GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

JUNE 2023

GRADE 10

MARKING GUIDELINES

ECONOMICS (PAPER 2)

EXEMPLAR

16 pages

SECTION A (COMPULSORY)

QUESTION 1 **20 MARKS – 20 MINUTES**

1.1 **MULTIPLE-CHOICE QUESTIONS**

1.1.1 C – marginal utility decreases as more units of a good are consumed. ✓✓

1.1.2 C – homogeneous products. ✓✓

1.1.3 D – inefficiencies occur in the allocation of resources and income. ✓✓

1.1.4 B – outside the production possibility curve.✓✓

1.1.5 D – maximum prices. ✓✓ (5 x 2) (10)

1.2 **MATCHING ITEMS**

1.2.1 F ✓

1.2.2 C ✓

1.2.3 D ✓

1.2.4 G ✓

1.2.5 E ✓

1.2.6 B ✓ (6 x 1) (6)

1.3 **IDENTIFY THE TERM**

1.3.1 Equilibrium ✓

1.3.2 Monopolistic competition ✓

1.3.3 Productive efficiency ✓

1.3.4 Indirect tax ✓ (4 x 1) (4)

TOTAL SECTION A: 20

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SECTION B

Answer any ONE of the two questions from this section in the ANSWER BOOK.

QUESTION 2: MICROECONOMICS 40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 **List any TWO types of workers who qualify to receive minimum wage in South Africa.**

- Farm workers ✓
- Domestic workers ✓
- Workers employed on an expanded public works programme ✓

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

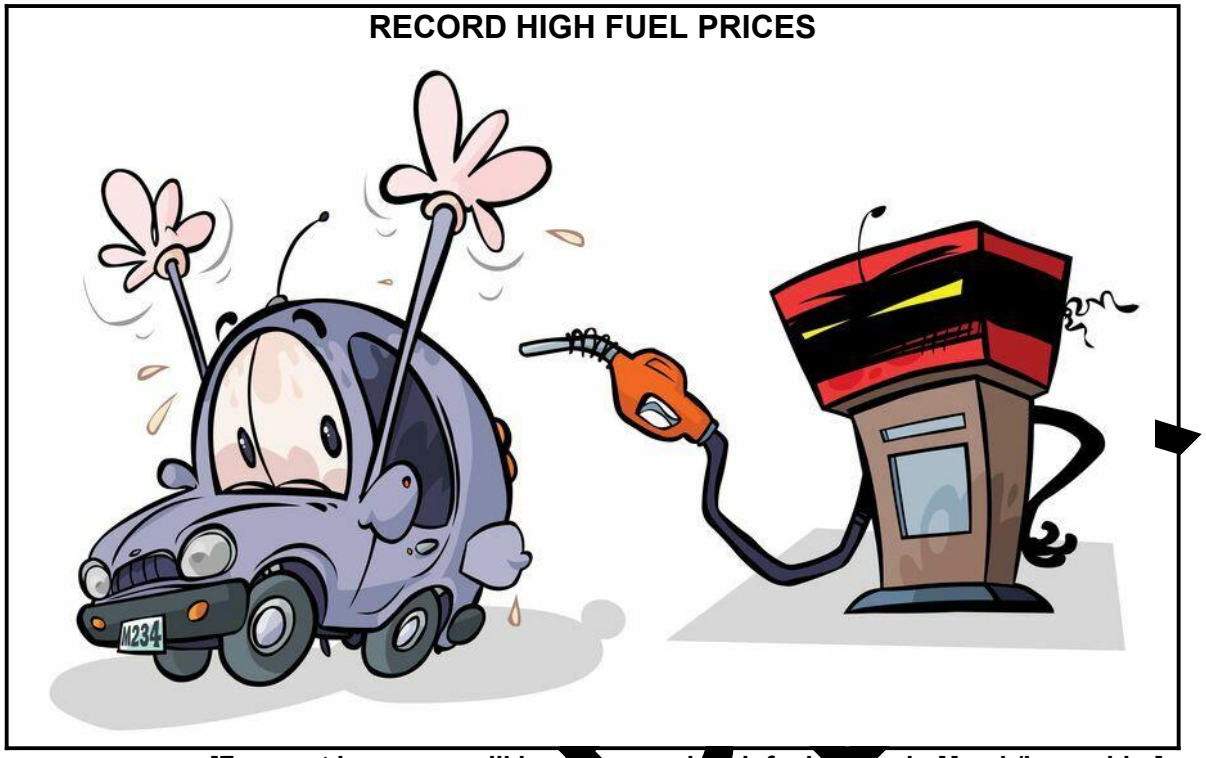
2.1.2 **What is an opportunity cost?**

- An opportunity cost is the sacrificed alternative, the thing that is given up. ✓✓
- The loss of other alternatives when one alternative is chosen. ✓✓
- The value or benefit given up by engaging in that activity, relative to engaging in an alternative activity. ✓✓
- The cost of an alternative foregone. ✓✓

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

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2.2 **Study the following cartoon and answer the questions that follow.**



[Forecast increases will lead to record high fuel prices in March/Lowvelder]

2.2.1 **Give ONE factor that can influence the demand for a product.**

- The price of the product ✓
- The income of consumers ✓
- The weather ✓
- A change in fashion ✓
- A change in the price of a related product ✓
- A change in the size of the population ✓

(Accept any other relevant and correct response.) (1)

2.2.2 **What determines the market price of goods in a free market economy?**

- Market forces/forces of demand and supply ✓ (1)

2.2.3 **Describe the term *supply*.**

- Supply is the total quantity of a good or service that a producer/seller is willing and able to sell at a certain price during a given period of time. ✓✓ (2)

2.2.4 **Describe the slope of the demand curve.**

- The demand curve slopes downward from left to right because of the inverse relationship to quantity. ✓✓

(Accept any other relevant and correct response.) (2)

EXEMPLAR

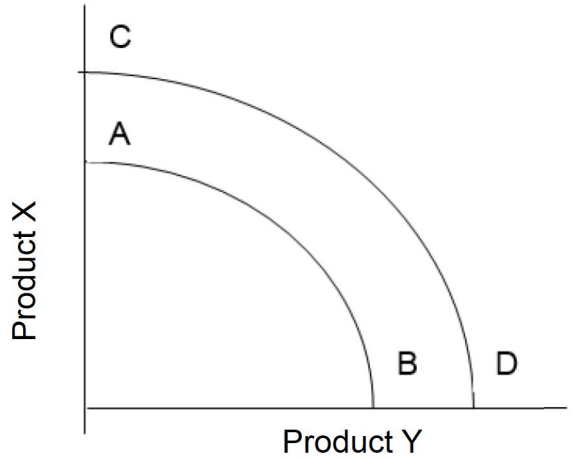
2.2.5 **Why will an increase in fuel prices negatively impact the consumer?**

- An increase in fuel prices will cause the consumer to pay more for transport. ✓✓
- The cost of all goods will increase because of the increase in transport costs of all goods. ✓✓

(Accept any other correct relevant response.) (4)

2.3 **Study the following graph and answer the questions that follow.**

PRODUCTION POSSIBILITY OF TWO PRODUCTS (PRODUCT X AND PRODUCT Y)



2.3.1 **Identify the curve that will yield better production combinations.**

- Curve CD ✓ (1)

2.3.2 **What is the shape of this curve?**

- Convex/Curved outwards ✓ (1)

2.3.3 **Briefly describe the term *production possibility curve.***

- The PPC indicates combinations of any two goods that can be produced with no wastage and using resources to the best advantage. ✓✓ (2)

2.3.4 **What does the shift in the curve from AB to CD show?**

- An outward shift in the PPC indicates an increase in production output of both products. ✓✓

(Accept any other relevant and correct response.) (2)

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2.3.5 **Discuss TWO possible reasons for the outward shift of a production possibility curve.**

- Better production techniques used. ✓✓
- Better level of technology used during production. ✓✓
- Increased motivation of workers. ✓✓
- Increased training of workers. ✓✓
- Better quality of production factors used. ✓✓
- More efficient transportation services. ✓✓
- More effective communication services. ✓✓
- Improved healthcare of workers. ✓✓
- Introduction of capital resources into the economy. ✓✓

(Accept any other relevant and correct response.) (4)

2.4 **Explain FOUR factors that will determine the existence of a market.**

- A market will exist if there is at least one buyer and one seller. ✓✓
- The buyer has the means to purchase the product. ✓✓
- The seller has the required product to offer. ✓✓
- The buyer and seller agree on price and quantity. ✓✓

(Accept any other relevant and correct response.) (8)

2.5 **Evaluate the reasons why the government grants subsidies.**

- To benefit consumers as subsidised goods are cheaper./When the state subsidises products, consumers are able to buy the cheaper products. ✓✓
- Products become cheaper in other countries because the government subsidises exported goods. ✓✓
- The costs of production are reduced, and it becomes easier for many new businesses to be formed because they are assisted with starting up. ✓✓
- To increase employment opportunities and make jobs more secure./As new and many businesses are formed, employment opportunities increase and ultimately the country's unemployment rate reduces. ✓✓
- Improves the standard of living of the people as they receive social grants and free basic goods and services such as education, health etc. ✓✓

(Accept any other relevant and correct response.) (8)

[40]

EXEMPLAR

QUESTION 3: MACROECONOMICS **40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 **Name any TWO social welfare grants which are received by South Africans.**

- Old age pensions ✓
- Child support grant ✓
- Disability grant ✓
- War veteran's grant ✓
- Foster-child grant ✓
- Care dependency grant ✓

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

3.1.2 **What is the law of supply?**

The law of supply states that as the price of a product increases, the quantity supplied of the product increases, and as the price of a product decreases, the quantity supplied of the product decreases. ✓✓ (1 x 2) (2)

3.2 **Study the following table and answer the questions that follow.**

MARGINAL UTILITY OF BOTTLES ICE TEA CONSUMED

QUANTITY OF BOTTLES ICE TEA	MARGINAL UTILITY (MU)	TOTAL UTLITY (TU)
1	90	90
2	75	165
3	50	215
4	35	250
5	10	260
6	5	265
7	0	265

3.2.1 **Which bottle of ice tea gives the greatest satisfaction?**

- The first bottle of ice tea. ✓ (1)

3.2.2 **Identify which bottle of ice tea gives no extra satisfaction when consumed.**

- The 7th bottle of ice tea. ✓ (1)

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3.2.3 **Briefly explain the slope of the marginal utility curve.**

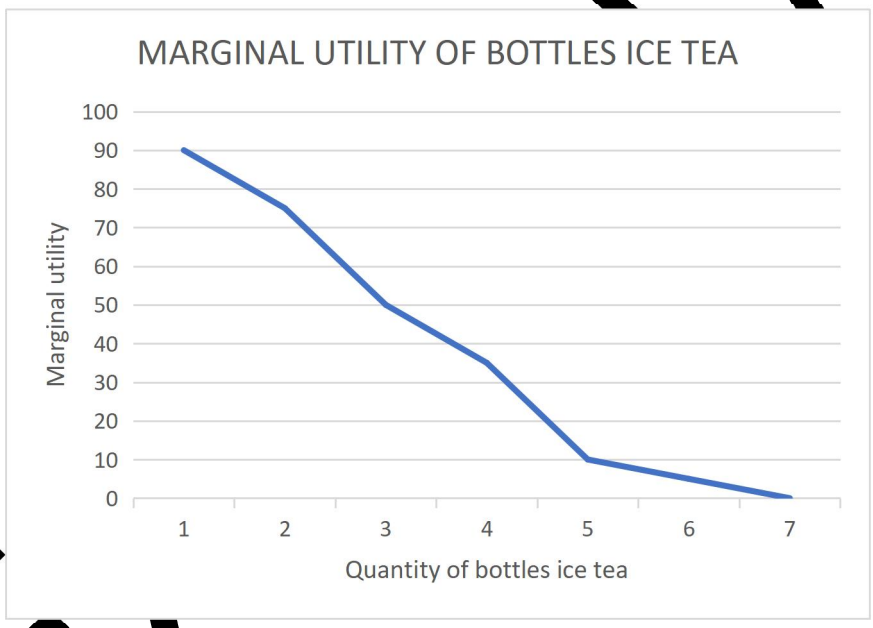
- The marginal utility curve has a negative gradient, and it slopes downward from top left to bottom right./The slope of the marginal utility curve is downward sloping, which explains that the first unit yields more satisfaction and when more is consumed, marginal utility drops. ✓✓

(Accept any other relevant and correct response.) (2)

3.2.4 **What is the relationship between utility and the demand [illegible] product?**

- The greater the satisfaction gained from consuming a p[illegible], the greater the demand and vice versa. ✓✓
  (Accept any other relevant and correct respons[illegible].) (2)

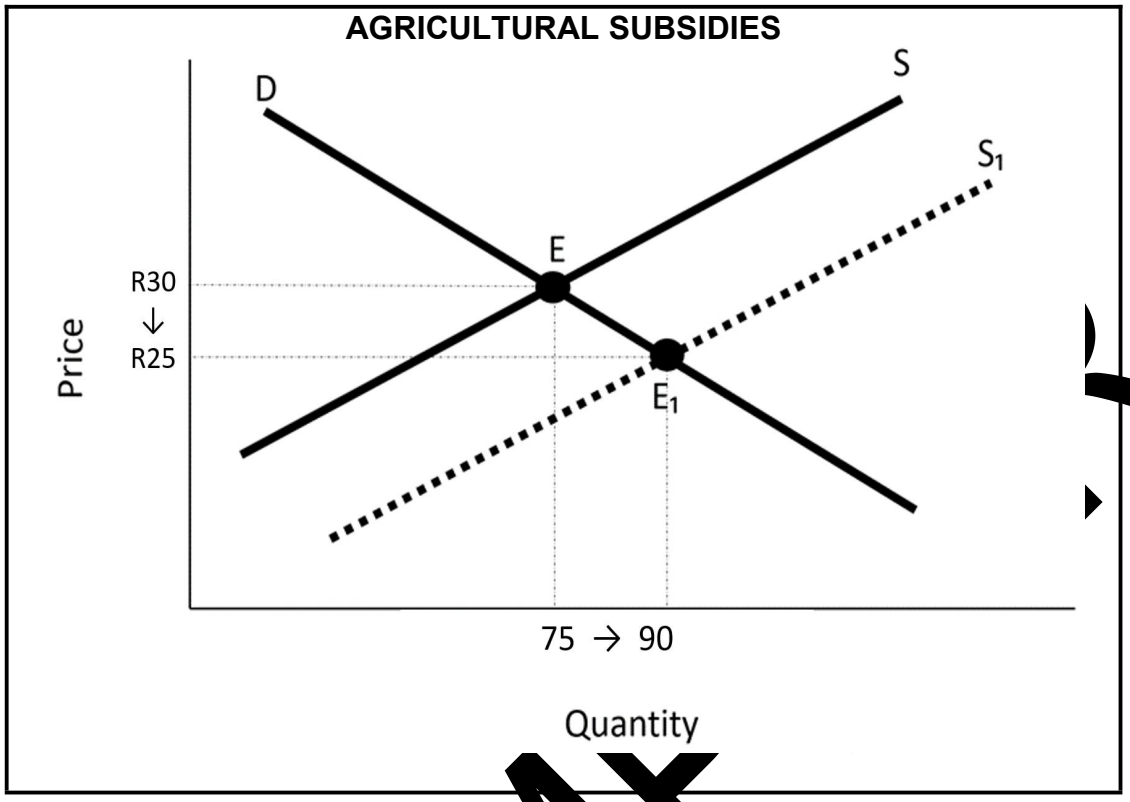
3.2.5 **Use the information from the table above to draw a clearly labelled marginal utility graph.**



ALLOCATION OF MARKS
Correct slope of the MU curve = 2 marks
Labelling of the X-axis = 1 mark
Labelling of the Y-axis = 1 mark
Max. 4 (4)

E, AR

3.3 **Study the following graph and answer the questions that follow.**



3.3.1 **Give ONE example of subsidies that the South African government provides to farmers.**

- Producer subsidies ✓
- Consumer subsidies ✓
- Export subsidies ✓
- Employment subsidies ✓
- Income subsidies ✓ (1)

3.3.2 **Identify the quantity produced before the subsidy was granted.**

- 75 ✓ (1)

3.3.3 **Define the term *subsidy*.**

- Financial assistance given by the government to businesses or individuals. ✓✓ (2)

3.3.4 **What is the effect of subsidies on the price of maize to consumers?**

- Subsidies lead to a decrease in the price of the product./Price decreases from P to P_1. ✓✓

(Accept any other relevant and correct response.) (2)

EXEMPLAR

3.3.5 **How would a subsidy on petrol benefit the economy?**

- More vehicles will be demanded and produced. ✓✓
- The price of petrol will decrease and petrol will be affordable. ✓✓
- Transport costs and traveling costs will decrease to a drop in the price of petrol. ✓✓
- Production capacity of the country will increase./Real GDP will increase. ✓✓
- The general price level of goods and services will decrease./Inflation rate will decrease. ✓✓

(Accept any correct and relevant response.) (4)

3.4 **Differentiate between *productive inefficiency* and *allocative inefficiency***

- Productive inefficiency
  - Not producing at the lowest possible cost. ✓✓
  - Not all resources are used effectively. ✓✓
  - There is room to reduce costs without producing fewer goods or without producing at a lower quality. ✓✓
  - This occurs at any point inside the PPC; to the left of the curve. ✓✓

  (Max. 4)
- Allocative inefficiency
  - The allocation of resources is not in accordance with the consumer demands (tastes). ✓✓
  - Not all resources are allocated effectively. ✓✓
  - The welfare of the community is not maximised. ✓✓

(Accept any other relevant and correct response.) (Max. 4) (8)

3.5 **Evaluate the positive impact of world markets on the economy.**

- Global markets offer the opportunity for consumers and suppliers to tap into larger markets around the world./They can have access to more capital, technology, cheaper imports and larger export markets. ✓✓
- Global markets help to promote efficiency and better use of resources through competition and division of labour so that economies and firms can focus on what they do best. ✓✓
- In the world of communications and the internet, global markets facilitate e-commerce and education, and allow access to independent global media and news information and knowledge is shared. ✓✓
- Innovators and entrepreneurs can draw ideas that have been successfully implemented in one region and tailor them to suit their own area. ✓✓
- Globalisation creates cooperation among nations on a range of non-economic issues such as immigration, health care, the environment, and legal issues. ✓✓

(Accept any other relevant and correct response.) (8)

[40]

TOTAL SECTION B: 40

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SECTION C

Answer ONE of the two question from 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 response. • A good starting point would be to determine the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body.	Max. 2
Body: • **Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Assess/Debate • **Additional part:** Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/ Complete the given graph/Calculate/Deduce/Compare/Explain/ Distinguish/Interpret/Briefly debate/Why?/Suggest/Use the information and argue/Debate/Evaluate.	Max. 26 Max. 10
Conclusion Any relevant higher-order conclusion that should include: • A brief summary of what has been discussed/analysed without repeating facts already mentioned in the body. • An opinion or valued judgement on the facts discussed. • Additional supporting information to strengthen the discussion/analysis. • A contradictory viewpoint with motivation, if required. • Recommendation.	Max. 2
TOTAL	40

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QUESTION 4: MICROECONOMICS 40 MARKS – 40 MINUTES

- **Discuss, in detail, the characteristics of imperfect markets. (26 marks)**

- **How can the government protect consumers against exploitation by imperfect markets? (10 marks) [40]**

INTRODUCTION

A market exists wherever buyers and sellers meet to exchange goods and services at a price./A market is any place where buyers and sellers meet in order to determine the price and quantity of goods or services that will be exchanged.✓✓
(Accept any other relevant introduction.) (Max. 2 marks)

BODY

MAIN PART

CHARACTERISTICS OF IMPERFECT MARKETS:
Number of buyers and sellers ✓
- There is only one large supplier of a good or service (monopoly) or a few large suppliers (oligopoly). ✓✓
- These producers have a direct influence on the price of the product, and are not held back by any competitors and are able to affect the price. ✓✓
- Also there may be many suppliers but one producer is able to significantly change the demand at the expense of other producers (monopolistic competition). ✓✓

Nature of product ✓
- The goods or services supplied are heterogeneous or unique products. ✓✓
- The products in the market are quite different from each other and consumers look for specific qualities of each product. ✓✓
- The seller supplies products that are unique and have no close substitutes. ✓✓
- These products may differ on price or feature or bonus offers. Sometimes products differ due to location or advertising. ✓✓

Barriers of entry ✓
- Entry into the market is restricted or completely blocked so that new suppliers cannot enter the market. ✓✓
- Other sellers are prevented from entering the market. ✓✓
- The seller is protected from competition through patents, control of resources and government restrictions. ✓✓
- There are many examples of imperfect markets, these include Eskom, Telkom, DSTV, cellphone companies, petrol stations, restaurants, computer and car manufacturers etc. ✓

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Information availability ✓

- These markets have imperfect information. ✓✓
- Producers and consumers have incomplete knowledge about market conditions. ✓✓
- It is not easy and sometimes not possible for buyers to know what all the prices of a product are within the market. ✓✓

Ability of suppliers to change prices ✓

- Seller have control over the prices. They are price makers. ✓✓
- The producers of the goods and services can set the prices and buyers are not able to bargain or affect the prices in a significant way. ✓✓ (Max. 26)

ADDITIONAL PART

- The government can investigate abnormal charging of prices and impose fines to firms affected. ✓✓
- The government can investigate price fixing by oligopolists and impose fines on them. ✓✓
- Laws can be passed that encourage competition and make goods affordable. ✓✓
- The government can provide information about prices of goods and services where information is incomplete./Government can provide information services to businesses ✓✓such as technical advice, information on markets, etc. ✓
- Through the competition policies, the government can prevent illegal merging of large business undertakings. ✓✓
- Ensure that no unfair marketing takes place. ✓✓
- Ensure that standards of all products are met by producers. ✓✓
- They can promote a consistent legislative and enforcement framework relating to consumer transactions and agreements. ✓✓

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

CONCLUSION

The government must ensure that there are fewer monopolies and oligopolists as these types of imperfect markets lead to exploitation of consumers. ✓✓

(Accept any relevant higher-order conclusion.) (Max. 2 marks) **[40]**

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QUESTION 5: MICROECONOMICS **40 MARKS – 40 MINUTES**

- **Discuss, in detail, state intervention as a consequence of market failure, under the following headings:**
  - **Maximum prices (10)**
  - **Minimum prices (8)**
  - **Taxation (8)** **(26 marks)**

- **How does the South African government attempt to solve the problem of income inequality?** **(10 marks)** **[40]**

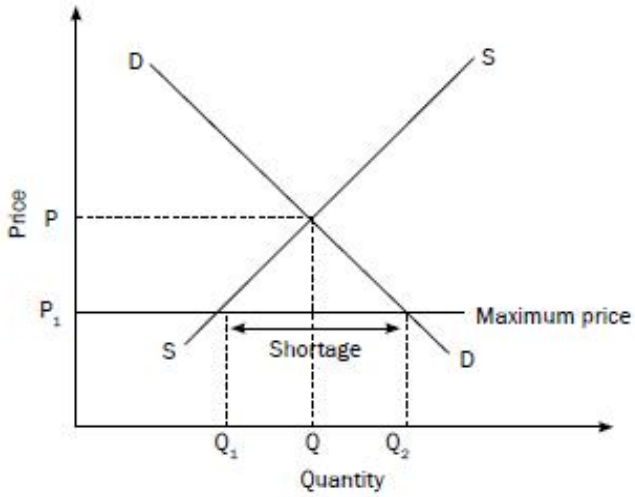
INTRODUCTION

The purpose of government intervention is to ensure that the right quantity of resources is allocated to the production of output so that society as a whole maximises its benefits. ✓✓
(Accept any other relevant introduction.) (Max. 2 marks)

BODY:

MAIN PART

Maximum prices

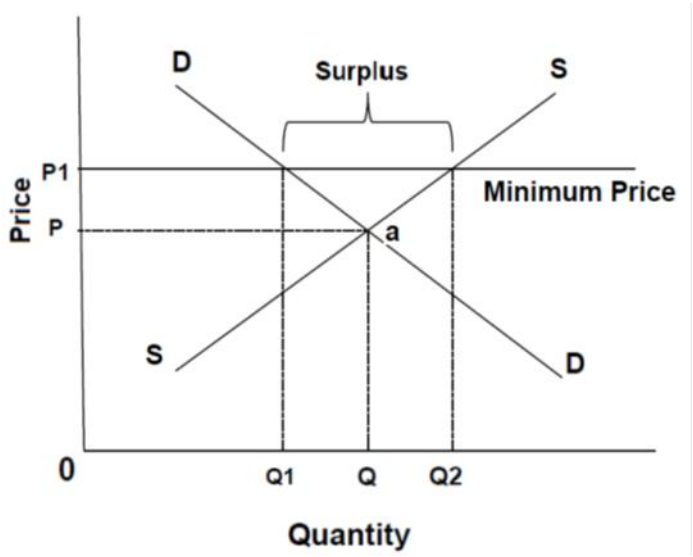


Mark Allocation
Equilibrium = 1 mark
DD = 1 mark
SS = 1 mark
Maximum price = 1 mark
Max. 4

- Sometimes government will set the price of a good or service at a maximum level that is below the market price. ✓✓
- The government intervenes and passes a law that suppliers may not charge more than the maximum price. ✓✓
- The immediate effect is that quantity supply will drop. ✓✓
- The original market equilibrium price and quantity is P and Q respectively. ✓✓
- The price set by the government is P1, at this price the demand will increase to Q1 and the supply will decrease to Q2. ✓✓
- The difference between Q1 and Q2 is the shortfall that will be created on the market. ✓✓
- The shortage caused by the price ceiling creates a problem of how to allocate the good since the demand has increased. ✓✓
- Black markets start to develop. ✓✓ (Max. 6)

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Minimum prices

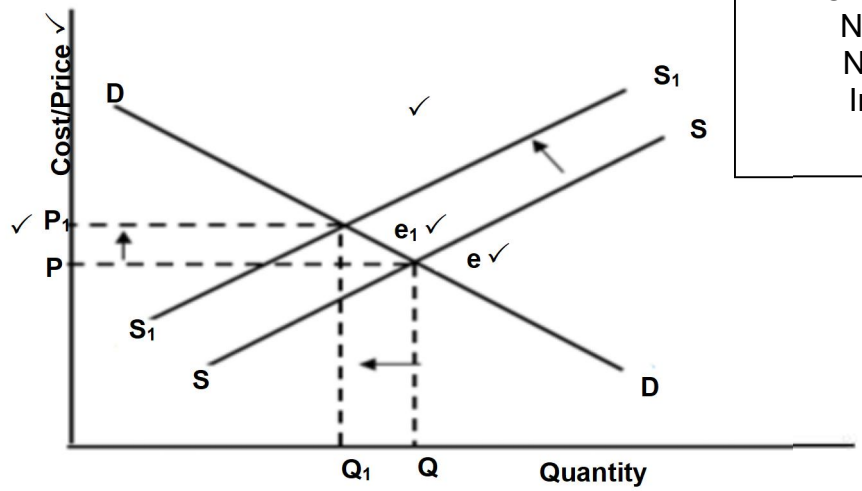


Mark Allocation
Equilibrium = 1 mark
DD= 1 mark
SS = 1 mark
Minimum price = 1 mark
Max. 4

- It is important for all countries that their agricultural sector produces enough food to feed the population. ✓✓
- Some items of food are more important than others because it is a staple food. ✓✓
- Poor people will suffer if there is no staple food available and it could lead to famine. ✓✓
- Governments intervene in the market to ensure that the quantity of food produced is enough. ✓✓
- Sometimes they introduce a minimum price on staple food. ✓✓
- They want to make it worthwhile for farmers to produce enough food. ✓✓
- In S.A. maize, and wheat are staple foods. ✓✓
- Before 1994, farmers were guaranteed a minimum price on these items of food. ✓✓
- Setting of minimum prices has side-effects. ✓✓
- When government is not involved in the market, P = equilibrium price, Q = equilibrium quantity, Point a = market price. ✓✓
- When the government intervenes, a minimum price is established above the market price at P1. ✓✓
- Price increases from P to P1. ✓✓
- The quantity demanded decreases from Q to Q1. ✓✓
- The quantity supplied increases from Q to Q2. ✓✓
- A surplus (excess supply) exists on the market./Quantity supplied is more than the quantity demanded. ✓✓
- Farmers have a surplus = a problem which they will have to solve. ✓✓
- They can dump it on other markets. (Dumping = Selling of goods on foreign markets at a price that is less than the country of origin.) ✓✓
- The WTO prohibits this. The only manner to get rid of this surplus is to destroy it or feed it to animals. ✓✓ (Max. 4)

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Taxation



Mark Allocation
Original equilibrium = 1 mark
New equilibrium = = 1 mark
New supply curve = 1 mark
Increased price = = 1 mark
(Max. 4)

- The appropriate way to intervene in the market by government is by levying taxes as a method to recover external cost. ✓✓
- The original market equilibrium is at e, with P as the equilibrium price and Q as the equilibrium quantity. ✓✓
- The tax increase will shift the supply curve to the left. ✓✓
- The new equilibrium will be at e1. ✓✓
- A tax would raise the price from P to P1. ✓✓
- Production will decrease from Q to Q1. ✓✓ (Max. 4)

(Accept any other relevant answer.) (Max. 26 marks)

ADDITIONAL PART

The government can attempt to solve the problem of income inequality by:

- Implementing a progressive tax system which has reduced the income gap between income earners. ✓✓
- Levying indirect taxes on consumption (e.g. VAT), while certain basic items that the poor often consume, were excluded. ✓✓
- Providing free primary health care in provincial hospitals and clinics. ✓✓
- Making provision for those who cannot afford to pay by offering a free basic education. ✓✓
- Making transfer payments and subsidies payable to the poor and previously disadvantaged. ✓✓
- Implementing minimum wages. ✓✓
- Implementing job creation programmes. ✓✓
- Implementing BBBEE and labour laws. ✓✓ (Max. 10 marks)

CONCLUSION

Government intervention ensures that inefficiencies are eliminated and that the market functions efficiently. ✓✓

(Accept any relevant high order conclusion.) (Max. 2 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 100

EXEMPLAR