



**DISTRICT
COMMON PAPER**

**ECONOMICS
GRADE 12**

**TRIAL EXAMINATION
PAPER 2**

MICROECONOMICS & CONTEMPORARY ECONOMIC ISSUES

Stanmorephysics.com
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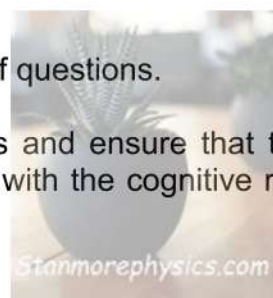
MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:
 SECTION A: COMPULSORY
 SECTION B: Answer TWO of the three questions.
 SECTION C: Answer ONE of the two questions.
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 2–3 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 – 20 MINUTES

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A-D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g., 1.1.9 D.

1.1.1 The increase in the firm's total costs when an additional unit is produced is called the ... cost.

- A average
- B marginal
- C variable
- D fixed

1.1.2 An industry with only two producers controlling the market is known as a/an

- A duopoly.
- B oligopoly.
- C monopoly.
- D monopolistic competition.

1.1.3 A business's failure to produce the optimum output at the lowest possible cost is known as ... inefficiency.

- A consumer
- B productive
- C allocative
- D Pareto

1.1.4 In any market the price is the same as the ...

- A average revenue.
- B marginal revenue.
- C marginal cost.
- D average cost.

1.1.5 A situation in which a country experiences high inflation, high unemployment and low economic growth is called ...

- A headline inflation.
- B deflation.
- C hyperinflation.
- D stagflation.

1.1.6 People who participate in activities in the natural environment are called ... tourists.

- A foreign
- B outbound
- C eco-
- D domestic



1.1.7 Measures taken to ensure that non-renewable resources are not threatened by extinction are known as ...

- A intervention.
- B conservation.
- C preservation.
- D accumulation.

1.1.8 Demand-pull inflation can be caused by an increase in ...

- A personal savings.
- B income tax.
- C key inputs.
- D access to credit.

(8 x 2) (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 numbers (1.2.1 to 1.2.8), in the ANSWER BOOK, for example, 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Long run	A set below market equilibrium to make goods more affordable
1.2.2 Patent	B a monetary policy approach used by the SARB to keep price increases within a predetermined range
1.2.3 Price discrimination	C the exclusive right to manufacture a product
1.2.4 Maximum prices	D people travelling through South Africa to get to another destination
1.2.5 Consumer Price Index	E set above market equilibrium to make goods more affordable
1.2.6 Millennium Development Goal	F when the same good is sold at different prices to different consumers
1.2.7 Transit tourists	G represents the cost of an average basket of goods and services
1.2.8 Inflation targeting	H an objective to eradicate extreme poverty and hunger
	I period of production where all factors of production become variable

(8 x 1) (8)

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

1.3.1 The output increases by more than the percentage increase in input which results in a decrease in costs

1.3.2 A group of producers that operates similarly to a collective monopoly

1.3.3 A process of comparing the positive and negative social impacts of a project.

1.3.4 Inflation that results from increases in prices of goods and services controlled by the government

1.3.5 Activities of people who travel to attend conferences, trade fairs and exhibitions

1.3.6 A licence given to businesses allowing them to pollute up to a certain level

(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 Answer the following questions.

2.1.1 Name any TWO examples of explicit costs. (2 x 1) (2)

2.1.2 How does the government address the undersupply of merit goods? (1 x 2) (2)

2.2 Study the extract below and answer the questions that follow.

HOW PERFECTLY COMPETITIVE FIRMS MAKE OUTPUT DECISIONS

South Africa's fresh produce markets are highly competitive. Many farmers sell similar products such as tomatoes, potatoes and onions. Because the products are largely identical, buyers can easily compare prices. No single farmer has enough power to influence the market price. Prices are determined by overall demand and supply in the market. Farmers therefore focus on producing efficiently and controlling costs. When prices rise, producers may increase output to earn higher returns. This market illustrates the main characteristics of perfect competition.

[Adapted from openstax.org, 2026]

2.2.1 Identify the term that best describes 'homogenous' in the extract above. (1)

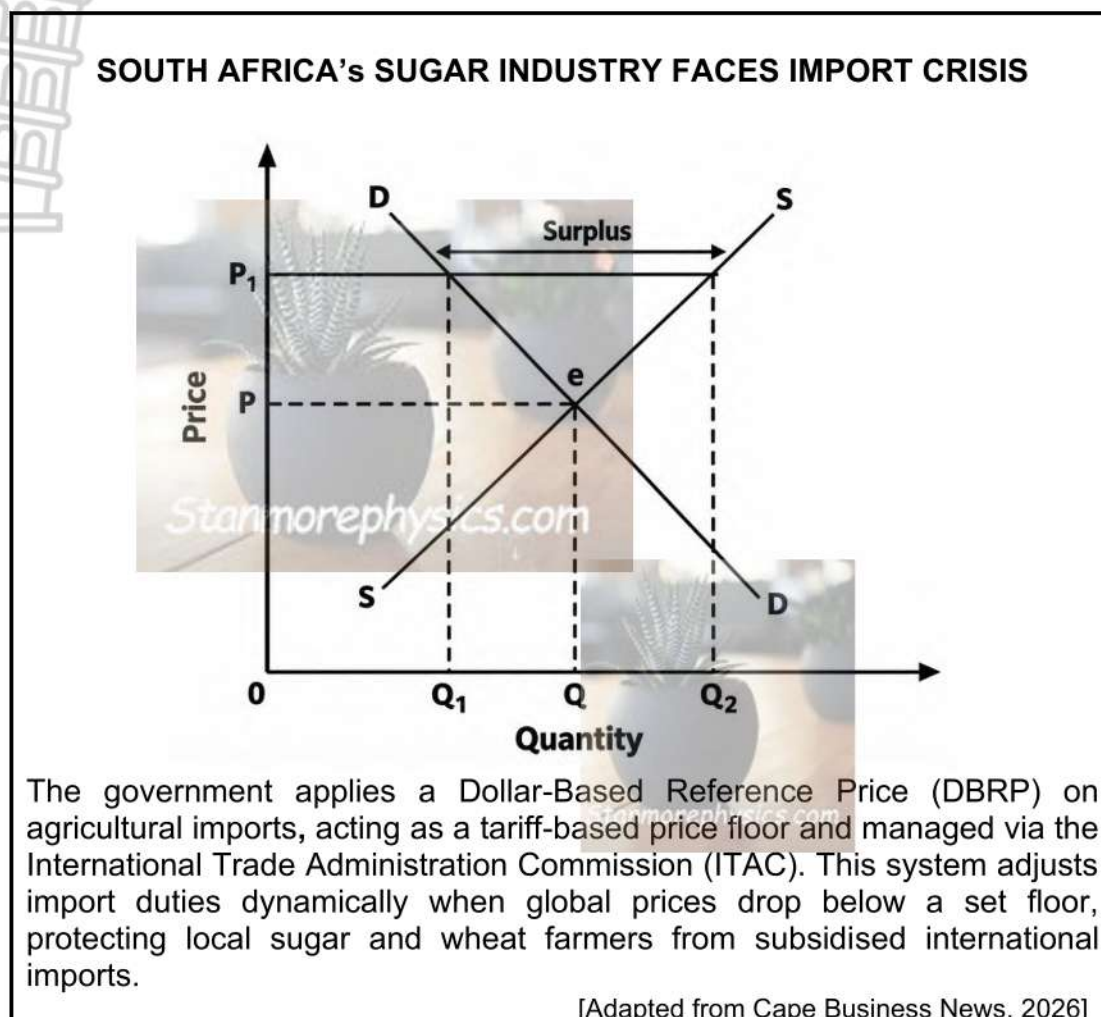
2.2.2 Name the curve that represents the supply curve of a perfectly competitive firm. (1)

2.2.3 Briefly describe the term *average cost*. (2)

2.2.4 Why is the marginal revenue curve (MR) the same as the demand curve (DD), in a perfectly competitive market? (2)

2.2.5 How would the entry of new firms into the industry impact the individual business in the long run? (2 x 2) (4)

2.3 Study the graph below and answer the questions that follow.



- 2.3.1 Identify the price floor set by the government in the graph above. (1)
- 2.3.2 Name any ONE product on which the government can impose a minimum price. (1)
- 2.3.3 Briefly describe the term *market failure*. (2)
- 2.3.4 Why does the government implement minimum wages? (2)
- 2.3.5 How does the increase in the market price from P to P_1 affect South African consumers? (2 x 2) (4)
- 2.4 Use a fully-labelled total cost (TC) and total revenue (TR) graph and explain profit maximisation in the perfect market. (8)
- 2.5 Evaluate the government's measures to address market failure caused by the imperfect distribution of income and wealth. (4 x 2) (8)

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

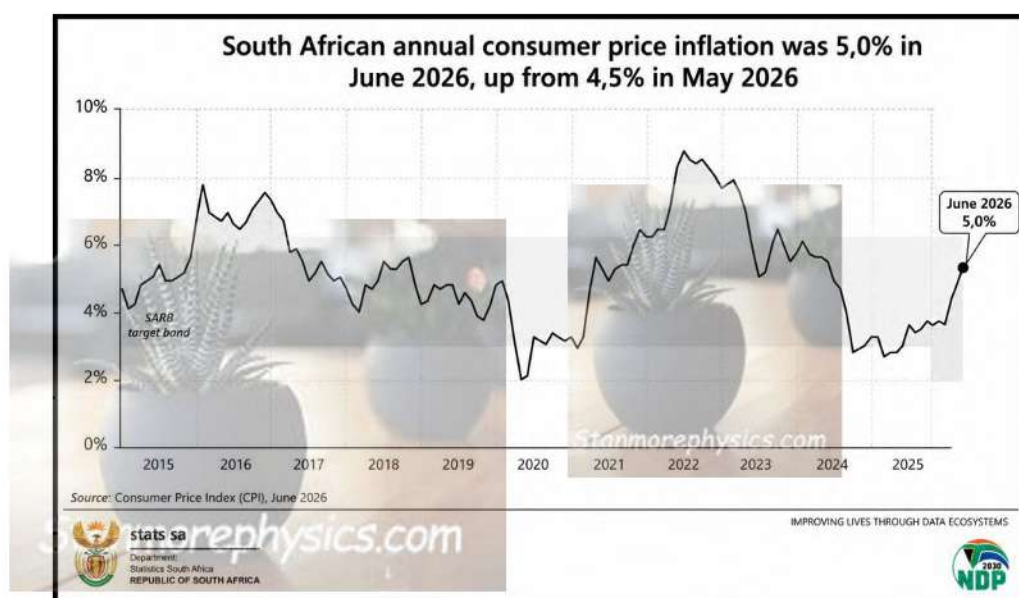
40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO examples of goods with highly volatile prices. (2 x 1) (2)

3.1.2 How can education be used to prevent pollution? (1 x 2) (2)

3.2 Study the graph below and answer the questions that follow.



3.2.1 Identify the year with the lowest inflation rate in the graph above. (1)

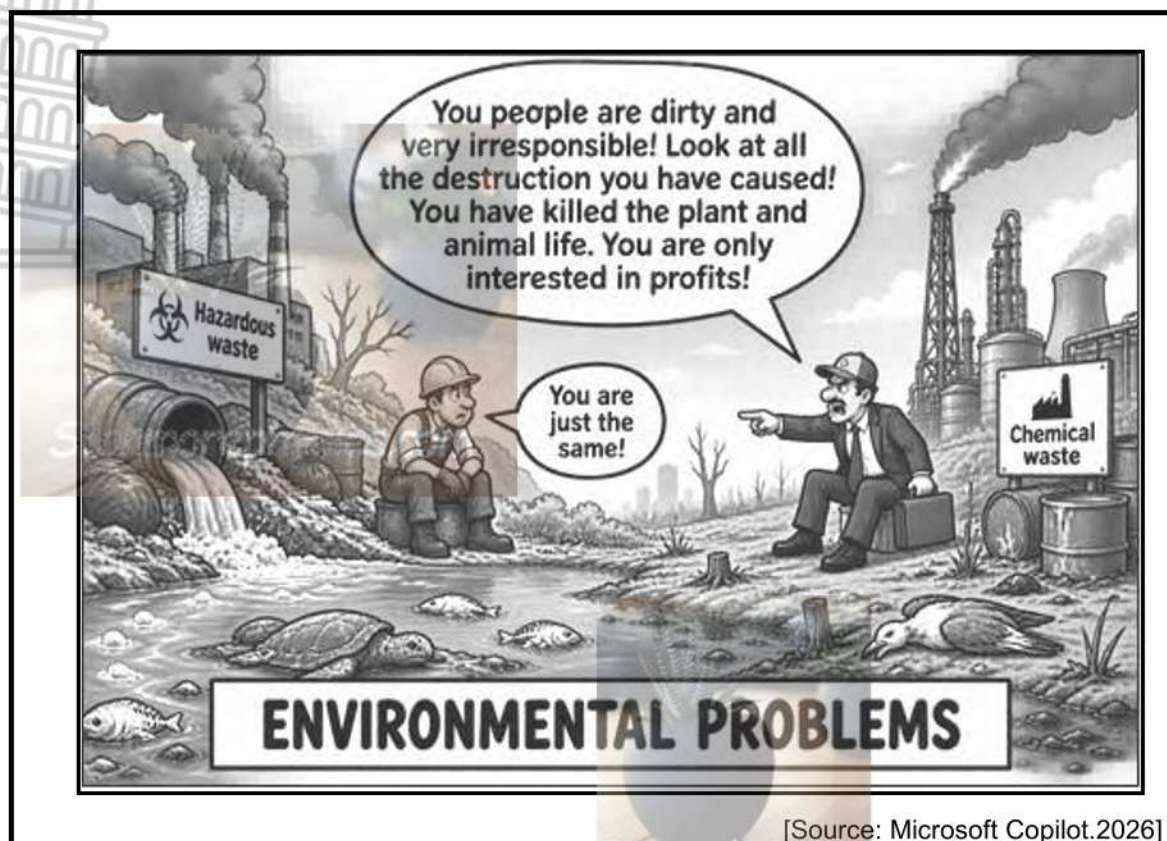
3.2.2 Name the main instrument available to the South African Reserve Bank to curb inflation. (1)

3.2.3 Briefly describe the term *deflation*. (2)

3.2.4 Why does the demand for higher wages cause inflation. (2)

3.2.5 How can taxation be used to combat inflation? (2 x 2) (4)

3.3 Study the cartoon below and answer the questions that follow.



- 3.3.1 Identify the type of waste that decomposes very slowly and remains in the environment for a long time in the cartoon above. (1)
- 3.3.2 Name the international measure that records and preserves local and indigenous knowledge. (1)
- 3.3.3 Briefly describe the term *voluntary agreements*. (2)
- 3.3.4 Explain the impact of the overutilisation of land on agricultural production. (2)
- 3.3.5 How can the levy of an environmental tax be used to ensure environmental sustainability? (2 x 2) (4)
- 3.4 Briefly discuss the consequences of inflation on *taxpayers* and *wage and salary earners*. (2 x 4) (8)
- 3.5 Analyse the effects of the granting of property rights on environmental sustainability in South Africa. (4 x 2) (8)

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

4.1 Answer the following questions.

4.1.1 Name TWO costs associated with negative externalities. (2 x 1) (2)

4.1.2 Why is the prevention of soil erosion essential for ensuring environmental sustainability? (1 x 2) (2)

4.2 Study the information below and answer the questions that follow.

**SOUTH AFRICA'S COMPETITION TRIBUNAL BLOCKS
 VODACOM'S MERGER WITH MAZIV**

Vodacom proposed acquiring a 30% stake in fibre company Maziv for about R14 billion. The Competition Commission recommended that the merger be prohibited because it could reduce competition. The Competition Tribunal subsequently blocked the proposed merger.

Vodacom and Maziv disagreed with the decision and decided to appeal. The matter was therefore taken to the Competition Appeal Court.

[Source: <https://www.reuters.com>]

4.2.1 Identify the institution that deals with matters arising from decisions of the Competition Tribunal. (1)

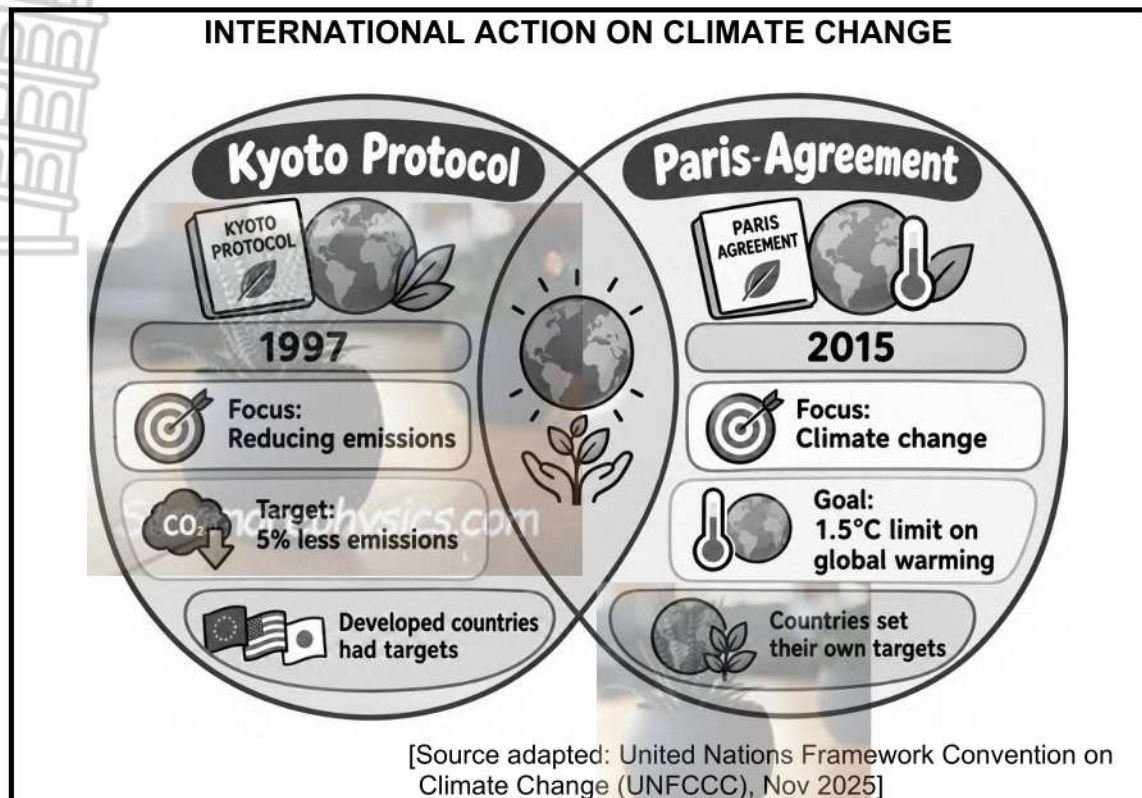
4.2.2 Name the government authority that investigates restrictive business practices. (1)

4.2.3 Briefly describe the term *price leadership*. (2)

4.2.4 Explain the impact of reduced competition on consumers. (2)

4.2.5 How can small, medium and micro-enterprises contribute to the goals of the competition policy? (2 x 2) (4)

4.3 Study the picture below and answer the questions that follow.



- 4.3.1 Identify the international agreement associated with the global goal of limiting temperature increases to well below 2°C. (1)
- 4.3.2 Name ONE example of renewable energy. (1)
- 4.3.3 Briefly describe the term *pollution*. (2)
- 4.3.4 Explain the impact of command-and-control measures as an intervention to protect the environment. (2)
- 4.3.5 How can recycling contribute to economic growth? (2 x 2) (4)
- 4.4 With the aid of a well-labelled graph, explain the effect of subsidies on markets. (8)
- 4.5 How does depreciation of the South African Rand lead to inflation? (4 x 2) (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.
Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order answer. • A good start is to define or describe the key concept related to the question. • DO NOT include any part of the question in the introduction. • DO NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you will discuss in the body.	Max. 2
Body Main section: Discuss in detail/ In-depth discussion/ Investigate/ Discuss critically/ Analyze/ Compare/ Evaluate/ Distinguish/ Explain/ Draw a graph and explain/ Use the graph given and explain/ Complete the graph given/ Assess/ Debate	Max. 26
A maximum of 8 marks can be awarded for headings/examples. Additional section: Discuss critically/ Evaluate/ Evaluate critically/ Debate/ Infer/ Compare/ Distinguish/ Interpret/ How? / Suggest A maximum of 2 marks can be awarded for merely stating facts.	Max. 10
Conclusion Any higher-order conclusion should include the following: • A brief summary of what has been discussed, without repeating any facts that have already been mentioned • Any opinion or value judgment about the facts discussed • Additional supporting information that strengthens the discussion/analysis • A dissenting view with motivation, if requested • Recommendations	Max. 2
TOTAL	40

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

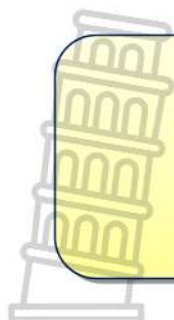
- Examine in detail the oligopoly market structure. (26)
- Evaluate the impact of collusion on the South African economy. (10) **[40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 40 MINUTES

- Examine in detail the effects of tourism. (26)
- How successful are South Africa's policy suggestions in promoting tourism? (10) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150



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**ECONOMICS
GRADE 12**

**TRIAL EXAMINATION
PAPER 2**

MICROECONOMICS & CONTEMPORARY ECONOMIC ISSUES

MARKING GUIDELINE

16 SEPTEMBER 2026

MARKS: 150

TIME: 2 hours

This marking guideline consists of 27 pages.

PRINCIPLES FOR MARKING ECONOMICS

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 **EXTRA** 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 **EXTRA** 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 and indicate the maximum marks for the question inside the margin.

For example; - **max 2 or max 8 or max 10**

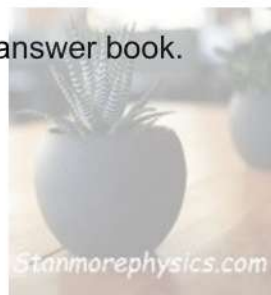
- A clear, neat tick must be used:
 - If ONE mark is allocated, ONE tick must be used: ✓
 - If TWO marks are allocated, TWO ticks must be used: ✓✓
 - The tick must be placed at the FACT that a mark is being allocated for.
 - Ticks must be kept SMALL, as various levels of moderation may take place.
- 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.
 - A zig zag line may be drawn on the right-hand side of paragraphs with incorrect responses to indicate that the responses were read.
 - 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, briefly describe, 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
 - Question 1 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.
- Transfer totals per question to cover page of answer book.



SECTION A (COMPULSORY)

QUESTION 1

30 MARKS – 20 MINUTES

1.1 MULTIPLE CHOICE QUESTIONS

- 1.1.1 B ✓✓ - marginal
- 1.1.2 A ✓✓ - duopoly
- 1.1.3 B ✓✓ - productive
- 1.1.4 A ✓✓ - average revenue
- 1.1.5 D ✓✓ - stagflation
- 1.1.6 C ✓✓ - eco-
- 1.1.7 C ✓✓ - preservation
- 1.1.8 D ✓✓ - access to credit

(8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 I ✓ period of production where all factors of production become variable
- 1.2.2 C ✓ the exclusive right to manufacture a product
- 1.2.3 F ✓ when the same good is sold at different prices to different consumers
- 1.2.4 A ✓ set below market equilibrium to make goods more affordable
- 1.2.5 G ✓ represents the cost of an average basket of goods and services
- 1.2.6 H ✓ an objective to eradicate extreme poverty and hunger
- 1.2.7 D ✓ people travelling through South Africa to get to another destination
- 1.2.8 B ✓ a monetary policy approach used by the SARB to keep price increases within a predetermined range

(8 x 1) (8)

1.3 Give ONE term

- 1.3.1 Economies of scale ✓
- 1.3.2 Cartel ✓
- 1.3.3 Cost-benefit analysis ✓
- 1.3.4 Administered-price inflation ✓
- 1.3.5 Business tourism ✓
- 1.3.6 Marketable permit ✓

(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 Answer the following questions.

2.1.1 Name any TWO examples of explicit costs.

- Rent ✓
- Electricity ✓
- Water ✓
- Wages ✓
- Insurance ✓
- Telephone ✓

(Accept any other correct relevant response)

(2 x 1) (2)

2.1.2 How does the government address the undersupply of merit goods?

- Providing merit goods directly through the public sector, such as education and healthcare. ✓✓
- Subsidising the production or consumption of merit goods to make them more affordable. ✓✓
- Providing information and education to encourage greater consumption of merit goods. ✓✓

(Accept any other correct relevant response)

(1 x 2) (2)

2.2 Study the extract below and answer the questions that follow.

HOW PERFECTLY COMPETITIVE FIRMS MAKE OUTPUT DECISIONS

South Africa's fresh produce markets are highly competitive. Many farmers sell similar products such as tomatoes, potatoes and onions. Because the products are largely identical, buyers can easily compare prices. No single farmer has enough power to influence the market price. Prices are determined by overall demand and supply in the market. Farmers therefore focus on producing efficiently and controlling costs. When prices rise, producers may increase output to earn higher returns. This market illustrates the main characteristics of perfect competition.

[Adapted from openstax.org, 2026]

2.2.1 Identify the term that best describes '*homogenous*' in the extract above.

Identical / similar ✓

(1)



2.2.2

Name the curve that represents the supply curve of a perfectly competitive firm.

Marginal cost curve / MC curve ✓

(1)

2.2.3

Briefly describe the term average cost.

Average cost is the total cost incurred by a firm divided by the total number of units produced / Average cost is the cost per unit of output. ✓✓

(Accept any other correct relevant response)

(2)

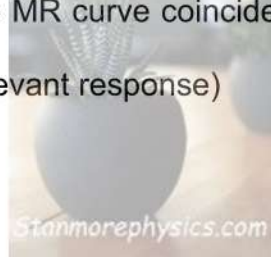
2.2.4

Why is the marginal revenue curve (MR) the same as the demand curve (DD), in a perfectly competitive market?

- The firm is a price taker and therefore every additional unit sold earns the same price, making MR equal to price and AR/demand. ✓✓
- Since the price remains constant for every additional unit sold, $MR = AR = \text{Price}$, so the MR curve coincides with the demand curve. ✓✓

(Accept any other correct relevant response)

(2)





2.2.5

How would the entry of new firms into the industry impact the individual business in the long run?

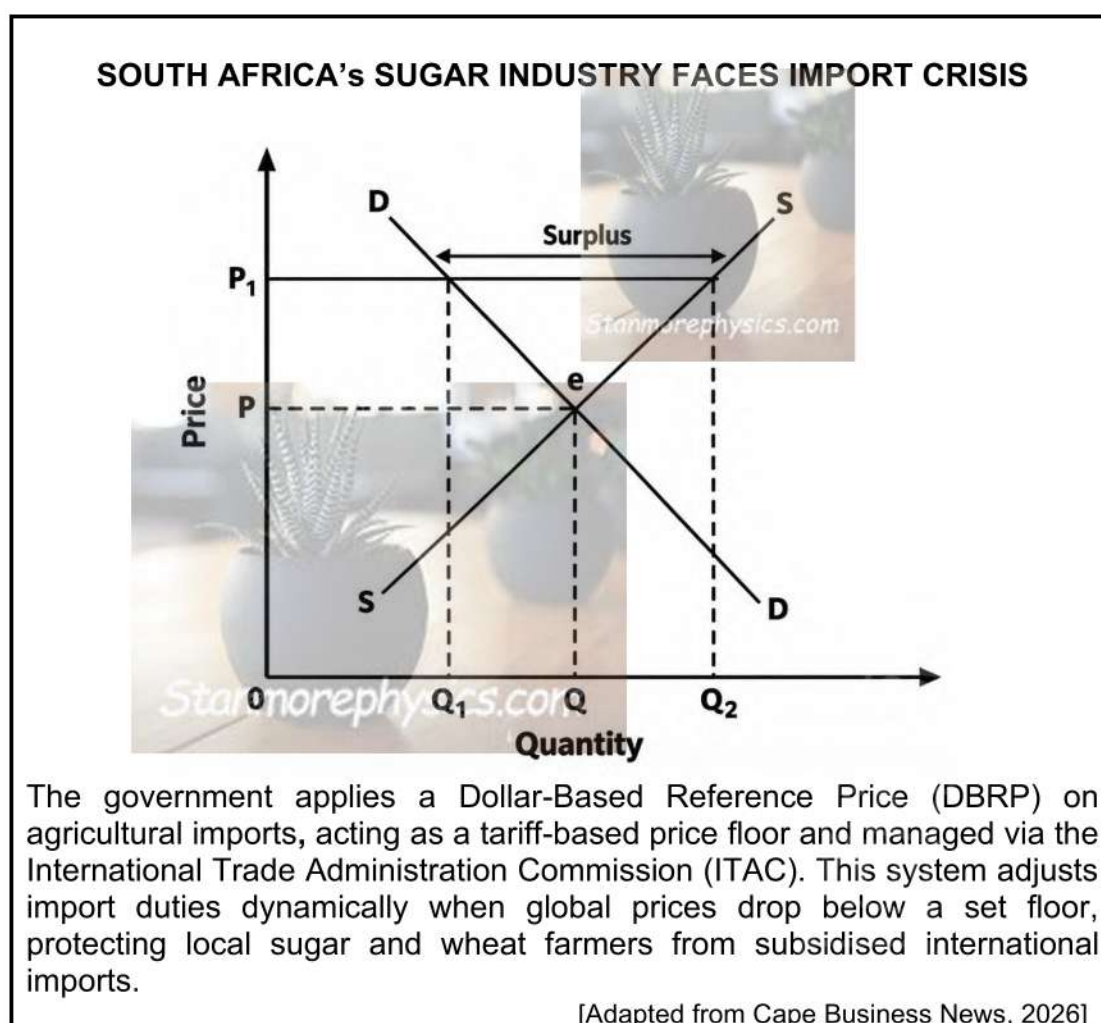
- Competition will increase as the number of competitors in the market increases, thereby reducing the individual business' market share. ✓✓
- Supply of goods and services will increase, leading to lower prices and reduced revenue for the individual firm in the long run. ✓✓
- Lower prices will reduce economic profit and individual business will make normal profit in the long run. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

2.3 Study the graph below and answer the questions that follow.



2.3.1 **Identify the price floor set by the government in the graph above.**

P_1 ✓

(1)

2.3.2 **Name any ONE product on which the government can impose a minimum price.**



- Wheat ✓
- Maize ✓
- Wool ✓
- Sugar ✓
- Milk ✓

(Accept any other correct relevant response)

(1)

2.3.3 **Briefly describe the term *market failure*.**

Market failure implies that the best available or optimal production outcome has not been achieved / Market failure occurs when the forces of demand and supply are unable to allocate resources efficiently. ✓✓

(Accept any other correct relevant response)

(2)

2.3.4 **Why does the government implement minimum wages.**

- Protect workers from being paid unfair wages. ✓✓
- Reduce poverty by ensuring workers earn a basic income. ✓✓
- Prevent exploitation of workers by employers. ✓✓
- Improve workers' standard of living by increasing their ability to afford basic necessities. ✓✓

(Accept any other correct relevant response)

(2)

2.3.5 **How does the increase in the market price from P to P_1 affect South African consumers?**

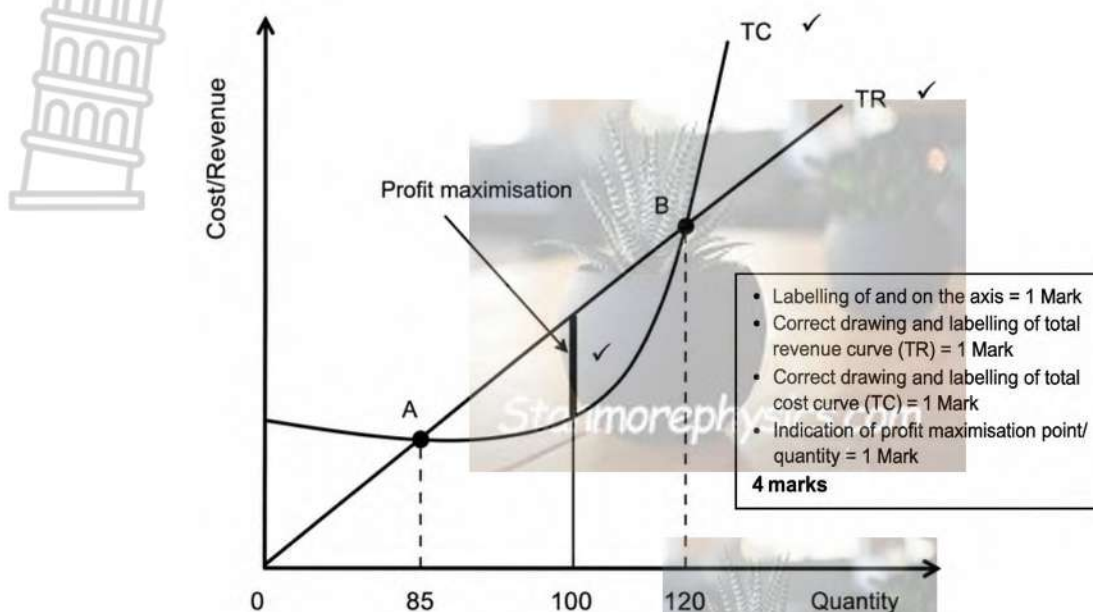
- Pay higher prices for sugar and sugar-related products will reduce their purchasing power, leading to decrease in the general welfare of the consumer. ✓✓
- Buying smaller quantities of sugar because it has become more expensive, therefore they are unable to satisfy their needs ✓✓
- Consumers have less disposable income available to spend on other goods and services, leading them to find cheaper alternative products. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

2.4 Use a fully-labelled total cost (TC) and total revenue (TR) graph and explain profit maximisation in the perfect market.



Correct labelling of and on the axes	= 1 mark
Correct drawing and labelling of the Total Revenue (TR) curve	= 1 mark
Correct drawing and labelling of the Total Cost (TC) curve	= 1 mark
Correct indication of profit maximisation / quantity	= 1 mark
Max 4	

- The firm maximises 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 maximise profit. ✓✓ (8)
 - When the quantities produced are more/above 100, the firm must decrease the quantities produced in order to maximise profit. ✓✓
- (Accept any other correct relevant response) (2 x 2)
- (Allocate a maximum of 2 marks for a mere listing of facts)

2.5 **Evaluate the government's measures to address market failure caused by the imperfect distribution of income and wealth.**

Positive aspects

- Progressive tax system reduces income inequality by taxing higher earners at higher rates while exempting low earners, generating revenue that enables government to fund essential services such as healthcare, education and social grants. ✓✓
- Public employment initiatives such as the Expanded Public Works Programme (EPWP) provide temporary income relief and practical skills training to unemployed and unskilled workers, helping to reduce poverty and improve employability. ✓✓
- Labour legislation such as the Basic Conditions of Employment Act (BCEA) protects vulnerable workers from exploitation by setting minimum working standards and wage protections, thereby helping to secure a basic level of income for lower-income households. ✓✓

(2 x 2)

Negatives aspects

- Employment initiatives such as the Expanded Public Works Programme (EPWP) provide short-term poverty relief but mainly create temporary, low-skilled jobs that do not address the structural skills shortages required for permanent employment in the formal economy. ✓✓
- An overreliance on personal income and company taxes places a heavy burden on a limited tax base, which can reduce domestic savings, discourage foreign investment, and contribute to tax avoidance and the emigration of skilled professionals. ✓✓
- Redress policies such as Broad-Based Black Economic Empowerment (BBBEE) and land reform are often undermined by slow implementation, corruption, and benefits being concentrated among a small group of individuals, limiting their impact on the wider population and their ability to address structural unemployment. ✓✓

(2 x 2)

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for a mere listing of facts/examples) (4 x 2)

(8)

[40]

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

3.1 Answer the following questions.

3.1.1 Name any two examples of goods with highly volatile prices.

- Petrol✓
- Fresh vegetables and fruit✓
- Meat✓
- Wheat and maize✓
- Gold✓
- Crude oil✓
- Foreign currencies✓

(Accept any other correct relevant response)

(2 x 1)

(2)

3.1.2 How can education be used to prevent pollution?

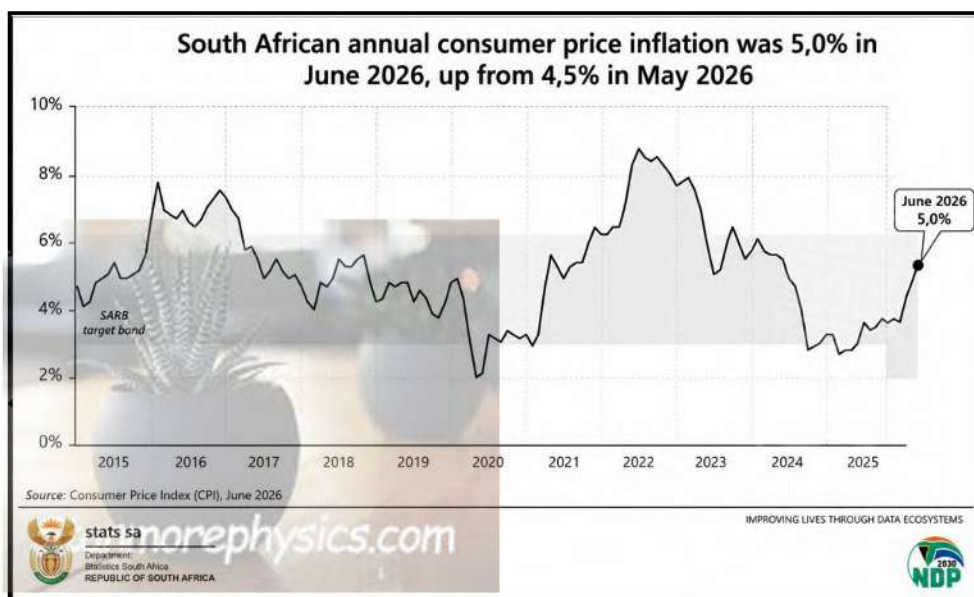
- Education can be used to change the attitudes and behaviour of individuals and businesses towards the environment, resulting in more environmentally responsible practices and less pollution. ✓✓
- Education promotes sustainable practices such as recycling and proper waste disposal, which reduces the amount of waste and pollutants released into the environment. ✓✓

(Accept any other correct relevant response)

(1 x 2)

(2)

3.2 Study the graph below and answer the questions that follow.



3.2.1 Identify the year with the lowest inflation rate in the graph above.

2020✓

(1)



3.2.2 **Name the main instrument available to the South African Reserve Bank to curb inflation.**

Interest rate / Repo rate / SARB policy rate ✓ (1)

3.2.3 **Briefly describe the term *deflation*.**

The continuous decline in the prices of goods and services over a long period of time. ✓✓

(Accept any other correct relevant response) (2)

3.2.4 **Why does the demand for higher wages cause inflation.**

- When workers demand higher wages, businesses increase prices to cover cost of production. ✓✓
- Wage bargaining is mostly accompanied by destruction in industrial peace which delays production and increases cost, leading to producer price inflation. ✓✓

(Accept any other correct relevant response) (2)

3.2.5 **How can taxation be used to combat inflation?**

- Increasing direct taxation such as income tax will reduce the disposable income of consumers and fewer goods will be demanded in the economy. ✓✓
- Increasing indirect taxes, such as VAT and fuel levy, will make goods more expensive and this may curb the demand and spending. ✓✓
- The government may implement the surcharge on imported goods making them to be more expensive and demand for such goods will be reduced. ✓✓

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

3.3 Study the cartoon below and answer the questions that follow.



3.3.1 Identify the type of waste that decomposes very slowly and remains in the environment for a long time in the cartoon above.

Hazardous waste✓

(1)

3.3.2 Name the international measure that records and preserves local and indigenous knowledge.

UNESCO's management of social transformation programme (UNESCO's MOST-programme)✓

(1)

3.3.3 Briefly describe the term **voluntary agreements**.

It is agreements between businesses and the government on a voluntary basis to cut pollution / formal contract and legally binding or informal commitments.✓✓
(Accept any other correct relevant response)

(2)

3.3.4 Explain the impact of the **overutilisation of land on agricultural production**.

- Land becomes exhausted, which results to a decrease in the level of production for businesses.✓✓
- Soil erosion may increase when land is overutilised, resulting in the loss of fertile topsoil and reducing agricultural production.
(Accept any other correct relevant response)

(2)



3.3.5

How can the levy of an environmental tax be used to ensure environmental sustainability?

- Environmental taxes make it more expensive for businesses to pollute, encouraging firms and consumers to reduce harmful activities. ✓✓
- Revenue from environmental taxes can fund projects such as renewable energy, recycling and conservation. ✓✓
- Environmental taxes encourage firms to use cleaner technologies by reducing their tax burden when pollution is lowered. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

3.4

Briefly discuss the consequences of inflation on *taxpayers* and *wage and salary earners*.

Taxpayers

- Inflation leads to increases in salaries and wages, which increases tax revenue for the government. ✓✓
- As the poor struggle, the state will be required to increase welfare (transfer) payments. ✓✓
- Taxes will be increased in the future, which will affect the taxpayer negatively. ✓✓

(2 x 2)

Wage and salary earners

- People with a fixed income will be able to purchase less as prices are rising. ✓✓
- Low-income households are most affected by inflation because they spend a larger percentage of their income on necessities. ✓✓

(2 x 2)

(Accept any other correct relevant response)

(A maximum of 4 marks may be allocated for mere listing of facts)

(2 x 4)

(8)

3.5 **Analyse the effects of the granting of property rights on environmental sustainability in South Africa.**

- Granting property rights encourages owners to take responsibility for managing natural resources sustainably, which helps to protect ecosystems and reduces environmental degradation. ✓✓
- Owners are more likely to conserve the environment because maintaining the quality of their land and resources increases the long-term value and productivity of their property. ✓✓
- Greater control over the use of natural resources enables owners to prevent excessive exploitation, which helps to preserve resources for future generations. ✓✓
- Sustainable use of resources is promoted because owners have an incentive to ensure that resources remain available and productive over the long term. ✓✓
- Environmentally friendly farming, production and waste-management practices are more likely to be adopted because they provide long-term economic benefits while reducing environmental harm. ✓✓
- Pollution and environmental damage can be reduced because owners have a direct interest in keeping their land, water and other resources clean and productive. ✓✓
- Conservation is promoted by giving owners an incentive to protect scarce resources from unnecessary depletion, thereby supporting environmental sustainability. ✓✓
- Investment in environmental improvements, such as soil conservation, erosion control and habitat restoration, is encouraged because owners can benefit from the long-term returns of these actions. ✓✓
- Illegal activities such as poaching, deforestation and uncontrolled dumping can be reduced because owners are more likely to monitor and protect their property and resources. ✓✓
- Secure property rights encourage responsible resource management, which contributes to the sustainable use of natural resources and improved environmental quality in South Africa. ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts)

(4 x 2)

(8)

[40]

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

4.1 Answer the following questions.



4.1.1 **Name TWO costs associated with negative externalities.**

- Private costs (internal costs) ✓
- Social costs (external costs) ✓ (2 x 1) (2)

4.1.2 **Why is the prevention of soil erosion essential for ensuring environmental sustainability?**

- Preventing soil erosion keeps the soil fertile, because valuable nutrients are not washed away. ✓✓
 - The reduced washing of soil into rivers and dams helps maintain cleaner water. ✓✓
- (Accept any other correct relevant response) (1 x 2) (2)

4.2 Study the information below and answer the questions that follow.

SOUTH AFRICA'S COMPETITION TRIBUNAL BLOCKS VODACOM'S MERGER WITH MAZIV

Vodacom proposed acquiring a 30% stake in fibre company Maziv for about R14 billion. The Competition Commission recommended that the merger be prohibited because it could reduce competition. The Competition Tribunal subsequently blocked the proposed merger.

Vodacom and Maziv disagreed with the decision and decided to appeal. The matter was therefore taken to the Competition Appeal Court.

[Source: <https://www.reuters.com>]

4.2.1 **Identify the institution that deals with matters arising from decisions of the Competition Tribunal.**

Competition Appeal Court ✓ (1)

4.2.2 **Name the government authority that investigates restrictive business practices.**

Competition Commission ✓ (1)

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

The dominant firm in an industry sets the price, and other firms follow its pricing decision. ✓✓
 (Accept any other correct relevant response) (2)

4.2.4 Explain the impact of reduced competition on consumers.

Reduced competition gives firms greater market power, resulting in higher prices, fewer choices and potentially lower-quality products for consumers. ✓✓

(Accept any other correct relevant response)

(2)

4.2.5 How can small, medium and micro-enterprises contribute to the goals of the competition policy?

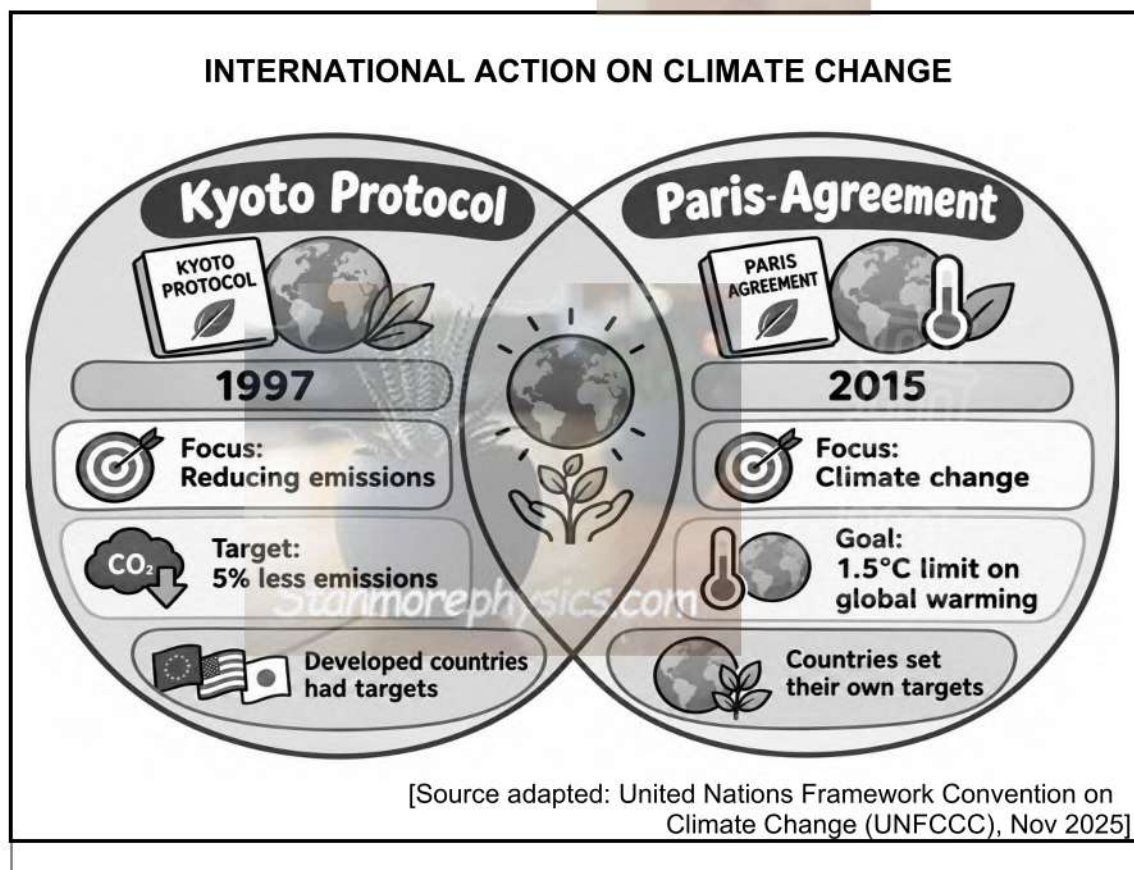
- Increasing competition by entering markets and competing with large established businesses, which reduces market dominance and encourages businesses to operate more efficiently. ✓✓
- Providing consumers with more choice through different products and services, which promotes competitive pricing and improves quality. ✓✓
- Creating employment opportunities and promoting economic participation, especially among previously disadvantaged groups, which supports a more inclusive and equitable economy. ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

4.3 Study the extract below and answer the questions that follow.



4.3.1 **Identify the international agreement associated with the global goal of limiting temperature increases to well below 2°C.**

Paris Agreement✓

(1)

4.3.2 **Name ONE example of renewable energy.**

- Biogas✓
- Biodiesel✓
- Biofuel✓
- Hydroelectricity / Water electricity ✓
- Wind turbines✓
- Solar power✓
- Firewood✓

(Accept any other correct relevant response)

(1)

4.3.3 **Briefly describe the term pollution.**

Pollution is the introduction of harmful substances or waste into the environment, both directly and indirectly.✓✓
(Accept any other correct relevant response)

(2)

4.3.4 **Explain the impact of command-and-control measures as an intervention to protect the environment.**

- Pollution levels can be reduced when government sets legal limits on harmful emissions and waste disposal, resulting in a cleaner environment. ✓✓
- Environmental damage can be limited when businesses are required to comply with environmental regulations, protecting natural resources and ecosystems. ✓✓
- Environmentally harmful activities can be discouraged through fines and other penalties for non-compliance, encouraging businesses to adopt more sustainable production methods. ✓✓

(Accept any other correct relevant response)

(2)

4.3.5 **How can recycling contribute to economic growth?**

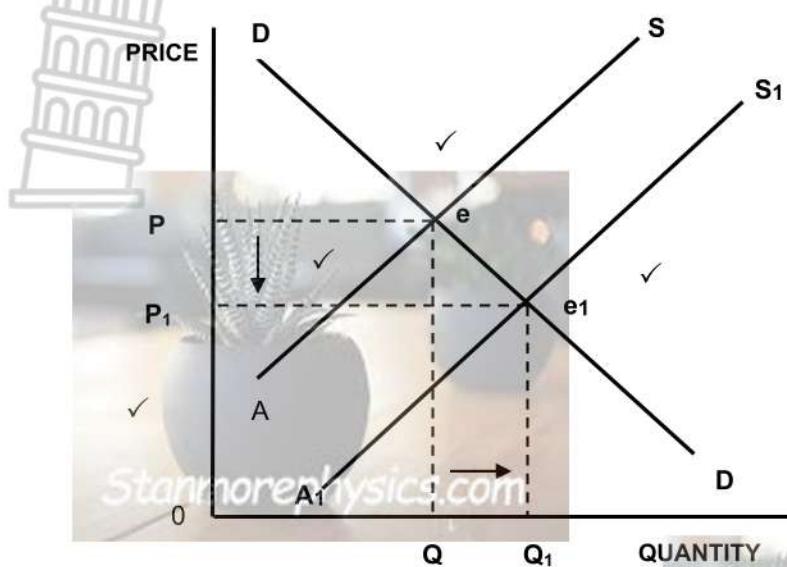
- Create employment opportunities, as workers are needed to collect, sort and process recyclable materials.✓✓
- Encourage new businesses, because recycled materials can be used to produce new goods and generate income.✓✓
- Reduce production costs, due to firms can use recycled materials instead of some new raw materials.✓✓
- Increases economic activity, given that the buying, selling and processing of recyclable materials contributes to production and income.✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

4.4 With the aid of a well-labelled graph, explain the effect of subsidies on markets.



Correct labelling on and of the axes	= 1 mark
Correct drawing and labelling of the original demand and supply curves	= 1 mark
Correct drawing and labeling of new supply curve with new equilibrium price	= 1 mark
Correct indication of decrease in price	= 1 mark
	Max 4

- Subsidies reduce the costs faced by producers, making it cheaper to produce goods. ✓✓
- The increased supply from S to S_1 results in lower prices for consumers. ✓✓
- The market price decreased from P to P_1 , and the quantity consumed will increase from Q to Q_1 due to the subsidy paid by government. ✓✓
- The consumer benefits from a subsidy by paying less (price decreased from P to P_1) ✓✓
- Producer subsidies are often given to suppliers of agricultural products such as milk, wheat and maize. ✓✓
- Producers may increase output because the subsidy makes production more profitable. ✓✓

(2 x 2)

(Accept any other correct relevant response)

(8)

4.5 **How does depreciation of the South African Rand lead to inflation?**



- A weaker Rand makes imports more expensive as more Rands are required to purchase goods and services from other countries. ✓✓
- Imported inflation may increase, as imported goods such as fuel and raw materials become more expensive. ✓✓
- South African exports may become more competitive, while locally produced goods become cheaper for foreign buyers. ✓✓
- Demand for imports may decline, as consumers may switch to cheaper locally produced goods. ✓✓
- Domestic production may increase, as businesses respond to higher demand for locally produced goods. ✓✓
- Employment opportunities may increase, and higher levels of production may require businesses to employ more workers. ✓✓
- Consumers' purchasing power may decline, as higher prices reduce the quantity of goods and services that can be purchased with the same income. ✓✓
- The cost of servicing foreign debt may increase, while more Rands is required to repay loans denominated in foreign currencies. ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts) (4 x 2)

(8)
[40]

TOTAL SECTION B:

80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.
Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower-order answer. • A good start is to define or describe the key concept related to the question. • DO NOT include any part of the question in the introduction. • DO NOT repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you will discuss in the body.	Max. 2
Body Main section: Discuss in detail/ In-depth discussion/ Investigate/ Discuss critically/ Analyze/ Compare/ Evaluate/ Distinguish/ Explain/ Draw a graph and explain/ Use the graph given and explain/ Complete the graph given/ Assess/ Debate	Max. 26
A maximum of 8 marks can be awarded for headings/examples. Additional section: Discuss critically/ Evaluate/ Evaluate critically/ Debate/ Infer/ Compare/ Distinguish/ Interpret/ How? / Suggest A maximum of 2 marks can be awarded for merely stating facts.	Max. 10
Conclusion Any higher-order conclusion should include the following: • A brief summary of what has been discussed, without repeating any facts that have already been mentioned • Any opinion or value judgment about the facts discussed • Additional supporting information that strengthens the discussion/analysis • A dissenting view with motivation, if requested • Recommendations	Max. 2
TOTAL	40

QUESTION 5: MICROECONOMICS

40 MARKS – 40 MINUTES

- Examine in detail the oligopoly market structure. (26)
- Evaluate the impact of collusion on the South African economy. (10)

INTRODUCTION

Market structure describes how buyers and sellers are organised and interact in a market/ Refers to the characteristic of a market that influence its performance and the level of competition. ✓✓

(Accept any other correct relevant introduction) (Max. 2)

BODY MAIN PART

CHARACTERISTICS OF OLIGOPOLY

Number of businesses ✓

- Only few large businesses dominate the oligopoly market. ✓✓ E.g. the mobile network industry. ✓
- There is limited competition in an oligopoly market structure. ✓✓
- A market that is dominated by two businesses only is referred to as a duopoly. ✓✓

Nature of the product ✓

- When the product is differentiated, the market is known as a differentiated oligopoly. ✓✓
- Product differentiation is a strategy used by businesses to make their products different from competitors in terms of colour, size, quality and appearance. ✓✓ E.g. cell-phone industry ✓
- When the product is homogeneous, the market is regarded as pure oligopoly. ✓✓ E.g. fuel industry ✓

Entrance ✓

- Barriers to entry make it difficult for new businesses to enter an oligopoly market. ✓✓
- The barriers to entry include economies of scale, high development costs, licenses and huge capital requirements. ✓✓
- Barriers to entry allow oligopoly businesses to make economic profit in the long-run ✓✓

Information ✓

- Neither the producer nor the consumer has full knowledge about the current market conditions. ✓✓
- Even though oligopoly businesses watch each other closely, it is difficult for them to know how their competitors will react to their decisions and actions. ✓✓
- It is difficult for Vodacom to know how MTN, Telkom and Cell-C will respond to its promotion strategies such as night shifts ✓✓

Control over the price ✓

- Oligopoly businesses generally have considerable control over the price of their product, although it is less than a monopoly. ✓✓
- Oligopolies gain control over the price especially when they make joint decisions, through price leaderships and cartels. ✓✓

Mutual dependence ✓

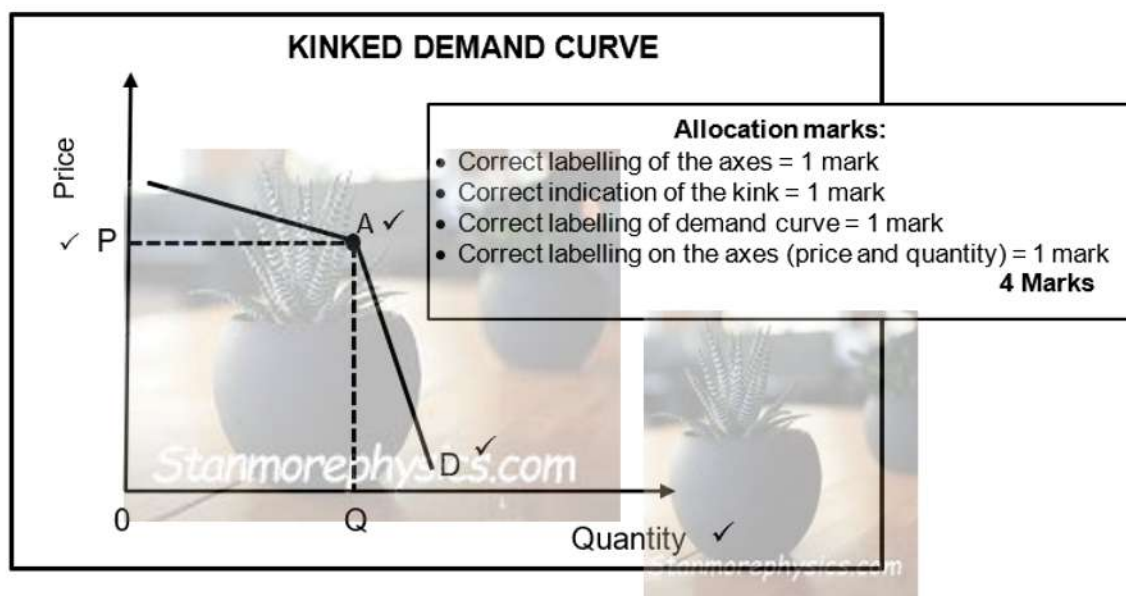
- There are few businesses selling a particular product, each business depends on other businesses' actions. ✓✓
- Decisions by one business can influence decisions by other businesses. ✓✓
- An oligopoly's decisions on decreasing or increasing the price are more complex than other markets because of other businesses actions and reaction. ✓✓

Demand curve ✓

- Oligopoly businesses have a kinked demand curve due to mutual dependence. ✓✓
- A kinked demand curve is a demand curve with two segments, one that is elastic and the other one that is inelastic. ✓✓

Kinked demand curve is based on the following assumptions; -

- When one business increases the price, its competitors will not follow the move and customers will shift their purchases to other businesses with lower prices. ✓✓ The business that increased the price will lose a lot of customers and demand will be elastic. ✓✓
- When one business decides to decrease the price, other businesses will also decrease their prices. ✓✓ The business that decreased the price will gain very few customers and demand will be inelastic. ✓✓
- An oligopoly business tends to have an elastic demand curve when it increases the price and an inelastic demand curve when it decreases the price. ✓✓



- Above price P, demand is elastic and below price P, demand is inelastic. ✓✓
- An oligopoly will always maintain the price at the kink because there is no incentive for an oligopoly to increase or decrease the price. ✓✓

Collusion ✓

- Collusion is an agreement within the same industry to reduce competition amongst themselves. ✓✓ E.g. Price fixing ✓
- Formal collusion is in the form of cartels such as OPEC which is also referred to as explicit or overt collusion. ✓✓
- Informal collusion is in the form of price leadership which is also referred to as implicit or tacit collusion. ✓✓

Non-price competition ✓

- Oligopolies try to avoid competing on prices because reduction in prices may result in destructive price wars which eliminate their profits. ✓✓
- Oligopolies would rather make use of non-price competition methods to increase their customer base. ✓✓
- They make use of non-price competition, such as product differentiation, branding, and advertising, to attract customers and increase their market share. ✓✓

Economic profit/Loss ✓

- Oligopolistic firms can make economic profit in both short run and long-run. ✓✓

Productive and allocative efficiency ✓

- Oligopoly businesses do not achieve allocative efficiency because they do not produce the optimum output. ✓✓
- Oligopolies do not achieve productive efficiency because they do not produce at the lowest possible average cost. ✓✓

(Accept any other correct relevant response)

(Max. 26)

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

ADDITIONAL PART

Evaluate the impact of collusion on the South African economy.

(10)

Collusion will impact the economy **negatively** by:

- reducing competitiveness in the long run, as collusion can result in lower economic growth, GDP and employment. ✓✓
- allowing price fixing, market sharing and output control, as firms in a cartel may agree on prices, divide markets between themselves and control the quantity supplied. ✓✓
- creating artificial scarcity, as firms may restrict the supply of goods and services in order to increase prices while protecting inefficient suppliers from competition. ✓✓
- forcing consumers, businesses, communities and the government to pay higher prices for goods and services as a result of price fixing and reduced competition. ✓✓
- distorting economic markets and slowing down innovation, because firms face less competition and therefore have less incentive to invest in research and development. ✓✓

Collusion will impact the economy **positively** by: Stanmorephysics.com

- benefiting suppliers as firms may increase their revenue and profits by agreeing to fix prices above competitive market levels. ✓✓
- benefiting the government through increased tax revenue, as higher prices can result in increased revenue from indirect taxes such as VAT. ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts)

(Max. 10)

CONCLUSION

Oligopoly businesses may enjoy economic profit in both the short-run and long-run due to the market powers they possess / Oligopolies produce goods and services at a higher cost and use resources inefficiently which may lead to higher prices and wastage of resources in the economy. ✓✓

(Accept any other correct relevant higher-order response)

(Max. 2)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 40 MINUTES

- Examine in detail the effects of tourism. (26)
- How successful are South Africa's policy suggestions in promoting tourism? (10)

INTRODUCTION

Tourism involves the activities of people travelling to and staying in places outside their usual residential environment for not more than one year for leisure, business and other purposes. ✓✓

(Accept any other correct relevant introduction) (Max. 2)

BODY: MAIN PART

Gross domestic product (GDP) ✓

- Tourism impacts more on the service industry and contributes to the country's GDP directly and indirectly to the economy. ✓✓
- The direct contribution of travel and tourism reflects internal spending on travel and tourism by residents and non-residents for business and leisure purposes on items such as food, accommodation, transport, etc. ✓✓
- The indirect contribution includes purchases from suppliers of goods and services by the sectors dealing directly with tourists, including purchases of cleaning services by hotels, fuel and catering services by airlines, and services by travel agents. ✓✓

Employment ✓

- Tourism industry employs the majority of the South African workforce, and is potentially regarded as the largest provider of jobs and earner of foreign exchange. ✓✓
- The industry is ideal for providing employment in areas that offer few employment opportunities. ✓✓
- Tourism is labour intensive because it has the lowest ratio of investment to employment creation. ✓✓
- The tourism industry can create many jobs within a short period of time. ✓✓
- For instance, if one quarter of tourist accommodation establishments in South Africa starts to offer live entertainment to guests, thousands of entertainers could be employed within days. ✓✓
- Tourism provides entrepreneurial opportunities and uses different skills, from accountants to hairdressers. ✓✓

Poverty ✓

- The income earned by the tourism industry contributes to the country's growth and development. ✓✓
- The Department of Tourism is involved in poverty relief projects that promote community owned tourism products and services. ✓✓
- The industry allows rural people to share in the benefits of tourism development, thereby promoting more balanced and sustainable forms of development. ✓✓
- Tourism provides an alternative to urbanisation, permitting people to continue a rural family lifestyle and enfranchising both women and the youth. ✓✓
- Poverty relief programme manages and administers poverty relief proposals and spin-off projects in the tourism and environment sectors. ✓✓

- Tourism offers opportunities to diversify sources of income for poor people by creating partnerships which link up with mainstream tourism businesses supplying goods or services. ✓✓
- Their focus is on infrastructure investment (e.g. information centres, tourist ablution facilities, walkways) and product development (for example, heritage sites, rock art and conservation). ✓✓
- Tourism is an effective mechanism for distributing resources to rural areas to develop them as tourist sites. ✓✓

Tourism externalities ✓

- Tourism activities may result in benefits or costs to third parties who are not part of the buyer-seller market. ✓✓
- Tourism could have both positive and negative externalities that extend into the future ✓✓
- Negative externalities: While tourism attracts large amounts of revenue, it can cause undue environmental damage that can harm the very foundation on which it depends. ✓✓
- Tourism can cause inflation, which makes some goods unaffordable to locals. ✓✓
- Other examples/costs: Traffic and congestion, extra policing due to crime, increased health services and sanitation, destruction of flora and fauna, spoiling views of the landscape, increased maintenance of infrastructure. ✓✓
- Positive Externalities: Gautrain provides links to different areas speedily especially to the airport. ✓✓
- Other benefits are new recreational amenities, increased direct and indirect tax revenue. ✓✓

The environment ✓

- The influx of tourists and vehicles into conservation areas damages grass cover affecting plant and animal species. ✓✓
- Tourism involves transport which is a major source of pollution. ✓✓
- Policy should be in place to ensure tourists are transported in the most environmentally friendly way. ✓✓ for example, Rickshaw at the beachfront, horse-riding, cycling. ✓
- The challenges faced by the environment are divided into four main categories:
 - permanent environmental restructuring like airports direct environmental stress caused by tourist activities. ✓✓
 - waste product generation, such as biological and non-biological waste that damages fish production, creates health hazards and detracts from the attractiveness of a destination. ✓✓
 - direct environmental stress caused by tourist activities, ✓✓ for example, the destruction of coral reefs, vegetation, and dunes. ✓
 - effects on population dynamics, such as migration and increased urban densities accompanied by declining populations in other rural areas. ✓✓

Investment/infrastructure ✓

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

(Accept any other correct relevant response)

(Max. 26)

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

ADDITIONAL PART

How successful are South Africa's policy suggestions in promoting tourism?

Successes of policy suggestions:

- SA Tourism has successfully promoted South Africa both globally (as a high-value, culturally diverse destination) and locally through campaigns like Sho't Left, which boosted domestic travel and reduced reliance on seasonal foreign visitors. ✓✓
- The government successfully levies simple and equitable taxes, such as airport taxes and VAT refunds for foreign tourists, which comply with World Travel & Tourism Council (WTTC) standards without discouraging travel. ✓✓
- Partnerships through bodies like the Tourism Business Council of South Africa (TBCSA) and targeted tax incentives/rebates have successfully encouraged local business participation and Black Economic Empowerment (BEE) in the sector. ✓✓
- Niche marketing of specific purposes (such as ecotourism, cultural heritage, and game reserves) has successfully drawn high-spending international tourists. ✓✓

Areas needing improvement:

- Policy measures have been less successful at spreading tourism to rural areas, as most tourists remain concentrated in major hubs like Cape Town and the Kruger National Park. ✓✓
- Poor maintenance of secondary/rural roads (such as potholes) and unreliable public services like electricity and water continuously scare tourists away and hinder local growth. ✓✓
- Policies have not fully succeeded in mitigating crime and safety concerns, which still negatively impact foreign tourist perception. ✓✓
- A lack of efficient, affordable, and accessible transport options in remote regions limits access to potential rural tourist destinations. ✓✓

(Accept any other correct relevant response)

(A maximum of 2 marks may be allocated for mere listing of facts) (Max. 10)

CONCLUSION

The uneven distribution of tourists may be linked more to inadequate supporting services and facilities than to the attractions themselves, highlighting the need to improve these services to encourage tourism growth and attract more visitors to different destinations. ✓✓

(Accept any other correct relevant higher-order conclusion)

(Max. 2)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150