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## **education**

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Noord-Wes Onderwys Departement  
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**NORTH WEST PROVINCE**

**RUSTENBURG SUB-DISTRICT  
WEEKEND SUPPORT CAMP**

**GRADE 12**

**ECONOMICS  
PAPER 2  
ASSESSMENT**

**TIME :** 2hours

**Marks:** 150

This question paper consists of 12 pages.

## INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows in the ANSWER BOOK:  
SECTION A: COMPULSORY  
SECTION B: Answer any TWO questions  
SECTION C: Answer only ONE question
2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 1–2 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable calculator.
11. Write neatly and legibly.

**SECTION A (COMPULSORY)  
QUESTION 1****30 MARKS**

- 1.1 Various options are provided as possible answers to the following questions. Write down the question number (1.1.1 – 1.1.8), choose the answer and write the letter (A – D) of your choice next to the question number in the ANSWER BOOK.
- 1.1.1 The entry of new firms in a perfect market is graphical represented by:
- A The industry on the right only
  - B The individual on the left only
  - C The industry on the left and the individual on the right
  - D The individual on the right and the industry on the right
- 1.1.2 Suppliers will reward consumers with free delivery if a minimum amount is spent; this is an example of ...
- A advertising.
  - B online shopping.
  - C extended shopping hours.
  - D product differentiation.
- 1.1.3 Consumers are often unaware of the ... impact of demerit goods when they only take the private costs into account.
- A negative
  - B government
  - C positive
  - D production
- 1.1.4 If the cost-benefit ratio is ... the project can proceed.
- A equal to 1
  - B less than 1
  - C equal to 0
  - D greater than 1
- 1.1.5. ... various goods and services, the CPI reflects how the average consumer's spending is distributed over the various categories of expenditure.
- A Consumer Price Index
  - B Weighting
  - C Inflation rate
  - D Runaway inflation
- 1.1.6. ... is a landmark which is selected by the United Nations as having cultural and historical significance.
- A Transit tourism
  - B Ecotourism
  - C Domestic tourism
  - D Paleo tourism
- 1.1.7. ... are the most important cost item in any economy and contribute significantly towards the value added to basic prices.

- A Wage increases
- B Producers
- C Imported goods
- D Food prices

1.1.8. Which of the following is NOT an example of preservation?

- A Species of animals
- B An indigenous forest
- C Reptile and butterfly sanctuaries
- D A river mouth ecosystem

(8x2) 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 number (1.2.1 – 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Implicit costs	A The amount of money that a person has available to spend
1.2.2 Competition	B Enterprise that markets South Africa as a tourist destination
1.2.3 Brand loyalty	C Permanent destruction of trees and forests
1.2.4 Utility	D The national tourism agency responsible for marketing South Africa as a destination internationally and domestically
1.2.5 Purchasing power	E The consumers special attachment to a certain product
1.2.6 South African Tourism	F Actual expenditure that a business incurs in the production process
1.2.7 World Travel and Tourism Council	G Free entry and exit of businesses in the market to ensure a dominance of market power
1.2.8 Deforestation	H Condone the levying of taxes on the tourist industry
	I Degree of satisfaction that the consumer derives from the consumption of goods and services

(8 × 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1 – 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 Goods and services that have identical quality and features and are indistinguishable from each other by the consumer

1.3.2 There are few dominant producers in this market structure

1.3.3 Conditions within an economic system where resources are not allocated optimally

1.3.4 Managing aggregate demand through fiscal and monetary policies, as well as addressing cost pressures, is crucial for controlling inflation.

1.3.5 The site is home to the largest concentration of human ancestral remains anywhere in the world

1.3.6 Method used to create awareness and change people's attitudes towards the environment (6x1) 6

**TOTAL SECTION A: 30**

**SECTION B**

Answer ALL questions from this section in the ANSWER BOOK.

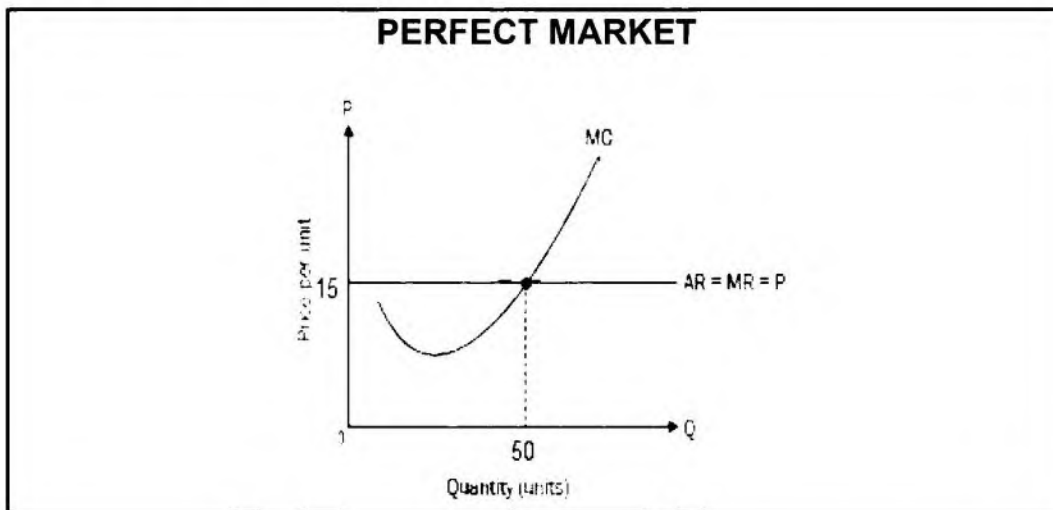
**QUESTION 2: MICROECONOMICS**

2.1 Answer the following questions

2.1.1 Name any TWO cost curves found at the shutdown point (2 x 1) (2)

2.1.2 How does a subsidy of public goods and services curb market failures? (1x2) (2)

2.2 Study the graph below and answer the questions that follow



2.2.1 Identify the demand curve for a perfect market from the graph above (1)

2.2.2 Which components ensures that resources are allocated efficiently in a competitive market? (1)

2.2.3 Briefly describe the term *marginal costs*. (2)

2.2.4 Why the line AR=MR=P important in perfect markets? (2)

2.2.5 With an aid of a graph, illustrate the equilibrium position. (Use the above graph) (2 x 2) (4)

2.3 Study the picture below and answer the questions that follow



[Source: [https://dailyinvestor.com/south-africa/8289/top-gauteng-estate-planning-r200-million-battery-bank-and-solar-farms/ /](https://dailyinvestor.com/south-africa/8289/top-gauteng-estate-planning-r200-million-battery-bank-and-solar-farms/) ]

- 2.3.1 Name ONE type of external cost that is considered during cost-benefit analysis. (1)
- 2.3.2 Identify ONE way in which the proposed battery and solar farm might cause external benefit to citizens of Gauteng. (1)
- 2.3.3 Briefly describe the term *present value*. (2)
- 2.3.4 Why should the residents of the top Gauteng estate prioritise battery banks and the solar farm? (2)
- 2.3.5 What is the role of *private costs + external costs = social cost* in a cost benefit analysis situation? (2 x 2) (4)
- 2.4 Briefly describe the Competition Act 1998 (Act 89 of 1989) as amended. (4 x 2) (8)
- 2.5 Why are negative externalities considered as a consequence of market failure? (8)



**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES**

3.1 Answer the following questions

3.1.1 Name any TWO reasons for growth in the tourism industry. (2 x 1) (2)

3.1.2 What is the effect of a current account deficit on inflation? (1 x 2) (2)

3.2 Study the extract below and answer the questions that follow

**TOURISM ON RISE OF TOURIST VISITS IN SOUTH AFRICA**

The Africa region continues to bring the largest share of tourist arrivals to the country. A total of 3 083 583 tourists that arrived in South Africa between January and June 2023 came from the rest of the African continent. This is a 79.9% increase when compared to the same period last year when South Africa welcomed 1 714 501 visitors from this region.

This is a testament to the marketing efforts that we have implemented to attract tourists from this region. Africa remains a key source market for us, and we are committed to collaborating as a tourism sector to make sure we welcome visitors from this region and that we cater for their needs and preferences.

[Source: <https://www.gov.za/speeches/tourism-rise-tourist-visits-south-africa-27-jul-2023-0000>]

3.2.1 List any ONE common need of tourists. (1)

3.2.2 Name any ONE economic effect of tourism in South Africa. (1)

3.2.3 Briefly describe the term *international tourism*. (2)

3.2.4 How important is South Africa's tourism profile for social development? (2)

3.2.5 Why is Africa a key primary market for tourism in South Africa? (2 x 2) (4)

3.3 Study the cartoon below and answer the questions that follow



[Source : <https://www.timeslive.co.za/sunday-times/opinion-and-analysis/opinion/2022-11-27-a-black-friday-for-south-africans-as-kganyago-hikes-rates/>]

- 3.3.1 Which economic participant gains by means of the progressive income when inflation is above 6%? (1)
- 3.3.2 Name any ONE cause of cost push inflation. (1)
- 3.3.3 Briefly describe the term *inflation targeting* (2)
- 3.3.4 Why did the SARB slay the dragons? (2)
- 3.3.5 What are the implications of high inflation on interest rates for individuals? (2 x 2) (4)
- 3.4 Outline the ways to measure tourism. (4 x 2) (8)
- 3.5 How can central banks use inflation calculations to adjust monetary policy? (8)

**QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**

4.1 Answer the following questions

4.1.1 Name any TWO sectors covered by the national minimum wage  
(2 x 1) (2)

4.1.2 How does medical tourism impact local communities? (1 X 2) (2)

4.2 Study the table below and answer the questions that follow

COST SCHEDULE FOR CHICKEN SHOP						
Q	TFC	TC	AFC	AVC	ATC	MC
0	120	0	-	-	-	
10	120	100	12	10	22	10
20	120	160	6	8	14	6
30	120	210	4	7	11	5
40	120	280	3	7	10	7
50	120	400	2.4	8	10.4	12
60	120	600	2	10	12	20
70	120	910	1.7	13	14.7	31

4.2.1 Name any ONE measure of average cost (1)

4.2.1 Provide the formula to calculate average total cost (1)

4.2.3 Briefly describe the term *short run* (2)

4.2.4 Why do firms experience diseconomies of scale? (2)

4.2.5 With the aid of a graph, illustrate the relationship between the total cost curves and the variable costs. (2 x 2) (4)

4.3 Study the information below and answer the questions that follow



- 4.3.1 Which type of inflation is set by government or controlled by government through appointed authorities? (1)
- 4.3.2 Identify the type of inflation that is measured for urban areas only. (1)
- 4.3.3 Briefly describe the term *consumer inflation*. (2)
- 4.3.4 Provide the formula to determine inflation. (2)
- 4.3.5 How does inflation affect fresh and frozen foods? (2 x 2) (4)
- 4.4 Compare without the aid graphs productive inefficiency and allocative inefficiency (4 x 2) (8)
- 4.5 Why is spatial distribution an important consideration for tourism policy? (8)

**TOTAL SECTION B: 80**

**SECTION C**

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

Your answer will be assessed as follows:

<b>STRUCTURE OF ESSAY</b>	<b>MARK ALLOCATION</b>
<b>Introduction</b> The introduction is a lower-order response. <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid mentioning in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate <b>A maximum of 8 marks may be allocated for headings/examples</b> <b>Additional part:</b> Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce/Compare/Distinguish/Interpret/How? /Suggest <b>A maximum of 2 marks may be allocated for mere listing facts.</b>	Max. 26  Max. 10
<b>Conclusion</b> Any higher-order conclusion should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5      MICROECONOMICS      40 MARKS      40 MINUTES**

- Compare the market structure of a monopoly with a perfect market (26 marks)
- How can Monopolistic competitors attract more customers to increase its market share (10 marks)

**40**

**QUESTION 6      CONTEMPORARY ECONOMIC ISSUES      40 MARKS      40 MINUTES**

- Discuss in detail the effect of tourism (26 marks)
- Evaluate the South African government's policies to promote tourism.(10 marks)

**40**

**TOTAL SECTION C:      40**  
**TOTAL:                      150**



## **education**

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**GRADE 12**

**ECONOMICS  
PAPER 2  
MARKING GUIDELINE**

**Marks: 150**

**SECTION A (COMPULSORY)**

**QUESTION 1**

**30 MARKS**

**1.1. MULTIPLE CHOICE**

- 1.1.1. C – The industry on the left and the individual on the right ✓✓
- 1.1.2. B – online shopping ✓✓
- 1.1.3. A – negative ✓✓
- 1.1.4. D – greater than 1 ✓✓
- 1.1.5. B – weighting ✓✓
- 1.1.6. D – Paleo tourism ✓✓
- 1.1.7. A – Wage increase ✓✓
- 1.1.8. C – reptile and butterfly sanctuaries ✓✓

**1.2. MATCH COLUMN**

- 1.2.1. F – actual expenditure that a business incurs in the production process ✓
- 1.2.2. G – free entry and exit of businesses in the market to ensure a dominance of market power ✓
- 1.2.3. E – The consumer's special attachment to a certain product. ✓
- 1.2.4. I – Degree of satisfaction that the consumer derives from the consumption of goods and services ✓
- 1.2.5. A – the amount of money that a person has available to spend ✓
- 1.2.6. D – enterprise that market South Africa as a tourist destination
- 1.2.7. H – Condone the levying of taxes on the tourist industry ✓
- 1.2.8. C – permanent destruction of trees and forests ✓

**1.3. GIVE TERM**

- 1.3.1. Homogenous identical products ✓
- 1.3.2. Oligopoly ✓
- 1.3.3. Inefficiencies ✓
- 1.3.4. Keynesian explanation ✓
- 1.3.5. Cradle of humankind ✓
- 1.3.6. Education ✓

**TOTAL SECTION A: 30**

**SECTION B**

Answer ALL questions from this section in the ANSWER BOOK.

**QUESTION 2: MICROECONOMICS**

2.1 Answer the following questions

**2.1.1 Name any TWO cost curves found at the shutdown point** (2 x 1)

- Average variable cost ✓
  - Marginal costs ✓
- (2)

**2.1.2 How does a subsidy of public goods and services curb market failures?** (1x2)

- Subsidies can be used to encourage the production or provision of public goods, such as national defence, public parks, or research and development, which can generate social benefits that are not captured by the market ✓✓  
(Accept any other correct relevant response)
- (2)

2.2 Study the graph below and answer the questions that follow

**2.2.1 Identify the demand curve for a perfect market from the graph above**

- Horizontal demand curve ✓
- (1)

**2.2.2 Which components ensures that resources are allocated efficiently in a competitive market?**

- $MC=MR$  ✓
- (1)

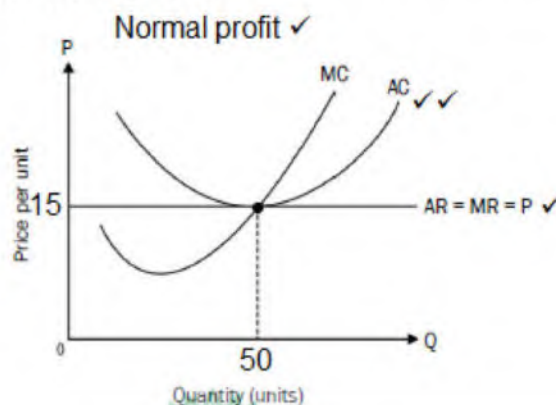
**2.2.3 Briefly describe the term *marginal costs***

- the additional cost of producing one more unit of output ✓✓  
(Accept any other correct relevant response)
- (2)

**2.2.4 Why the line  $AR=MR=P$  important in perfect markets?**

- It determines the output produced by the individual firm ✓✓  
(Accept any other correct relevant response)
- (2)

**2.2.5 With an aid of a graph, illustrate the equilibrium position. (Use the above graph)** (2x2)



(4)



2.3 Study the picture below and answer the questions that follow

- 2.3.1 Name ONE type of external cost that is considered during cost-benefit analysis.**
- Noise and Pollution✓
  - Destruction of aesthetic area✓
  - Disturbance to the residents✓
- (Accept any other correct relevant response) (1)
- 2.3.2 Identify ONE way in which the proposed battery and solar farm might cause external benefit to citizens of Gauteng.**
- Create more job opportunities✓
- (1)
- 2.3.3 Briefly describe the term *present value***
- A future amount of money is one where the effects of time have been considered and the value has been reduced✓✓
- (Accept any other correct relevant response) (2)
- 2.3.4 Why should the resident of top Gauteng estate prioritise battery banks and the solar farm?**
- Installing a battery banks and solar farm can increase the value of a property, as it can make the property more attractive to potential buyers who are interested in sustainable and energy-efficient home✓✓
  - By storing excess energy in the battery bank, residents can also use this stored energy during blackout out/ loadshedding
  - The provision of cheaper and reliable power when electricity prices are typically higher✓✓
- (Accept any other correct relevant response) (2)
- 2.3.5 What is the role of *private costs + external costs =social costs* in a cost benefit analysis situation? (2 x 2)**
- The equation private costs + external costs = social cost is an important consideration in cost-benefit analysis because it helps to ensure that all relevant costs and benefits are considered when evaluating a proposed project✓✓
  - In cost-benefit analysis, the goal is to compare the total costs and benefits of a project in order to determine whether it is worthwhile to pursue. ✓✓
  - By including both private costs and external costs in the social cost, cost-benefit analysis can provide a more comprehensive and accurate picture of the true costs and benefits of the project✓✓
- (Accept any other correct relevant response) (4)

**2.4 Briefly describe the Competition Act 1998 (Act 89 of 1989) as amended. (4 x 2)**

- The Act provides for the protection of consumers from unfair business practices, such as false or misleading advertising, and empowers the competition authorities to act against firms that engage in such practices. ✓✓

- The Act requires firms to notify the competition authorities of mergers and acquisitions that may substantially lessen competition in a market ✓✓
  - The Act establishes the Competition Commission, which investigates and prosecutes anti-competitive behaviour, and the Competition Tribunal, which adjudicates disputes and imposes penalties for violations of the Act. ✓✓
  - The Act prohibits firms that have a dominant position in a market from using that position to engage in anti-competitive behaviour, such as predatory pricing or refusing to supply competitors. ✓✓
  - The Act prohibits practices that restrict competition, such as price-fixing, market allocation, and collusive tendering. ✓✓
- (Accept any other correct relevant response)

(8)

**2.5 Why are negative externalities considered as a consequence of market failure?**

- Negative externalities are considered a consequence of market failure because they represent a situation in which the market does not allocate resources efficiently. ✓✓
- This creates a situation of market failure, where the market is not achieving an optimal outcome from the perspective of society as a whole. ✓✓
- Markets are often imperfect and there may be a divergence between private costs and social costs. ✓✓
- The market price does not reflect the full cost of production, and some costs are borne by third parties who are not involved in the transaction. ✓✓
- the market price does not reflect the full social cost of production, the market will tend to produce too much of the good or service that generates the negative externality, leading to an inefficient allocation of resources ✓✓

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

(8)  
[40]

**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES**

3.1 Answer the following questions

**3.1.1 Name any TWO reasons for growth in the tourism industry.**

(2 x 1)

- Increased disposable income. ✓
  - Less working hours so more time to travel. ✓
  - An awareness of leisure and recreation. ✓
  - Improved transport, communication, and accommodation facilities. ✓
  - Increased advertising and promotion. ✓
  - Enjoying the benefits of holidays and travel. ✓
  - Easily obtainable foreign exchange. ✓
- (Accept any other correct relevant response)

(2)

- 3.1.2 What is the effect of a current account deficit on inflation?** (1x2)
- a current account deficit can lead to an increase in inflation if the deficit is financed by borrowing from foreign sources, as this can lead to an increase in the money supply and a decrease in the value of the domestic currency. ✓✓
  - This can also lead to an increase in the cost of imported goods, which can contribute to overall inflation ✓✓
  - a current account deficit can indicate that a country is spending more than it is earning, which can put pressure on the government to raise interest rates in order to control inflation. ✓✓
- (Accept any other correct relevant response) (2)

3.2 Study the extract below and answer the questions that follow

- 3.2.1 List any ONE common need of tourists**
- accommodation ✓
  - food and beverages ✓
  - transportation ✓
  - activities and entertainment ✓
  - information and assistance ✓
- (Accept any other correct relevant response) (1)

- 3.2.2 Name any ONE economic effect of tourism in South Africa**
- employment (Job creation) ✓
- (1)

- 3.2.3 Briefly describe the term *international tourism***
- International tourism refers to the movement of people across national borders for the purpose of visiting a foreign country or destination. It involves travel by individuals or groups for leisure, business, or other purposes, and involves the consumption of tourism-related goods and service ✓✓
- (Accept any other correct relevant response) (2)

- 3.2.4 How important is South Africa's tourism profile for social development?**
- it can help to create opportunities for small businesses, promote cultural exchange, and support conservation efforts. ✓✓
- (Accept any other correct relevant response) (2)

- 3.2.5 Why Africa is a key primary market for tourism in South Africa?** (2 x 2)
- South Africa is home to a diverse range of wildlife, including the Big Five (lion, elephant, buffalo, leopard, and rhino), which is a major drawcard for many African tourists ✓✓
  - South Africa has a well-developed tourism infrastructure, including a wide range of accommodation options, transport networks, and tourist attractions. This makes it an attractive destination for tourists from all over the world, including Africa ✓✓

- African countries share cultural similarities with South Africa, which makes it easier for African tourists to adapt to the local culture and customs✓✓
  - African countries are experiencing rapid economic growth, which has led to an increase in disposable income and a growing middle class and more Africans being able to afford travel, and South Africa is often seen as an aspirational destination✓✓
- (Accept any other correct relevant response)
- (4)**

3.3 Study the cartoon below and answer the questions that follow

- 3.3.1 Which economic participant gains by means of the progressive income when inflation is above 6%?**
- The government ✓
- (1)**

- 3.3.2 Name any ONE cause of cost push inflation**
- wages✓
  - key inputs✓
  - exchange rate depreciation✓
  - profit margins✓
  - natural disasters✓
- (Accept any other correct relevant response)
- (1)**

- 3.3.3 Briefly describe the term *inflation targeting***
- Forms part of monetary policy and is managed by the Reserve Bank to keep inflation within the range as set by the Minister of Finance (between 3% and 6%)✓✓
- (Accept any other correct relevant response)
- (2)**

- 3.3.4 Why did the SARB slay the dragons?**
- High inflation rates (more dragons) can discourage investment in the economy because investors are uncertain about the future value of their investments. This can lead to a decrease in economic growth and a slowdown in job creation. ✓✓
  - Inflation can lead to social unrest as people become frustrated with rising prices and a decrease in their standard of living. This can lead to protests, strikes, and other forms of social and political instability✓✓
- (Accept any other correct relevant response)
- (2)**

- 3.3.5 What are the implications of high inflation on interest rates for individuals? (2 x 2)**
- High inflation can erode the purchasing power of individuals' money, reducing the value of their savings and investments. ✓✓
  - This can make it more difficult for individuals to save for long-term goals such as retirement. ✓✓

- higher interest rates can make it more expensive for individuals to borrow money for things like buying a home or car, which can make it more difficult to make large purchases. ✓✓

(4)

(Accept any other correct relevant response)

**3.4 Outline the ways to measure tourism. (4 x 2)**

- There should be a purpose for the visit and the activity and this could be holidaying (camping); business (attending a conference); other purpose (such as studying). ✓✓
- No remuneration should be earned from within the place visited. ✓✓
- The minimum length of the stay should be one night. Visitors who do not stay the night are called same-day visitors or excursionists. ✓✓
- The maximum length of the stay should be less than one year. ✓✓
- The travelling distance should be more than 160 km a person's usual residential environment. ✓✓

(8)

(Accept any other correct relevant response)

**3.5 How can central banks use inflation calculations to adjust monetary policy?**

- Central banks use inflation calculations to set monetary policy, such as adjusting interest rates and the money supply. ✓✓
- Suppose that a central bank has an inflation target of 6% per year, but inflation has been running at 7% per year for the past several quarters. This suggests that there is too much demand in the economy, which is causing prices to rise faster than the central bank's target rate. ✓✓
- To combat this, the central bank might decide to increase interest rates. This would make borrowing more expensive, which would reduce demand in the economy and slow down the rate of price increases. ✓✓
- By raising interest rates, the central bank is effectively reducing the money supply, since it becomes more expensive for businesses and individuals to borrow money. ✓✓
- if inflation is running below the central bank's target rate, the central bank might decide to lower interest rates. This would make borrowing cheaper, which would stimulate demand in the economy and help to boost inflation back up to the target rate. ✓✓
- central banks use inflation calculations to determine whether the economy needs to be stimulated or cooled down and take appropriate actions to achieve their economic goals. ✓✓
- By adjusting interest rates and the money supply, central banks can help to maintain price stability and promote sustainable economic growth. ✓✓

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

**(8)**

**[40]**

**QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**

4.1 Answer the following questions

**4.1.1 Name any TWO sectors covered by the national minimum wage. (2 x 1)**

- Transport sector✓
  - Domestic services✓
  - Trade industry✓
  - Mining industry✓
  - Manufacturing industry✓
  - Agriculture✓
- (Accept any other correct relevant response) (2)

**4.1.2 How does medical tourism impact local communities?**

- it can lead to increased demand for medical services, which can strain local healthcare systems✓✓
- (Accept any other correct relevant response) (2)

4.2 Study the table below and answer the questions that follow

**4.2.1 Name any ONE measure of average cost**

- Average fixed cost✓
  - Average variable cost✓
  - Average cost✓
- (1)

**4.2.2 Provide the formula to calculate average total cost**

- $ATC = AFC + AVC$ ✓
  - $ATC = \frac{TC}{Q}$ ✓
- (1)

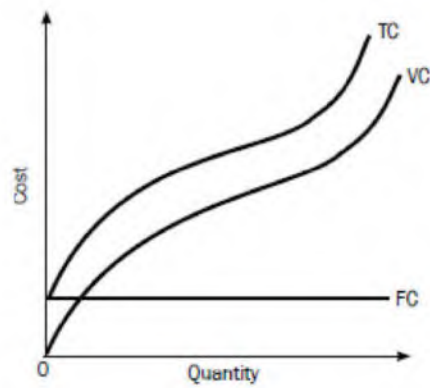
**4.2.3 Briefly describe the term *short run***

- The short run is the period of production where only the variable factors of production can change ✓✓
- (Accept any other correct relevant response) (2)

**4.2.4 Why do firms experience diseconomies of scale?**

- diseconomies of scale occur when long run average total cost increases as output increases, and constant returns to scale occur when costs do not change as output increases. ✓✓
- (Accept any other relevant correct response) (2)

**4.2.5 With the aid of a graph, illustrate the relationship between the total cost curves and the variable costs. (2 x 2)**



Total Cost (TC) = 1 Mark  
 VC = 1 Mark  
 FC = 1 Mark  
 Labeling of axis = 1 mark

(4)

4.3 Study the information below and answer the questions that follow

4.3.1 Which type of inflation is set by government or controlled by government through appointed authorities?

- Administered prices inflation ✓

(1)

4.3.2 Identify the type of inflation that is measured for urban areas only,

- Headline inflation ✓

(1)

4.3.3 Briefly describe the term *consumer inflation*.

- the rate at which the general level of prices for goods and services purchased by consumers is increasing over time ✓✓  
 (Accept any other correct relevant response)

(2)

4.3.4 Provide the formula to determine inflation.

- $\frac{\text{GDP deflator for next year}}{\text{GDP deflator for previous year}} \times 100$  ✓✓

(2)

4.3.5 How does inflation affect fresh and frozen foods? (2 x 2)

- transportation costs increase due to inflation, the cost of getting fresh and frozen foods to market may also go up. This may result in higher prices for consumers, or producers may need to find new ways to distribute their products more cost-effectively ✓✓
- Producers may need to invest in new equipment or technologies to reduce production costs, which can lead to a decrease in supply ✓✓
- the cost of inputs such as electricity or fuel increases due to inflation, producers may need to reduce production or increase prices to maintain profitability. ✓✓
- As prices increase, consumers may shift their purchasing habits towards cheaper food items, which may lead to a decrease in demand for these product ✓✓  
 (Accept any other correct relevant response)

(4)

4.4 Compare without the aid graphs productive inefficiency and allocative inefficiency. (4 x 2)



<b>Productive inefficiency</b>	<b>Allocative inefficiency</b>
<ul style="list-style-type: none"> <li>• Productive inefficiency refers to a situation in which a firm is not producing its output at the lowest possible cost. ✓✓</li> <li>• This can occur due to a variety of factors, such as inefficient production methods, outdated technology, or poor management. ✓✓</li> <li>• When a firm is productively inefficient, it is producing less output than it could with the same amount of resources, which means that it is not using its resources efficiently. ✓✓</li> </ul>	<ul style="list-style-type: none"> <li>• Allocative inefficiency refers to a situation in which resources are not being allocated in the most efficient way possible. ✓✓</li> <li>• This can occur when the market fails to allocate resources to their highest-valued use, due to factors such as market power, externalities, or imperfect information. ✓✓</li> <li>• When resources are allocated in an allocatively inefficient way, there is a misallocation of resources, which means that some individuals are worse off than they could be if resources were allocated more efficiently. ✓✓</li> </ul>

(Accept any other correct relevant response)

(8)

**4.5 Why is spatial distribution an important consideration for tourism policy?**

- encourage sustainable tourism practices, such as eco-tourism or cultural tourism, by promoting tourism in areas that have a strong environmental or cultural heritage. This can help to promote tourism that is both economically and environmentally sustainable. ✓✓
- it reduces overcrowding in popular tourist destinations by encouraging tourists to visit less well-known or less crowded areas. ✓✓
- This can help to alleviate congestion and preserve the natural and cultural resources of popular destinations. ✓✓
- Spatial distribution can help to support local communities by promoting tourism in areas that are economically disadvantaged or have limited economic opportunities. This can help to ensure that the benefits of tourism are distributed fairly across different regions or communities. ✓✓

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

(8)  
[40]

**TOTAL SECTION B: 80**

**SECTION C**

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p><b>Introduction</b> The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do not include any part of the question in your introduction.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid mentioning in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<p><b>Body</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/ Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate <b>A maximum of 8 marks may be allocated for headings/examples</b> <b>Additional part:</b> Critically discuss/Evaluate/Critically evaluate/Debate/ Deduce/Compare/Distinguish/Interpret/How? /Suggest <b>A maximum of 2 marks may be allocated for mere listing facts.</b></p>	Max. 26  Max. 10
<p><b>Conclusion</b> Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

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

### QUESTION 5: MICROECONOMICS

- |   |
|---|
| <ul style="list-style-type: none"> <li>• <b>Compare the market structure of a monopoly with that of a perfect market.</b><br/>(26 marks)</li> </ul>             |
| <ul style="list-style-type: none"> <li>• <b>How can monopolistic competitors attract more customers to increase its market share?</b><br/>(10 marks)</li> </ul> |

#### INTRODUCTION

- A market is an institution or mechanism that brings together the buyers and sellers of goods or services. ✓✓
- A market structure is a framework of how a market is organised. ✓✓  
(Accept any other relevant response) Max (2)

#### BODY: MAIN PART

##### Number of businesses ✓

- There is a number of sellers that are so large in the **perfect market** that individual market participants are insignificant in relation to the market as a whole. ✓✓
- An example of a **perfect market** is the Securities Exchange, or the produce market. ✓
- The **monopolist** has full control over the supply of a product, because it is the only seller. ✓✓
- The monopoly also represents the total industry, ✓✓ e.g. De Beers, Eskom etc. ✓

##### Nature of the product ✓

- All products sold in the **perfect market** are homogeneous. ✓✓
- All these products are exactly the same regarding quality or appearance. ✓✓
- It makes no difference to a buyer where and from whom he or she buys the product. ✓✓
- **Monopoly** – Unique product without any close substitutes. ✓✓
- There are few products that have no close substitutes whatsoever. ✓✓
- For many years even though there was no competition for telephone services in South Africa, consumers could still use alternative forms of communication such as letters and telegrams. ✓✓

##### Market knowledge ✓

- Both buyers and sellers have complete knowledge about prevailing market conditions in the **perfect market**. ✓✓
- It is assumed that buyers and sellers instinctively know, e.g. available quantities; price at which product is sold. ✓✓
- All buyers and the single seller in a **monopoly** have full knowledge of all the current market conditions. ✓✓

- There is complete freedom of entry and exit of buyers and sellers in the **perfect market**. ✓✓
- Entry is not subject to any restrictions in the form of legal, financial, technological or other barriers. ✓✓
- The barriers in a **monopoly** prevent other producers from entering the market to supply the same type of product. ✓✓
  - High development cost are frequently a reason - the provision of electricity is often used as an example. ✓✓
  - The barriers to entry are not economic in nature but artificial like patent rights which are legal and exclusive rights of a patent holder to manufacture a product using his or her unique invention. ✓✓
  - Licences protect operators against entry of other competitors. ✓✓

#### Control over price ✓

- There are so many businesses in the **perfect market** that the individual business is so small that no single business has control over the price of the product. ✓✓
- The price is determined through market forces. In other words, the business can be regarded as a price taker. ✓✓
- A **monopolist** has considerable control over the market price but demand limits it. ✓✓
- A monopoly does not have control over demand, so demand will influence the final market price. ✓✓
- A monopoly can only decide at which point on the demand curve it wants to produce. ✓✓

#### Collusion ✓

- Collusion is not possible under **perfect market** conditions. ✓✓
- There is no need for businesses to collude because they have no control over price setting. ✓✓
- In addition, the market share of the individual business is so small and insignificant that it cannot manipulate the market in any way. ✓✓
- Collusion is not possible in a **monopoly** market. ✓✓
- There is only one businesses – it is impossible. ✓✓

#### Profits ✓

- The firm can realise economic profits in the short term, but only normal profits in the long run in the **perfect market**. ✓✓
- **Monopolists** can realise economic profits in the short term and in the long run. ✓✓

#### Demand curve ✓

- The demand curve for the firm in the **perfect market** is horizontal. ✓✓
- $D = AR = MR$  ✓✓
- **Monopolists** are also confronted with a demand curve for their product but because they are the only supplier of the product, they can decide at what point on the demand curve they wish to be. ✓✓
- The monopolist is the only supplier of the product in the market - the demand curve that confronts the monopolist is that of the market as a whole. ✓✓
- The market demand curve which slopes downwards from left to right. ✓✓

### Production Level

- The perfect competitor does produce the ideal production quantity and has no surplus capacity. ✓✓
- The monopolist's production will be less than the ideal production quantity and has surplus capacity. ✓✓  
(Accept tabular form) Max (26)

### How can monopolistic competitors attract more customers to increase its market share?

- A monopolistic competitor makes use of non-price competition. ✓✓
- It is competition based on product differentiation, efficient service and by using advertisements, rather than based on prices. ✓✓
- Product differentiation creates the opportunity to increase the demand for the product and to make the demand less price elastic. ✓✓
- Differentiation may even be imaginary – it depends on the perception of the consumer, e.g. medicine. ✓✓
- Brand names play an important role. ✓✓
- Aggressive advertising campaigns can be launched to attract customers. ✓✓
- Extending shopping hours will be more convenient for customers to make use of their services. ✓✓
- Providing free deliveries. ✓✓
- Different trade names but products consist of the same ingredients. ✓✓
- Huge sums of money is spent on research, development and advertisements to build a loyal consumer group. ✓✓  
(Accept any other relevant response) Max (10)

### CONCLUSION

Even though perfect competition does not exist in reality there are some markets moving towards perfection like the JSE. ✓✓  
(Accept any other relevant response) Max (2) |

- **Discuss in detail the effects of tourism.** (26 marks)
- **Evaluate the South African government's policies to promote tourism.** (10 marks)

## INTRODUCTION

Tourism is the activities of people travelling to and staying in places outside their usual environment for no more than one consecutive year for leisure, business and other purposes. ✓✓ (2)

### BODY: MAIN PART GDP ✓

- Tourism is the fourth-largest industry in South Africa and supports about 700 hotels, 2 800 guesthouses and bed-and-breakfast establishments and 10 000 restaurants ✓✓
- Tourism has the potential of bringing the economy out of a slump, although it dropped by 5% before 2010, it increased by 5% thereafter ✓✓
- Tourism has direct as well as indirect impacts on the GDP.

Direct impact	Indirect impact
✦ Tourism contributed 3.2% of the GDP in 2021 ✓✓	✦ Tourism contributed 9% in 2018 ✓✓
✦ Internal spending on travel and tourism by residents and non-residents for business and leisure. ✓✓	✦ Government and private sector spending such as purchase of new aircrafts and construction of new hotels. ✓✓

### 1 Employment ✓

Tourism:

- industry employs about 7% of the South African workforce, and is potentially regarded as the largest provider of jobs and earner of foreign exchange ✓✓
- industry has employed more than 1,2 million people ✓✓
- is ideal for providing employment in areas that offer few employment opportunities ✓✓
- is labour intensive although it has the lowest ratio of investment to employment creation. ✓✓
- uses different skills, from accountants to hairdressers. ✓✓
- has the potential to create jobs and offer opportunities for small entrepreneurs. ✓✓
- provides immediate employment like live entertainment at holiday resorts. ✓✓
- provides entrepreneurial opportunities in the informal sector such as fruit vendors. ✓✓

### 2 Poverty ✓

- The income the tourism industry earns contributes to the country's growth and development. Tourism can affect the lives of the poor in many ways ✓✓
- The Department of Tourism is involved in poverty relief projects that promote community owned tourism products and services ✓✓
- Poverty relief programme manages and administer poverty relief proposals and spinoff projects in the tourism and environment sectors. ✓✓

- Their focus is on infrastructure investment (e.g. information centres, tourist ablution facilities, walkways) and product development (e.g. heritage sites, rock art and conservation).✓✓
- Through this programme, the DEAT is seeking to provide long-term sustainable work opportunities for the members of South Africa's poorest communities in rural areas.✓✓
- Tourism is an effective mechanism for distributing resources to rural areas to develop them as tourist sites✓✓

### 3 Tourism externalities✓

- Tourism activities may result in benefits or costs to third parties who are not part of the buyer-seller market.✓✓
- Negative externalities: Aircraft noise disturbing residents near airports.✓✓
- Other examples/costs: Traffic and congestion, extra policing due to crime, increased health service and sanitation, destruction of flora and fauna, spoiling views of the landscape, increased maintenance of infrastructure.✓✓
- Positive Externalities: the Gautrain provides links to different areas speedily especially to the airport.✓✓
- Other benefits are new recreational amenities, increased direct and indirect tax revenue.✓✓
- Tourism can cause inflation, which makes some goods unaffordable to locals.✓✓

### 4 The environment✓

- The influx of tourism and vehicles into conservation areas damages grass cover affecting plant and animal species.✓✓
- Tourism involves transport and transport is a major 'source of pollution'.✓✓
- Policy should be in place to ensure tourists are transported in the most environmentally friendly way✓✓ e.g. Rickshaw at the beachfront, horse-riding, cycling. ✓
- The use of the Gautrain is more environmentally friendly as it decreases carbon emissions. ✓✓
- The rapid degradation of the environment poses a major threat to the tourism industry.
- The environment is divided into four main categories: permanent environmental restructuring like airports. ✓✓
- direct environmental stress caused by tourist activities. ✓✓
- effects on population dynamics. ✓✓

### 5 Investment/ Infrastructure✓

- Tourism leads to increased demand, which makes businesses more willing to invest in capital goods and labour.✓✓
- Government expenditure on infrastructure is encouraged because it can generate income. ✓✓
- With regard to travel and 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 needed by tourists at tourist sites ✓✓
- Tourists need basic services like clean water and refuse removal ✓✓ (Max 26)

### ADDITIONAL PART

Government's policies have been successful by:

- implementing tax policies to stimulate growth in tourism ✓✓
- targeting specific objectives for special favourable tax treatment in the form of tax holidays or rebates and tax credit schemes ✓✓
- encouraging ecotourism, encouraging tourism to selected regions, SMME involvement with an emphasis on the informal sector, and Black Empowerment initiatives ✓✓
- promoting tourism through ASGISA-Accelerated Shared Growth Initiative of South Africa ✓✓
- This initiative ensured that government, in partnership with the private sector, provided necessary infrastructure for tourism, that helped to keep the tourism industry growing and attracted more tourists ✓✓
- applying the domestic tourism growth strategy that aimed to increase expenditure on domestic tourism and reduce seasonability ✓✓
- launching the SA Tourism's Sho't Left campaign in August 2007, challenging South Africans to "see your world differently," even when only visiting family or friends ✓✓
- It aims to promote a culture of local holiday travel, targeting ordinary South Africans and their families who have a desire to see more of the country but don't know where to go ✓✓

**Government's policies could be more successful if:**

- special tax policies are applied to education and training programmes designed to overcome the lack of skills at various levels of the industry ✓✓
- there is a greater geographic spread of tourism which will increase the volume of domestic tourists ✓✓

### CONCLUSION

Marketing of tourism products to both domestic and international markets is important for achieving the full growth potential of the sector in South Africa ✓✓

(Accept any other correct relevant higher order response)

(Max. 2) [40]

**GRAND TOTAL: 50**

**TOTAL SECTION C: 40**

**TOTAL: 150**