These marking guidelines consist of 16 pages.
SECTION A (COMPULSORY)

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 A ✔✔ selling price
1.1.2 C ✔✔ positive
1.1.3 B ✔✔ heterogeneous
1.1.4 A ✔✔ kinked
1.1.5 A ✔✔ self-interest
1.1.6 C ✔✔ South African Reserve Bank
1.1.7 B ✔✔ one
1.1.8 C ✔✔ greenhouse

1.2 MATCHING ITEMS

1.2.1 D ✔ occurs when inputs increase, while outputs are increasing by less than the percentage increase in inputs
1.2.2 F ✔ extra income the seller earns if one more unit of a product is produced and sold
1.2.3 A ✔ duration where at least one factor of production is fixed
1.2.4 G ✔ a business in a perfect market will consider closing down if \( AR = AVC \)
1.2.5 I ✔ eradication of extreme poverty and hunger
1.2.6 E ✔ excludes the prices of goods and services that change frequently
1.2.7 B ✔ existence of facilities and amenities, for example roads and bridges
1.2.8 H ✔ licence for a business to pollute up to a specified limit

1.3 GIVE THE TERM

1.3.1 Subsidy ✔
1.3.2 Price leadership / tacit collusion ✔
1.3.3 Externality ✔
1.3.4 Hyperinflation ✔
1.3.5 Pollution ✔
1.3.6 Climate change ✔

TOTAL SECTION A: 30
SECTION B

Answer any TWO of the three questions in this section

QUESTION 2: MICROECONOMICS

2.1 2.1.1 Give any TWO examples of community goods.

- Defence ✓
- Police services ✓
- Street lights ✓

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

2.1.2 Why is the demand for skilled labour difficult to adjust in South Africa?

- It takes time to train workers ✓ ✓
- Larger part of the population are unskilled ✓ ✓

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

2.2 DATA RESPONSE

2.2.1 Identify the price of cigarettes before a tax was imposed on it.

R100 ✓ (1)

2.2.2 What quantity is demanded after the government imposed a tax on cigarettes?

200 ✓ (1)

2.2.3 Clearly distinguish between merit goods and demerit goods.

**Merit goods:**
- Are highly desirable for general welfare, but not highly rated by the market, e.g. health care
- The market produces less than the desired quantity
- If people had to pay the market price, less would be consumed ✓ ✓

(Max 2)

**Demerit goods**
- Are highly undesirable for the general welfare of society
- These goods are normally overconsumed and supplied
- Consumers are unaware of the true cost or negative externalities, diseases, etc. ✓ ✓

(Max 2)

(Accept any other correct relevant response) (2 x 2) (4)
2.2.4 Use the graph above and explain how a tax on cigarettes will reduce market failure.

![Graph showing supply and demand curves]

Market failure will be reduced because:
- The tax on cigarettes will increase the price of the good which will shift the supply to the left (SS to S₁S₁) ✓ ✓
- At the new equilibrium (e₁) fewer units are demanded (200) which is socially more desirable ✓ ✓

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

2.3 DATA RESPONSE

2.3.1 Name the institution in the extract that investigates anti-competitive behaviour in South Africa.

Competition Commission ✓ (1)

2.3.2 Identify ONE aspect that was influenced negatively by ArcelorMittal’s anticompetitive behaviour.

- Trade exports ✓
- Industrial sector ✓
- Job creation ✓ (1)

2.3.3 What is the role of the Competition Tribunal?

The Competition Tribunal accepts or rejects the investigation and recommendations of the Competition Commission / grant exemptions / prevent or allow mergers / adjudicate any misconduct / issue an order for cost ✓ ✓

(Accept any other correct relevant response) (2)

2.3.4 What is meant by market dominance?

Market dominance is when one or more firms has significant control in the market ✓ ✓

(Accept any other correct relevant response) (2)
2.3.5 How will ArcelorMittal’s anti-competitive behaviour affect the industrial sector?

Behaviour would affect the industrial sector by:
- increasing the input costs of all steel-related manufacturers in the industry ✓ ✓
- causing a decrease in trade exports of related industries ✓ ✓
- decreasing employment ✓ ✓

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

2.4 Distinguish, without using graphs, between productive and allocative inefficiency.

**Productive inefficiency**
- The business does not produce at the lowest possible cost. ✓ ✓
- Resources are not used appropriately to produce the maximum number of goods. ✓ ✓
- There is room to reduce cost without producing fewer goods or without producing lower quality goods ✓ ✓ (Max 4)

**Allocative inefficiency**
- When resources are not allocated in the right proportions and the product mix does not meet the consumers’ tastes. ✓ ✓
- Some goods might be oversupplied, while other goods might be undersupplied. ✓ ✓

(Allocate a maximum of 4 marks for mere listing of facts/examples)
(Accept any other correct relevant response) (Max 4) (8)

2.5 Draw a fully labelled graph to illustrate the economic loss of a monopoly market structure.

**ECONOMIC LOSS: MONOPOLY**

[Graph image]

**Mark allocation**
- Correct drawing and positioning of AC curve: 1 mark
- Correct drawing and positioning of MC curve: 1 mark
- Correct drawing and positioning of MR curve: 1 mark
- Correct drawing and positioning of AR curve: 1 mark
- Correct indication (area) of economic loss: 1 mark
- Labelling of axes: 1 mark
- Labelling on axes: 1 mark
- Loss minimising point: 1 mark

(Max 8 marks)

[40]
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

3.1  Name any TWO World Heritage Sites in South Africa.

- Mapungubwe ✓
- The Sterkfontein Caves ✓
- Robben Island ✓
- iSimangaliso Wetland Park ✓
- The Cape Fynbos Region ✓
- Richtersveld Cultural and Botanical Landscape ✓
- Vredefort dome ✓
- Ukhahlamba Drakensberg ✓

(2 x 1) (2)

3.1.2 How can people be educated to manage the environment in such a way that sustainability is ensured?

People can be educated by:

- an awareness of environmental issues and how their actions may affect the environment either positively or negatively ✓ ✓
- an awareness of the different products that can be recycled ✓ ✓
- firms producing organic goods for the markets ✓ ✓
- an awareness of the destruction of the environment via aerosol cans ✓ ✓

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

3.2 DATA RESPONSE

3.2.1 Identify the average price of a kilowatt per hour (kWh) electricity in 2002.

20 cents ✓

(1)

3.2.2 What trend does the average price of electricity show, as represented in the graph?

Increasing ✓

(Accept any other correct relevant response) (1)

3.2.3 Briefly describe the term administered price inflation.

Inflation caused by increase in prices of goods that are regulated by government or government-appointed authorities ✓ ✓

(2)

3.2.4 Why does NERSA allow Eskom to have price increases above inflation rate?

To allow Eskom to afford projects, such as expansion of infrastructure ✓ ✓

(Accept any other correct relevant response) (2)
3.2.5 Why is it important that NERSA regulates electricity prices in South Africa?

- It helps consumers to pay relatively lower prices compared to if there was no regulation ✓ ✓
- Businesses’ production costs increase at a relatively lower percentage thereby allowing a better opportunity for economic growth ✓ ✓

(Accept other correct relevant responses) (2 x 2) (4)

3.3 DATA RESPONSE

3.3.1 Identify TWO purposes in the table why South Africans travelled domestically?

- Visiting family and friends ✓
- Holiday ✓
- Business ✓ Any (2 x 1) (2)

3.3.2 Briefly describe the term domestic tourism.

Domestic tourism is when people travel within the borders of their own countries ✓ ✓
(Accept any other correct relevant response) (2)

3.3.3 What is a possible reason for the decline in holiday trips between 2015 and 2016?

- Increase in inflation ✓ ✓
- The effects of a weaker rand ✓ ✓
- Increase in general unemployment ✓ ✓

(Accept any other correct relevant response) (2)

3.3.4 Calculate the number of people who undertook business trips in 2016. Show all calculations.

\[
\frac{11 \times 7,3 \text{ m}}{100} = 803,000 \]

(4)

3.4 Briefly discuss the granting of property rights as a measure to sustain the environment.

- Granting of property rights has a conservation effect as people take care of things that belong to them. ✓ ✓
- Give people property rights over plants and animals to prevent them from becoming extinct. ✓ ✓
- Plants and animals may then be preserved at little cost to the taxpayer. ✓ ✓
- If property rights are expanded to common goods, like clean air, those suffering because of pollution could charge the polluters for the right to pollute. ✓ ✓
- It is impractical to extend private property rights to air ✓ ✓
- But the principle of polluters paying victims to reduce pollution is sometimes followed by governments ✓ ✓

(Allocate a maximum of 4 marks for mere listing of facts/examples)
(Accept any other correct relevant response) (4 x 2) (8)
3.5 **How can indigenous knowledge systems (IKS) be used to increase tourism in SA?**

Tourism can be increased by:
- promoting local culture, history and environment to international tourists ✓✓
- offering tourists an authentic village experience at cultural villages, such as Shangana in Mpumalanga ✓✓
- promoting cultural significance of World Heritage Sites, such as Robben Island ✓✓
- touring townships, such as Soweto, to allow tourists to eat and drink at a shebeen ✓✓
- taking tourists who are interested in arts to festivals, such as the National Arts Festival in Grahamstown ✓✓

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

(4 x 2)  

[40]
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

4.1  4.1.1 Name TWO environmental problems that affect environmental sustainability.

- Biodiversity loss ✓
- Chemical waste ✓
- Hazardous waste ✓
- Climate change ✓
- Loss of indigenous knowledge ✓

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

4.1.2 How will the producer react if the government implements a maximum price on his product?

The producer will decrease quantity supplied ✓ ✓

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

4.2  DATA RESPONSE

4.2.1 Identify ONE of the five big banks in SA.

- Standard Bank ✓
- ABSA ✓
- First National Bank (FNB) ✓
- Capitec ✓
- Nedbank ✓

(1)

4.2.2 What, according to the extract, prevents any entrepreneur from entering the banking industry in SA?

High barriers of entry / R250 million upfront capital requirement ✓

(1)

4.2.3 Briefly describe the concept oligopoly.

A market structure where only a few sellers operate ✓ ✓

(Accept any other correct relevant response) (2)

4.2.4 Explain the nature of the product offered by the banking industry.

Services offered by the banking sector are heterogeneous, e.g. different investment portfolios ✓ ✓

(Accept any other correct relevant response) (2)
4.2.5 How do banks compete to increase their market share in South Africa?

Market share can be increased by:
- banks advertising their products to potential clients ✓ ✓
- selling different products at competitive prices, like loans and insurance ✓ ✓
- offering individual-based interest rates on deposits and loans ✓ ✓
- offering the comfort of transacting from home, e.g. internet banking ✓ ✓

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

4.3 DATA RESPONSE

4.3.1 In which city was the world wildlife conference held?

Johannesburg ✓ (1)

4.3.2 Identify the aim of CITES in the extract above?

To ensure that international trade in species of wild animals and plants does not threaten their survival ✓ (1)

4.3.3 Briefly describe the term conservation.

The continuity of the environment while ensuring that change is sympathetic to the quality of life for both present and future generations ✓ ✓

(Accept any other correct relevant response) (2)

4.3.4 Why is elephant poaching a threat to the environment?

- The continuous killing of elephants will bring an imbalance in the ecosystem. ✓ ✓
- It may lead to biodiversity loss. ✓ ✓

(Accept any other correct relevant response) (2)

4.3.5 How can CITES contribute to the conservation of elephants?

CITES contribute to the conservation of elephants by:
- countries agreeing to involve communities in conservation activities with formal organisations whereby they earn a return on their efforts ✓ ✓
- banning of ivory trade ✓ ✓
- imposing lengthy prison sentences for those who trade in ivory ✓ ✓
- monitoring legal elephant trade ✓ ✓

(Accept any other correct relevant response) (2 x 2) (4)
4.4 **Briefly discuss the reasons for growth in the tourism industry.**

- Increase in disposable income allows people to spend some on leisure and recreation. ✓✓
- Due to globalisation, people are well informed about countries and destinations. ✓✓
- Improved communication allows for easier travel arrangements. ✓✓
- Through advertising people are aware of travel destinations. ✓✓
- Improved infrastructure, such as roads and airports, encourage people to travel. ✓✓
- People have become aware of the importance of leisure and recreation. ✓✓

(Allocate a maximum of 4 marks for mere listing of facts/examples)  
(Accept other correct relevant responses)  

(4 x 2)  (8)

4.5 **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 ✓✓

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

Max (8)  (8)

[40]

**TOTAL SECTION B:** 80
SECTION C

Answer ONE of the two questions in this section.
The answer must be assessed as follows:

QUESTION 5: MICROECONOMICS

Markets are the backbone of economic activities in any country.

• Compare the market structure of a monopolistic competitor to that of a perfect market. (26)
• Explain, with the aid of a graph, how economic profit is achieved for a perfect competitor. (10)

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 /
• Monopolistic competition is a monopolistic market structure with many buyers and sellers where entry is relatively easy but the product is differentiated /
• Perfect competition is a market structure with many buyers and many sellers ✓✓ (Accept any other correct relevant response) Max (2)

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 ✓
• A large number of sellers are active in the monopolistic competitive market ✓. Examples of monopolistic markets are producers of cleaning materials, cold drinks, toothpaste or soap ✓

Nature of the product ✓

• All products sold in the perfect market are homogeneous ✓. All these products are exactly the same regarding quality, appearance ✓✓ it makes no difference to a buyer where and from whom he or she buys the product. ✓✓
• Goods produced by businesses in a monopolistic competitive market are heterogeneous ✓. They may differ slightly in appearance, shape, size and taste ✓✓. Differences may be imaginary ✓✓ e.g. medicine may have different brand names, but contain exactly the same basic ingredients ✓✓

Entry and exit from the market ✓

• 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 ✓✓
• Entry into the monopolistic competitive market is easy and free ✓. There are no barriers ✓✓ such as licences, permits, patents and other restrictions ✓
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.
- Market information in the monopolistic competitive market is incomplete. The many brands, variety of products or marginal difference causes a lack of information for sellers and buyers.

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.
- The individual business in the monopolistic competitive market has some control over the price of a product. The control over price depends entirely on the strength of brand loyalty. The business can be regarded as a price setter.

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 does not occur in the monopolistic competitive market. Individual businesses rely on brand loyalty to determine prices. Prices can be manipulated by the strength of their brand loyalty. Prices are normally higher in cases where brand loyalty is intense. Control over the market (output) is subject to brand loyalty due to product differentiation.

Marketing
- There is no need for marketing strategy in the perfect market due to complete market knowledge.
- Marketing strategy is applied in the monopolistic competitive market. Deliberate advertising campaigns is launched to create brand loyalty.

Profits
- The firm can realise economic profits in the short term, but only normal profits in the long run in the perfect market.
- The firm can realise economic profits in the short term as well as the long run in the monopolistic competitive market.

Demand curve
- The demand curve for the firm in the perfect market is horizontal.
- D=AR=MR
- The demand curve for the firm in the monopolistic competitive market is downward sloping.
- AR=D (average revenue curve is also known as the demand curve)
- The MR curve lies below AR curve.

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

Accept tabular form

Max (26)
ADDITIONAL PART

Explain, with the aid of a graph, how economic profit is achieved for a perfect competitor.

- The minimum point of the short-term average cost (AC) is lower than the market price $P_1$.
- The business is maximising profit at MR = MC at point E, the business will therefore produce quantity $Q_1$ at the market price $P_1$.
- Total revenue is equal to $0P_1 \times 0Q_1$ and total cost is equal to $0C \times 0Q_1$.
- Total revenue exceeds total cost, which means the business is making a profit that is represented by area $P_1CBE$.
- This profit is known as economic profit, which is profit that is made in addition to normal profit.

Max (6) for graph - Max (6) explanation (Max 10)

CONCLUSION

Whilst perfect market does not exist, it serves as a standard that imperfect markets, such as monopolistic competition, should strive to achieve.

Accept any other correct relevant response

Max (2)

[40]
QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

The disadvantage of a market economy is often demonstrated by inflation.

- Discuss the causes of cost-push inflation. (26)
- Advise the Minister of Finance on how to use taxes as an instrument to combat inflation. (10) [40]

INTRODUCTION

Inflation is a sustained and considerable increase in the general price level over a particular period ✓✓

(Accept any other correct relevant response) Max (2)

MAIN PART

Wages ✓

- Wage increases that are higher than productivity cause a cost increase for producers ✓✓
- Single most important cost item in any economy ✓✓
- Contributes to almost 50% of value added to basic prices ✓✓

Key inputs ✓

- When the price of imported key inputs increases, the domestic costs of production increase ✓✓
- Producers recover these costs by increasing the prices of their products ✓✓

Profit margins ✓

- When businesses push up their profit margins, they increase the cost of production and the price that the consumers have to pay ✓✓
- This is because manufacturers recover the higher prices they have to pay by increasing their prices ✓✓

Productivity ✓

- If various factors of production become less productive while still receiving the same remuneration, the cost of producing each unit of output increases ✓✓

Exchange rate depreciation ✓

- If the rand depreciates against the major currencies, imports from such countries will be more expensive ✓✓
- Producers have to pay more money for the same quantity of products than before; as such, they often shift the increase to the consumers ✓✓

Natural disasters ✓

- Disasters, such as floods and droughts, affect the cost of production negatively ✓✓
- Food prices are one of the most volatile price items as a result of the effect of weather changes ✓✓

Theft by employees/Shoplifting ✓

- Many businesses make provision for losses caused by theft by employees and shoplifting, which increases the prices of goods ✓✓
- Cost of installing security measures increases the input costs ✓✓

(Allocate a maximum of 8 marks for mere listing of facts/examples)

(Accept any other correct relevant response) Max (26)
ADDITIONAL PART

Inflation can be combatted by:
- increasing indirect taxes which will increase the price of specific products and therefore reduce aggregate demand ✓ ✓ e.g. VAT ✓
- increasing direct taxes during the time of demand-pull inflation in order to reduce disposable income and demand ✓ ✓ e.g. personal income tax ✓
- reducing corporate tax to encourage production of goods and services to increase supply ✓ ✓
- implementing or increasing a surcharge on imported goods to curb the buying of imported goods ✓ ✓
- increasing excise duties (sin tax) will help to reduce the demand for demerit goods ✓ ✓ Max (10)

CONCLUSION

It is important for a country to implement various measures to control inflation, as its consequences can be devastating. ✓ ✓ Max (2)
(Accept any other correct relevant higher order response)