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PROVINCIAL ASSESSMENT

GRADE 12

**ECONOMICS P2
MARKING GUIDELINES
JUNE 2025**

MARKS: 150

These marking guidelines consists of 19 pages.



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

- 1.1.1 A - homogenous products✓✓
- 1.1.2 C - below✓✓
- 1.1.3 C - social costs✓✓
- 1.1.4 B - market power ✓✓
- 1.1.5 A - oligopoly✓✓
- 1.1.6 D - Indifference curve✓✓
- 1.1.7 B - average revenue is equal to average variable cost✓✓
- 1.1.8 D - Artificial monopoly✓✓ (8 x 2) (16)

1.2 MATCHING

- 1.2.1 I - costs or benefits that spill over to the third party✓
- 1.2.2 F - practices that interfere with the perfect market e.g. price fixing✓
- 1.2.3 B - where businesses come together with the aim of forming a collective monopoly✓
- 1.2.4 A - tax charged on demerit goods✓
- 1.2.5 C - an increase in the production costs due to inefficient production✓
- 1.2.6 E - costs that cannot be retrieved e.g. advertisement✓
- 1.2.7 D - tax system where low income earners pay less tax✓
- 1.2.8 G - a period of which at least one factor of production is fixed ✓ (8 x 1) (8)

1.3 GIVE ONE TERM

- 1.3.1 Implicit costs✓
- 1.3.2 Community goods✓
- 1.3.3 Industry✓
- 1.3.4 Patent✓
- 1.3.5 Cost Benefit Analysis✓
- 1.3.6 Merger✓ (6 x 1) (6)

TOTAL SECTION A: (30)

SECTION B

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

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

2.1

2.1.1 **List TWO barriers to entry that are used by monopolies.**

- Government licences✓
- Patents✓
- High start-up cost✓
- Copyrights ✓

(2 x 2) (2)

2.1.2 **Why is the demand curve of a perfect market horizontal?**

- All businesses charge the same price as they are price takers, their price is determined through the interaction of demand and supply.

✓✓

(Accept any other correct relevant response)

(2)

2.2 **DATA RESPONSE**2.2.1 **Identify the market structure represented in the table above.**

- Perfect market/Perfect Competition ✓

(1)

2.2.2 **Name the cost that remains constant regardless of the amount of output.**

- Fixed cost ✓

(1)

2.2.3 **Briefly describe the term *variable cost*.**

Variable costs are costs that change directly with the level of production, the more goods produced the more the costs will increase.✓✓

(Accept any other correct relevant response)

(2)

2.2.4 **Explain why businesses in this market are price takers.**

All the business in this market structure have to use the price determined by the industry, their prices are determined through the interaction of demand and supply of the industry.✓✓

(Accept any other correct relevant response)

(2)

2.2.5 Calculate the marginal cost for the 3rd output. Show ALL calculations.

- $\Delta TC \div \Delta \text{output}$ ✓
 $= (68 - 55) \div (3 - 2)$
 $= 13 \div 1$ ✓
 $= 13$ ✓✓

(4)

2.3 DATA RESPONSE

2.3.1 Identify the market depicted above.

- Imperfect market ✓

(1)

2.3.2 Name industry that is represented above?

- Retail ✓

(1)

2.3.3 Briefly describe the term *product differentiation*.

- the process of distinguishing a product from similar products to make it more attractive to consumers. ✓✓
 (Accept any other correct relevant response)

(2)

2.3.4 Explain how businesses in this market structure differentiate their products.

- Products in this market are differentiated by branding and packaging. ✓✓
 (Accept any other correct relevant response)

(2)

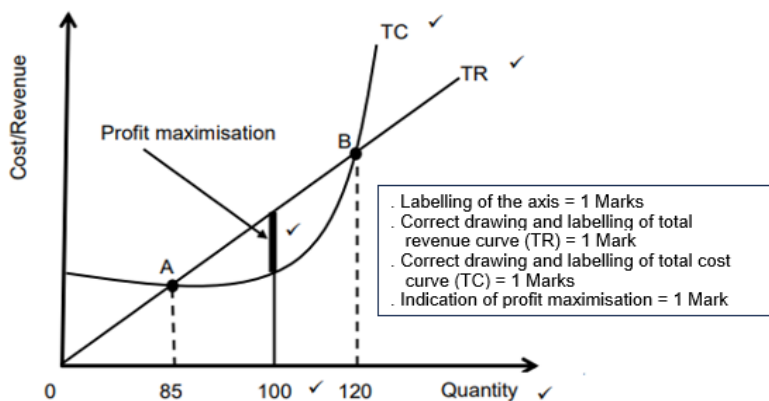
2.3.5 How do businesses in this market structure compete?

Businesses in this market use non-price competition such as:

- Doing business over the internet, door to door services and after-hours sales, making it easy for their customers to get to them easier. ✓✓
- Building brand loyalty through loyalty rewards and product recognition. ✓✓
- Using advertisement to increase their product awareness and to attract customers to their products. ✓✓
 (Accept any other correct relevant response)

(4)

2.4 With an aid of a graph explain how profit is maximised in the perfect market using total cost and total revenue.



(Max. 4)

- Profit is maximised where total cost curve intersects with total revenue curve. ✓✓
- Between 3 units and 8 units the firm makes economic profit. ✓✓
- The firm maximizes profit where the difference between total revenue (TR) and total cost (TC) is the largest. ✓✓
- In the graph above, profit is maximised when the firm produces 100 units. ✓✓
- When the quantities produced are less/below 100, the firm must increase the quantities produced in order to maximize profit. ✓✓
- When the quantities produced are more/above 100, the firm must decrease the quantities produced in order to maximize profit. ✓✓

(Accept any correct relevant responses)

(Maximum of 4 for mere listing of facts and examples)

(Max.4) (8)

2.5 With reference to the kinked demand curve, analyse the rationale behind the demand curve.

- The kinked demand curve does not explain how price and output are determined under oligopolies. ✓✓
- It illustrates the importance of interdependence and uncertainty in oligopolistic markets. ✓✓
- If a firm raises or reduces the price of its products the outcome will be determined by the reaction of its competitors. ✓✓
- The oligopolistic firm assumes that its competitors will not react to a price increase by also raising the price of their products. ✓✓

(Accept any correct relevant responses)

(Maximum of 2 for mere listing of facts and examples)

(4 x 2) (8)

[40]

3.2.5 **Why are excise duties a good source of income for the government?**

- People are addicted to most goods that pay excise duties therefore they will continue to buy the goods even though the price has increased. ✓✓
 - Government can increase its revenue by charging a higher percentage ✓✓
- (Accept any other correct relevant response)

(4)

3.3 **DATA RESPONSE**

3.3.1 **Identify the marginal cost curve in the above graph.**

- B✓

(1)

3.3.2 **Name the type of product sold in the market structure above.**

- Unique goods✓

(1)

3.3.3 **Briefly describe the term *monopoly*.**

A monopoly is a market structure where there is only one business that sells a unique product with no close substitutes. ✓✓
(Accept any other correct relevant response)

(2)

3.3.4 **Why does the MR curve lie below the demand curve?**

- The marginal revenue is always below the demand curve because sellers have to reduce prices in order to sell an additional unit. ✓✓
(Accept any other correct relevant response)

(2)

3.3.5 **Use the information from the graph above to calculate profit or loss. Show ALL calculations.**

- $TR - TC$ ✓
 $= (R150 \times 100) - (R200 \times 100)$
 $= R15\,000 - R20\,000$ ✓
 $= - R5000$ ✓✓
 (Accept any other correct relevant response)

(4)

3.4 Briefly discuss the aims of the Competition Act, 1998.

- Prevent the abuse of economic power, e.g. by a monopolist. ✓✓
- Regulate the growth of market power by means of takeovers and mergers. ✓✓
- Prevent restrictive practices, especially by oligopolist, such as fixing of selling prices, collusion in respect of tenders or price discrimination. ✓✓
- Contribute to the developmental objectives of the state. ✓✓
- To improve efficiency of markets through legislation. ✓✓
- Protect the consumer against unfair prices and inferior products e.g. Competition Act, prevent price fixing and promote competition ✓✓

(Accept any correct relevant responses)

(Maximum of 4 for mere listing of facts and examples)

(4 x 2) (8)

3.5 Why is a cost-benefit analysis (CBA) necessary for public sector projects?

- CBA leads to objective decision-making by weighing up costs and benefits. ✓✓
- CBA is applied to those projects where it is expected there will be a significant difference between social costs and benefits, in other words a likelihood of market failure ✓✓
- It includes the wider social impact and externalities in the decision-making process ✓✓
- It is used to make final decisions about whether the project should proceed or not ✓✓
- There is an absence of market signals to support whether the project can go ahead or not ✓✓

(Accept any correct relevant responses)

(Maximum of 2 for mere listing of facts and examples)

(4 x 2) (8)

[40]

QUESTION 4 MICROECONOMICS**40 MARKS – 30 MINUTES**

4.1

4.1.1 **Name TWO characteristics of public goods and services.**

- Non-rivalry✓
- Non-excludable✓
- Non-rejectable✓
- Infinite consumption ✓

(Accept any other correct relevant response)

(2 X 1)

(2)

4.1.2 **Why does a monopoly make economic profit in the long run?**

- A monopolist will make economic profit in the long run because it is the only business in the market selling the product. ✓✓
- Other businesses are prevented from entering the market with property rights such as patents and licences. ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

4.2 **DATA RESPONSE**4.2.1 **Identify the organisation that can accept or reject mergers in South Africa**

- Competition tribunal✓

(1)

4.2.2 **Name the market structure that Vodacom operates in.**

- Oligopoly ✓

(1)

4.2.3 **Briefly describe the term *collusion*.**

- Collusion occurs when two or more firms of the same industry engage in discussions to increase market share by manipulating prices and quantity supplied.✓

(Accept any other correct relevant response)

(2)

4.2.4 **What negative impact will the merger of Vodacom and Maziv have on competition in the market?**

- The two businesses will combine their resources and will make it difficult for others to compete with them ✓✓

(Accept any other correct relevant response)

(2)



4.2.5 **How does competition policy benefit the economy?**

- Governments have competition policies to protect consumers. ✓✓
- To promote the efficient use of resources ✓✓
- To make the country's industries more competitive ✓✓
(Accept any other correct relevant response) (4)

4.3 **DATA RESPONSE**

4.3.1 **Provide a suitable heading for the graph above.**

- PPC/ Production Possibility Curve ✓ (1)

4.3.2 **Identify the point where resources are not being used efficiently.**

- A ✓ (1)

4.3.3 **Briefly describe the term *allocative efficiency*.**

When the businesses in the industry use available resources to produce the output that is most demanded by consumers. ✓✓
(Accept any other correct relevant response) (2)

4.3.4 **Explain how would a business be productive inefficient?**

- A business will be productive inefficient if it fails to produce maximum output at the lowest possible cost. ✓✓
- Productive inefficiency occurs when the business average cost of production does not decrease with an increase in outputs. ✓✓
(Accept any other correct relevant response) (2)

4.3.5 **How would the production be affected if it took place at point B?**

- Any production along the PPC means that the resources are being used efficiently. ✓✓
- At point B, the economy would be producing 5 tablets and 3 computers. ✓✓
(Accept any other correct relevant response) (2 x 2) (4)

4.4 Discuss the role competition commission.

- The Competition Commission tries to give all South Africans equal opportunities to participate fairly in economic activities in order to make the economy more efficient. ✓✓
- One of the provisions of the act is that the Competition Commission must be advised of any mergers and takeovers. ✓✓
- Mergers cannot take place without the consent of the Commission. ✓✓
- When the Commission evaluates mergers, any matters relating to competition and efficiency, and the public interest, must be taken into account ✓✓

(Accept any correct relevant responses)

(Maximum of 4 for mere listing of facts and examples) (4 x 2) (8)

4.5 Analyse the production levels and demand curve as characteristics of monopoly.

Production levels

- Once the monopolist has decided on a price, the quantity sold is determined by market demand. ✓✓
- By reducing the price, monopolists can sell more units of the product and vice versa. ✓✓
- Monopolists influence the product-price combination of the product they sell without any reaction from other market participants. ✓✓
- Other participants cannot act because a basic requirement for the existence of a monopoly is that entry to the market is blocked. ✓✓

Max: 4

Demand curve

- A monopolist's slope is inelastic (steep) and slopes from left to right. ✓✓
- The demand curve is also the market demand curve as it is the only supplier of the product in the market.
- The shape of the curve indicates that there is an inverse relationship between price and quantity demanded.
- This means as price increase quantity demanded will decrease/price and decrease quantity demanded will increase. ✓✓

Max:4

(Accept any correct relevant responses)

(Maximum of 2 for mere listing of facts and examples) (4 x 2) (8)

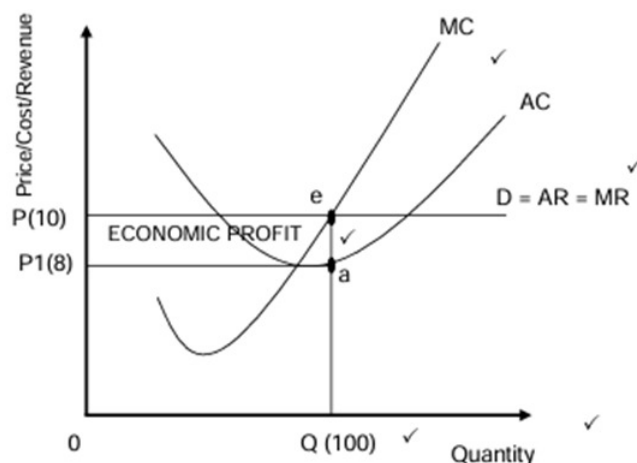
[40]

SECTION C**QUESTION 5: MICROECONOMICS****40 MARKS 40 MINUTES**

- With the aid of graphs, discuss the short-run equilibrium positions (economic profit, economic loss and normal profit) in a perfect market. (26 marks)
- Analyse the relationship between an individual business and the industry under perfect market. (10 marks)

INTRODUCTION

A perfect competition is a market structure with a large number of buyers and sellers. ✓✓
(Accept any other relevant introduction) (Max 2)

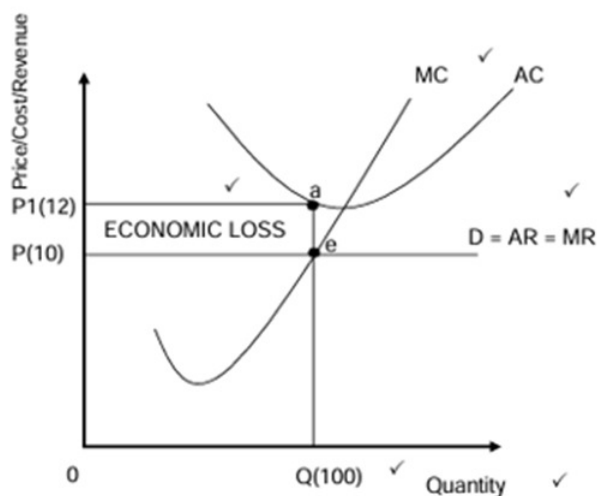
BODY**MAIN PART****Economic Profit** ✓

- Correct positioning and labelling of cost curves = 1 mark
- Correct positioning and labelling of revenue curves = 1 mark
- Indication of economic profit area = 1 mark
- Labelling on axes = 1 mark
- Labelling of axes = 1 mark

Max 4 marks

- Economic profit is the profit that is made in addition to the normal profit/When average revenue is greater than average cost the firm makes economic profit. ✓✓
- The firm produces at point e where $MR=MC$ ✓✓
- At e, Q/100 units are produced at P/R10. ✓✓
- At point e, AR (P/R10) is greater than AC (P1/R8). ✓✓
- The firm makes an economic profit of $\frac{P_e - P_1}{TR - TC} (R1000 - R800 = R200) / R2 \times 100 = R200$. ✓✓

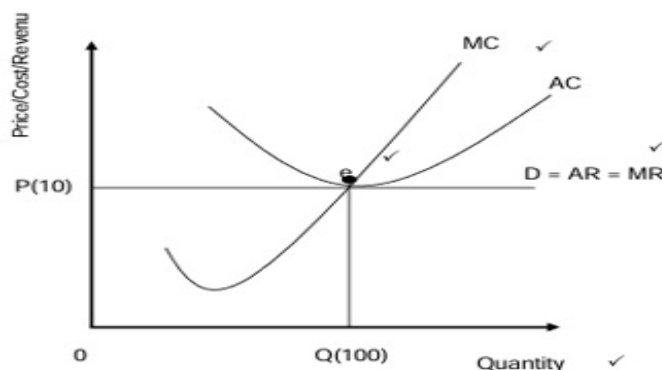


Economic loss✓

- Correct positioning and labelling of cost curves = 1 mark
- Correct positioning and labelling of revenue curves = 1 mark
- Indication of economic loss area = 1 mark
- Labelling on axes = 1 mark
- Labelling of axes = 1 mark

Max 4 marks

- Economic loss occurs when total costs are greater than the total revenue/when average revenue is lower than the average cost. ✓✓
- The firm produces at point e where $MR=MC$. ✓✓
- At e, Q/100 units are produced at P/R10. ✓✓
- At point e, AR (P/R10) is less than AC (P1/R12).
- The firm makes an economic loss of $PP1ae / TR - TC (R1000 - R1200 = - R200) / R10 - R12 = - R2$. ✓✓

Normal profit✓

- Correct positioning and labelling of cost curves = 1 mark
- Correct positioning and labelling of revenue curves = 1 mark
- Indication of area = 1 mark
- Labelling on axes = 1 mark
- Labelling of axes = 1 mark

Max 4 marks

- Normal profit is the minimum earnings required to prevent the entrepreneur from leaving the industry.✓✓
- Normal profit occurs when total revenue equals total cost/ when average revenue equals average cost.✓✓
- The firm produces at point e where $MR=MC$.✓✓
- At e, Q/100 units are produced at P/R10.
- At point e, AR (P/R10) is equal to AC (P/R10).✓✓
- The firm makes normal profit of $P \times Q - AC \times Q / R1000 - R1000 = R0 / R10 - R10 = R0$.✓✓

Additional instructions:

- Mark allocation for graphs = **max 12 marks**
 - Max 12 marks for 3 graphs
 - Max 8 marks for 2 graphs
 - Max 4 marks for 1 graph
- Mark allocation for explanations of graphs = **max 14 marks**

(Max 26)

ADDITIONAL PART

Analyse the relationship between an individual business and the industry under perfect market.

- Market price of the industry is determined by the interaction of demand and supply where DD (demand curve) slopes downwards from top left to bottom right and SS (supply curve) slopes upwards from bottom left to top right. ✓✓
 - The point where demand and supply intersect, is called the equilibrium. ✓✓
 - Individual business can offer any quantity on the market at the market price. ✓✓
 - Business will not charge a higher price, because buyers will buy elsewhere and they will not charge a lower price, because they can sell all their goods at the current market price. ✓✓
 - Demand curve for individual business is a horizontal line at market price. ✓✓
 - The average revenue the business receives is therefore equal to the market price and the horizontal demand curve represents the average revenue curve (AR). ✓✓
 - The revenue from any additional unit the business sells, that is the marginal revenue, is equal to market price P_1 , and the horizontal demand curve therefore also represents the marginal revenue curve (MR). ✓✓
- (Accept any other correct relevant response) (Max 10)

CONCLUSION

Markets are an essential part of economic growth as they any place or any circumstance where buyers and sellers make contact or communicate with each other about the buying and selling of goods and services. ✓✓

(Accept any other correct higher order, relevant conclusion)

(Max 2)

[40]

QUESTION 6: MICROECONOMICS**40 MARKS 40 MINUTES**

- Discuss in detail, without using graphs, state intervention as a consequence of market failures. (26 marks)
- How will immobility of factors of production lead to market failure? (10 marks)

INTRODUCTION

- The purpose of government intervention is to ensure that the right quantity of resources is allocated to the production of output so that society as a whole maximizes its benefits. ✓✓
 - Market failure is when the market fails to produce sufficient (optimum) quantities that people want. ✓✓
- (Accept any other relevant introduction) (Max 2)

BODY**MAIN PART****Minimum Wages✓**

- A minimum wage is the lowest remuneration that employers are required by law to pay their workers. ✓✓
- If a minimum wage is set above the equilibrium market wage, supply of labour will exceed demand for labour. ✓✓
- Income of workers will increase and as a result their standard of living will improve. ✓✓
- This will increase the cost of labour, resulting in higher cost of production for some businesses. ✓✓
- Some workers may be retrenched and there will be an increase in unemployment. ✓✓
- Minimum wages lead to more bargaining power for workers. ✓✓

Minimum prices✓

- Minimum prices are set above the market price by government, these are also known as price floors. ✓✓
- The government is obliged to intervene to ensure sufficient supplies of staple food in the market. ✓✓
- Minimum prices are used to encourage producers to supply important essential goods as it enables them to make a comfortable profit. ✓✓
- Minimum prices will create a surplus in the economy which might lead to dumping of surplus goods and services. ✓✓



Maximum prices ✓

- Maximum prices are usually set on basic goods, such as food and transport so that citizens have access to certain goods and services and to maintain a certain standard of living. ✓✓
- The government will set maximum prices if the price is deemed to be high for essential goods and services. ✓✓
- The government will intervene by passing a law that suppliers may not charge more than a maximum price. ✓✓
- This will lead to a decrease in the quantity supplied which will result in a shortage of the good or service. ✓✓
- Shortages in supply for certain goods in the market will result in the establishment of black markets. ✓✓

Redistribution of wealth ✓

- The South African government uses a progressive income tax system to redistribute income and wealth. ✓✓
- Traditional methods such as levying taxes, provision of free services, benefits in kind and cash benefits reduce the income gap. ✓✓
- The government can also implement redress methods such as BBBEE, land restitution, and redistribution and property subsidies to redistribute wealth. ✓✓

Property subsidies ✓

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

Direct control ✓

- The state can pass laws or use existing legislative framework to control businesses and industries, individuals who generate externalities. ✓✓
- In South Africa, emissions of potentially dangerous chemicals, air pollution, environmental preservation is controlled through various Acts and regulations. ✓✓
- Advertising by the tobacco industry is prohibited and alcohol may not be sold to persons under the age of 18 years. ✓✓

Imperfect markets ✓

The government can deal with imperfect competition by:

- Formulating a competition policy to increase the level of competition. ✓✓
- Using laws on competition to prevent exorbitant prices charged by firms, to ensure that entry to the market is free, prevent harmful collusion and encourage foreign competition which helps to keep prices low. ✓✓
- Granting licence to more businesses in the case of state monopolies. ✓✓
- Imposing price control to decrease prices of goods and services. ✓✓

Levying of taxes ✓

- The government intervene in the market by levying taxes to recover external costs. ✓✓
- These taxes will increase the prices and result in decrease in production of the goods. ✓✓
- Levying taxes could be used as a strategy to reduce production and consumption of demerit goods as well as generating revenue for the state. ✓✓
- Firms and consumers will then allocate resources in a more efficient way. ✓✓

Government involvement in production ✓

The government can:

- Subsidise merit goods to increase their production. ✓✓
- Impose taxes on demerit goods to reduce their consumption. ✓✓
- Levy income taxes, indirect taxes and wealth taxes to provide community goods free of charge. ✓✓
- Provide collective goods such as refuse removal, waste disposal and sewage drainage for a user fee. ✓✓

(Accept any other correct relevant response)

(Max 26)

(A maximum of 8 marks will be allocated for mere listing of heading)

ADDITIONAL PART

How will immobility of factors of production lead to market failure?

- The factors of production are not easily moveable such a capital and machinery that is mostly fixed and not easy to move ✓✓
 - Government usually imposes strict controls on movement of labour between countries, even within countries it can sometimes be difficult to move labour. ✓✓
 - Factors of production are not identical and are not available the same in all countries, in other countries there will be more of one factor of production and less of it in another. ✓✓
 - Most markets do not adjust rapidly to changes in supply and demand. It is due to lack of information and the fact that resources are not mobile. ✓✓
 - Technology changes, e.g. people can be replaced by robots. It takes time for labour-intensive textile production to be switched to computer assisted production methods. ✓✓
 - Physical capital infrastructure like telephone lines – can move from one location to another at irregular intervals ✓✓
- (Accept any other relevant correct response) (Max 10)

CONCLUSION

- The intervention of government ensures that inefficiencies are eliminated and that the market is operating effectively. ✓✓
 - Government involves itself directly in the market when the market does not act in the interest of society. ✓✓
- (Accept any other correct higher order, relevant conclusion) (Max 2) [40]

TOTAL SECTION C: 40
GRAND TOTAL: 150