government expenditure ✓

- The state can reduce expenditure by postponing some government projects such as road, hospital and school construction. ✓✓
- Aggregate demand will decrease thereby reducing demand-pull inflation. ✓✓
- The government may finance a budget deficit from the non-banking sector to limit inflation. ✓✓

Taxation✓

- Government can increase direct taxation, such as personal income tax to decrease demand. ✓✓
- An increase in indirect taxation (VAT) causes spending to decrease because goods become more expensive. ✓✓
- The state can impose surcharges on imported goods, which will increase their prices thus discouraging consumer spending. ✓✓
- A loan levy can be used to reduce disposable income of consumers. ✓✓
- The government may reduce taxes on savings or introduce tax-free savings accounts to encourage saving and reduce spending. ✓✓

OTHER MEASURES

- Additional measures that can be used to combat inflation include:

Increase productivity: ✓

- Improving 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. ✓✓

Promote competition: ✓

- Promoting competition domestically and from abroad which helps to control high profit margins by businesses. ✓✓
- Promoting small business development to increase competition and increase the supply of goods and services. ✓✓

Price Control ✔

- The government ensures that certain essential goods remain affordable by imposing price controls, such as maximum prices. ✓✓

Wage Policy: ✔

- Implementing a wage policy to break the inflationary spiral of increased wages and prices. ✓✓

Stricter conditions for consumer credit: ✓

- The National Credit Regulator may impose strict requirement on consumer credit which will reduce aggregate demand. ✓✓

Import controls relaxation: ✓

- More imports may help to supplement local supply of goods and services, reducing inflation caused by product shortages. ✓✓
- Reduction of import controls helps to reduce the cost imported production inputs, such as agricultural chemical and reduce cost of production. ✓✓

Floating exchange rate: ✓

- Prices are automatically adjusted to international conditions, which allow free operation of the price mechanism (real prices). ✓✓

Decrease in the cost of doing business ✓

- Improve the efficiency of infrastructural services, such 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. ✓✓
- Reducing taxes paid by business to reduce their cost of production which allows them to produce output. ✓✓

Indexation: ✓

- Linking prices of items such as wages, pensions and mortgage bond interest rates to price indices to eliminate the effects of inflation. ✓✓

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

(Allocate a maximum of 8 marks for headings/subheadings/examples)

ADDITIONAL PART:

How can South Africa's trading partners, such as USA and China, influence the domestic inflation rate?

- Growth of the economies of South Africa's trading partner may increase demand for a variety of locally produced goods without a corresponding increase in supply, which increases demand-pull inflation. ✓✓
- Price increases in trading partner countries may lead to imported inflation as South Africa import goods and services at higher prices. ✓✓
- The removal of tariffs on South African exports in trading partner countries, such as China, may increase demand for local product contributing to higher inflation. ✓✓
- Increase in prices of commodity imports may lead to higher cost of importing production inputs, such as oil and gas contributing to cost push inflation. ✓✓
- Increase in demand for commodity exports, such as gold and coal by trading partner countries may increase export earnings leading to demand pull inflation. ✓✓
- Political tensions between South Africa and its trading partner countries, such as USA may disrupt the supply of production inputs which leads to a decrease in production output and higher prices for goods and services. ✓✓
- Increase in import tariffs especially on imported production inputs may increase the cost of production resulting in cost push inflation. ✓✓
- Imports from South Africa's trading partners may increase competition on local markets which helps to control prices increases. ✓✓
- Import tariffs imposed by South Africa's trading partners may reduce demand for South African exports which helps to control demand-pull inflation. ✓✓
- Decrease in prices of imported production inputs may reduce the cost of production in South Africa which reduces the domestic inflation rate. ✓✓

(Accept any other correct relevant response) (Max. 1 0)

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

CONCLUSION

Inflation reduces the purchasing power of money which means consumers can buy fewer goods resulting in a decrease in the standard of living. ✓✓ (Accept any other correct relevant higher-order conclusion) (Max. 2) [40]

TOURISM
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, 201 0 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

Analyse the importance of Indigenous Knowledge Systems (IKS) in promoting tourism.

- Indigenous Knowledge Systems (IKS) help to attract tourists as the 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]

AND

TOURISM

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS — 40 MINUTES

- Examine in detail the effects of tourism.
- How can South Africa's tourism profile be used to promote tourism in South Africa?

INTRODUCTION

Tourism involves the activities of people travelling to and staying in places outside their usual residential environment for not more than one year for leisure, business and other purposes. ✓✓

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

BODY

MAIN PART:

Gross Domestic Product (GDP) ✓

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

Employment ✓

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

Poverty ✓

- The income earned by the tourism industry contributes to the country's growth and development. ✓✓
- The Department of Tourism is involved in poverty relief projects that promote community owned tourism products and services. ✓✓
- The industry allows rural people to share in the benefits of tourism development, thereby promoting more balanced and sustainable forms of development✓✓
- Tourism provides an alternative to urbanisation, permitting people to continue a rural family lifestyle and enfranchising both women and the youth. ✓✓
- Poverty relief programme manages and administers poverty relief proposals and spin-off projects in the tourism and environment sectors. ✓✓
- Tourism offers opportunities to diversify sources of income for poor people by creating partnerships which link up with mainstream tourism businesses supplying goods or services. ✓✓
- Their focus is on infrastructure investment (e.g. information centres, tourist ablution facilities, walkways) and product development (for example, heritage sites, rock art and conservation). ✓✓
- Tourism is an effective mechanism for distributing resources to rural areas to develop them as tourist sites. ✓✓

Tourism externalities ✓

- Tourism activities may result in benefits or costs to third parties who are not part of the buyer-seller market. ✓✓
- Tourism could have both positive and negative externalities that extend into the future✓✓
- Negative externalities: While tourism attracts large amounts of revenue, it can cause undue environmental damage that can harm the very foundation on which it depends. ✓✓
- Tourism can cause inflation, which makes some goods unaffordable to locals. ✓✓
- Other examples/costs: Traffic and congestion, extra policing due to crime, increased health services and sanitation, destruction of flora and

fauna, spoiling views of the landscape, increased maintenance of infrastructure. ✓✓

- Positive Externalities: Gautrain provides links to different areas speedily especially to the airport. ✓✓
- Other benefits are new recreational amenities, increased direct and indirect tax revenue. ✓✓

The environment ✓

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

Investment/infrastructure ✓

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

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

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

ADDITIONAL PART:

- Tourism profile can be used to promote the tourism industry through increased marketing and advertising of tourism destinations. ✓✓For example, TV magazine programmes like Shot 'left inform people about local places of interest. ✓
- Improved infrastructure such as communication and transport can be used to attract tourists in rural areas where tourist sites are situated✓✓
- Developing new tourist attraction sites and properly maintain the existing ones improves South Africa's tourist profile and thereby attracting more tourists. ✓✓
- Recognizing/rewarding businesses and individuals who improve the quality of services given to the tourists so that they can return. ✓✓
- Effectively manage tourist sites and other tourist attractions to improve tourism profile of the country ✓✓ For example, maintenance, upgrading, security etc. ✓
- Enhancing efficiency of tourist information outlets that supply pamphlets and information about a specific area. ✓✓
- Promoting special holiday packages such as Special off-season rates to make it possible for domestic tourists to enjoy cheaper holidays✓✓
- Using tourism indaba to show case South Africa's best tourism products and attracts international visitors and media from across the world. ✓✓
- Promoting local culture and offering tourists an authentic village experience at cultural villages, such as Shangana in Mpumalanga✓✓
- Promoting cultural significance of World Heritage Sites, such as Robben Island✓✓
- Taking tourists who are interested in arts to festivals, such as the National Arts Festival in Grahamstown✓✓

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

CONCLUSION

The cause of the uneven distribution of tourists may not be in the attractions themselves but due to the supporting services / It is therefore worthwhile to improve the supporting services and facilities for tourism growth. ✓✓

(Accept any other correct relevant conclusion) (Max. 2) [40]

ENVIRONMENTAL SUSTAINABILITY

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]

ENVIRONMENTAL SUSTAINABILITY

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Discuss, in detail, the environmental problems together with the international measures taken to ensure sustainable development. (26 marks)
- Evaluate the impact of environmental subsidies on businesses. (10 marks)

INTRODUCTION

Environmental sustainability is the ability of the environment to survive its use for economic activities ✓✓

Sustainable development is meeting the needs of the present generation without compromising the needs of future generations ✓✓

Environment is the physical surroundings and physical conditions that affect people's lives which includes land, sea and the atmosphere. ✓✓

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

BODY

MAIN PART:

Biodiversity loss / Biodiversity ✓

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

Hazardous waste✓

- Hazardous waste is more than chemical waste and it includes toxic metal waste such as lead. ✓✓

- Hazardous waste has a slow decomposition rate as 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 / Climate change policy ✓

- A build-up of certain gases, such as carbon dioxide in the atmosphere, causes heat to be captured into 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 (UNFCCC) sets objectives to reduce greenhouse gases. ✓✓
- The Kyoto Protocol was signed as an agreement in which greenhouse gases emission levels for developed countries were agreed upon. ✓✓

Loss of indigenous knowledge / Indigenous knowledge ✓

- The loss of indigenous knowledge about the natural environment may result in people losing their way of making a living. ✓✓
- People use organic methods and natural processes in dealing with the environment and this indigenous knowledge may be lost for future generations. ✓✓
- Local capacity building is important as it can help 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 record local/indigenous knowledge before it is lost forever. ✓✓

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

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

(Allocate a maximum of 18 marks for the explanation of environmental problems without international measures)

ADDITIONAL PART

Evaluate the impact of environmental subsidies on businesses

Positive:

- Subsidies encourage businesses to recycle waste material such as bottles, cans and cardboards, thereby reducing the level of pollution. ✓✓

- Encourage the production of environmentally-friendly substitutes by businesses such as reusable shopping bags and rechargeable batteries. ✓✓
- Help businesses to develop new production techniques or equipment which are used to save energy and to reduce carbon dioxide. ✓✓
- Environmental subsidies encourage businesses to invest in environmentally sustainable products which can be more affordable. ✓✓
- Motivate businesses to adopt environmentally-friendly sources of energy such as solar and wind. ✓✓

Negative:

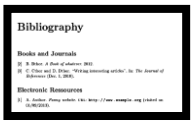
- Some firms may become too dependent on government support instead of becoming self-sustainable. ✓✓
- Subsidies can create market distortion as industries may not function without government support. ✓✓
- Subsidies are vulnerable to corruption or abuse if not properly managed, resulting in deserving businesses failing to access the subsidies. ✓✓
- The implementation of subsidies may increase the cost of doing business due to higher administration costs. ✓✓

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

CONCLUSION

The environment is under pressure because human claims on the environment are more than what nature can provide for on a long-term basis. ✓✓

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



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