



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**SEPTEMBER 2012**

**ECONOMICS  
MEMORANDUM**

**MARKS: 300**

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This memorandum consists of 19 pages.

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**SECTION A****QUESTION 1 (LO1 – LO4)**

1.1

LO1	1.1.1	C ✓✓	business cycle		
	1.1.2	B ✓✓	public		
	1.1.3	A ✓✓	terms of trade		
LO2	1.1.4	B ✓✓	demand and supply.		
	1.1.5	C ✓✓	Subsidy		
	1.1.6	A ✓✓	economic profit		
LO3	1.1.7	C ✓✓	RDP		
	1.1.8	A ✓✓	SDI		
	1.1.9	C ✓✓	free trade.		
LO4	1.1.10	B ✓✓	benefits debtors.		
	1.1.11	B ✓✓	ecotourists.		
	1.1.12	A ✓✓	CITES	(12 x 2)	(24)

1.2	1.2.1	Real flow ✓✓			
	1.2.2	Managed floating ✓✓			
	1.2.3	Oligopoly ✓✓			
	1.2.4	North-South divide ✓✓			
	1.2.5	Stagflation ✓✓		(5 x 2)	(10)

1.3	1.3.1	C ✓✓	Direct or indirect compulsory payments to the government.		
	1.3.2	H ✓✓	Shows the relationship between tax revenue and tax rate.		
	1.3.3	I ✓✓	Profit maximisation.		
	1.3.4	F ✓✓	An example of a negative externality.		
	1.3.5	A ✓✓	Removal of restrictive laws and regulations.		
	1.3.6	D ✓✓	Incentives to increase sales abroad.		
	1.3.7	E ✓✓	A cause of cost-push inflation.		
	1.3.8	B ✓✓	Resource that can be replenished or replaced.	(8 x 2)	(16)

**TOTAL SECTION A: 50**

**SECTION B** (Answer any THREE questions from this section.)**QUESTION 2 (LO1 AS1 – AS4)**

- 2.1 2.1.1 real ✓✓  
 2.1.2 Kondratieff ✓✓  
 2.1.3 Auditor-General ✓✓  
 2.1.4 decrease ✓✓ (4 x 2) (8)

2.2 List the THREE types of exchange rate systems

- Fixed rate ✓✓
- Free floating ✓✓
- Controlled / managed floating ✓✓ (3 x 2) (6)

2.3 **DATA RESPONSE**

2.3.1 Refers to a small increase in spending leading to a proportionally larger increase in national income. ✓✓ (2)

2.3.2 The higher the mpc, the higher the multiplier will be. ✓✓  
 Multiplier is directly proportional to mpc. ✓✓ (Any 1 x 2) (2)

2.3.3 Multiplier =  $\frac{1}{1 - mpc}$ .  
 $= \frac{1}{1 - 0,6}$  ✓  
 $= \frac{1}{0,4}$  ✓  
 $= 2,5$  ✓✓  
 Multiplier effect = R1 bn x 2,5 = R2,5 billion ✓✓ (6)

2.4 **DATA RESPONSE**

2.4.1 Shows the income and expenditure for a three year period. ✓✓ (2)

2.4.2 Education ✓✓ (2)

2.4.3 • Informs the parliament of changes in the economy since the main budget. ✓✓  
 • Indicates the developments in public policy that will shape the next budget. ✓✓ (4)

2.4.4 Mr Pravin Gordhan ✓✓ (2)

2.5 Discuss 'extrapolation' as a feature underpinning forecasting.

- Technique used to predict the future by using past data. ✓✓
- It involves the extension of the curve assuming structural variables remain the same. ✓✓
- Extending a trend may give information about what is likely to happen. ✓✓
- Trend line can be extended for the length of a cycle. ✓✓
- Channel lines and resistance points must be considered for the trend of a curve. ✓✓
- Predicting economic behaviour using extrapolation is unreliable. ✓✓

(Any 4 x 2) (8)

2.6 Briefly explain the 'flows' in a circular flow.

- Flows are economic variables that happen over time. ✓✓
- There are two flows: money flow and real flow. ✓✓
- Flow of goods and services and factors of production are referred to as the real flow. ✓✓
- Income and expenditure are referred to as the money flow. ✓✓
- For every real flow there is money flow in opposite direction. ✓✓

(Any 4 x 2) (8)

[50]

**QUESTION 3 (LO2 AS1 – AS3)**

- 3.1 3.1.1 perfect ✓✓  
 3.1.2 internal ✓✓  
 3.1.3 artificial ✓✓  
 3.1.4 independent ✓✓

(4 x 2) (8)

3.2 List any THREE characteristics of a monopoly.

- Faced with demand curves ✓✓
- Decide on their production levels ✓✓
- Are exposed to market forces. ✓✓
- No close substitutes. ✓✓
- Only one seller. ✓✓
- Price makers. ✓✓
- Exploit consumers. ✓✓
- Protected by barriers of entry. ✓✓
- Enjoy favourable circumstances. ✓✓

(Any 3 x 2) (6)

**3.3 DATA RESPONSE**

3.3.1 To save SA consumers from price fixing (pricing predators). ✓✓ (2)

- 3.3.2
- To prevent the abuse of monopoly power. ✓✓
  - To regulate the market power through mergers and takeovers. ✓✓
  - To prevent price fixing and collusion. ✓✓ (Any 2 x 2) (4)

- 3.3.3
- The Competition Commission ✓✓
  - The Competition Tribunal ✓✓
  - The Competition Appeal Court ✓✓
- (Any 2 x 2) (4)

### 3.4 DATA RESPONSE

- 3.4.1 Failure of markets to produce the quantities of goods and services that consumers want at a price that reflect marginal utilities and relative scarcities. ✓✓ (2)

- 3.4.2
- Externalities ✓✓
  - Public goods ✓✓
  - Merit and demerit goods ✓✓
  - Imperfect competition ✓✓
  - Lack of information ✓✓
  - Advertising ✓✓
  - Immobility of factors of production ✓✓
  - Imperfect distribution of income and wealth ✓✓
- (Any 3 x 2) (6)

- 3.4.3 • Externalities ✓✓ (2)

### 3.5 Briefly explain 'shut-down point' in a perfectly competitive market.

- Profit maximisation is where  $MR = MC$ . ✓✓
  - The firm should consider shutting down when  $TR < \text{Total cost of production}$ . ✓✓
  - If  $TR < TVC$ , it should consider closing down. ✓✓
  - If price is below  $MR/MC$ , the business will not cover its  $AVC$ . ✓✓
  - If the business is not able to cover  $AVC$ , it is better to close down. ✓✓
  - This point where price is less than  $AVC$  is known as closing down point. ✓✓
- (Any 4 x 2) (8)

### 3.6 Discuss 'product differentiation' as a characteristic of monopolistic competition

- Products are not identical. ✓✓
  - Differentiated products are similar in many ways. ✓✓
  - Similarity means that they can satisfy the same need. ✓✓
  - Differences are imaginary. ✓✓
  - May have different brand names but contains the same ingredients. ✓✓
  - Services of sellers make the product different. ✓✓
  - Differences in packaging. ✓✓
  - Packaging of a product makes it different from other products. ✓✓
- (Any 4 x 2) (8)

[50]

**QUESTION 4 (LO3 AS1 – AS4)**

- 4.1 4.1.1 development ✓✓  
 4.1.2 IDZ ✓✓  
 4.1.3 advalorem ✓✓  
 4.1.4 economic ✓✓ (4 x 2) (8)

4.2 THREE examples of cash benefits to ensure redistribution of income.

- Unemployment insurance ✓✓
- Disability grant ✓✓
- Child support grant ✓✓
- Old-age pension ✓✓ (Any 3 x 2) (6)

4.3 **DATA RESPONSE**

- 4.3.1 The replacement of goods that was previously imported. ✓✓ (2)
- 4.3.2 Industrial Development Corporation. ✓✓ (2)
- 4.3.3
- Iscor ✓✓
  - Sasol ✓✓
  - Armscor ✓✓ (Any 1 x 2) (2)
- 4.3.4
- To develop local industries. ✓✓
  - To increase job opportunities. ✓✓
  - To improve the balance of payments. ✓✓ (Any 2 x 2) (4)

4.4 **DATA RESPONSE**

- 4.4.1 The number of infants who die before reaching one year of age per thousand live births. ✓✓ (2)
- 4.4.2
- Sanitation ✓✓
  - Electricity ✓✓
  - Refuse removal ✓✓
  - Water supply ✓✓ (Any 2 x 2) (4)
- 4.4.3
- Infant mortality ✓✓
  - Under-five mortality ✓✓
  - Health expenditure ✓✓
  - Access to safe drinking water ✓✓
  - Access to sanitation facilities ✓✓ (Any 2 x 2) (4)

4.5 Discuss any TWO monetary policy instruments used as South African approach for growth and development.

1. **Changes in interest rates.** ✓✓

- To make credit more expensive or cheaper. ✓✓
- To stabilise exchange rate by encouraging capital inflows or outflows. ✓✓

2. **Open market transactions.** ✓✓

- Buying of securities in the open market to encourage credit creation. ✓✓
- Selling of securities in the open market to restrict credit creation. ✓✓

3. **Moral persuasion** ✓✓

- Persuading banks to act in a desirable manner according to the economic conditions in the economy. ✓✓ (Any 2 x (2 x 2)) (8)

4.6 Briefly explain 'Skills Support Programme' as an incentive offered by DTI.

- Cash grant for skills development. ✓✓
- To encourage greater investment in training. ✓✓
- To encourage the development of new advanced skills. ✓✓
- Manufacturing businesses qualifying for SMEDP can apply. ✓✓
- Lasts up to three years. ✓✓
- Maximum of 50% of training costs. ✓✓

(8)  
[50]

**QUESTION 5 (LO4 AS1 – AS3)**

- 5.1 5.1.1 price indexes ✓✓  
 5.1.2 headline ✓✓  
 5.1.3 physical ✓✓  
 5.1.4 conservation ✓✓

(4 x 2) (8)

5.2 List any THREE reasons for the growth of worldwide tourism.

- Increase in disposable income. ✓✓
- Reduction in working hours ✓✓
- Awareness of leisure and recreation ✓✓
- Improved infrastructure ✓✓
- Increased advertising and promotion ✓✓
- Awareness of the benefits of tourism ✓✓
- Ease of obtaining foreign exchange ✓✓

(Any 3 x 2) (6)

### 5.3 DATA RESPONSE

#### 5.3.1 CPI:

Measures the cost of a representative basket of goods to the consumer. ✓✓

#### PPI:

Measures the cost of production of the representative basket of goods when they leave the factory. ✓✓ (4)

#### 5.3.2 • Subdued local demand. ✓✓

- Appreciation in the external value of the rand. ✓✓ (4)

#### 5.3.3 6% ✓✓ (2)

### 5.4 DATA RESPONSE

#### 5.4.1 The ability of the environment to survive economic activity. ✓✓ (2)

#### 5.4.2 • A source of income ✓✓

- Save millions from municipal budgets ✓✓
- Three times more revenue than landfills ✓✓
- Creates six times more jobs ✓✓

(Any 3 x 2) (6)

#### 5.4.3 • Charging for the use of the environment. ✓✓

- Environmental taxes ✓✓
- Environmental subsidies ✓✓
- Marketable permits ✓✓

(Any 1 x 2) (2)

#### 5.5 Briefly describe 'inflation' as an economic concept.

- It is a process – not a single non-recurrent activity. ✓✓
- Sustained condition – prices continue to rise. ✓✓
- The rise in the price must be considerable. ✓✓
- There is a general rise in the prices. ✓✓
- Increase in the price of isolated goods does not indicate inflation. ✓✓
- There is a decline in the purchasing power of money. ✓✓ (Any 4 x 2) (8)

#### 5.6 Discuss 'property rights' as a public sector intervention for environmental sustainability.

- To prevent flora and fauna species from becoming extinct. ✓✓
- Ensures that owners take proper care of the things that belong to them. ✓✓
- Owners will try to use them profitably as long as possible. ✓✓
- Property rights will help in the preservation at little costs to the tax payers. ✓✓
- But property right is not possible in all instances. ✓✓ (Any 4 x 2) (8)

[50]



**QUESTION 6 (LO1 and LO2)**

- 6.1 6.1.1 leakage ✓✓  
 6.1.2 privatisation ✓✓  
 6.1.3 perfect competition ✓✓  
 6.1.4 demerit ✓✓ (4 x 2) (8)

- 6.2 List the THREE government approaches to reduce the impact of negative externalities.  
 • Persuasion ✓✓  
 • The price mechanism ✓✓  
 • Direct controls ✓✓ (Any 3 x 2) (6)

**6.3 DATA RESPONSE**

- 6.3.1 Business cycle ✓✓ (2)  
 6.3.2 • B to C = Depression ✓✓  
 • D to E = Prosperity / Boom ✓✓ (4)  
 6.3.3 Trend line ✓✓ (2)  
 6.3.4 Technique used to predict the future by using past data. ✓✓ (2)

**6.4 DATA RESPONSE**

- 6.4.1 When collusion between oligopolists occur openly and formally. ✓✓ (2)  
 6.4.2 Oligopoly ✓✓ (2)  
 6.4.3 • Higher profits ✓✓  
 • Less uncertainty ✓✓  
 • Difficult for new businesses to enter ✓✓ (Any 2 x 2) (4)  
 6.4.4 OPEC ✓✓ (2)

**6.5 Briefly explain any TWO demand reasons for international trade.**

1. **Effective wants** ✓✓
  - There are differences in the demands for individuals. ✓✓
  - Taste plays an important role. ✓✓
2. **Income** ✓✓
  - When income increases, there will be an increase in the demand for local as well as imported goods. ✓✓
3. **International migration** ✓✓
  - Immigrants usually demand goods from their country of origin. ✓✓

4. **Religious, cultural, sociological and life style differences** ✓✓  
 • Differences between countries will determine the consumption patterns. ✓✓
5. **Levels of economic development** ✓✓  
 • Less developed countries spend more on food while developed countries spend more on luxuries ✓✓ (Any 2 x 4) (8)

6.6 Discuss the rationale of 'cost-benefit analysis'.

- CBA is a valuable tool that helps to make informed decisions. ✓✓
  - It helps in the efficient allocation of resources. ✓✓
  - It is a technique used to measure and compare the costs and benefits of an economic activity. ✓✓
  - It is to find the rate of return on the project. ✓✓
  - It is also used to find the future costs and benefits as well as its present value. ✓✓
  - This technique brings greater objectivity in decision making. ✓✓ (Any 4 x 2) (8)
- [50]

**SECTION C** (Answer any TWO questions from this section.)

**QUESTION 7 (LO1 AS3)**

Discuss the objectives of the public sector and conclude your discussion by explaining the effects of fiscal policy.

**INTRODUCTION**

The state applies fiscal policy with a view to achieve government's macroeconomic objectives. ✓✓✓ (accept any appropriate introduction) (3)

**BODY**

**Objectives of the Public sector**

1. **Economic growth** ✓✓
  - Increase in the production of goods and services in the economy. ✓✓
  - Measured in terms of real GDP. ✓✓
  - Economic growth must be higher than population growth. ✓✓
  - Higher growth and development leads to higher standard of living. ✓✓
2. **Full employment** ✓✓
  - An important aim of all governments. ✓✓
  - Means all individuals who are looking for work must find work. ✓✓
3. **Exchange rate stability / Balance of payment stability** ✓✓
  - Depreciations and appreciations create uncertainty. ✓✓
  - Fluctuations in the value of a currency should be limited. ✓✓
  - Government should see that the exchange rate remains stable. ✓✓

4. **Price stability** ✓✓
    - Economic growth and employment will improve when prices are stable. ✓✓
    - In RSA, price stability is achieved when the inflation rate is between 3% and 6%. ✓✓
  
  5. **Economic equity / Fair distribution of income** ✓✓
    - Redistribution of income and wealth is necessary. ✓✓
    - Progressive tax rates are used to achieve this. ✓✓
    - Income from tax is used to finance public and social services. ✓✓
- (Max. 10 x 2) (20)

### Effects of Fiscal policy

1. **Income distribution** ✓✓
    - Progressive taxation make income more evenly distributed. ✓✓
    - Spending on social and welfare payments increases the income of the poor people. ✓✓
  
  2. **Consumption** ✓✓
    - Changes in the rate of taxation will affect consumer spending. ✓✓
    - Consumption also depends on the level of savings and the propensity to consume. ✓✓
  
  3. **Price level** ✓✓
    - Increase in direct taxes reduces inflationary pressure and aggregate demand. ✓✓
    - Increase in indirect taxes will raise the price level. ✓✓
  
  4. **Incentives** ✓✓
    - Increase in income tax and company tax reduces the incentives to work, save and invest. ✓✓
    - High and progressive rate of taxation discourages people from working hard. ✓✓
  
  5. **Laffer curve** ✓✓
    - Laffer curve explains the relationship between revenue and tax rate. ✓✓
    - High rate of taxation discourages labour force. ✓✓
    - According to the Laffer curve, tax revenue increases only up to a certain point. ✓✓
    - At a certain rate tax revenue peaks and then declines. ✓✓
    - A reduction in the rate of income tax will encourage more people to work and the tax revenue will increase. ✓✓
    - At a lower rate of taxation the tax revenue will be higher than at a higher tax rate. ✓✓
  
  6. **Discretion** ✓✓
    - Minister can use discretion with regard to a number of fiscal policy decisions. ✓✓
    - Certain rules are in place – deficit-, lending- and debt rule. ✓✓
- (Max. 10 x 2) (20)

**CONCLUSION**

The direction of the fiscal policy depends on the specific stage of the business cycle. ✓✓ (accept any appropriate conclusion) (2)

Use the following assessment grid together with the above to assess the discussion.

<b>MARKS</b>	<b>INTERPRETATION OF TOPIC</b>
<b>0</b>	Candidate has shown no understanding of the topic.
<b>1</b>	Candidate has shown some understanding of topic but missed important aspects of topic. (1 – 15 marks)
<b>3</b>	Candidate has interpreted topic correctly but has not linked facts to topic. (16 – 30 marks)
<b>5</b>	Candidate has interpreted topic correctly and has linked facts to topic. (31 – 45 marks)

(5)  
[50]

**QUESTION 8 (LO2: AS2)**

Write a formal letter to the Minister of Local Government explaining government intervention as an effect of market failures.

S. Tshabalala  
P.O. Box 1000  
Mthatha ✓  
5100

Date ✓

To:  
The Minister  
Ministry of Local Government ✓  
Pretoria

(3)

Sir

**Re: Government intervention** ✓✓

(2)

**A. Preventing the misallocation of resources** ✓✓

(2)

**1. Incomplete Markets** ✓✓

- Market failures misrepresent the allocation of resources. ✓✓
- This results in less than optimal production. ✓✓
- Community goods and services prevent competitive markets from supplying them efficiently. ✓✓
- In most cases it is impossible to determine a price or force users to pay. ✓✓
- Collective goods and services have some characteristics of public goods. ✓✓

- These goods can be supplied by competitive markets, but the quantity or the price may not be appropriate. ✓✓
- Government must supply these goods directly by raising taxes. ✓✓  
(Max. 3 x 2) (6)

## 2. Negative Externalities ✓✓

- Governments have used different methods to reduce the impact of negative externalities. ✓✓
- Persuasion ✓
  - Changing the behaviour of people needs public relations campaigns by the government ✓✓
- Price mechanism ✓
  - Levying a tax to recover the external cost ✓✓
- Direct controls ✓
  - Government can use laws to reduce negative externalities ✓✓  
(Max.) (4)

## 3. Positive externalities ✓✓

- Price Mechanism ✓
  - Merit goods provided by private sector must be subsidised. ✓✓
  - Subsidies will improve the consumption of these goods by reducing the cost. ✓✓
- Direct controls ✓
  - Compulsory education, inoculations and treatment of certain diseases are examples ✓✓
- Artificial monopolies (✓) operate where perfect competition is prevented by entry restrictions. ✓
- Natural monopolies (✓) develop in industries that need large capital outlay. ✓
- Government can use various methods to correct the situation ✓✓
- Competition from abroad can be used. ✓✓
- Local competition can be promoted ✓✓
- Control bodies such as regulatory authorities can be used ✓✓
- Statutory requirements can also be used to control excessive prices. ✓✓  
(Max.) (6)

## B. Improving income distribution ✓✓ (2)

- Free market economy does not improve income and wealth distribution. ✓✓
- Governments use a combination of taxes and subsidies to effect redistribution. ✓✓
- **Traditional methods** (✓) refer to the levying of taxes to provide free services to the poor. ✓
- **Redress methods** (✓) relate to the use of laws to enforce redistribution. ✓

- E.g. BEE, affirmative action, empowerment, land restitution and redistribution, property subsidies, RDP houses etc. ✓✓
- **Minimum Wages** (✓) are also used to enforce redistribution of income. ✓
- Unskilled workers are at a disadvantage when negotiating with their employers. ✓✓
- **Maximum prices/Price ceiling** (✓) are set by the government to benefit the poor. ✓
- **Minimum prices** (✓) are set for basic food stuffs to ensure that sufficient quantities are produced. ✓
- **Subsidies on goods** (✓) have the effect of lowering the prices of such goods. ✓ (Max.) (10)

**C. Enhancing macroeconomic stability** ✓✓ (2)

- If macroeconomic objectives are not achieved it is considered as market failure. ✓✓
- Government intervention focuses on demand side or supply side of the economy. ✓✓
- Most important demand-side policies are monetary and fiscal policies. ✓✓
- Supply side problems such as lack of information and immobility of factors of production must be removed. ✓✓ (Max. 3 x 2) (6)

Yours faithfully ✓

S. Tshabalala ✓ (2)

Use the following assessment grid together with the above to assess the discussion.

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<b>5</b>	Candidate has interpreted topic correctly and has linked facts to topic. <b>(31– 45 marks)</b>

(5)  
[50]

**QUESTION 9 (LO3 AS4)**

Write a detailed essay on the economic indicators under the headings Production, Employment and Price changes.

**INTRODUCTION**

Economic indicators are used to measure the performance of the economy. ✓✓✓ (accept any appropriate introduction )

(3)

**BODY****A. Production**

- Production of an economy is measured in terms of GDP. ✓✓
  - GDP can be calculated by production, income and expenditure method. ✓✓
  - GDP is the value of final goods produced within the boundaries of a country over given period. ✓✓
1. **GDP at current prices** ✓✓
    - GDP calculated at market or current prices is called nominal GDP. ✓✓
    - Nominal GDP shows the monetary value of goods and services. ✓✓
  2. **Real GDP** ✓✓
    - Growth performance of the economy is measured in terms of real GDP. ✓✓
    - Real GDP is obtained when the effects of inflation is removed from nominal GDP. ✓✓
    - Real GDP is used to show real aggregate economic activity and movement of business cycles. ✓✓
    - It is also used for forecasting. ✓✓
  3. **Per capita real GDP** ✓✓
    - Economic growth allows people to consume more goods and services. ✓✓
    - But if population grows faster than economic growth people will be worse off. ✓✓
    - For this reason Per capita real GDP is calculated. ✓✓
    - Per capita real GDP is real GDP divided by the number of population. ✓✓
    - An increase in per capita real GDP shows an improvement in the standard of living. ✓✓
    - Per capita figures indicate economic development, living standards and also compare living standards. ✓✓

(Any 7 x 2) (14)

**B. Employment****1. Economically Active Population ✓✓**

- People between ages 15 and 65 years who are willing to work, are known as economically active population (labour force). ✓✓
- People in this group are workers in the formal and informal sector, employers and self-employed persons and unemployed people. ✓✓

**2. Employment rate ✓✓**

- Number of employed persons expressed as a percentage of the EAP. ✓✓
- Employment rate in RSA is low compared to developed countries ✓✓
- Employment indicators are used for calculating trends and structural changes in the economy. ✓✓
- Also used to calculate productivity ✓✓
- It also shows the success of the economy in utilising its full potential. ✓✓

**3. Unemployment ✓✓**

These are people in the EAP who:

- Did not work for seven days before the interview ✓✓
- Want to work and are available to work within a week ✓✓
- Have taken steps to look for work ✓✓
- Unemployment is the most important cause of poverty ✓✓

(Any 7 x 2) (14)

**C. Price changes**

- Price changes are part of market economy. ✓✓
- When abnormal changes in prices occur for longer periods, it is called inflation or deflation. ✓✓
- Inflation is an indicator of the health of the economy ✓✓
- Inflation is monitored by PPI and CPI ✓✓

**Production prices ✓✓**

- It is used to measure prices when goods leave the factory or when imported goods enter the country ✓✓
- PPI serves as an indicator to predict Consumer goods inflation ✓✓

**Consumer prices ✓✓**

- CPI shows price changes of a shopping basket of goods of an average household ✓✓
- CPI is the most comprehensive indicator of consumer price inflation ✓✓
- CPIX shows the inflation rate excluding the effect of mortgage bond interest rates. ✓✓
- Interest rates are used by SARB to control inflation. ✓✓

(Any 6 x 2) (12)

**CONCLUSION**

Pro-cyclical indicators move in the direction whereas counter-cyclical indicators move in the opposite direction. ✓✓

(2)



Use the following assessment grid together with the above to assess the discussion.

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5	Candidate has interpreted topic correctly and has linked facts to topic. (31– 45 marks)

(5)  
[50]

### QUESTION 10 (LO4 AS2)

#### Policies to promote tourism

#### INTRODUCTION

The policy suggestions aim to ensure and accelerate the delivery of tourism benefits to all South Africans. ✓✓✓ It aims to maintain the sustainability of the tourism industry to enhance the quality of life of South Africans. ✓✓✓ (Max.) (3)

#### BODY

##### A. Marketing ✓✓

- The marketing and promotion of South Africa's tourism is most important. ✓✓
- South African tourist attractions must be promoted as tourist destinations. ✓✓
- Generic promotions (South Africa as a whole) must be made. ✓✓
- SA tourism was created for this. ✓✓
- Generic marketing programmes must be included by travel agents ✓✓
- Factors such as value for money, the political miracle, climate, friendliness etc. must be emphasised. ✓✓
- Domestic marketing must encourage citizens to consider a wide variety of destinations and group tours. ✓✓
- Purposes such as biodiversity, cultural, sport, recreation etc. must be Promoted. ✓✓
- Destinations such as World Heritage sites, Kruger National Park etc. must be given importance. ✓✓ (Any 6 x 2) (12)

##### B. Spatial Distribution / Directing ✓✓

- Most tourists go to the same familiar destinations that are well known. ✓✓

**1. Create representative bodies** ✓✓

- Industries linked to an attraction can form representative bodies to market effectively. ✓✓
- Describe the product more attractively. ✓✓
- Competitive prices must be charged ✓✓
- Products must be promoted considering focus, wording, timing and medium. ✓✓
- Location and accessibility of the attraction are also important. ✓✓

**2. Improve and extend supporting services** ✓✓

- The cause of uneven distribution of tourists is the lack of supporting services. ✓✓
- **Accommodation**(✓) – adequate facilities must be provided ✓
- **Services** (✓) – An increasing range of facilities and services should be provided. ✓
- **Access**(✓) – The development and maintenance of transport facilities are essential ✓
- **Ancillary (support) services** (✓) – to both the consumer and the industry through networking and information. ✓

**3. Improve marketing** ✓✓

4 x P's:

- **Product** (✓) – were product described in best way? ✓
- **Price** (✓) – must be competitive. ✓
- **Promotion** (✓) – reconsider all aspects of advertising. ✓
- **Place** (✓) – location and accessibility are important. ✓ (Max.) (14)

**A. Taxing** ✓✓

- Growth of tourism leads to an increase in tourist taxes. ✓✓
- Most countries are using it as a source of state revenue. ✓✓
- Taxes should be raised in according to guidelines ✓✓
- **Equity** (✓) – Taxes should be fair compared to other sectors. ✓
- **Efficiency**(✓) – Taxes should have minimal effect on the demand for travel and tourism ✓
- Taxes must be used to regulate the flow of tourists to specific areas. ✓✓
- **Simplicity** (✓) – Taxes should be simple to pay and administer. ✓ (Max.) (8)

**B. Infrastructure** ✓✓

- Requires economic and social infrastructure and basic services ✓✓
- **More infrastructure** (✓) – Physical infrastructure should increase as tourism increases. ✓
- Lack of quality infrastructure reduces tourist flow. ✓✓
- **Upgrading**(✓) – if expansion is not possible, upgrading should be done. ✓
- **New technology** (✓) – should be implemented in all areas to market tourism products domestically and internationally. ✓ (Max.) (6)

**CONCLUSION**

The policy suggestions aim to ensure and accelerate the practical delivery of tourism benefits to all South Africans. ✓✓

(2)

Use the following assessment grid together with the above to assess the discussion.

<b>MARKS</b>	<b>INTERPRETATION OF TOPIC</b>
<b>0</b>	Candidate has shown no understanding of the topic.
<b>1</b>	Candidate has shown some understanding of topic but missed important aspects of topic. <b>(1 – 15 marks)</b>
<b>3</b>	Candidate has interpreted topic correctly but has not linked facts to topic. <b>(16 – 30 marks)</b>
<b>5</b>	Candidate has interpreted topic correctly and has linked facts to topic. <b>(31– 45 marks)</b>

(5)  
[50]

**TOTAL SECTION C: 100**

**GRAND TOTAL: 300**