



# education

DEPARTMENT: EDUCATION  
MPUMALANGA PROVINCE

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**



**PRE-TRIAL ECONOMICS P2**

**SEPTEMBER 2020**

**MARKING GUIDELINE**

**MARKS: 150**

**This marking guideline consists of 13 pages**

**SECTION A****QUESTION 1****1.1 MULTIPLE CHOICE**

- 1.1.1 B/ Market price ✓✓
- 1.1.2 A/ MR ✓✓
- 1.1.3 C/ Advertising ✓✓
- 1.1.4 D/ 3-6% ✓✓
- 1.1.5 B/ Conservation ✓✓
- 1.1.6 C/ Cost – push ✓✓
- 1.1.7 D/ COP 17 ✓✓
- 1.1.8 A/ Legislation ✓✓

(8 X 2) (16)

**1.2 MATCHING ITEMS**

- 1.2.1 E – Reducing all future costs and benefits to express them as present values. ✓
- 1.2.2 D – A continuous fall in the general price level over a prolonged period. ✓
- 1.2.3 A – An explicit collusion agreement by which oligopolists fix prices together. ✓
- 1.2.4 I – Occurs when any of the conditions of perfect competition do not exist. ✓
- 1.2.5 G – It refers to the gradual overall increase in the temperature of the earth's atmosphere. ✓
- 1.2.6 C – It is when a product is sold to different customers at different prices. ✓
- 1.2.7 H – It contains two segments. ✓
- 1.2.8 F – It is Worldwide measure aimed at stabilising greenhouse gases. ✓

(8 X 1) (8)

**1.3 GIVE ONE TERM**

- 1.3.1 Break-even point. ✓
- 1.3.2 Acid rain. ✓
- 1.3.3 Green economy. ✓
- 1.3.4 Hyperinflation. ✓
- 1.3.5 Technical efficiency. ✓
- 1.3.6 Pareto efficiency. ✓

(6 X 1) (6)

**TOTAL SECTION A: 30****SECTION B**

**QUESTION 2:****2.1 Answer the following questions.****2.1.1 List TWO components of the total cost.**

- Fixed cost. ✓ (2 x 1) (2)
- Variable cost. ✓

**2.1.2 What is the relationship between the supply curve and the MC curve of the perfect market?**

- The upward sloping part of the MC curve represents the supply curve. ✓✓ (1 x 2) (2)

**2.2 DATA RESPOND****2.2.1 In which market structure do the above businesses belong?**

- Monopolistic competition. ✓ (1)

**2.2.2 What type of product are found in the structure?**

- Differentiated products / heterogeneous products. ✓ (1)

**2.2.3 Describe what is meant by hybrid market structure.**

- It means that the market structure is a combination of competition and monopoly. ✓✓ (2)

**2.2.4 What is the long-run equilibrium of this market structure?**

- Normal profit. ✓✓ (2)

**2.2.5 How can these businesses increase their market share?**

- They focus on good health so that health conscious buyers can buy more of that particular product. ✓✓
- They focus on superiority of the product, so that certain consumers may still prefer one brand to the other. ✓✓
- Product differentiation, producers will try to promote the good feeling about their product so that it will be bought by a number of consumers. ✓✓ (2 x 2) (4)

**2.3 DATA RESPONSE**

- 2.3.1 **In which market structure do we find the kinked demand curve?**  
 • Oligopoly/imperfect market ✓ (1)
- 2.3.2 **What is the output level in the graph above?**  
 • 50 ✓ (1)
- 2.3.3 **Describe the term interdependence.**  
 • It exists when firms in an oligopoly consider their rivals' reactions while adjusting prices and output. ✓✓ (2)
- 2.3.4 **What impact would an increase of price from R50 to R60 be on total revenue?**  
 • Negative effect, the total revenue will decrease. ✓✓ (2)
- 2.3.5 **Advise the oligopolist on how to increase his market share in this industry.**  
 • The oligopoly should consider using the following:  
 - Non-price measures to attract customers increase their market share ✓✓  
 - Build brand loyalty, product recognition and product differentiation. ✓✓  
 - Advertising and marketing. ✓✓  
 (accept any relevant correct answer) (2 x 2) (4)
- 2.4 **Discuss collusion by oligopolies.**  
 • In effort to reduce uncertainty oligopolies often collude, they agree on prices they are going to charge and the quantities they will supply. ✓✓  
 • Cartel: ✓ it is an organisation of oligopolists that comes into existence in an industry with the specific aim of forming a collective monopoly. ✓✓  
 • A cartel occurs openly and formal. ✓✓  
 • Price leadership: ✓ without communicating formally they endeavour to find a way to reduce uncertainties in the market.  
 • It is also called tacit collusion. ✓✓  
 • It is difficult for businesses to agree tacitly on the price of the product, price signals are frequently a key element of tacit collusion. ✓✓  
 (accept any other correct relevant response) 4x2 (8)
- 2.5 **How can cost benefit analysis be used effectively for all the projects of the government?**  
 • all the benefits and costs involved must be identified and quantified correctly. ✓✓  
 • the accurate comparison of social costs and social benefits should be made. ✓✓  
 • the final decision must be the true picture of the analysis. ✓✓  
 • if the social benefits exceed the social cost then the project must be considered. ✓✓  
 (accept any other correct relevant response) (8)  
**(40)**

**QUESTION 3:**

3.1 Answer the following questions.

3.1.1 **Give two examples of administered prices goods & services.**

- Postage. ✓
- Medicines. ✓
- Television licences. ✓
- Licences. ✓
- Fuels. ✓
- Paraffin. ✓

(accept any other correct relevant response)

(2 x 1) (2)

3.1.2 **What is the relationship between employment and inflation?**

- The higher the rate of employment the higher the rate of inflation; and vice versa. ✓✓

(1 x 2) (2)

(4)

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

3.2.1 **What is South Africa's inflation target?**

- 3 - 6% ✓

(1)

3.2.2 **For how long will inflation not be a challenge for this country?**

- 12 to 18 months. ✓✓

(1)

3.2.3 **Describe the term core inflation.**

- It excludes items from the CPI basket that are highly volatile or prices or affected by the government policy.

(2)

3.2.4 **Why would workers claim higher wages when the inflation rate increases?**

- So that they can enjoy the same standard of living. ✓✓

(2)

3.2.5 **How can the government deal with a high inflation in the country?**

- The SARB can decrease money supply by selling government bonds. ✓✓
- The monetary authorities can reduce the level of credit by forcing banks to apply stricter lending criteria.
- Increase the repo rate. ✓✓

(accept any other correct relevant response)

(2 x 2) (4)

**3.3 DATA RESPONSE**

3.3.1 **What is the general purpose of extracting plants?**

- Medicinal purpose ✓

(1)

- 3.3.2 **Which group of people believe mostly on indigenous knowledge?**  
 • Indigenous people ✓ (1)
- 3.3.3 **Describe indigenous knowledge system.**  
 • It is local knowledge that is unique to a certain culture. ✓✓ (2)
- 3.3.4 **What is the main aim of the environmental right in the Constitution?**  
 • To protect the environment while pursuing sustainable economic growth, in terms that are applicable to a developing nation. ✓✓ (2)
- 3.3.5 **How can plants and animals be preserved (protected)?**  
 • Through effective policies ✓✓  
 • Educating the society ✓✓  
 • Parks can protect plants and animals. ✓✓  
 (any other correct relevant response) (2 x 2) (4)
- 3.4 **Discuss biodiversity & hazardous waste as problems of environmental sustainability.**  
 • Biodiversity refers to a number of different species and sub-species found in a specific area. ✓✓  
 • Due to extinction of the biodiversity of life forms on the planet decreases. ✓✓  
 • Hazardous waste is not limited to chemical wastes but include toxic metal waste e.g. radioactive. ✓✓  
 • Due to their slow decomposition process they tend to accumulate in the environment for a very long time. ✓✓ (4x2)(8)
- 3.5 **What is the effect of the recent interest rate cut in the economy?**  
 • Businesses are expected to increase their total production. ✓✓  
 • There has been an increase in household spending. ✓✓  
 • Clients are now paying less on their loans (personal loans and bonds) ✓✓  
 • A number of people are now able to pay their debts. ✓✓  
 (accept any other correct relevant response) (8)

**[40]****QUESTION 4:**

4.1 Answer the following questions.

4.1.1 **List TWO examples of endangered animal species.**

- Rhino ✓

- Tigers✓
  - Mountain gorillas✓  
(accept any other correct relevant response) (2 x 1) (2)
- 4.1.2 **How do consumers benefit from maximum prices?**
- It lower the price of goods and services and make it affordable for consumers. ✓✓
  - To prevent the monopolistic exploitation of consumers. ✓✓ (1 x 2) (2)
- 4.2 DATA RESPONSE
- 4.2.1 **What is done by the people on the picture?**
- They are scavenging. ✓ (1)
- 4.2.2 **Which type of pollution is in the picture?**
- Land pollution. ✓ (1)
- 4.2.3 **Describe pollution.**
- It is the introduction of waste into the environment. ✓✓  
(accept any other correct relevant response) (2)
- 4.2.4 **How can waste be effectively used?**
- It can be recycled. ✓✓  
(accept any other correct relevant response) (2)
- 4.2.5 **How can government contribute in addressing the challenge in the above picture?**
- Government has to ensure that people are educated about the dangers of pollution. ✓✓
  - Polluters must be charged for the pollution that they cause. ✓✓  
(accept any other correct relevant response) (4)
- 4.3 DATA RESPONSE
- 4.3.1 **How much is the minimum wage in South Africa?**
- R3500 ✓ (1)
- 4.3.2 **Which group of workers benefit the most from minimum wage policy?**
- Unskilled workers. ✓ (1)
- 4.3.3 **Describe the term minimum wages.**

- It the lowest amount of money that employers are forced by law to pay their workers. ✓✓ (2)  
(accept any other correct relevant response)
- 4.3.4 **What is the negative impact of minimum wage?**
- Some workers lose their jobs because their employers cannot afford them anymore. ✓✓ (2)  
(accept any other correct relevant response)
- 4.3.5 **Use figures in the graph to explain the impact of the implementation of minimum wage on producers / suppliers.**
- When the wage rate increase from 100 to 150 producers are going to employ less workers because of an increase in labour cost. ✓✓
  - That my result in the decrease in the production of goods and services ✓✓ (4)  
(accept any other correct relevant response)
- 4.4 **What are the aims of competition policy?**
- To promote healthy competition. ✓✓
  - To prevent restrictive practices such as collusion. ✓✓
  - To protect the consumer against unfair pricing and inferior products. ✓✓
  - Provide all South Africans with equal opportunities to participate fairly in the economy. ✓✓
  - To regulate the growth of market power by means of takeovers and mergers. ✓✓
  - To prevent the abuse of economic power such as monopolies. ✓✓ (8)
- 4.5 **Suggest effective ways of decreasing air pollution.**
- By reducing aggregate production. ✓✓
  - Improving production methods/ use more advanced methods of production. ✓✓
  - Use environmentally friendly resources e.g. solar energy. ✓✓
  - Polluters must pay for the pollution they are causing. ✓✓ (8)  
(accept any other correct relevant response)



**SECTION C**

**QUESTION 5**

**Compare perfect market & monopoly market structures under the following headings:**

- Nature of the product. (6)
- Control over price. (6)
- Demand curve. (6)
- Number of businesses. (4)
- Economic profit. (4)

**INTRODUCTION**

Market structure is the manner in which a market is organised based mainly on the number of firms in the industry. ✓✓

(accept any other correct relevant response) (2)

**BODY**

**Nature of the product**

Perfect market: they sell homogenous products meaning that their products are exactly the same in appearance, size and value. ✓✓ Eg maize. ✓

Monopoly: they sell unique products with no close substitute. ✓✓ Eg electricity. ✓ (6)

**Control over price**

Perfect market: they have no control over the price; ✓✓ they are price takers. ✓✓

Monopoly: they determine their own price limited by the market demand; ✓✓ they are price makers. ✓✓ (6)

**Demand curve**

Perfect market: the demand curve for an individual seller is a horizontal line ✓✓ Meaning that they charge the same price for any quantity demanded. ✓✓

Monopoly: it is faced with a down-ward sloping demand curve; the individual demand curve represents the one for the industry as well. ✓✓ (6)

**Economic profit/ loss**

Perfect market: they are making an economic profit only in the short-run and the normal profit in the long-run. ✓✓

Monopoly: they are making an economic profit in the long-run as they are protected with the barriers. ✓✓ (4)

**Number of businesses**

Perfect market: they are so many that there is no individual seller that can influence the market. ✓✓

Monopoly: there is only one seller that represent the industry. ✓✓ (4)

Maximum marks (26)

### ADDITIONAL PART

#### How can the problem faced with Eskom be solved?

- The government has to hold the corrupt officials accountable. ✓✓
  - Eskom has to improve their working strategy in terms of collecting its revenue from different municipalities. ✓✓
  - they must have plans in place to monitor illegal connections. ✓✓
  - Qualified people must be appointed for the positions they are qualified for. ✓✓
  - Power stations must be renewed. ✓✓
- (accept any other correct relevant response)

(10)

### CONCLUSION

Monopoly has a tendency to exploit consumers so it is very important that they are a parastatals or be monitored by the government. ✓✓  
(accept any other correct relevant conclusion)

(2)

[40]



**QUESTION 6**

- Discuss different ways that the government use to ensure sustainable development. (26)

- Are the world summits giving the anticipated results? (10)

**INTRODUCTION**

Sustainable development refers to meeting the needs of the present generation without compromising the needs of the future generation. ✓✓ (2)  
(accept any other correct relevant response)

**Granting of property right**

- Granting of property rights has conservation effect as people take care of things that belong to them. ✓✓
- To prevent plants and animals from being extinct people can be given property right over them. ✓✓
- If property rights could be expanded to common goods like clean air those suffering from pollution could charge the polluters for the right to pollute. ✓✓
- The plants and animals would be preserved at little cost to the taxpayer. ✓✓
- Extending private property rights to clean air is impractical and therefore hypothetical. ✓✓
- The principle of polluters paying victims to reduce pollution is sometimes followed by governments. ✓✓

**Charging for the use of the environment**

- Consumers and producers pay a monthly fee to the government for the waste they produce and dispose of in the environment. ✓✓
  - Consumers pay municipal charges for rubbish collection and sewage disposal. ✓✓
  - Industries might also be levied emission charges and vehicle owners for gas emissions. ✓✓
- A fixed total charge such as monthly charge will not encourage waste producers to reduce waste. ✓✓

**Environmental taxes**

- Government levies taxes on the output or consumption where environment costs were generated. ✓✓

**Paying environmental subsidies**

- The government can provide subsidies to encourage activities that reduce environmental damage. ✓✓
- They can be for developing a new technique or equipment to save energy or reduce smoke; encourage the production of environmentally friendly substitutes & to encourage recycling of waste ✓✓ such as bottles, cans, etc. ✓

**Marketable permits**

- The government gives each business a licence to pollute to a certain degree. ✓✓
- Businesses can sell their licences to other businesses in a case where they polluted less than what they were permitted. ✓✓ (Maximum marks: 26)

**ADDITIONAL PART**

- UNFCCC aimed at establishing greenhouse gases but still there is pollution. ✓✓
- CITES bans trade in endangered species on agreed list of plants and animals but species are still endangered. ✓✓
- Stockholm principle ban the most dangerous substances but they are still manufactured. ✓✓
- Basel convention control the import and export of hazardous waste but there is still trade of such. ✓✓
- UN adopted the rights of indigenous people but their rights are still abused. ✓✓ (accept any other correct relevant response) (Maximum marks: 10)

**CONCLUSION**

The government implement all the regulations to end poverty, protect the nature and prosperity for all. ✓✓

(accept any other correct relevant conclusion)

(2)

[40]



**TOTAL SECTION C: [40]**

**GRAND TOTAL FOR PAPER: [150]**