



**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2022

**ECONOMICS P2
MARKING GUIDELINE**

MARKS: 150

This marking guideline consists of 18 pages.

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

- 1.1.1 C – marginal revenue ✓✓
- 1.1.2 C – oligopoly ✓✓
- 1.1.3 A – differentiated ✓✓
- 1.1.4 D – externalities ✓✓
- 1.1.5 B – cost benefit analysis ✓✓
- 1.1.6 A – targeting ✓✓
- 1.1.7 D – transport ✓✓
- 1.1.8 B – climate change ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 D – Accepts or rejects recommendations and passes judgement ✓
- 1.2.2 E – Has a hybrid structure ✓
- 1.2.3 F – Results in a shortage of goods in the economy ✓
- 1.2.4 B – Average variable cost is equal to price ✓
- 1.2.5 I – A policy of linking prices of items such as mortgage bond interest costs to price indices ✓
- 1.2.6 G – Travelling through the country ✓
- 1.2.7 C – South Africa's World Heritage Site ✓
- 1.2.8 A – Any strategy undertaken to safeguard the environment and keep it intact ✓ (8 x 1) (8)

1.3 GIVE ONE TERM

- 1.3.1 Long term ✓
- 1.3.2 Natural monopoly ✓
- 1.3.3 Black market ✓
- 1.3.4 Hyperinflation ✓
- 1.3.5 Outbound tourism ✓
- 1.3.6 Basil Convention ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MICROECONOMICS

2.1 Answer the following questions.

2.1.1 **Name any TWO examples of public goods and services.**

- National defence ✓
- Lighthouse ✓
- Street lighting ✓

(Accept any other relevant correct response.)

(2)

2.1.2 **How is the market price determined in a perfectly competitive market?**

- The market price is determined by interaction of demand and supply. ✓✓

(Accept any other relevant correct response.)

(2)

2.2 **DATA RESPONSE**

2.2.1 **Identify a barrier to market entry into an oligopoly from the above extract.**

- Patent ✓
- Huge number of resources ✓

(1)

2.2.2 **Give ONE form of non-price competition strategy that oligopolies use.**

- Advertising ✓
- Loyalty rewards ✓
- Door-to-door deliveries ✓
- Product differentiation ✓
- Extended shopping hours ✓
- Sales on the internet ✓

(Accept any other relevant correct response.)

(1)

2.2.3 **Briefly describe the term *oligopoly*.**

Oligopoly is a market structure where only a few large sellers operate, and entry is difficult, and products can be differentiated or homogenous. ✓✓

(Accept any other relevant correct response.)

(2)

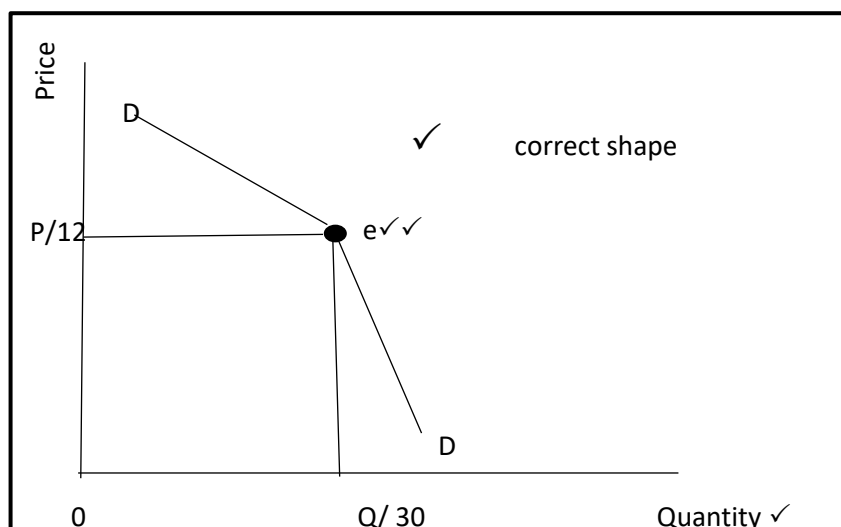
2.2.4 Explain **interdependence** as a characteristic of oligopolistic market.

- Interdependence exists when firms in an oligopoly consider their rivals' reactions while adjusting prices and output. ✓✓
- Each firm is aware of how rival firms will react to any action it takes. ✓✓

(Accept any other relevant correct response.)

(2)

2.2.5 Draw a well labelled graph of a demand curve of an oligopoly.



Mark allocation

Correction labelling of both axis	1
Correct shape (kinked demand curve)	1
Indication and labelling of the kink-equilibrium	2
Maximum	4 marks

(4)

2.3 2.3.1 Identify the subsidy from the graph above.

yz ✓

(1)

2.3.2 Give any ONE example of a direct subsidy.

- Cash grants ✓
- Interest free loans ✓

(Accept any other relevant correct response.)

(1)

2.3.3 Briefly describe the term **production subsidy**.

A production subsidy is a financial grant or resource given to businesses by the government to support the production of a good or service ✓✓

(Accept any other correct relevant response.)

(2)

2.3.4 Why are imperfect markets regarded as allocative inefficient?

- Product mix of imperfect markets does not reflect consumer's tastes and therefore resources are not allocated in the right proportions, the quantities required by consumers are not available. ✓✓

(Accept any other correct relevant response.)

(2)

2.3.5 Explain the impact of a producer subsidy on the economy.

- More goods will be produced ✓✓
- Overall supply of the subsidised product will increase ✓✓
- Prices of goods will be lowered, and quantity demanded of that good will increase ✓✓
- As the producer increases supply, the cost of production is reduced allowing the supplier to profit from both the subsidy and lower costs ✓✓
- As a result of the subsidy, the increased supply will be able to accommodate the higher quantity demanded ✓✓

(Accept any other relevant correct response.)

(2 x 2)

(4)

2.4 Distinguish between *merit* and *demerit* goods.**Merit goods**

- Goods that are deemed necessary/beneficial to the society ✓✓ e.g. health care and education ✓
- They are highly desirable for the general welfare but not most highly rated by the market ✓✓
- Market produces less than the desired quantities/provide inadequate supply ✓✓
- If people had to pay market prices for them, relatively too little would be consumed ✓✓
- Reason for undersupply of merit goods is that the market only takes the private benefit into account and not the social benefit ✓✓

(Accept any other relevant correct response.)

(Max. 4)

Demerit goods

- Goods or services that are regarded as harmful to the society, hence less of them should be consumed e.g., alcohol, cigarettes etc. ✓✓
- They are highly undesirable for the general welfare of society but are over consumed ✓✓
- There is oversupply of demerit goods ✓✓
- Consumers are unaware of the true costs of consuming them ✓✓

(Accept any other relevant correct response.)

(Max. 4)

(8)

2.5 Examine the disadvantages for the existence of the monopolistic competitive market.

- A firm cannot reach optimum production efficiency ✓✓
- Productive inefficiency may increase the resource waste in the industry ✓✓
- The equilibrium price is high therefore consumers pay high prices ✓✓
- It is impossible for the firms to obtain economic profit in the long run ✓✓
- More funds are spent on advertising than improving the quality of the product ✓✓ which then lead to consumers buying products of inferior quality ✓✓

(Accept any correct relevant response.)

(4 x 2) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

3.1 3.1.1 Name any TWO types of pollution.

- Air pollution ✓
- Water pollution ✓
- Land pollution ✓
- Noise pollution ✓

(2)

3.1.2 How can South Africa's weak rand affect inbound tourists from the United States of America?

- Inbound tourists from the United States of America will receive more money for their strong US dollar and therefore spend more within South Africa. ✓✓

(Accept any other correct relevant response.)

(2)

3.2 3.2.1 Give ONE example of indigenous knowledge.

- Rock paints/art ✓
- Traditional food and clothing ✓
- Pottery ✓
- Beading ✓

(Accept any other correct relevant response.)

(1)

3.2.2 What type of World Heritage Site is uKhahlamba Drakensberg Park?

Environmental ✓

(1)

3.2.3 Briefly describe the term *indigenous knowledge system*.

This is knowledge developed within indigenous societies independent of and prior to the advent of modern scientific knowledge system/knowledge system that is unique to a given culture. ✓✓

(Accept any other correct relevant response.)

(2)

3.2.4 Briefly explain the purpose of the Welcome Campaign as a marketing strategy for tourism.

The purpose of the Welcome Campaign as a marketing strategy is to:

- encourage all South Africans to make every tourist feel at home and have an unforgettable experience in the country ✓✓
- encourage tourists to return for a repeat visit and tell others about their experience in the country visited ✓✓

(Accept any other relevant correct response.)

(2)

3.2.5 How does indigenous knowledge system contribute to local community development?

Indigenous knowledge system contributes to community development by:

- conserving the environment ✓✓
- developing sustainable agriculture ✓✓
- ensuring food security ✓✓
- encouraging maintenance of traditional practices ✓✓
- encouraging behavioural changes and lifestyles ✓✓

(Accept any other correct relevant response.)

(2 x 2)

(4)

3.3 3.3.1 Write the abbreviation 'SARB' in full.

South African Reserve Bank ✓

(1)

3.3.2 What does 25 basis point mean?

0,25% /percentage. ✓

(1)

3.3.3 Briefly describe the term *repo rate*.

The rate at which the central bank of a country lends money to commercial banks in the event of any shortfall of funds. ✓✓

(Accept any other correct relevant response.)

(2)

3.3.4 How can wage increases affect inflation?

Increases in wages lead to an increase in cost of production which lead to an increase in prices, therefore wage increases are a source of cost-push inflation. ✓✓

(Accept any other correct relevant response.)

(2)

3.3.5 Why is the work of the Monetary Policy Committee important in South Africa?

The work of the Monetary Policy Committee is important because it:

- determines an interest rate that will be consistent with meeting the inflation target of 3%–6% ✓✓
- can use an interest rate as an expansionary measure by reducing the repo rate to stimulate the economy ✓✓
- can use an interest rate as a contractionary monetary measure by increasing the repo rate for the economy to slow down ✓✓

(Accept any other correct relevant response.)

(2 x 2)

(4)

3.4 Discuss the fiscal measures to combat inflation.

Fiscal measures are measures taken by the Minister of Finance regarding taxation and expenditure. ✓✓

- An increase in direct taxation (personal income tax) which will help to decrease demand. ✓✓
- An increase in indirect taxation (VAT) causes spending to decrease because goods become more expensive. ✓✓
- A loan levy reduces the disposable income of consumers. ✓✓
- The state cuts back on expenditure by cancelling government projects like roads, hospitals and schools. ✓✓
- The country's finance budget deficit is non-inflationary (the government uses loans from the non-banking sector to limit inflation). ✓✓
- The state imposes surcharges on imported goods. ✓✓
- This increases the price of these imported goods, resulting in many people being unable to afford to buy these goods. ✓✓

(Accept any other correct relevant response.)

(4 x 2)

(8)

3.5 How can tourism alleviate poverty in rural areas?

Tourism can alleviate poverty especially in rural areas by:

- distributing resources to rural areas to develop them as tourist sites. ✓✓
- offering opportunities to diversify sources of income for the poor by allowing a stake in small scale tourism ✓✓
- empowering rural people to exploit opportunities like on-the-job training and creating partnership with mainstream businesses ✓✓
- promoting locally owned enterprises owned by the poor to serve as a benefit as tourists buy a wide range of goods/services ✓✓
- providing a vast number of jobs to people with little or no formal training ✓✓

(Accept any other correct relevant response.)

(4 x 2)

(8)

[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

- 4.1 4.1.1 **Name any TWO types of collusion.**
 • Cartels/overt/explicit ✓
 • Price leadership/tacit/implicit ✓
 (Accept any other relevant correct response.) (2)
- 4.1.2 **How would a high rate of inflation influence the balance of payment?**
 A high rate of inflation will lead to:
 • expensive exports (few exported) and cheaper imports (many imported) thereby increasing the deficit in the balance of payments. ✓✓
 (Accept any other relevant correct response.) (2)
- 4.2 4.2.1 **Identify the revenue maximising output from the table above.**
 • 5 units ✓ (1)
- 4.2.2 **What does the phrase *monopolists control price* mean?**
 • Monopoly sets its own price ✓
 • Price maker ✓ (1)
- 4.2.3 **Briefly describe the term *average revenue*.**
 • It is revenue per unit ✓✓
 • it calculated as total revenue divided by units sold ✓✓
 (Accept any other correct relevant response.) (2)
- 4.2.4 **Explain the nature of the products sold by a monopolist.**
 • Products are unique and do not have close substitutes ✓✓ (2)
- 4.2.5 **Why is it possible for a monopolist to make an economic loss in the short run?**
 • In the short run the monopolist is not able to vary all its inputs then the cost of production are high ✓✓
 • The demand for the product may not be sufficient to yield profit ✓✓
 (Accept any other correct relevant response.) (2 x 2) (4)
- 4.3 4.3.1 **Identify from the extract above, the percentage change of headline inflation from December to January.**
 0,2% ✓ (1)
- 4.3.2 **Name the consumer inflation which excludes items with volatile prices.**
 Core inflation ✓ (1)
- 4.3.3 **Briefly describe the term *headline inflation*.**
 • Headline inflation refers to inflation measured by CPI and calculated for urban areas only ✓✓
 • It refers to unadjusted CPI figures ✓✓ (2)

4.3.4 How does investment spending cause demand pull inflation?

- Businesses invest more and this may lead to an increase in the demand for the capital goods and services that form part of the investment ✓✓
- If aggregate demand increases at a faster rate than aggregate supply, prices increase will follow ✓✓

(Accept any other correct relevant response.)

(2)

4.3.5 How are fixed income earners negatively impacted by inflation?

- Fixed income earners are badly affected by inflation because their income does not increase at the same time as prices do ✓✓
- As prices increase the income of fixed income earners purchase less and less and this results in a drop in their standard of living ✓✓

(Accept any other correct relevant response.)

(4)

4.4 Explain the lack of information as a cause for market failure.

- Consumers, workers and entrepreneurs do not have the necessary information to make rational decisions and this may lead to inefficient allocation of resources ✓✓
- Consumers need detailed information about goods and services in order to maximise their utility ✓✓
- Workers are often unaware of job opportunities and therefore unable to get the required employment and this will affect the production of goods and services ✓✓
- Entrepreneurs lack information on costs, availability of productivity of factors of production impact on their effectiveness ✓✓
- Entrepreneurs may operate on the basis of incorrect information ✓✓

(Accept any other correct relevant response.)

(4 x 2)

(8)

4.5 Evaluate the social impact of tourism**Positive impact**

- Tourism promotes travelling and meeting new people and making friends ✓✓
- Tourists are able to learn about different cultures ✓✓
- There is greater understanding of people living in different societies ✓✓
- Local communities are able to improve their skills and social status ✓✓
- People benefit from improved and new facilities like, attractions and catering facilities ✓✓
- Tourism activities result in direct and indirect job opportunities created for local people in tourism destinations ✓✓

(Accept any other correct relevant response.)

Negative impact

- Tourism may result in conflict between tourists and host communities because people in the area may resent tourists as they feel that they are taking over their community ✓✓
- There could be increased crime in the area visited e.g. drug dealings, robbery etc. ✓✓
- People may be removed from their original place of residence to make way for tourism development ✓✓

(Accept any other correct relevant response.)

(Candidates may look at one side or both.)

(4 x 2)

(8)

[40]

TOTAL SECTION B: 80

SECTION C

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

QUESTION 5: MICROECONOMICS

- With the aid of well labelled-graphs discuss in detail the various short run equilibrium positions of an individual business in a perfect competition. (26 marks)
- How does the competition Act protect consumers? (10 marks)

INTRODUCTION

The individual business can make economic profit, economic loss or normal profit in the short run. ✓✓

(Accept any other correct relevant introduction.)

(Max. 2 marks)

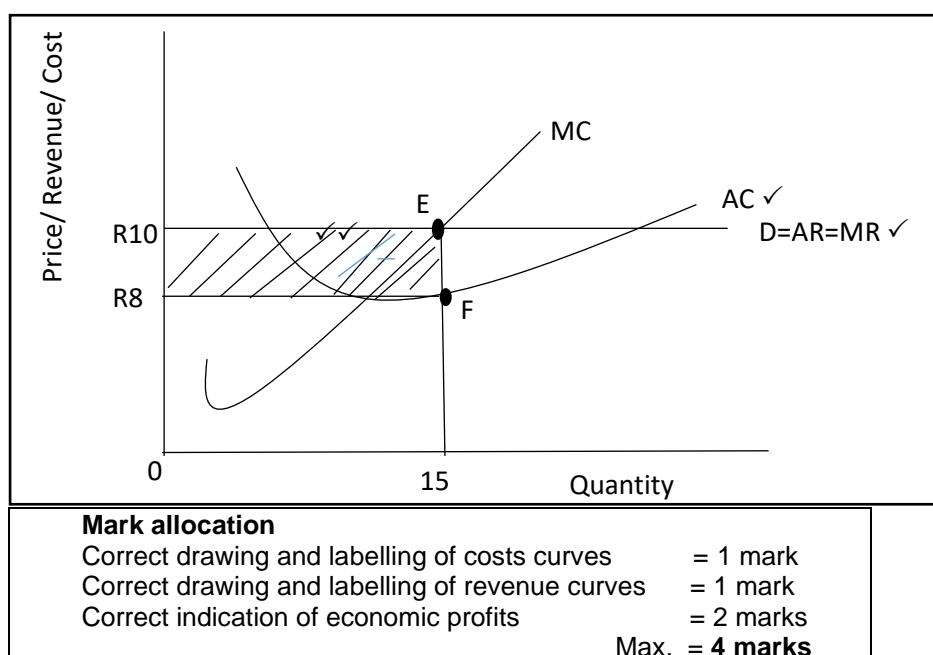
(2)

BODY: MAIN PART

Economic profit ✓

- A firm makes economic profit when average revenue (AR) is greater than average cost (AC) / total revenue (TR) is greater than total cost (TC) ✓✓
- Economic profit is the profit that a business makes that is more than the normal profit ✓✓

Economic profit



Graphical explanation

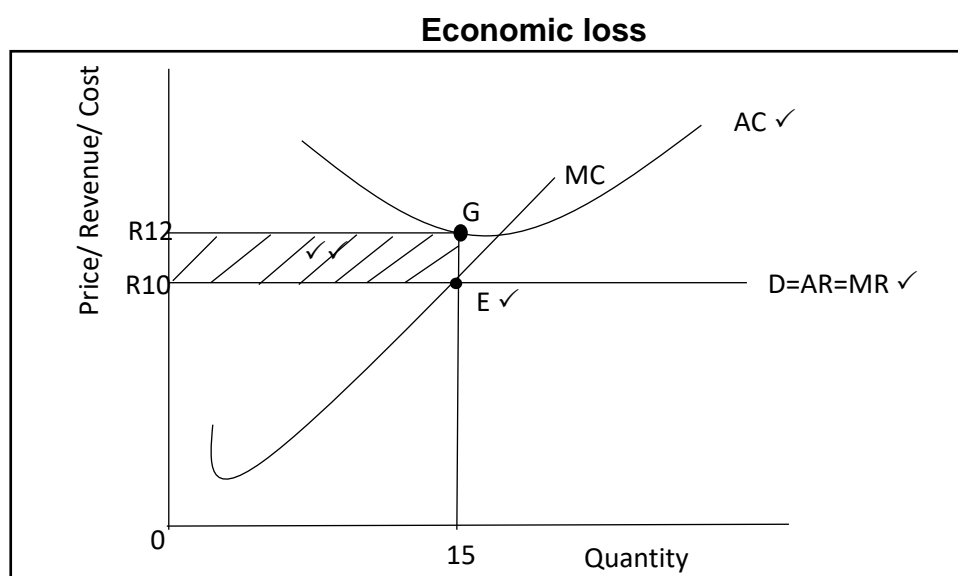
- The quantity produced is 15 and the firm's average revenue (AR) is R10 ✓ while the average cost per unit is R8 which is lower than the price of R10 ✓
- A business will produce at the output level where $MR=MC$ (point E) because it can maximise profits at this level ✓✓
- A business makes economic profits when the lowest point of AC curve is below the market price ✓✓
- Economic profit in the graph above is $R2 \times 15 = R30$ ✓✓

- The difference between these two areas is the economic profit which is represented by the shaded area ✓✓

Max. 6 marks for explanation

Economic loss ✓

- A business makes economic loss when its revenue is less than its costs ✓✓
- The minimum point of the ATC curve lies above the market price ✓✓
- It implies that the average revenue is less than the average cost ✓✓



Mark allocation

Correct drawing and labelling of cost curves	= 1 mark
Correct drawing and labelling of revenue curves	= 1 mark
Correct indication of economic profits	= 2 marks
Max.	= 4 marks

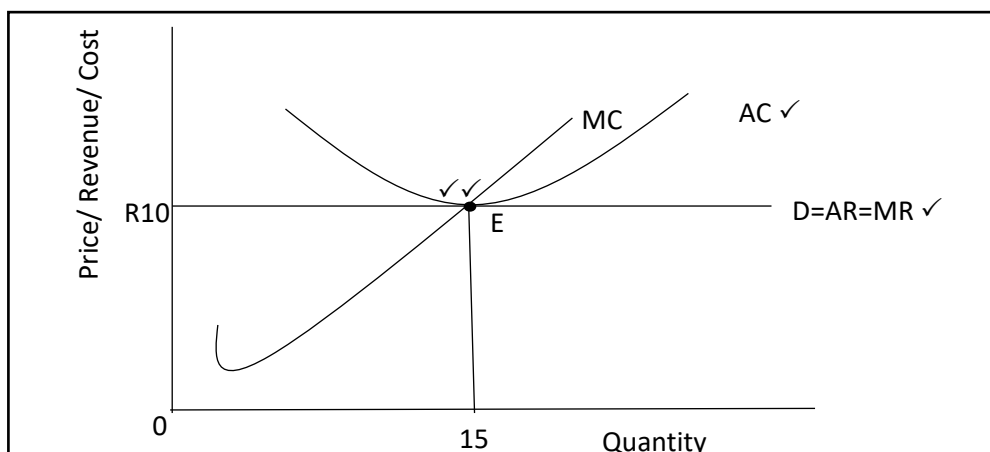
Graphical explanation

- Given a market price of R10, profit is maximised where $MR = MC$ and this occurs at quantity 15 ✓✓
- At quantity 15 the firm's average revenue (AR) per unit of production is R10 ✓ and the average cost per unit is R12 which is higher than the price of R10 ✓
- The firm is making an economic loss which is equal to the $-R2 \times 15 = -R30$ loss ✓✓

Max. 6 marks for explanation

Normal profit ✓

- Normal profit is the maximum return the owner of a firm expects to receive to keep on operating in the industry ✓✓
- A firm makes normal profits when total revenue (TR) equals total costs or when average revenue (AR) equals average cost (AC) ✓✓
- Normal profits are at the point where the business is generating enough revenue to cover all of its costs adequately without excessive profits being made ✓✓

Normal profit**Mark allocation**

Correct drawing and labelling of cost curves = 1 mark

Correct drawing and labelling of revenue curves = 1 mark

Correct indication of normal profit = 2 marks

Max. = **4 marks****Graphical explanation**

- Given a market price of R10, profit is maximised where $MR = MC = P$ and this occurs at point E where quantity is 15 ✓✓
- At 15 the firm's average revenue (AR) per unit of production is R10, which is also equal to the average cost per unit R10 ✓✓
- Since average revenue equals average cost the producer makes a normal profit ✓✓

Max. 6 marks for explanation
(Max. 26 marks)

ADDITIONAL PART

- The Competition Act tries to eliminate practises which have negative effects on competition which benefits the consumer ✓✓
- Competition will be promoted and sustained in the markets which will result in consumers paying lower prices for goods and services ✓✓
- Interests of the consumers are protected, ensuring freedom of trade ✓✓
- Consumers are protected from price inflating by producers for purposes of making higher profits ✓✓
- Minimum quality specifications and safety standards are set for both goods and services establishing mechanism to redress consumers' grievances ✓✓
- Formation of cartels leading to collusive pricing, division of markets and joint decisions to reduce supply are prevented by the act ✓✓

(Accept any other correct relevant response.)

(Max. 10 marks)

(10)

CONCLUSION

In reality there are few perfect markets in some sectors such as mining and agriculture where conditions for perfect market are met. ✓✓

(Accept any other correct relevant conclusion.)

(Max. 2 marks)

(2)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

- **Discuss in detail government measures to ensure sustainable development.** (26 marks)
- **How does South Africa use conservation to ensure a sustainable environment?** (10 marks)

INTRODUCTION

Environmental sustainability refers to the development that satisfies the current needs of the people without compromising the quality of the environment so that it remains equally capable of supporting the future generations ✓✓
(Accept any other relevant introduction.) (Max. 2 marks) (2)

MAIN PART**Granting property rights ✓**

- Property rights are laws that govern how individuals can control, use, benefit from and transfer resources ✓✓
- Property rights have positive conservation effects because they ensure that people take care of the property they own ✓✓
- They will use it profitably for as long as possible, even for generations to come ✓✓
- To prevent fauna and flora species from becoming extinct, the government can allow people property rights over them ✓✓
- Property owners can then preserve the environment at little cost to taxpayers ✓✓
- Property rights can be expanded to common goods such as clean air ✓✓
- Kyoto Protocol is an international agreement whereby developed countries pay developing countries for their right to pollute ✓✓

Pay for environmental use ✓

- The government can protect the environment by imposing user-fees and charges on individuals who use or damage the environment ✓✓
- Government levies fees for waste produced and dumped in the environment ✓✓
- In South Africa, local authorities levy charges on rubbish collected and sewage disposal ✓✓
- Charges should be proportional to the waste for best results because a fixed total charge will not encourage waste producers to reduce waste ✓✓

Levy environmental taxes ✓

- These are also known as green taxes or eco taxes ✓✓
- Government imposes these taxes on consumption of a good that has a negative impact on the environment and is not for the good of the environment ✓✓
- E.g. levy on plastic bags, filament light bulbs, tyres etc. ✓
- To achieve a socially efficient output the rate of tax should be equal to the marginal external cost ✓✓

Pay environmental subsidies ✓

- The government pays a subsidy to firms that enable them to reduce pollution levels by a certain percentage or below a certain level ✓✓
- E.g. government subsidises new technology that saves energy such as energy saving bulbs or solar geysers ✓✓

Issue marketable permits ✓

- The government issues a permit to each firm which allow a certain amount of pollution so this sets a standard ✓✓
- Firms are allowed to trade the permits to other firms that have a larger pollution level ✓✓
- When increasing output each firm can decide whether it is more profitable to buy permits for additional pollution or to alter its technology to produce less pollution using its current permits ✓✓

Command and control ✓

- Maximum permitted levels are set, e.g. emission minimum acceptable levels of environmental quality ✓✓
- Inspectors monitor the activities and impose fines if the legal limits are not respected ✓✓
- There are three approaches to devising command and control system:
- Quantity standards: ✓ focus on quantities of pollution emitted ✓✓
- Quality standards ✓: These focus on the environmental impact of the pollution emitted. ✓✓
- Social impact standards: ✓ These focus on the effect on people of the pollution emitted. ✓✓

Voluntary agreements ✓

- The government tries to enter into voluntary agreements with businesses to cut pollution. Rather than imposing laws and regulations ✓✓
- These agreements include formal contracts or informal commitments that businesses negotiate to suit their own circumstances ✓✓

Education ✓

- It is used to try to change people's attitudes towards the environment ✓✓
- Innovative approaches have been tried in developing the world to educate people, e.g. setting up a community wildlife reserve ✓✓
- Education should include aspects of indigenous knowledge systems because indigenous people have a broad knowledge of how to live sustainable ✓✓
- People should be made aware of environmental issues and the consequences of their actions ✓✓
- To make their consumption habits more environmentally friendly ✓✓
- Education plays an important role in improving people's ability to manage the environment ✓✓

(Accept any other relevant correct response.)

(Max. 26 marks) (26)

Maximum of 8 marks for mere listing of facts or examples.

ADDITIONAL PART

Conservation relates to the taking care of natural resources to ensure they are not completely used up and disappear from the environment. ✓✓

South Africa ensure sustainable environment through conservation by:

- recognising, protecting and maintaining traditional knowledge, practices and cultures ✓✓
- using traditional knowledge with approval and involvement of those who possess the knowledge ✓✓
- establishing and managing efficiently a representative and effective system of protected areas ✓✓
- controlling and preventing introduction of harmful species that threaten the biodiversity ✓✓
- strengthening measures for the conservation of biological diversity outside of natural habitat ✓✓
- maintaining stock levels of environment resources through issuing of permits and quota ✓✓
- maintaining renewable stocks through forces of demand and supply ✓✓

(Accept any other correct relevant response.)

(Max. 10 marks) (10)

CONCLUSION

The environment is important as a precious resource which needs to be taken care of by both the government and individuals at large. ✓✓

Accept any other relevant conclusion) `

(Max. 2 marks) (2)

TOTAL SECTION C: 40
GRAND TOTAL: 150