GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

# PREPARATORY EXAMINATION

# 2026

**10732**

**ECONOMICS**

**(PAPER 2)**

ECONOMICS: Paper 2

10732E

**TIME:** 2 hours

**MARKS:** 150

13 pages

X10

P.T.O.

**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 the answer to EACH question on a NEW page.

7. Leave 2 – 3 lines open 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 When oligopolies collude in a formal manner it is called (a) ...

A cartel.
B monopoly.
C price leadership.
D collusion.

1.1.2 The opportunity cost of a decision is the sum of all explicit costs and ... costs.

A fixed
B implicit
C diverse
D variable

1.1.3 What is the purpose of a cost-benefit analysis (CBA)?

A To assess social benefit
B To calculate variable costs
C To calculate hidden costs
D To guarantee a project's future success

1.1.4 The change in total revenue when an additional unit is sold is known as …

A average revenue.
B marginal revenue.
C normal income.
D market benefit.

1.1.5 Which South African institution is responsible for publishing the Consumer Price Index (CPI)?

A The South African Social Security Agency
B The South African Economic Data Service (SAEDS)
C The South African Revenue Services
D Statistics South Africa (Stats SA)

1.1.6 What is the main benefit of a growing tourism industry for South Africa?

A Tourism creates many of jobs.
B Tourists brings traffic congestion.
C Tourism increases costs for locals.
D Tourism strains the environmental resources.

1.1.7 A decrease in the general price level is called …

A disinflation.
B stagflation.
C deflation.
D hyperinflation.

1.1.8 What kind of tax is levied by the government on products that harm the environment?

A Import tariff
B Green tax
C Payroll tax
D Property tax

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches an 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, e.g. 1.2.9 J.

| COLUMN A | | COLUMN B |
|---|---|---|
| 1.2.1 | Duopoly | A excludes products with volatile prices |
| 1.2.2 | Loss minimisation | B all other factors remain unchanged |
| 1.2.3 | Market failure | C a rapid rise in prices by more than 50% monthly |
| 1.2.4 | Ceteris paribus | D marginal revenue equals marginal cost |
| 1.2.5 | Core inflation | E exits when there are only two businesses in the market |
| 1.2.6 | Hyper inflation | F visits a foreign country as a destination |
| 1.2.7 | Outbound tourism | G consumption by one person does not in any way reduce consumption by another |
| 1.2.8 | Property right | H granted to individuals who agree to preserve the environment |
| | | I the allocation of goods and services is not efficient |

(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 Large scale production results in lower unit costs.

1.3.2 The additional cost incurred when production increases by one more unit

1.3.3 An economy producing society's desired goods and services to maximise social welfare

1.3.4 Tracks the change in the selling prices received by domestic producers

1.3.5 Tourists visiting museums, art galleries and areas that depict a certain lifestyle, for example the apartheid museum

1.3.6 A variety of plant and animal species found in a particular environment

(6 x 1) (6)

**TOTAL SECTION A: 30**

## SECTION B

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

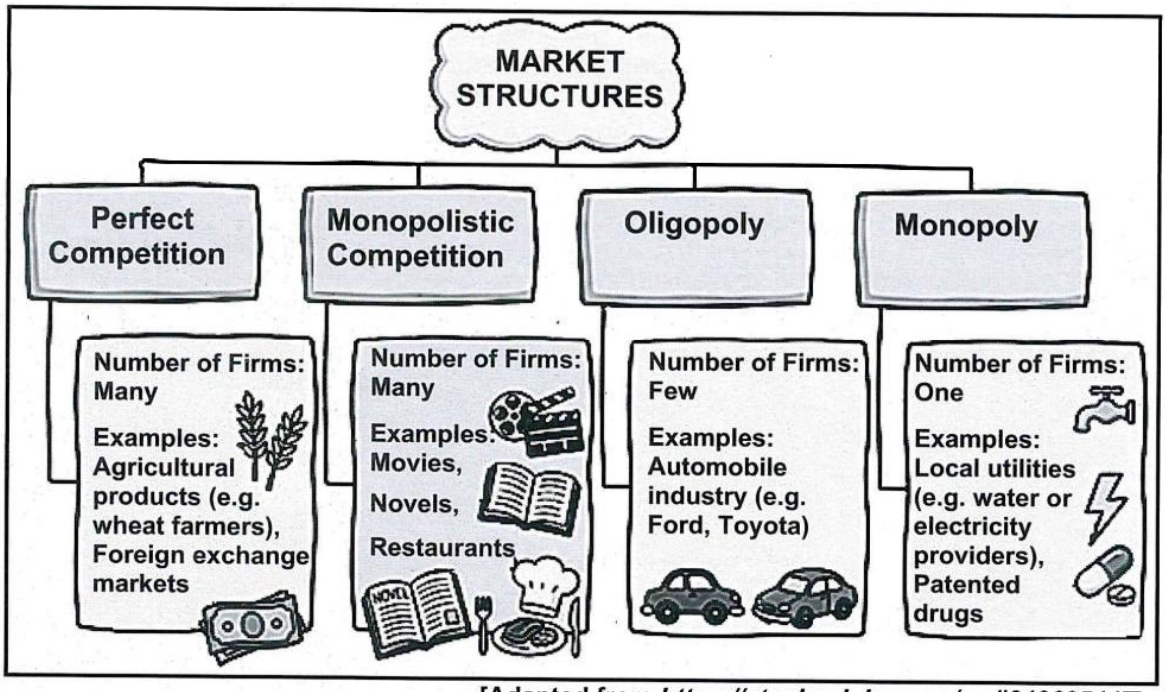
### QUESTION 2: MICROECONOMICS 40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name TWO institutions responsible for implementing competition policy. (2)

2.1.2 Why is an oligopolist unlikely to gain market share by lowering its price below that of its competitors? (2)

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




[Adapted from *https://stock.adobe.com/za #319695117*]

2.2.1 Identify the market structure from the diagram above, in which firms are price-takers. (1)

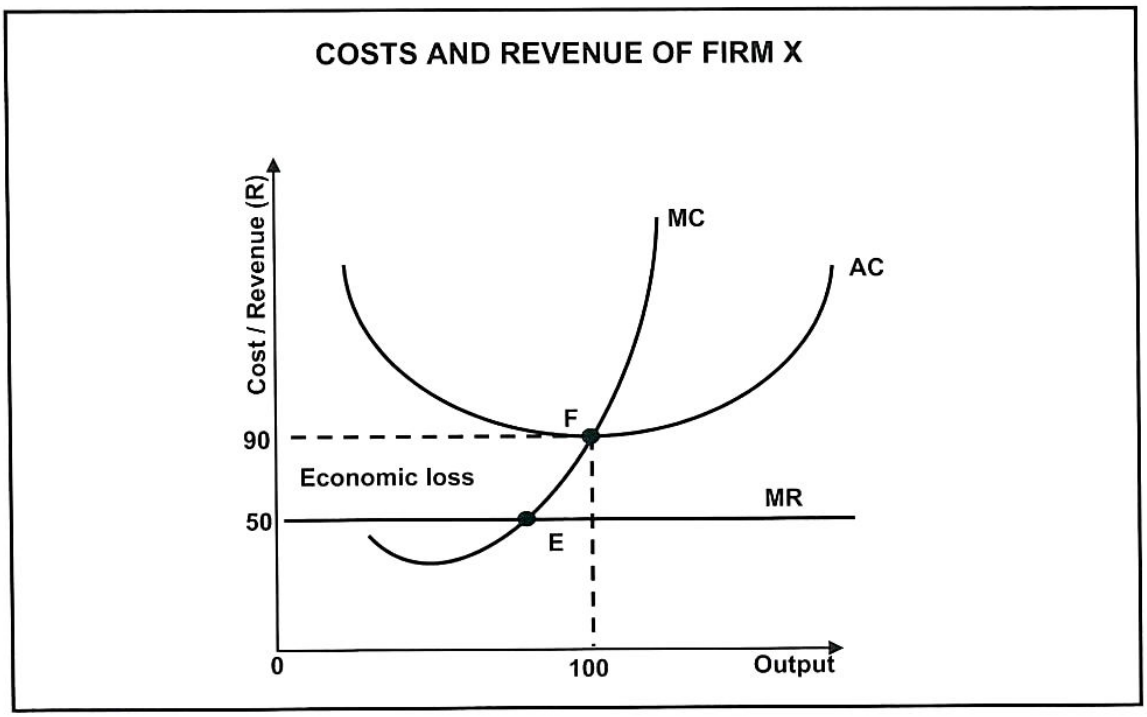
2.2.2 State the nature of the product sold in a monopoly. (1)

2.2.3 Briefly describe the term *overt collusion.* (2)

2.2.4 Why is it NOT likely for a perfectly competitive firm to set its price above the market equilibrium price? (2)

2.2.5 Explain why firms in a monopolistically competitive market prefer non-price competition over price competition. (2 x 2) (4)

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




2.3.1 Give the formula for calculating the average cost. (1)

2.3.2 Name the market price for Firm X as shown in the graph above. (1)

2.3.3 Briefly describe the term *normal profit.* (2)

2.3.4 Explain the reason for the downward slope of the market demand curve for the industry in which Firm X operates. (2)

2.3.5 Calculate the economic loss of Firm X from the graph above. Show ALL calculations. (4)

2.4 Briefly discuss the immobility of factors of production and the lack of information as factors that can lead to the misallocation of resources. (4 x 2) (8)

2.5 How does the cost-benefit analysis (CBA) help governments make decisions that are more transparent and accountable? (4 x 2) (8)

**[40]**

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

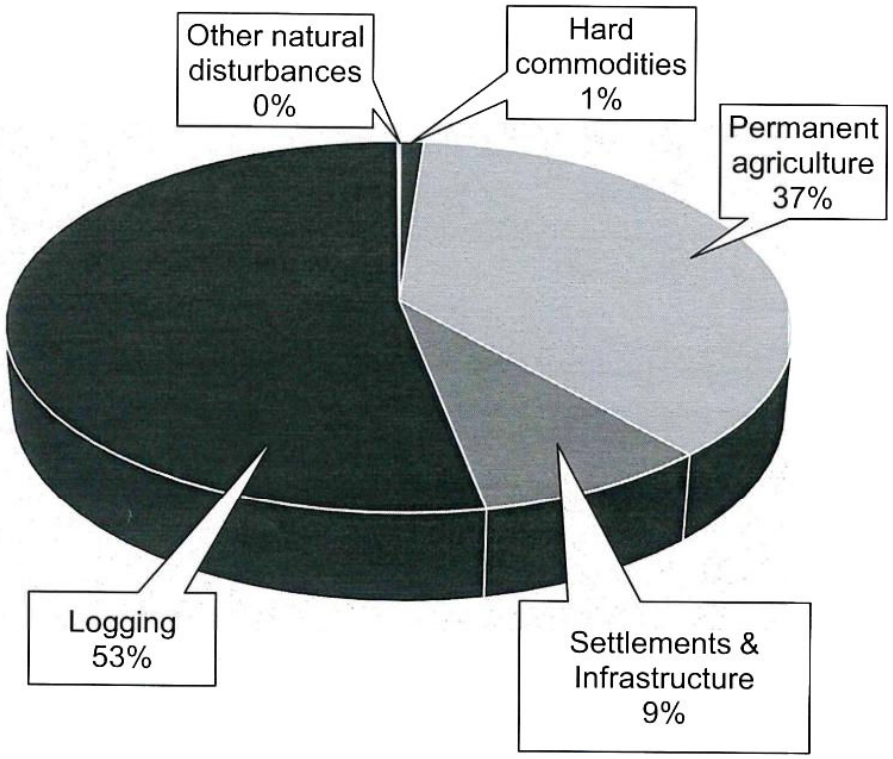
3.1 Answer the following questions.

3.1.1 Name TWO forms of pollution. (2 x 1) (2)

3.1.2 Why could a lower fuel-levy increase demand-pull inflation? (1 x 2) (2)

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

**DRIVERS OF DEFORESTATION IN GAUTENG**




In 2024, Gauteng lost 47 ha of natural forest, equivalent to 7,8 kt of $CO_2$ emissions.

**[Adapted from Global Forest Watch]**

3.2.1 Identify the primary cause of deforestation in Gauteng during 2024 from the information above. (1)

3.2.2 Name the summit held in 1992 that was aimed at preventing environmental degradation. (1)

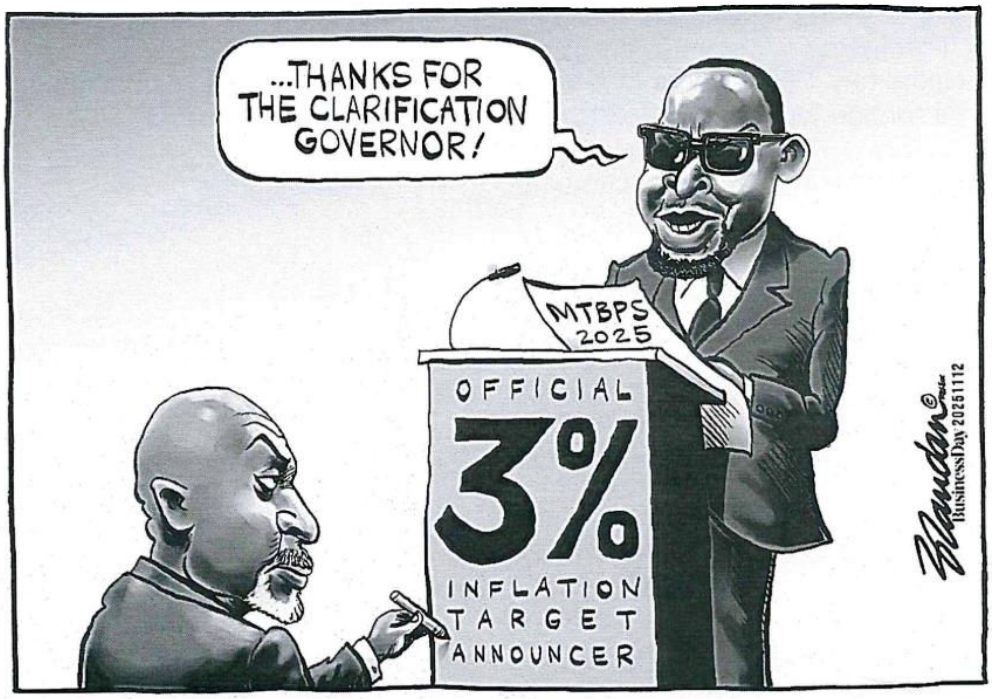
3.2.3 Briefly describe the term *conservation.* (2)

3.2.4 Explain the influence of climate change on the output of the forest industry. (2)

3.2.5 Why does deforestation in Gauteng continue despite public disapproval? (2 x 2) (4)

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

**AS EXPECTED, SOUTH AFRICA LOWERS INFLATION TARGET TO 3%.**




As anticipated, Finance Minister Enoch Godongwana confirmed a lowering of South Africa's inflation target to 3%, with a 1 percentage point tolerance band on either side, in his Medium-Term Budget Policy Statement (MTBPS).

**[Adapted from Engineering News]**

3.3.1 Identify the South African Reserve Bank's inflation target in the cartoon above. (1)

3.3.2 Name the month in which the Medium-Term Budget Policy Statement (MTBPS) is presented in parliament. (1)

3.3.3 Briefly describe the term *inflation*. (2)

3.3.4 Explain the connection between *inflation* and *real wages*. (2)

3.3.5 How can cost-push shocks, such as wars, lead to stagflation? (2 x 2) (4)

3.4 Briefly discuss the extent to which market mechanisms contribute to environmental sustainability. (8)

3.5 How can a smaller fiscal deficit help the SARB to meet its inflation target? (8)

**[40]**

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

4.1 Answer the following questions.

4.1.1 Name any TWO factors that make South Africa an attractive destination for foreign tourists. (2 x 1) (2)

4.1.2 Why is the marginal cost curve necessary for deciding the profit-maximising output of a firm? (1 x 2) (2)

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

G20 SOUTH AFRICA 2025

**MINISTER LAUNCHES THE PANGOLIN PACT WILDLIFE CRIMES AWARENESS CAMPAIGN**

18/07/2025

The Minister of Forestry, Fisheries and the Environment, Dr Dion George, has concluded the second technical meeting of the G20 Environment and Climate Sustainability Working Group (ECSWG), with the launch of his G20 Legacy Project: The Pangolin Pact.

The project focuses on creating awareness about wildlife crimes and how South Africa and other G20 nations are combatting the illegal trade in wildlife including the pangolin population, abalone, rhinos and lions.

**[Adapted from *https://g20.org*]**

4.2.1 Identify ONE type of wildlife that is affected by illegal trade in the extract above. (1)

4.2.2 Name the project launched by Minister Dion George from the extract above. (1)

4.2.3 Briefly describe the term e*nvironmental sustainability.* (2)

4.2.4 Explain ONE economic benefit of rhino conservation for South Africa's tourism industry. (2)

4.2.5 How can indigenous knowledge be integrated into strategies like the Pangolin Pact to protect wildlife? (2 x 2) (4)

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




**LAW FIRM CAMPAIGNING FOR TIGER BRANDS TO COMPENSATE THOSE AFFECTED BY THE 2017/18 LISTERIOSIS OUTBREAK**

South Africa commemorates the eighth anniversary of the listeriosis outbreak. At the time of the outbreak, traces of listeria were found at Tiger Brands' subsidiary Enterprise Foods' meat processing facility, in Polokwane.

Attorneys are launching a campaign against Tiger Brands to secure compensation for those affected, after they ate the contaminated products. RSI founding director Richard Spoor estimates that the compensation to be paid to victims will be between R1,5 billion and R2,5 billion.

**[Adapted from *engineeringnews.co.za*]**

4.3.1 Identify the company linked to the listeriosis outbreak from the extract above. (1)

4.3.2 Name ONE type of economic inefficiency that results from market failures. (1)

4.3.3 Briefly describe the term *maximum prices*. (2)

4.3.4 Explain the impact of the outbreak of listeriosis on the consumer demand for processed meat products. (2)

4.3.5 What government interventions could reduce this type of market failure in the food industry? (4)

4.4 Explain, with the aid of a well-labelled graph, how state subsidies affect the production of goods and services. (8)

4.5 Analyse how inflation reduces the real income of fixed-income earners compared to normal wage earners. (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**<br>The introduction is a lower-order response.<br>• A good starting point would be to define the main concept related to the topic.<br>• Do NOT include any part of the question in your introduction.<br>• Do NOT repeat any part of the introduction in the body.<br>• Avoid mentioning in the introduction what you are going to discuss in the body. | Max. 2 |
| **Body**<br>**Main part:** Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/ Assess/Debate<br>**A maximum of 8 marks may be allocated for headings/examples.**<br><br>**Additional part:** Critically discuss/Evaluate/Critically evaluate/Debate/Deduce Compare/Distinguish/Interpret/How?/Suggest<br>**A maximum of 2 marks may be allocated for the mere listing of facts.** | Max. 26<br><br>Max. 10 |
| **Conclusion**<br>Any higher-order conclusion should include:<br>• A brief summary of what has been discussed without repeating facts already mentioned<br>• Any opinion or value judgement on the facts discussed<br>• Additional support information to strengthen the discussion/analysis<br>• A contradictory viewpoint with motivation, if required<br>• Recommendations | Max. 2 |
| **TOTAL** | **40** |

## QUESTION 5: MICROECONOMICS 40 MARKS – 40 MINUTES

- Compare and contrast the perfect market structure with a monopoly market structure in detail. (26)

- Analyse the conditions under which a perfectly competitive firm decides to shut down in the short-run. (10)
**[40]**

## QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Examine in detail the benefits of tourism. (26)

- How can investment in tourism infrastructure stimulate meaningful and sustained economic growth in rural areas? (10)
**[40]**

**TOTAL SECTION C: 40**

**TOTAL: 150**

**END**