basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P2

MAY/JUNE 2025

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 23 pages.

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PRINCIPLES FOR MARKING ECONOMICS – SC/NSC MAY/JUNE 2025

The following marking principles have been developed to standardise marking in all provinces.

MARKING

- **ALL** questions and responses in candidates' scripts **MUST** be marked, irrespective of whether it is correct or incorrect.
- Where responses are in excess of what the instruction required, the following should apply
  - In section A, where candidates give **TWO** responses, the first response should be marked.
  - In section B, (2.1.1, 3.1.1 and 4.1.1) mark the first **TWO** responses and indicate ***M 2*** for responses that are in excess of what the question required.
  - In section B data response questions that require specific number of responses, (E.g. 2.2.1 and 2.2.2) mark the first response and indicate ***M 1*** for responses that are in excess.
  - In section B and C (choice questions), indicate ***EXTRA*** on questions in excess of the required number.
  - Where the maximum marks have been allocated for a particular question, mark all the responses up to the maximum marks for the question and indicate either ***M 2 or M 8 or M 10 or M 26***. Thereafter, draw a line on the right-hand side of the responses that are in excess.
- A clear, neat tick must be used:
  - If **ONE** mark is allocated, **ONE** tick must be used: ✓
  - If **TWO** marks are allocated, **TWO** ticks must be used: ✓✓
  - The tick must be placed at the **FACT** that a mark is being allocated for.
  - Ticks must be kept **SMALL**, as various levels of moderation may take place.
- Incorrect answers must be marked with a clear, neat cross: ✗
  - Use one cross on every incorrect response in questions where candidates are required to give more than one response.
  - Try **NOT** to underline the candidates' responses
- For the following action words, **ONE-word** answers are acceptable: **list**, **name**, **state**, **identify**
- For the following action words, a **FULL** sentence must be written: **describe**, **explain**, **evaluate**, **analyse**, **suggest**, **differentiate**, **distinguish**, **define**, **discuss**, **why**, **how**
- The following action words need to be read within their context to determine whether a **ONE-word** answer or **FULL** sentence is required: **provide**, **what**, **tabulate, identify** and **give**
- Where candidates are required to draw a graph, mark the graph according to a marking grid provided in the official marking guideline.
- Where candidates are required to do calculations, the final answer would not necessarily be awarded full marks. **3 marks** are awarded for the **calculations** and **1 mark** for the **final answer**.

NOTE THE FOLLOWING

- If the numbering is incorrect or left out, as long as the sequence of answers to questions is followed candidates can be credited
- Where there are spelling errors, award the marks provided the meaning is correct.
- Pay attention to the sense of responses, which may be stated in a different way.
- In multiple-choice questions where a letter is the accepted response, but the learner writes the actual answer- award marks.
- There will be addendum to the marking guidelines for the marking of certain questions.

TOTALLING AND TRANSFERRING OF MARKS

- The sub-total for each sub-question must be recorded on the right-margin
  - Question1 in Section A has **THREE** sub-sections and **THREE** sub-totals should be recorded on the right margin.
  - Questions in Section B have **FIVE** sub-sections and **FIVE** sub-totals should be recorded on the right margin.
  - Sub-totals must be written legibly and leave space for moderated marks on the right margin
- The total mark for each question should be recorded on the top left margin next to the question number and transfer to cover page of answer book

SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 C – explicit✓✓

1.1.2 A – monopolistic competition✓✓

1.1.3 D – information ✓✓

1.1.4 C – maximum✓✓

1.1.5 A – all inclusive ✓✓

1.1.6 D – lower profit margins ✓✓

1.1.7 D – one night ✓✓

1.1.8 B – environmental ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

1.2.1 F a group of businesses that produce or supply similar products ✓

1.2.2 H high development costs prevent other businesses from entering the market ✓

1.2.3 E the decision by one business to increase price is influenced by how other businesses will react ✓

1.2.4 I the amount of money set by the government, below which no employer may pay their workers ✓

1.2.5 G compiled by regularly recording the prices of a representative basket of goods and services ✓

1.2.6 B South African citizens travelling to other countries ✓

1.2.7 C aimed at making travelling more accessible and affordable within South Africa ✓

1.2.8 D an objective to eradicate extreme poverty and hunger ✓

(8 x 1) (8)

1.3 **GIVE THE TERM**

1.3.1 Homogeneous ✓

1.3.2 Patent ✓

1.3.3 Cost benefit analysis ✓

1.3.4 Cost-push inflation ✓

1.3.5 Ecotourism ✓

1.3.6 Non-renewable resources ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

QUESTION 2: MICROECONOMICS 40 MARKS – 30 MINUTES

2.1 **SHORT QUESTIONS**

2.1.1 **Name any TWO features (characteristics) of public goods.**

- Non-rivalry ✓
- Non-excludable ✓
- Non-rejectable ✓
- Indivisible ✓
- Continuous consumption / Infinite consumption ✓
- Social benefits outstrip private benefits / External benefits ✓

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

2.1.2 **Why does the kinked demand curve discourage an oligopoly firm from raising its price?**

A smaller increase in price may result in bigger decrease in the quantity demanded which will lower income (total revenue), due to the elastic section of the kinked demand curve. ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

2.2 **DATA RESPONSE**

2.2.1 **Identify the market structure that represents the banking industry, from the information above.**

Oligopoly ✓ (1)

2.2.2 **Name the institution that investigates restrictive business practices.**

Competition Commission ✓ (1)

2.2.3 **Briefly describe the term *price leadership*.**

A situation where the dominant business sets the price and the other firms accept it as the market price. ✓✓
(Accept any other correct relevant response) (2)

2.2.4 **Explain the impact of collusion by banks on consumers.**

Collusion will result in consumers paying high prices on the banking services. ✓✓
The collusive banks may provide poor quality services to consumers as they will not have any other alternatives. ✓✓
(Accept any other correct relevant response) (2)

2.2.5 **Why do businesses aim to achieve economies of scale?**

- To reduce the average cost which enables businesses produce more output. ✓✓
- To increase the competitiveness of businesses through lower prices which increase demand. ✓✓
- To improve the profitability of businesses due to increased sales / To earn higher profit and expand the investment capacity. ✓✓

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

2.3 **DATA RESPONSE**

2.3.1 **Identify any ONE negative externality from the above information.**

- Smoking cigarettes ✓
- Traffic congestion ✓ (1)

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

- Profit ✓
- Sales revenue ✓ (1)

2.3.3 **Briefly describe the term *social cost*.**

The total costs of a good or service incurred by the producers and the community at large / Social cost is the sum of private costs and external costs ✓✓
(Accept any other correct relevant response) (2)

2.3.4 **Why do positive externalities such as education lead to market failure?**

- Goods and services with positive externalities are not highly rated by the market, hence they are under supplied by markets.✓✓
- Markets tend to produce less quantities of goods with positive externalities because they do not take into account the social benefits. ✓✓

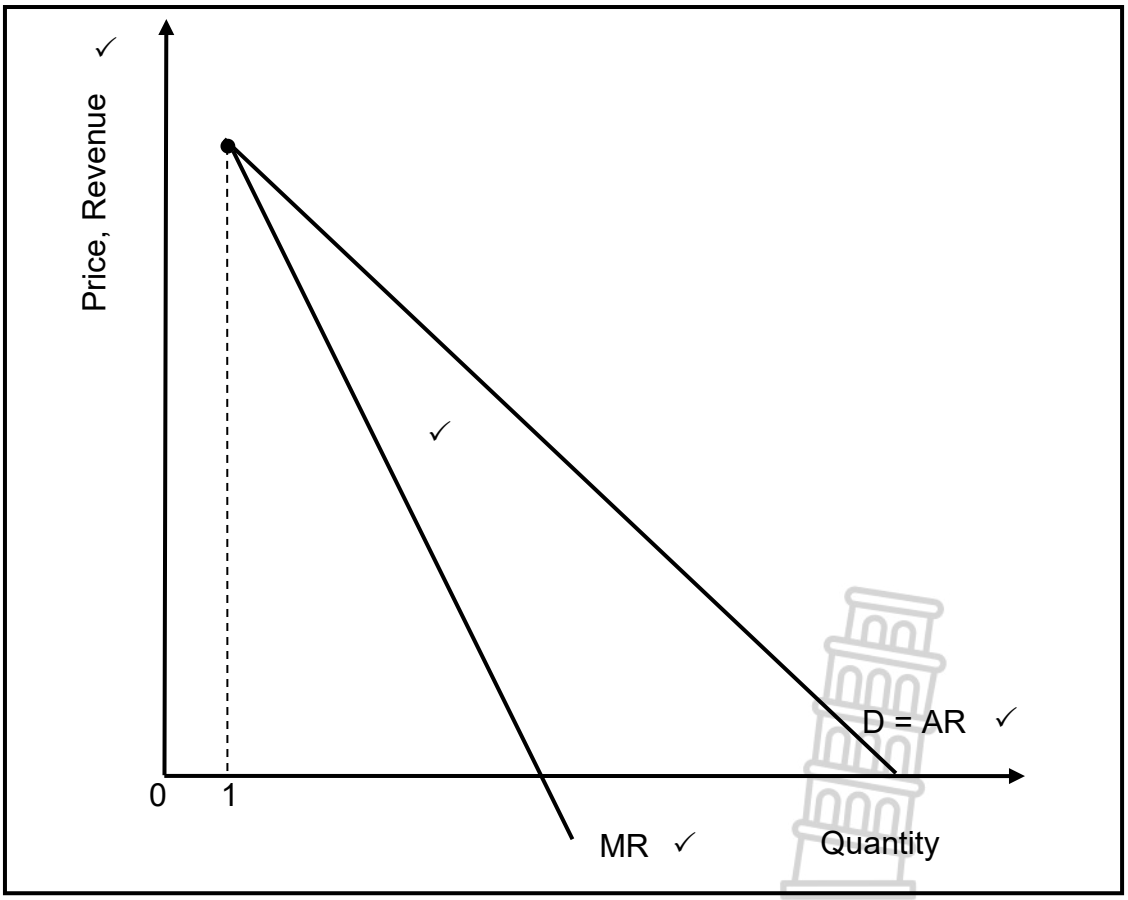
(Accept any other correct relevant response) (2)

2.3.5 **How can the government discourage the consumption of demerit goods?**

- The government can increase indirect taxes or excise duties which will increase the price of demerit goods resulting in a decrease in consumption. ✓✓
- Awareness campaigns may be created to educate people about the harmful effects of demerit goods. ✓✓
- The government can ban the promotion/advertising of demerit goods by producers. ✓✓
- Laws can be enforced to regulate the selling of demerit goods, such as tobacco, to people who are under a specific age. ✓✓

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

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



Correct labelling of vertical and horizontal axis	= 1 mark
Correct drawing and labelling of the demand curves (AR)	= 1 mark
Correct drawing and labelling of the marginal revenue curve	= 1 mark
Correct positioning of the MR curve in relation to the demand curve (AR)	= 1 mark
	Max 4

- The demand curve (AR) and the marginal revenue (MR) curve for a monopoly are both downward sloping from left to right. ✓✓
- The demand curve shows the relation between the price and the quantity demand while the marginal revenue shows the additional income earned when one additional unit is sold. ✓✓
- The marginal revenue (MR) curve is less elastic than the demand curve. ✓✓
- The marginal revenue (MR) curve intersects the horizontal axis at the midpoint of the origin and the point of intersection of the demand curve (AR).✓✓ **Max 4** (8)

2.5 **How can the government redistribute income and wealth to correct market failures?**

- A progressive income tax system is used to make higher income earners pay higher tax rate than lower income earners. ✓✓
- The government may provide subsidies on goods and services such housing, education and healthcare to increase affordability for the poor. ✓✓
- Welfare or transfer payments such as old-age grants, disability grants and child support grants can be used to provide income to the poor. ✓✓
- Tax revenue can be used to provide free services, such as free electricity and water, for the poor people. ✓✓
- Implement job creation programmes, such as the expanded public works programmes, to create a source of income for the poor. ✓✓
- Intensify the implementation of the Broad Based Black Economic Empowerment Act to accelerate economic transformation for the previously disadvantaged groups. ✓✓
- Land reform programmes, such as land restitution and redistribution can be used to increase the ownership of land amongst the previously disadvantaged groups. ✓✓
- Ensure that the Employment Equity Act promotes affirmative action and eliminate discrimination in employment opportunities. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)
[40]

QUESTION 3: CONTEMPORARY-ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 SHORT QUESTIONS

3.1.1 Name any TWO ways used to measure inflation.

- Indexes (CPI/PPI) ✓
- Weighting (Basket of goods and services)✓
- Inflation rate ✓
- Implicit GDP deflator ✓

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

3.1.2 How can the government use education to ensure environmental sustainability?

- Use various methods to create awareness and change people's attitudes towards the environment. ✓✓
- Make the society aware of environmental issues and how their action impact on the environment, it will ensure that better decisions are made. ✓✓
- Educate children to be conscious of the effects of their actions on the environment so that they can become more environmentally aware and empowered adults. ✓✓
- Setting up community wildlife reserves to educate people about the importance of protecting the environment. ✓✓

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

3.2 DATA RESPONSE

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

Renewables ✓ (1)

3.2.2 Name any ONE international agreement that was taken to reduce climate change.

- UNFCCC (United Nations Framework Convention on Climate Change ✓
- Kyoto Protocol ✓
- Paris agreement ✓
- Montreal protocol ✓
- Conference of parties (COP) ✓

(Accept any other correct relevant response) (1)

3.2.3 Briefly describe the term *global warming*.

The gradual and continual increase in the earth's average temperature. ✓✓
(Accept any other correct relevant response) (2)

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

- To reduce environmental damage caused by the carbon emissions during the production process. ✓✓
- To raise revenue that can be used to address environmental issues. ✓✓
- To reduce the supply of products that damage the environment.✓✓

(Accept any other correct relevant response) (2)

3.2.5 **Explain the environmental benefits of reducing the use of fossil fuels.**

- The amount of carbon emissions in the atmosphere may decrease which reduces the greenhouse effects. ✓✓
- Reduction in air pollution caused by fossil fuel may help to reduce ozone depletion which may slow-down global warming. ✓✓
- Demand for non-renewable resources may decrease which reduces pressure on the environment. ✓✓

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

3.3 **DATA RESPONSE**

3.3.1 **Identify the inflation expectations of households in the third quarter of 2024 in the extract above.**

6.9% ✓ (1)

3.3.2 **State the inflation target range set by the South African Reserve Bank.**

3% to 6% ✓ (1)

3.3.3 **Briefly describe the term stagflation.**

When the economy experiences low economic growth, high unemployment and high inflation at the same time. ✓✓
(Accept any other correct relevant response) (2)

3.3.4 **Explain the behaviour of workers when they expect prices to increase.**

- Workers may demand higher wages due to the expected higher cost of living. ✓✓
- Workers may embark on industrial actions if employers do not agree to their wage demands. ✓✓

(Accept any other correct relevant response) (2)

3.3.5 **How can an increase in interest rates help to combat inflation in the economy?**

- The cost of borrowing will increase and reduce excess demand leading to a decrease in demand-pull inflation. ✓✓
- Higher interest rate will encourage savings as investors expect higher return on investment which will help curb demand-pull inflation. ✓✓
- Higher interest rates may lead to the appreciation of local currency which makes imported production inputs to be cheaper and lower cost-push inflation. ✓✓

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

3.4 **Briefly discuss the *conservation and preservation* in relation to the state of the environment**

Conservation

- Conservation relates to the sustainable management of natural resources that are non-renewable to ensure that they are not completely used up and disappear from the environment. ✓✓
- Conservation seeks a creative continuity of the environment while ensuring that change is sympathetic to the quality of life for both present and future generation. ✓✓
- Conservation is necessary when the stocks of natural resources are utilised more than they can reproduce what has been used. ✓✓
- Conservation includes game parks, protected areas for animals and forests, botanical parks, museums, reptile and butterfly sanctuaries. ✓✓
- Conservation strategies are employed to ensure sustainable use of natural resources through the utilization of conservation areas.✓✓
- The government can apply different control methods, such as permits and quotas, to conserve natural resources. ✓✓

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

Preservation

- Preservation refers to keeping resources that are non-renewable intact or unharmed, such as wetlands, an indigenous forest or a river mouth ecosystem. ✓✓
- Preservation helps to preserve existing assets to ensure that they do not get used in a way that it is destructive to the environment. ✓✓
- Preservation involves the elements of the environment that are threatened by extinction, such as Africa' remaining rhino and animal species. ✓✓
- Heritage sites that have special cultural or environmental significance are often targeted for preservation. ✓✓
- The government may intervene in the market when it is necessary to preserve environmental assets. ✓✓

(Accept any other correct relevant response) **Max 4**
(Allocate a maximum of 4 marks for mere listing of facts and examples)
(Allocate a maximum of 2 marks for examples only) (2 x 4) (8)

3.5 **Analyse the negative impact of high inflation on the South African economy.**

- Households may save less as more of their income is used to purchase goods and services when there is high inflation.✓✓
- Consumers' confidence may decrease which may lead to a decline in consumption expenditure. ✓✓
- Investments may decrease as high inflation create a negative sentiment towards the South African economy. ✓✓
- High demands for wage increases may lead to an increase in labour costs which reduces production of goods and services. ✓✓
- Workers may engage in industrial actions if their wage demands are not met, which may disrupt economic activity.✓✓
- Taxpayers pay higher taxes as their nominal wages increase which shift their income levels into higher tax bracket (bracket creep). ✓✓
- Higher inflation results in a decrease in the purchasing power of money leading to the rand buying fewer goods and services than before ✓✓
- Interest rates may increase which leads to an increase in the cost of borrowing money in the economy. ✓✓
- High cost of production may force some businesses to reduce their operations which may lead to job losses ✓✓
- High inflation stimulates spending on imported goods and services, as consumers consider them to be cheaper. ✓✓
- Increased prices of South African exports may reduce their competitiveness on global markets. ✓✓
- The value of local currency may decrease as balance of payments deficit increases. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)
[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY-ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 SHORT QUESTIONS

4.1.1 Name any TWO types of pollution

- Water ✓
- Air ✓
- Land/environmental/Soil ✓
- Noise/sound ✓

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

4.1.2 Why does the government impose minimum prices on certain products in the market, such as maize?

- To allow farmers to make comfortable profits from the production of basic food stuffs, such as maize and wheat. ✓✓
- To ensure food security to the country's population by encouraging farmers to produce sufficient quantities. ✓✓

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

4.2 DATA RESPONSE

4.2.1 Identify the annual growth rate of online grocery sales in South Africa from the extract above.

54% ✓ (1)

4.2.2 State the nature of the product sold in a monopolistic competitive market.

Differentiated/Heterogenous ✓ (1)

4.2.3 Briefly describe the term *non-price competition*.

Competition that is not based on prices but on factors relating to the product uniqueness, efficient services and advertisements. ✓✓
(Accept any other correct relevant response) (2)

4.2.4 Explain the importance of branding in imperfect markets.

- Branding helps to build consumer loyalty where a consumer may choose one producer over another. ✓✓
- Distinguishes the product which enables easy identification by consumers. ✓✓
- Branding helps to attract more customers which increases the business' market share. ✓✓

(Accept any other correct relevant response) (2)

4.2.5 **Why does a monopolistic competitive firm earn normal profit in the long-run?**

- There are no barriers to entry which allows new businesses to enter the market when there is economic profit. ✓✓
- Increase in the number of businesses will increase the market supply and reduce prices until existing firms earn normal profit.✓✓

OR

- The freedom of exit allows some existing businesses to leave the market when there is economic loss. ✓✓
- Decrease in the number of businesses will reduce the market supply and increase prices until existing firms earn normal profit.✓✓

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

4.3 **DATA RESPONSE**

4.3.1 **Identify the CPI inflation rate for March 2024, in the graph above**

5,3%✓ (1)

4.3.2 **Name the price index that excludes value added tax (VAT)**

Producer price index/PPI ✓ (1)

4.3.3 **Briefly describe the term *administered prices inflation*.**

The increase in prices of goods and services that are set by government or controlled by government appointed institutions. ✓✓
(Accept any other correct relevant response) (2)

4.3.4 **Why is core inflation more stable than consumer price index (CPI) inflation?**

- Core inflation excludes items that have high volatility in prices and that are regulated by government intervention while the CPI inflation includes items with high volatile prices. ✓✓
- Core inflation is not affected by the seasonal variances of food prices while the CPI inflation is affected by seasonal variances of food prices. ✓✓

(Accept any other correct relevant response) (2)

4.3.5 **How can an increase in productivity help to combat inflation?**

- The average cost of production will decrease which reduces cost push-inflation. ✓✓
- Increases in productivity that are linked to wage increases may neutralise cost-push inflation. ✓✓
- Higher productivity through education and training may increase production output which will stimulate aggregate supply. ✓✓

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

4.4 **Briefly discuss *productive inefficiency* and *allocative inefficiency* as consequences of market failures.**

Productive inefficiency

- Occurs when businesses do not maximise output with the available inputs (factors of production). ✓✓
- Productive inefficiency means that a business does not produce goods at the lowest possible cost. ✓✓
- Productive inefficiency allows businesses to reduce cost without producing fewer goods and lowering quality of goods / There is room for businesses to produce more output at a lower cost.✓✓
- The consequence of productive inefficiency is a loss of output and wasted resources ✓✓

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

Allocative inefficiency

- Allocative inefficiency means that the product mix does not reflect consumer's tastes and therefore resources are not allocated in the right proportions. ✓✓
- Consumer preferences can be satisfied if businesses can use its resources more efficiently. ✓✓
- Supply of goods and services does not correspond with demand as quantities required by consumers are not available, which shows shortage or surplus. ✓✓
- Allocative inefficiency occurs when businesses allocate resources inefficiently and produce goods and services that consumers do not want.✓✓ **(Max 4)**

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for mere listing of facts and examples)
(Allocate a maximum of 2 marks examples only) (2 x 4) (8)

4.5 **How can the government use command and control measures to ensure environmental sustainability?**

- The government can impose a range of policies to legislate what people may and may not do. ✓✓
- Regulations may be set to enforce environmental limits or standards in terms of how resources may be used. ✓✓
- Maximum permitted levels may be set on environmental activities, such as carbon dioxide emissions or resource use. ✓✓
- Minimum permitted levels may be imposed on the extraction of resources such as water in reserves and trees in plantation. ✓✓
- Quantity standards are set to prescribe the predetermined amount of pollution caused, such as factory and car gas emissions. ✓✓
- As technology for reducing pollutants improves, tougher standards can be imposed based on the best available technology. ✓✓
- Quality standards are set prescribe rules and regulations on the environmental impact of pollution emitted. ✓✓
- Social impact standards are set to focus on the effect of environmental pollution on people. ✓✓
- Tougher standards for noise levels may be imposed in densely populated areas than in rural areas. ✓✓
- The government can maintain the stock levels of environmental resources trough the issuing of permits/licences and quotas. ✓✓
- Inspectors may be assigned to monitor the environmental activities of businesses and compliance to the predetermined standards. ✓✓
- Environmental offences can be punishable by law through imposition of fines or withdrawal of permits/licences, quotas and compensation to victims or imprisonment. ✓✓
- Direct controls may be used to force offending firms to incur the actual costs of the offending activity. ✓✓

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts) (4 x 2) (8)
[40]

TOTAL SECTION B: 80

SECTION C

QUESTION 5: MICROECONOMICS 40 MARKS – 40 MINUTES

- **Discuss in detail the short-run equilibrium positions in a perfect market with the aid of three separate graphs. (26 marks)**
- **Evaluate the impact of perfect competition on consumers. (10 marks)**

INTRODUCTION

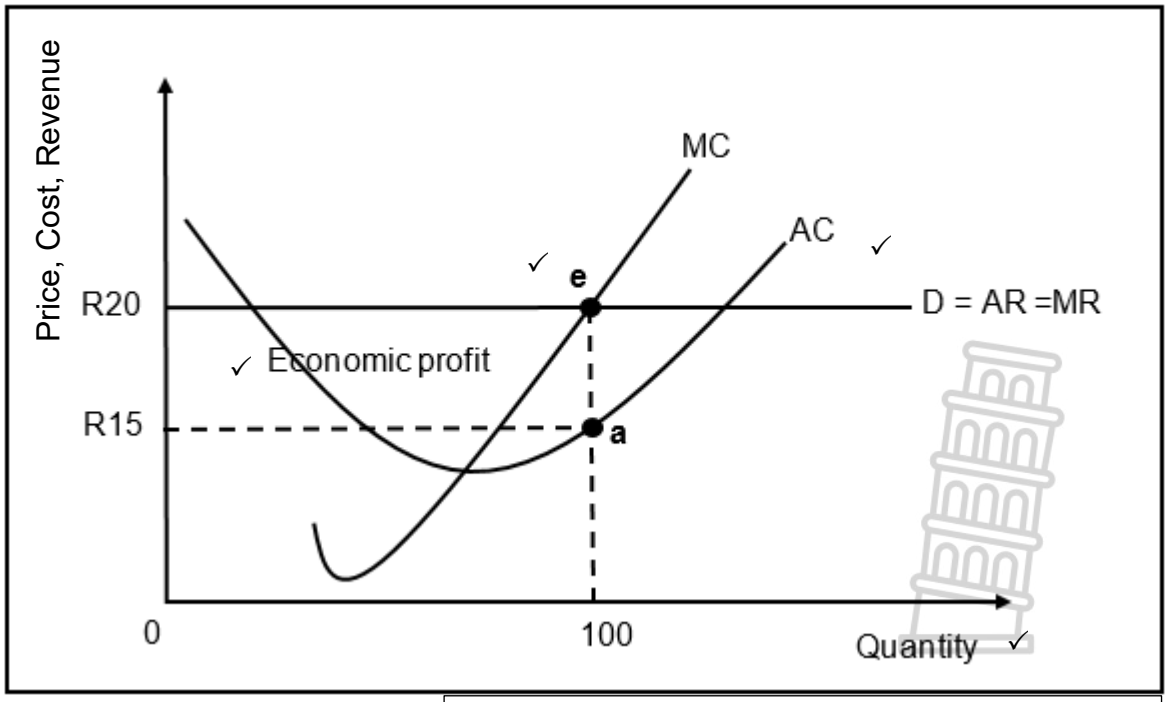
- A market is a place where buyers and sellers meet to exchange goods and services for price. ✓✓
- Perfect competition is a market structure with large numbers of buyers and sellers of homogenous products, and free market entry and exit. ✓✓
- Short-run is a period of production in which at least one of the factor inputs is fixed.✓✓

(Accept any other relevant introduction) **(Max 2)**

BODY: MAIN PART

Economic profit ✓

- Economic profit occurs when the total revenue (TR) is greater than the total cost (TC)/when the average revenue (AR) is greater than the average cost (AC). ✓✓
- Economic profit is the extra profit made by a business in addition to normal profit. ✓✓

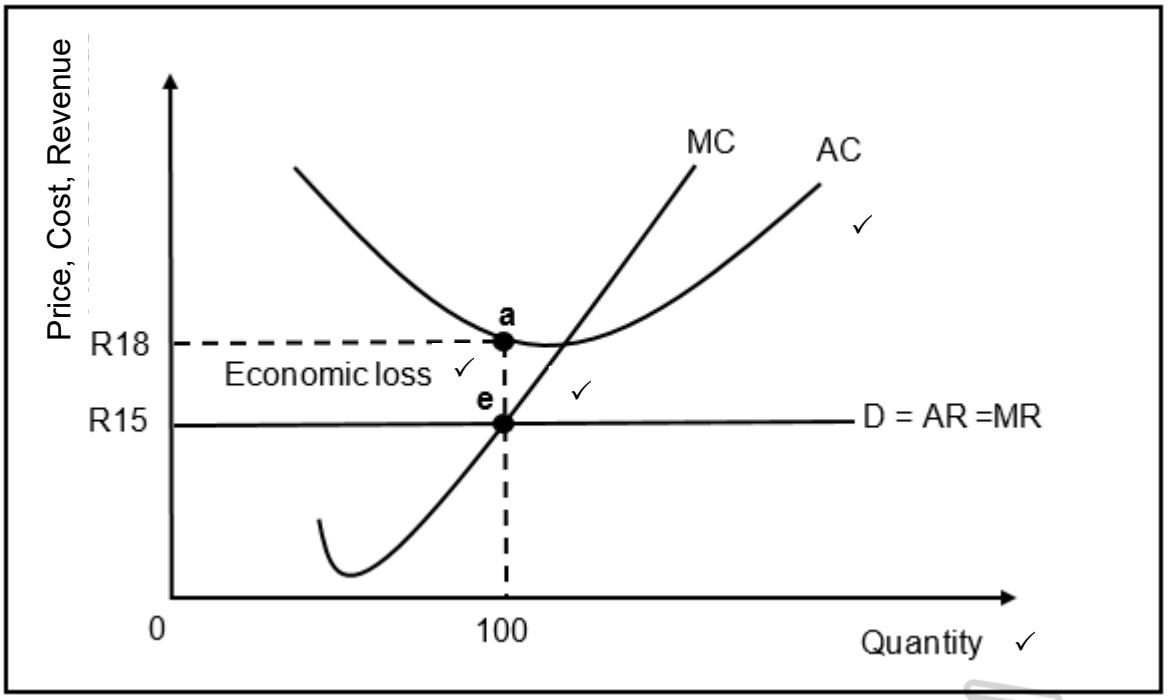


Correct labelling of vertical and horizontal axis	= 1 mark
Correct drawing and labelling of the cost curves in relation to the revenue curves	= 1 mark
Indication of the economic profit	= 1 mark
Indication of profit maximization point	= 1 mark
	Max 4

- At the market price of R20, profit is maximised at point e, where MR = MC. ✓✓
- 100 units of the product will be produced at an average cost of R15. ✓✓
- The business is making economic profit because the market price is above the
- AC. ✓✓
- When there is economic profit (supernormal profit), new businesses will be attracted to enter into the market. ✓✓
- The firm makes a total economic profit of R500 (R20 x 100 = R2000 – R15 x 100 = R1500) OR an economic profit of R5 per unit (R20 – R15). ✓✓

Economic loss ✓

- Economic loss occurs when the total revenue (TR) is less than the total cost (TC)/ when the average revenue (AR) is less than the average cost (AC). ✓✓
- Economic loss is the negative difference between TR and TC. ✓✓

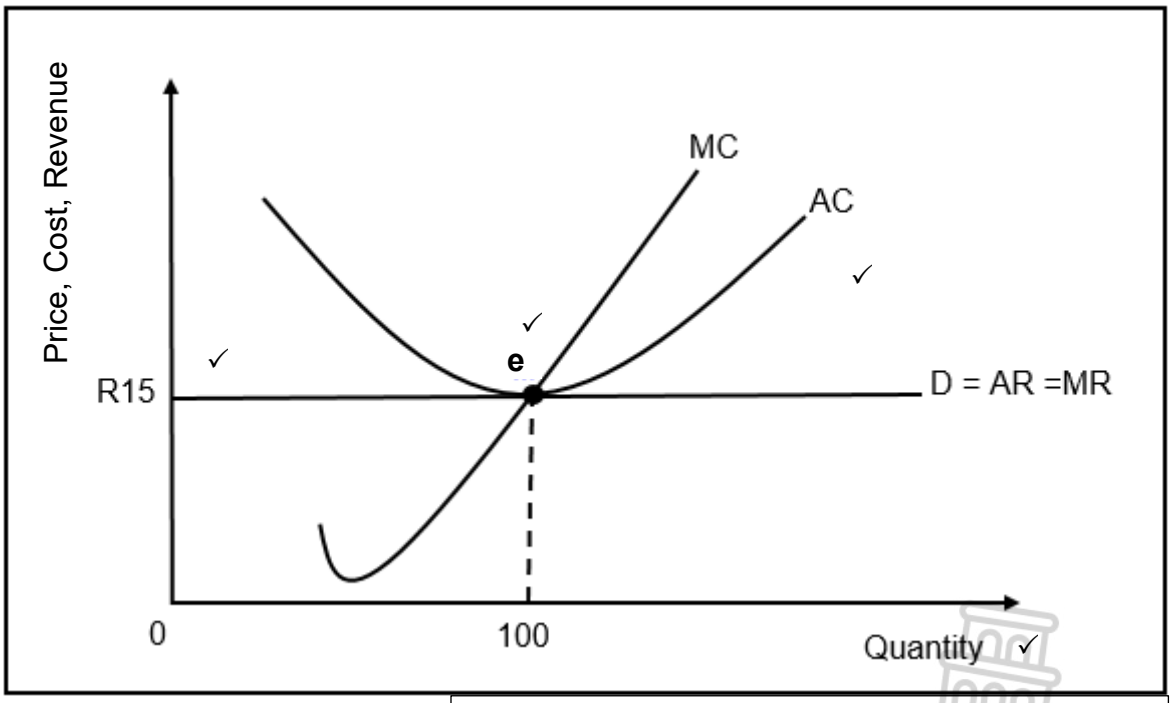


Correct labelling of vertical and horizontal axis	= 1 mark
Correct drawing and labelling of the cost curves in relation to the revenue curves	= 1 mark
Indication of the economic loss area	= 1 mark
Indication of loss minimization point	= 1 mark
	Max 4

- At the market price of R15, loss is minimised at point e, where MR = MC. ✓✓
- 100 units of the product will be produced at an average cost of R18.✓✓
- The business is making economic loss because the market price is less than the AC. ✓✓
- When there is economic loss, some businesses will leave the market. ✓✓
- The firm makes a total economic loss of R300 (R15 x 100 = R1500 – R18 x 100 = R1800) OR an economic loss of R3 per unit (R15 – R18). ✓✓

Normal profit ✓

- Normal profit occurs when the total revenue (TR) is equal to the total cost (TC)/when the average revenue (AR) is equal to the average cost (AC). ✓✓
- Normal profit is the minimum earnings required to prevent the entrepreneurs from leaving the industry and invest their money somewhere else. ✓✓
- Normal profit is referred to as ZERO economic profit (break-even) because TR – TC / AR - AC = 0. ✓✓



Correct labelling of vertical and horizontal axis	= 1 mark
Correct drawing and labelling of the cost curves in relation to the revenue curves	= 1 mark
Indication of AC equal to the price	= 1 mark
Indication of profit maximization point	= 1 mark
	Max 4

- At the market price of R15, profit is maximised at point e, where MR = MC. ✓✓
- 100 units of the product will be produced at an average cost of R15.✓✓
- The business is making normal profit because the market price is equal to the AC. ✓✓
- When businesses are making normal profit there will be no incentive for new businesses to enter or existing businesses to leave the market. ✓✓
- The firm makes a normal profit of R0 (R15 x 100 = R1500 – R15 x 100 = R1500) OR a normal profit of R0 per unit (R15 – R15). ✓✓

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

ADDITIONAL PART

Positive impact

- Consumers have full information about the prevailing market conditions such price and quality of the product which helps them to make informed decisions. ✓✓
- Homogeneous products allow consumers to have access to products of the same standard (quality). ✓✓
- There are many businesses which ensures consumers of adequate availability (supply) of goods and services. ✓✓
- Consumers pay lower prices as businesses produce goods at the lowest possible average cost (productive or technical efficiency). ✓✓
- Consumers may not be exploited by businesses since collusion is impossible and businesses have no control over the market price. ✓✓

Negative impact

- Consumers' choice and satisfaction may be limited because of homogenous products in the perfect market. ✓✓
- Consumers may be confined to lower quality products due to lack of innovation or product development. ✓✓
- Consumers may not negotiate for lower price since no individual participant has influence over the market price. ✓✓
- Consumers may be exposed to prices fluctuations due to entry and exit of suppliers in the market. ✓✓

(Accept any other correct higher order, relevant response) (Max 10)
(Allocate a maximum of 2 marks for mere listing of facts/examples)

CONCLUSION

In the long-run a perfectly competitive firm can only make normal profit due to the freedom of entry and exit. / Although perfect competition does not exist in real life, it is necessary to study it to understand an ideal market in which efficiency is achieved. ✓✓
(Accept any other correct higher order, relevant conclusion) **(Max 2)** **[40]**

QUESTION 6: CONTEMPORARY-ECONOMIC ISSUES 40 MARKS – 30 MINUTES

- **Examine in detail the benefits of tourism. (26 marks)**
- **Analyse the importance of Indigenous Knowledge Systems (IKS) in promoting tourism. (10 marks)**

INTRODUCTION

Tourism are activities of people travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business or others purposes. ✓✓
(Accept any other correct relevant introduction) **(Max 2)**

BODY: MAIN PART

HOUSEHOLDS ✓

- Members of households earn income directly from the tourism sector as tour operators and travel agents. ✓✓
- Many households are indirectly involved in tourism as employees such as in hotels, transport sector. ✓✓
- Households that operate as curio producers or musicians can earn income from tourism. ✓✓
- A large number of households acquire skills in the tourism industry such as tourism has been introduced as a subject in SA schools since 2000 offering opportunities to people to acquire skills. ✓✓
- School curriculum and learnerships can be used to offer households opportunities to acquire skills. ✓✓
- Tourism encourages rural development because many tourist attractions are located in rural areas. ✓✓
- Local people benefit from improved infrastructure meant for tourists. ✓✓

BUSINESSES ✓

- Tourism stimulates business in areas such as accommodation and entertainment.✓✓
- Manufacturing sector and recreation sector all benefits from increased demand due to tourism. ✓✓
- The previously disadvantaged communities get entrepreneurial opportunities through the black economic empowerment schemes. ✓✓
- A large number of people get business opportunities in the informal sector, such as, selling of hand-craft products. ✓✓
- Local retailers may have an increase in sales that leads to profits because of increased demand from tourists. ✓✓
- Private enterprises and government can form private-public partnerships to provide the infrastructure needed for tourism which increases the income of businesses. ✓✓
- Tourism activities encourage businesses to improve the quality and variety of their products. ✓✓
- Natural monopolies such Table Mountain Cableway can achieve abnormal profits from tourism activities. ✓✓
- The public sector provides a range of financial incentives, such as grants, subsidies, loans, tax rebates, for private sector tourism investment. ✓✓

GOVERNMENT ✓

- Tourism contributes to the income of the government through:
  - personal income taxes from the income received from tourism employees.✓✓
  - taxes from tourists such as airport entry and departure taxes, air ticket taxes and taxes on hotel room occupancy. ✓✓
  - tax revenue/income from indirect taxes such as VAT and duties on goods and services supplied to tourists. ✓✓
- Taxes are charged to recover external costs which is the amount not included in the price. ✓✓
- Taxes compensates the host community for providing infrastructure and basic amenities. ✓✓
- Tourism is an important foreign exchange earner and boosts the country's foreign exchange reserves. ✓✓
- Government is able to achieve its socio-economic objectives of informal sector growth, black economic empowerment and SMME development. ✓✓
- Tourism creates a good image of the country by marketing itself. ✓✓
- Government is able to create jobs at a minimum cost. ✓✓

INFRASTRUCTURE ✓

- Adequate and well-maintained infrastructure is essential for tourist destinations. ✓✓
- Physical infrastructure such as roads, telecommunication, railway systems, airports and accommodation have been improved and upgraded to meet international standards, such as, the Gautrain. ✓✓
- Local people benefit from the improved and upgraded infrastructure for tourists, such as, 2010 World Cup stadiums. ✓✓
- Government often prioritises economic infrastructure such as ports and beaches. ✓✓
- Social infrastructure such as clinics and hospitals is also important for the growth of tourism. ✓✓
- SDIs and development corridors also have tourism as an important focus.✓✓
- Private-partnerships are used for infrastructure development. ✓✓

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

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

ADDITIONAL PART

- Indigenous Knowledge Systems (IKS) help to attract tourists as the they seek authenticity and uniqueness at local destinations. ✓✓
- IKS allow tourists to experience and learn more about South Africa's cultural diversity, indigenous culture, history, environment and how local people live and work. ✓✓
- The use of indigenous medicines for health, traditional stories, dances, music, painting, handicraft, hunting and cooking methods attract tourists to local villages.✓✓
- Cultural villages, such as Basotho in the Free State and Simunye Zulu Lodge in Kwazulu-Natal, promote tourism through activities where tour-guides explain and demonstrate storytelling and indigenous knowledge practices. ✓✓

- Cultural and township tours, such as Soweto, encourage tourists to experience religious activities, life with local households and eat in township restaurants. ✓✓
- World Heritage Sites, such as Mapungubwe Cultural Landscape, Richtersveld Cultural and Botanical Landscape, and Robben Island, promote significant cultural and historical aspects of the country, in which tourists are interested. ✓✓
- Environmental World Heritage Sites, such as the Cape Fynbos Region, Isimangaliso Wetlands Park and uKhahlamba Drakensberg Park, allow tourists to enjoy the extreme of South Africa's indigenous environmental uniqueness. ✓✓
- Arts and culture festivals, such as the National Arts Festival held annually in Makhanda and the Awesome Africa Music Festival, encourage tourists to visit South Africa to attend such events. ✓✓
- African arts and crafts, such as Maboneng Township Arts Experience in Cape Town, showcase and display local artists and crafters to international tourists. ✓✓

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

CONCLUSION
The government should implement suitable strategies that can help promote tourism as it contributes to the gross domestic product and economic growth. ✓✓
(Accept any other relevant higher order conclusion) **(Max. 2)** **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150

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