

education

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NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P2

SEPTEMBER 2020

MARKING GUIDELINES

MARKS: 150

These marking guidelines consist of 14 pages and 1 pages with the cognitive grid.

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SECTION A (COMPULSORY)

QUESTION 1

1.1	MUI TIPI F	-CHOICE	QUESTIONS
1.1			WOLD HONG

- 1.1.1 C ✓ ✓ variable cost
- 1.1.2 D ✓✓ coincides with the marginal revenue curve
- 1.1.3 A ✓✓ Community
- 1.1.4 B ✓ ✓ public sector projects
- 1.1.5 C ✓ ✓ basic
- 1.1.6 D ✓✓ general price level
- 1.1.7 B ✓✓ the Ismangaliso Wetland Park
- 1.1.8 A $\checkmark\checkmark$ (8 x 2) (16)

1.2 **MATCHING ITEMS**

- 1.2.1 G ✓ average revenue equals to average cost
- 1.2.2 C ✓ two businesses that have all the power in a specific market
- 1.2.3 B ✓ when it is impossible to increase one's welfare without decreasing the welfare of another
- 1.2.4 H ✓ normally under-produced in a market e.g. education
- 1.2.5 A ✓ an index that measures the price of a fixed "basket" of goods and services
- 1.2.6 I ✓ traditional ways of doing that which is unique to a given culture or society colesooks
- 1.2.7 F ✓ climate change that affects the whole world
- 1.2.8 D ✓ the number of organisms found within a specified geographic region (8 x 1) (8)

1.3 **GIVE THE TERM**

- 1.3.1 Shutdown point/ closing down point ✓
- 1.3.2 Longrun ✓
- 1.3.3 Social cost ✓
- 1.3.4 Stagflation ✓
- 1.3.5 Shot left Campaign ✓
- 1.3.6 Kyoto Protocol of 1997 ✓

TOTAL SECTION A: 30

 (6×1)

(6)

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SECTION B

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

QUESTION 2: MICROECONOMICS

- 2.1 Answer the following questions.
 - 2.1.1 Name TWO examples of merit goods.
 - Education ✓
 - Health ✓

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

(2)

2.1.2. Why is the monopolistic market regarded as a hybrid structure?

It combines features of a monopoly and perfect competition. $\checkmark\checkmark$ (Accept any other correct relevant response) (2)

- 2.2 DATA RESPONSE
 - 2.2.1 Identify the quantity where the optimum production level will take place.

50 ✓ (1)

2.2.2. What type of market is illustrated above?

Monopoly ✓ (FECOLEBOOKS (1)

2.2.3 Briefly describe the term *natural monopoly*.

High development costs prevents others from entering the market e.g electricity provision(Eskom) \(\sqrt{} \sqrt{} \) (Accept any other correct relevant response)

(2)

2.2.4. Explain why the marginal revenue (MR) curve will always lie below the demand curve (DD) in this type of market.

The negative sloping demand curve means that more goods are sold at low prices, hence additional revenue will decrease as more goods are sold. $\checkmark\checkmark$

(Accept ant orher correct relevant response) (2)

2.2.5 Calculate the profit or loss of this market. Show ALL calculations.

Unit profit : $150 - 100 \checkmark = R50 \checkmark$ Total profit : 50×50 = $R2 \cdot 500 \checkmark \checkmark$ OR TR - TC = $(150 \times 50) - (100 \times 50) \checkmark$ = $R7 \cdot 500 - R5 \cdot 000 \checkmark$ = $R2 \cdot 500 \cdot profit \checkmark \checkmark$ (4)

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NSC-Marking guidelines 2.3 **DATA RESPONSE** 2.3.1 Name the institution that investigates anti-competitive behaviour of companies in South Africa. Competition Commision ✓ (1) 2.3.2. Which anti-competitive conduct was investigated? Cartel ✓ Price leadership√ Collusive activities ✓ (1) (Accept any other correct relevant response) 2.3.3 Briefly discuss the term patent right. Gives the patent holder the exclusive right to produce a product for as long as the patent rights are valid√√ (Accept any other correct relevant response) (2)2.3.4. What corrective measures can be instituted against companies if they were found quilty of collusion? Companies can be fined large sums of money ✓✓ (2)A firm can be warned not to repeat an offence $\checkmark\checkmark$ 2.3.5 How can the collusive behaviour of these glass companies affect the economy? Lead to reduction of competition√√ Higher prices will be paid by the consumer√√ If market is not competitive firms benefit from higher prices and high profits√√ If the market is competitive, firms will end up with low prices (4) and low profits√√ 2.4 Distinguish between monopolistic competition and perfect competition • Both firms make normal profit in the long run. Therefore there is no difference in the longrun between the perfect market and the monopolistic market as profit is concerned $\checkmark\checkmark$ • The equilibrium price of a monopolistic market is higher than a perfect The consumer therefore pay less in the perfect market and more in the monopolistic market The monopolistic competitor does not produce at the minimum of LAC whereas the perfect competitor does The perfect competitor produces more at a lower price while the (8)monopolistic competityor produces less at a higher price. (4×2) Evaluate the impact of imperfect competition as a reason for market 2.5 failure. Imperfect market does not allow for price negotiations. ✓✓ Advertising is used to promote producer dominance which encourages consumers to buy existing products. ✓✓ Producers delay new products from entering the market until it is in their own interest. < Competition is limited by the power of certain producers. ✓✓ New businesses are prevented from entering the market. ✓✓ (8)(Accept any other correct relevant response) (4×2) [40] Economics/P2 NW/September 2020 NSC-Marking guidelines

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

- 3.1 **Answer the following questions:**
 - 3.1.1 Name any TWO millennium development goals that form part of international agreements that ensure a sustainable enviroment.
 - Eradication of poverty and hunger√
 - Achieving universal primary education√
 - Gender equality√
 - Reducing child morality√
 - Combat HIV/Aids ✓
 - Improve health√
 - Global partnership for development√

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

3.1.2. Why does Inflation have an adverse effect on the country's balance of payments?

> Inflation causes domestic prices to increase and this makes domestic exports uncompetitive on the international market and South African exporters may lose majority trading partners. $\checkmark\checkmark$

 (1×2) (2)

- 3.2 **DATA RESPONSE**
 - 3.2.1 Which business are implicated in the cartoon? (1)Hotel√
 - 3.2.2. What type of job can tourism create for the locals?
 - Tour guides√
 - Security officers√
 - Cleaners ✓
 - Waiters ✓
 - Administrative staff ✓
 - Chefs√ (1)

3.2.3 Briefly describe the term transit tourist.

Tourists traveling through South Africa using air, road, rail and sea transport to get to another country√√ (Accept any other correct relevant response)

(2)

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3.2.4. What is the correlation between infrastructure development and tourism?

- Adequate and well-maintained physical and basic services infrastructure are essential for tourist destinations. ✓√
- These are normally shared by residents and visitors alike.
- The government has prioritised economic infrastructure, ✓✓
 including elements such as ports, beaches, rivers and lake
 access, to support tourism growth. ✓✓
- Most economic corridors have tourism as an important focus.
- The PPPs are sometimes used for the development of infrastructure. ✓√
- In addition to physical and basic services infrastructure, tourists as well as residents, also require social infrastructure, for example, ambulance services, medicines, clinics and hospitals, police protection and information services.

(2)

3.2.5 Why is foreign tourism a growing industry in South Africa?

- An increase in disposable income. ✓✓
- A reduction in working hours. ✓✓
- More awareness of leisure and recreation√√.
- Improved transport, communication and accommodation facilities. ✓√
- Awareness of the benefits of holidays and travel. ✓✓
- Increase in economic activities. ✓ ✓
- Big events such as local and international sport events, religious purposes such as the annual pilgrimage to Zion city.
- Increased migration√√
- Depreciation of the Rand. ✓✓
- The world in one country. ✓✓
- Peaceful transition to democracy. √√
 (Accept any other correct relevant response)
 (2 x 2)

3.3 DATA RESPONSE

3.3.1 In which year was the headline inflation the highest? 2016√ (1)

3.3.2. Complete the abbreviation CPIX?

Consumer Price Index√ (1)

3.3.3 Briefly describe the term core inflation

A measure of inflation that excludes volatile elements such as food, fuel and energy, whose price shocks can give a false measure of inflation. ✓✓

(Accept any other correct relevant response) (2)

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3.3.4. What can the SARB do to bring the CPI in line with international standards?

- Drop interest rates on mortgage bonds√√
- SARB can replace interest rates on mortgage bonds with a measure of owner's equivalent rent

(2)

(8)

(Accept any other correct relevant response)

3.3.5 How is inflation measured?

- The CPI measure the change in consumer prices over time by measuring the cost of acquiring, using or paying a fixed basket of consumer goods and services.√√
- Production price index measures prices of locally produced goods when they leave the factory gate, goods for exports when they leave the country and imported when they enter the country.
- The shortcomings of price indeces. √√
 (Accept any other correct relevant response)
 (2 x 2)

3.4 How can tourism attractions in less popular destinations be successfully marketed?.

Tourism can be successfuly be marketed in less popular destinations by:

- Advertising the attractions in a variety of media including social media and internet which may reach both local and international potential tourits.
- Focusing on a clear message that concentrates on the strength of the attraction/ uniqueness of the destination. ✓√
- Using the indigenous knowledge systems of that particular area where possible. ✓√
- Describing the service offered in the best possible way to catch the interest of the likely tourist√√ E.g. the use of slogans√
- Charging a price that is competitive and money well spent for the service offered. ✓✓
- Helping the tourist to view the entire service as value for money delivered a worldclass visitor experience. ✓√
- Highlighting other places of interest in the vicinity of the attraction as part of a package.
- Focusing on proudly South African products/services/ Sho't Left campaign. Help disadvantaged South Africans to benefit from tourist attractions in the less popular destinations.√√ (4 x 2)

3.5 Why can't monetary and fiscal policies not be used effectively to combat inflation?

- Expansionary monetary policy (lower interest rates, increase in money supply) will cause an increase in aggregate demand. ✓√
- Expansionary fiscal policy(increase in government spending/ decrease in tax) will cause an increase in aggregate demand. ✓ ✓
- The increase in aggregate demand will result in an increase in GDP and lower unemployment√√

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 An increase aggregate demand will cause the inflation rate to increase. • Contractionary monetary policy (higher interest rates/decrease in money supply) will cause a decrease in aggregate demand. < • Contractionary fiscal policy (decrease in government spending and or increase in tax) will cause a decrease in aggregate demand. $\checkmark\checkmark$ • The decrease in aggregate demand will result in a lower inflation rate. but will cause a decrease in GDP and higher unemployment $\sqrt{\sqrt{(4 \times 2)}}$ (8) [40] QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES 4.1 **Answer the following questions:** 4.1.1 Name TWO consequences of market failure. Allocative inefficiency√ Productive inefficiency√ Externalities√ Government intervention√ (2)(Accept any other correct relevant response) (Any 2 x 1) Why is it important for the state to administer prices of certain 4.1.2. goods? To make them more affordable, ✓✓ (Accept any other correct relevant response) (2) 4.2 **DATA RESPONSE** 4.2.1 Which market structure do the above business enterprise represent? Monopolistic competition√ (1) 4.2.2. Identify profit that these businesses make in the long run. Normal profit√ (1)4.2.3 Briefly describe the term hybrid structure. Combination of perfect competition and monopoly√√ (Accept any other correct relevant response) (2)4.2.4. Discuss entry in this kind of market. Exit and entry are relatively easy when compared to monopolies and oligopolies√√ (2)4.2.5 What prevents monopolies from charging excessively high prices? • The demand for goods will decrease and it will result in lower profit. ✓✓ • Due to consumers limited budget the monopolies compete for the consumer's favour√√ Monopolies prices are sometimes regulated by government√√ (4) (2×2)

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Economics/P2 NW/September 2020 NSC-Marking guidelines 4.3 **DATA RESPONSE** 4.3.1 What is the inflation target in South Africa? Between 3-6%√ (1) 4.3.2. Who formulate monetary policy in South Africa to curb inflation? Minister of Finance√ South African Reserve Bank√ Governor of the Reserve Bank√ (1) MPC: Monetary Policy Committee ✓ Briefly describe the concept inflation. 4.3.3 A sustained and significant increase in the general price levels and a decline in the buying power of money. $\checkmark\checkmark$ (Accept ant other correct relevant response) (2)4.3.4. What is the effect of inflation on the consumer's buying power? Buying power of money decreased. ✓✓ Price increases lead to a decrease in savings and investments. ✓✓ • The consumers can buy fewer goods and services with the same amount of money because of the price increases. < (2) (Accept any other correct relevant response) 4.3.5 What is the impact of inflation on the individual tax payer? Inflation increases the margianal and average tax rates of the individual taxpayer. $\checkmark\checkmark$ Progresive income tax system, where the individual with a higher income will be taxed at a higher rate will leave the consumer with less money to spend. < • Individuals end up paying higher taxes even when they are not actually better off√√ Reduce the purchasing power of the tax payer. ✓✓ (4) (Accept any other relevant correct response) (2×2) 4.4 Discuss effects of tourism on poverty and the environment. **Poverty** Tourism brings development to the poor in rural areas. ✓✓ Tourism offers opportunities to diversify sources of income for poor

- people. ✓✓
- Allowing them a stake: for example, to start and operate small-scale tourism businesses around community assets and to establish SMMEs to provide services. ✓✓
- Empowering them: for example, to exploit opportunities of on-the-job and other training. ✓✓
- Creating partnerships: linking up with main stream tourism businesses supplying goods and services. ✓✓ (2×2)

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Environment

- Tourism has an impact on the environment. ✓✓
- Tourism activities create environmental stress. ✓✓
- The four main categories of stressor activities are:
 - Permanent environmental restructuring (highways, airports, resorts)
 - Waste product generation such as biological and non-biological waste that damages fish production, creates health hazards, and detracts from the attractiveness of the 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. ✓√ (2 x 2)

4.5 Evaluate the effects of the *productive inefficiency* in the secondary sectors.

- Businessess do not maximise output from the factors of production.
- Businesses do not produce at the lowest possible cost. ✓✓
- They produce too few goods. ✓✓
- The consequence is lost output due to inefficient production. ✓✓
- Factories do not maximize output for the factors of production. ✓✓
- Factories do not produce at the lowest possible cost. ✓✓
- The consequence is lost output due to inefficient production. ✓✓
- Leads to low productivity. ✓✓
- Supply can not meet the demand for quality goods. ✓✓
- Factors of production are under utilised and get wasted. ✓✓
 (Accept any other correct relevant response)

(8)

[40]

TOTAL SECTION B: 80

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SECTION C

Answer ONE question from this section in the ANSWER BOOK.

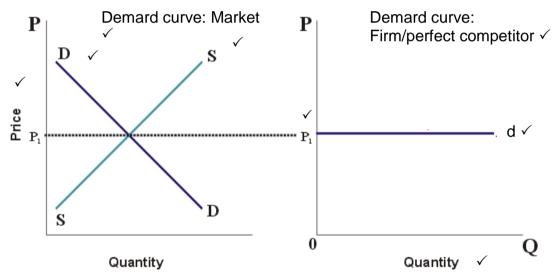
QUESTION 5: MICROECONOMICS

- Make use of graphs to discuss perfect competition under the following headings
 A comparison of the demand curve of the individual producer and industry.
 (26 marks)
- Explain why an individual business will not increased its price. (10 marks)

INTRODUCTION

An industry consists of all the firms that produce the same product where the output of an industry is the sum of the output of its individual firms. $\checkmark\checkmark$ (Max. 2)

BODY: MAIN PART



Mark allocation Labelling of axes Drawing and labelling of demand curve Drawing and labelling of supply curve Indication of P1 Heading	1 mark 1 mark 1 mark 1 mark 1 mark
	Max. 5

Mark allocation	
Labelling of axes	1 mark
Drawing and labelling of demand curve	1 mark
Heading	1 mark
-	Max. 3

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The industry/market The firm/perfect competitor

- Industry refers to the different businesses together that produce or supply the same product. ✓✓ For example, all farmers who produce milk will then form part of the milk industry. ✓
- The industry is also called the market. ✓ ✓
- The price is not determined by individual businesses but by the forces of demand and supply. <
- The demand curve for an industry has a negative slope that slopes from top left to bottom right. </
- DD is the original demand curve.
- At a price of P₁, demand and supply are equal. This is the market price which should be charged by the individual businesses. ✓✓
- The industry has a downwardsloping demand curve. ✓✓

- An individual business is a single producer of a specific product such as milk, clothing or furniture. <
- The alternative term for an individual business is a firm.
- The firm depend on the industry for the price that it will charge. ✓✓
- The individual business has a horizontal demand curve√√
- Under conditions of perfect market it is true to say that Price = AR = MR. $\checkmark\checkmark$
- The individual business sells its product at the market price that is determined through the oleBo interaction of demand and supply. ✓✓
 - The individual business is a price-taker in a perfectly competitive market. </

(Graphs Maximum of 8 marks explanation 18 marks)

(Max. 26)

ADDITIONAL PART

Explain why a an individual businesse will not increase its price.

- Therefore, the demand curve of the individual business is completely elastic. </
- There will be a demand as long as the business charges the market price for its products. <
- If the business tries to sell its products at a price above the market price there will be no demand since all participants have perfect knowledge. <
- Consumers know the existing market price and make their decisions according to that. ✓✓
- The business will not attempt to sell its products at a price lower than the market price since the business will not be able to maximise its profits.
- The consumer will buy products from another firm. ✓✓
- Consumers go to where they can find the best price. <

(Max. 10)

CONCLUSION

In a perfect market price are determined by forces of demand and supply On the long run the individual firm will generate normal profit \(\sqrt{.} \). (Any other relevant conclusion)

(Max. 2)

[40]

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QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

- Discuss in detail the measures used by the government to ensure environmental sustainability. (26 marks)
- Evaluate how successful conservation contribute to a better environment.

(10 marks)

INTRODUCTION

Environmental sustainability means meeting the needs of the present generation without compromising the needs of future generations. ✓✓ (Any other correct relevant response) (Max. 2)

BODY: MAIN PART

Granting property rights ✓

- The above has a conservation effect that ensure people take care of things that belong to them√√
- To prevent fauna and flora species from becoming extinct by allowing people property rights over them. √√
- Can be expanded to common goods e.g. clean air where polluters pay victims to reduce pollution. ✓✓
- E.g Kyoto Protocol, where developed countries pay developing countries because they pollute less.√√
- The developing countries pay for the right to pollute. ✓✓

Environmental subsidies✓

- Subsidies reduce activities that cause environmental damage ✓√
- These costs are covered from taxes. ✓✓
- Subsidies could be used for the development of new technology or equipment. ✓✓
- Encourage production of environmentally friendly subsidies. ✓✓
- Encouraging recycling of wastes such as bottles and/or cardboard. ✓✓

Charging for the use of the environment√

- Pricing the environment government levies fees on consumers and producers for waste produced and dumped in environment. ✓✓
- E.g. in South Africa local authorities levy charges on rubbish collection and sewage disposal. ✓√
- In other countries emission charges are levied on industries and vehicle owners for discharging gas waste. ✓✓
- The best results are when charges are proportional to waste produced. ✓✓

Levying environmental taxes/green taxes√

- A tax can be imposed on the output of a good, wherever external environmental costs are generated. ✓✓
- These are known as green taxes, eg. Tyres. ✓✓
- The rate of tax should be equal to the marginal external cost. ✓✓

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Marketable permits√

- When the government wants to reduce pollution, each business is given a license to pollute to a certain degree. ✓✓
- A licence/permit can be bought and businesses can sell their licences to other businesses who needs to expand production. ✓✓
- In South Africa marketable permits are granted by the Department of Minerals and Energy. ✓√
 (Max. 26)

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

ADDITIONAL PART

Evaluate how can conservation contribute to a better environment?

- Human activities affect the environment, not only because they cause pollution but also because they tend to utilise it. √√
- Conservation is used for botanical parks, game parks, museums and any place of historical interest. ✓√
- Charging for the use of the environment the government levies a fee on consumers and producers for the waste they produce and dump in the environment√√.
- The best results are obtained if these charges are proportional to the waste produced. √√
- Education plays a major role in improving people's capacity to manage the environment. ✓√
- Pressure groups such as the Green party and the Friends of the Earth have forced industries to encourage managers to intergrate environmental responsibility into all their business decision making. ✓√
- A market economy has an interest in conservation as it help maintain renewable stock. ✓√
- Direct controls by government issues quotas and permits that ensure a better environment. ✓✓

(Accept any other relevant answer) (Max. 10)

CONCLUSION

There should be committed engagements by the government, markets and international communities to achieve environmental sustainability through a change in their attitude and actions towards the environment. ✓ ✓ (Accept any other relevant conclusion) (Max. 2)

TOTAL SECTION C: 40
GRAND TOTAL 150

[40]

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							CONOMICS 2020 - NORTH WEST PROVINCE										
	PAPER 2 MICRO ECON ISSUES				COGNITIVE LEVELS LOWER MIDDLE HIGHER												
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QUESTION NO.	PERFECT MARKET	IMPERFECT MARKETS	MARKET FALURES	INFLATION	TOURISM	ENVIRONMENTAL SUSTAINABILITY	EASY	MODERATE	DIFFICULT	EASY	MODERATE	DIFFICULT	EASY	MODERATE	DIFFICULT	SUB-TOTAL	QUESTION TOTALS
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1.1.3			2				2									2	
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%			49.13			50.87			29.33			40.00			30.67		00