GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PROVINCIAL EXAMINATION

JUNE 2024

GRADE 10

MARKING GUIDELINES

ECONOMICS (PAPER 2)

18 pages

DRAFT

SECTION A: COMPULSORY

QUESTION 1

1.1 MULTIPLE-CHOICE QUESTIONS

1.1.1 D – unique products ✓✓

1.1.2 C – Utility ✓✓

1.1.3 C – butter ✓✓

1.1.4 B – Value Added Tax.✓✓

1.1.5 A – a surplus of the product ✓✓

(5 x 2) (10)

1.2 MATCHING ITEMS

1.2.1 F ✓

1.2.2 B ✓

1.2.3 D ✓

1.2.4 G ✓

1.2.5 E ✓

1.2.6 C ✓

(6 x 1) (6)

1.3 GIVE THE TERM

1.3.1 Public ✓

1.3.2 Perfect ✓

1.3.3 Globalisation ✓

1.3.4 Efficiency ✓

(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

2.1 Answer the following questions.

2.1.1 **Name any TWO types of subsidies the government grants.**

- Producer subsidies ✓
- Consumer subsidies ✓
- Export subsidies ✓
- Employment subsidies ✓
- Income subsidies ✓ (2 x 1) (2)

2.1.2 **Why is it impossible for a single seller to influence the price of a product in a perfect market?**

- In a perfect market there are many sellers, and no individual seller can affect the price. ✓✓
- Prices in a perfect market are determined by the market forces of demand and supply, therefore the sellers are price takers. ✓✓
- There is perfect information in a perfect market, as a result, buyers will buy products from other sellers should one seller increase his/her prices. ✓✓
- A single seller will lose profit should he sell the products at a price which is lower than the market price. ✓✓

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

2.2 **DATA-RESPONSE**

2.2.1 **Identify the imperfect market structure in which Transnet operates.**

- Monopoly ✓ (1)

2.2.2 **Name ONE other company functioning in the above-mentioned market structure.**

- Eskom ✓
- Denel ✓
- Telkom ✓

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

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2.2.3 **Briefly explain the term *monopolistic competition.***

- It is a type of imperfect market which consists of a large number of sellers who sell differentiated products/ it is a market structure which combines elements of monopoly and perfect markets. ✓✓

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

2.2.4 **What favourable conditions can businesses in the market shown in the cartoon above enjoy?**

- Transnet is the only freight rail operator in South Africa ✓✓
- Transnet has no competition; therefore, they are a price setter ✓✓
- The entry to the freight rail market is restricted ✓✓

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

2.2.5 **How is a perfect market characterised based on the *nature of products* and *entry barriers*?**

- The products sold in perfect markets are homogeneous ✓✓
- Entry to perfect markets is unrestricted, making it easy to enter and leave the market ✓✓

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

2.3 **DATA-RESPONSE**

2.3.1 **Identify the number of tables that can be produced when all resources are used to produce chairs.**

- 0 ✓ (1)

2.3.2 **Name the type of efficiency if all resources are used optimally.**

- Productive efficiency ✓ (1)

2.3.3 **Briefly explain the term *Pareto-inefficiency*.**

- It is a type of imperfect market which consists of a large number of sellers who sell differentiated products/ it is a market structure which combines elements of monopoly and perfect market. ✓✓

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

2.3.4 **What is the purpose of the production possibility curve?**

- The PPC shows the possible combination of goods that can be produced with the limited resources available to the producer. ✓✓ (2)

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2.3.5 **Using the table in the case study above, calculate the opportunity cost if 20 tables are produced instead of 10 tables. (Show all calculations)**
Original quantity: 10 tables = 30 chairs ✓
New quantity: 20 tables = 15 chairs ✓

30 – 15 = 15 chairs
Opportunity cost = 15 chairs ✓✓ (4)

2.4 **Explain the *cost of production* and *number of suppliers* as factors that cause a change in quantity supplied.**

- Cost of production
  - If the cost of production such as labour, raw materials, equipment etc. decreases, the quantity that producers are willing to supply at a given price will increase. ✓✓
  - Producers with lower costs will always be able to supply more of a product at a given price because it is cheaper for them to produce goods. ✓✓
  - Supply of a product will decrease with an increase in the cost of production. ✓✓
  - An increase in production costs will make it difficult for businesses to produce goods and services. ✓✓ Max. 4

- Number of suppliers
  - If there is an increase in suppliers in the market the quantity supplied will also be increased ✓✓
  - If there are suppliers leaving the market it will decrease the quantity supplied. ✓✓ Max. 4

(Accept any other correct relevant response.) (4 x 2) (8)

2.5 **Analyse the internal reasons why a production possibility curve will shift outwards.**

- Improving production techniques can cause an outward movement of the PPC because of more efficient production. ✓✓
- The use of new improved technology can cause a shift of the PPC because of an increased production level. ✓✓
- Increased motivation of employees can cause an outward movement of the PPC ✓✓
- Improving the skill level of the employees means they would be able to produce more

(Accept any other correct relevant response.)
NOTE: A maximum of 2 marks for mere listing (8)
[40]

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QUESTION 3: MICROECONOMICS

3.1 Answer the following questions.

3.1.1 **Name any TWO requirements for the establishment of a market.**

- At least one buyer and one seller ✓
- Sellers must have goods or services to sell and be willing to sell ✓
- Buyers should have the means to pay for goods ✓
- Agreement on price and quantity between buyer and seller ✓
- Transaction should be formalised according to laws ✓ (2 x 1) (2)

3.1.2 **Why does the government provide public goods?**

- Because the private sector finds it unprofitable to provide these goods and as a result, they are undersupplied by the market. ✓✓
- The private sector will charge a price for public goods and as a result the poor and low-income earners will not be able to afford these goods. ✓✓

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

3.2 **DATA-RESPONSE**

3.2.1 **Which hamburger gives the greatest satisfaction?**

- 1st/The first hamburger ✓ (1)

3.2.2 **When will the consumer in the situation above experience diminishing marginal utility?**

- After consuming the first hamburger ✓ (1)

3.2.3 **Briefly explain the term *marginal utility curve*.**

The marginal utility curve has a negative gradient, and it slopes downward from the top left to the 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 correct relevant response.) (2)

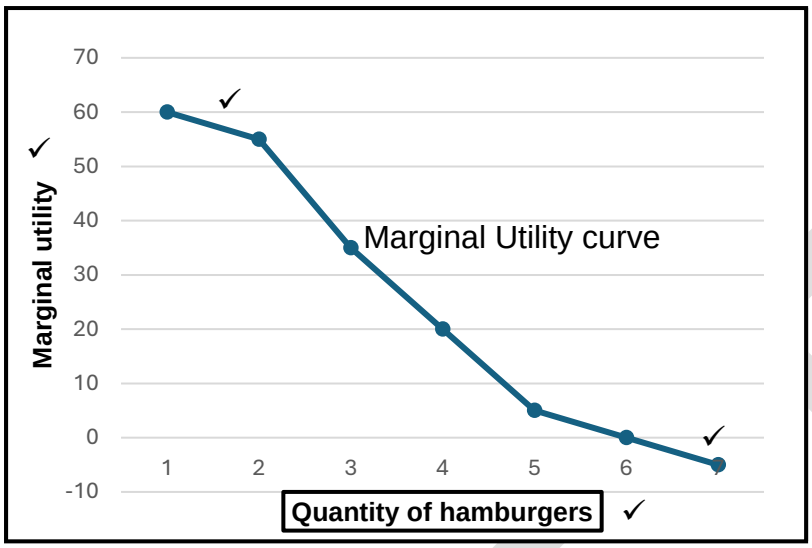
3.2.4 **What is the relationship between utility and the demand for a product?**

- The greater the satisfaction gained from consuming a product, the greater the demand and vice versa. ✓✓ (2)

(Accept any other correct relevant responses.)

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



Quantity/x-axis	1 mark
MU/y-axis	1 mark
MU curve	2 marks

(4)

3.3 **DATA-RESPONSE**

3.3.1 **Identify the concept indicated by the letter "X"**
- Maximum price ✓ (1)

3.3.2 **Who sets maximum prices in South Africa?**
- The Government/The state ✓ (1)

3.3.3 **Briefly explain the term *minimum price*.**
- Where the price is set above the equilibrium price for the benefit of the consumer. ✓✓

(Accept any other correct response.) (2)

3.3.4 **Why would the government impose a price lower than the market price?**
- To ensure consumers are able to afford basic goods and services. ✓✓
- To protect consumers from exploitation of businesses charging high prices. ✓✓

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

3.3.5 **How would a reduction in taxation benefit the economy?**
- A reduction in taxation increases the disposable income of consumers. ✓✓
- This will lead to increased spending within the economy. ✓✓

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

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3.4 **Differentiate between complementary and substitute goods.**

- Complementary Goods
  - These are goods that are combined together to satisfy a need. ✓✓
  - Goods that cannot be used independently. ✓✓
  - Goods that need to be consumed together with one another. ✓✓
  - E.g. CD and a CD player. ✓ (Max. 4)

- Substitute Goods
  - These are goods that can replace other goods to satisfy the same need. ✓✓
  - Goods that are so similar that they can be bought or used instead of the original goods. ✓✓
  - Usually the substitute good is cheaper. ✓✓
  - E.g. butter and margarine. ✓ (Max. 4)

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

3.5 **How has the implementation of minimum wages advantaged the workers in South Africa?**

- They are protected by law and basic human rights. ✓✓
- Many farmworkers and domestic workers are better off than before. ✓✓
- They enjoy a better standard of living standard/ensure sustainable income. ✓✓
- They can also enjoy unemployment benefits for which they did not qualify before. ✓✓
- They are also entitled to sick leave with pay. ✓✓
- They are also entitled to annual leave with pay. ✓✓
- Women are also entitled to maternity leave without the risk of becoming unemployed. ✓✓

NOTE: A maximum of 2 marks for mere listing. (8)

[40]

TOTAL SECTION B: 40

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SECTION C

Answer ONE of the two questions 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/How?/Suggest/Use the information and argue/Debate	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 value judgement on the facts discussed • Additional support information to strengthen the discussion/ analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL:	**40**

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QUESTION 4: MICROECONOMICS

- **Discuss in detail, price formation under the following headings.**
  - **Equilibrium point, price and quantity.**
  - **Change in demand**
  - **Change in quantity demanded** **(26 marks)**
- **Evaluate the role technology play in supply, demand and the price of goods and services.** **(10 marks)**

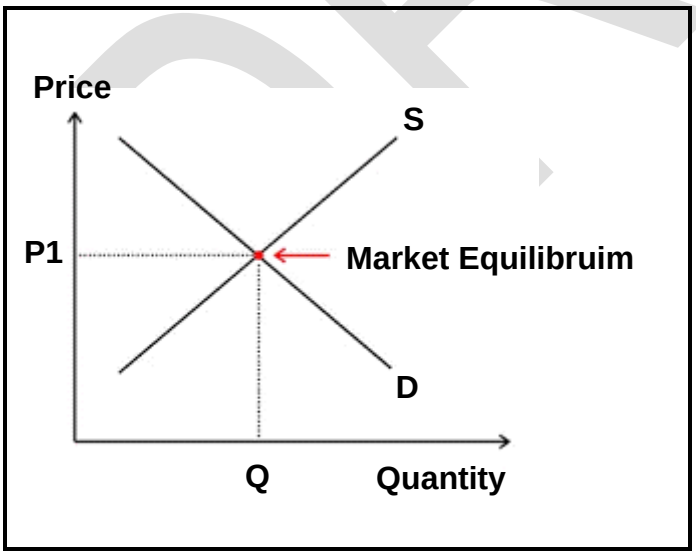
INTRODUCTION I

The price of a good or a service is based on the relationship between its supply and demand.✓✓
(Accept any other correct and relevant introduction.) (Max. 2 marks)

MAIN PART

Market Equilibrium

- The market does not want an oversupply of goods as there will then be wastage.✓✓
- The market also does not want an undersupply of goods as firms will miss out on opportunities. ✓✓
- The best place to operate is where the quantity demanded is equal to the quantity supplied by the firms. ✓✓
- The equilibrium price is the price at which demand and supply are the same.✓✓
- The equilibrium quantity is when the quantity of goods supplied is equal to the quantity demanded.✓✓
- Equilibrium exists where the supply curve and the demand curve intersect.✓✓



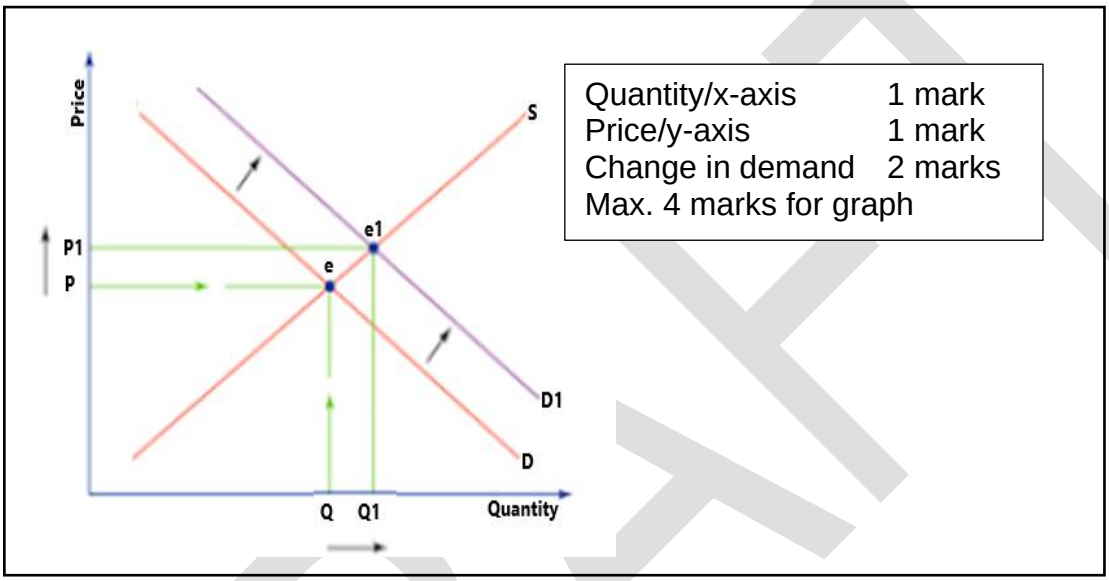
Quantity/x-axis	1 mark
Price/y-axis	1 mark
Equilibrium point	2 marks
Max. 4 marks for graph	

(Accept any other correct and relevant response.) (Max. 10 marks)

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Change in demand

- There are several factors that could affect the demand for a product ✓✓
- A change in income ✓✓
- A change in trends or fashion ✓✓
- Successful advertising campaigns ✓✓
- Population- or market growth ✓✓
- A change in the economic climate, for example, a recession or a boom phase ✓✓
- A change in the price of substitute products ✓✓
- A change in the price of complementary products ✓✓



Quantity/x-axis	1 mark
Price/y-axis	1 mark
Change in demand	2 marks
Max. 4 marks for graph	

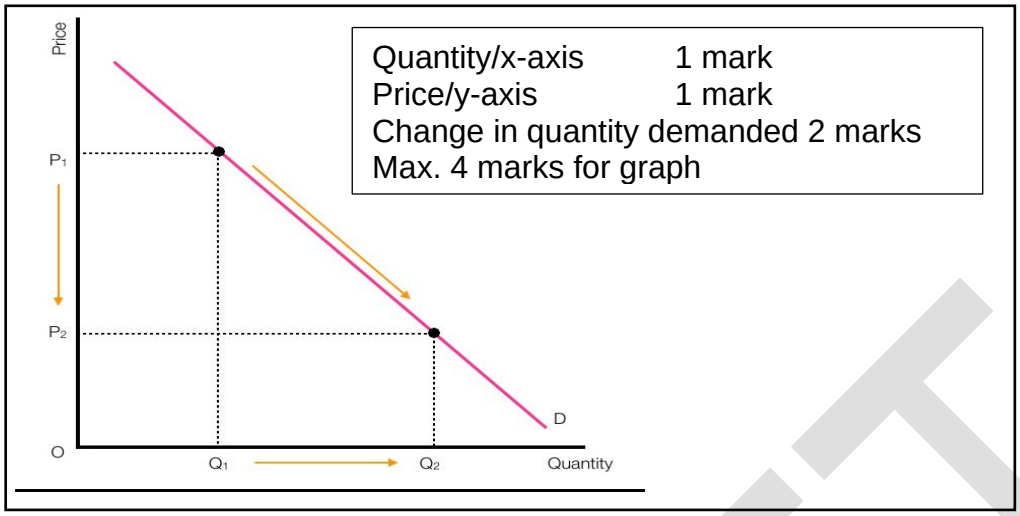
- The demand curve will move up and to the right which will cause the equilibrium to change. ✓✓

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

Change in quantity demanded

- A change in the quantity demanded will cause a movement on the demand curve. ✓✓
- The demand curve itself will not move. ✓✓
- Movement will be only from one position on the curve to another position on the curve. ✓✓
- This movement is only caused by a change in price. ✓✓

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(Accept any other correct and relevant response) (Max 8 marks.)
(Allocate a maximum of 14 marks for discussion without graphs) **(26 marks)**

ADDITIONAL PART

- Technology advances, that improve production efficiency, will shift a supply curve to the right and reduce the input costs of production. ✓✓
- The cost of production goes down, and producers will supply more of the product at lower prices. ✓✓
- Computers, televisions and photographic equipment are good examples of the effects of technology on a supply curve. ✓✓
- Electronic manufacturers continue to improve the quality of their products and lower the cost of production. ✓✓
- At lower prices, consumers can purchase more products causing the supply curve to shift to the right. ✓✓
- Changes in technology can affect the demand for different products by increasing the demand for a new product and making an older product obsolete. ✓✓
- As manufacturers continue their quest to improve productivity and efficiency through technological advances, the demand and supply for products will always be adjusting to consumers' tastes and preferences. ✓✓

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

CONCLUSION

- Concepts of demand and supply are important to economists as they help them to understand how prices are determined in the market. ✓✓

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

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QUESTION 5: MICROECONOMICS

- **Discuss in detail the methods government use to intervene in the economy. (26 marks)**
- **Evaluate why government needs to intervene in the economy. (10 marks)**

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 correct and relevant introduction.) (Max. 2 marks)

MAIN PART

<u>Maximum prices</u>: ✓

- The government may feel that the prices are too high in some markets. ✓✓
- Government then intervenes in the market by setting a maximum price that must be charged. ✓✓
- The maximum price (price ceiling) is the highest price at which producers can sell a product. ✓✓
- Reasons for implementing maximum prices. ✓
  - It is done to keep the prices of necessities and basic food low, to ensure that the poor have access to a product. ✓✓
  - Maximum prices are set to prevent consumers from being exploited. ✓✓
  - Government imposes price ceilings in the hope that they will keep prices low and control inflation. ✓✓
  - To limit the production of certain goods and services when resources are scarce. ✓✓
  - The cost of borrowing money is sometimes capped through an interest on a loan. ✓✓
- Results of maximum prices ✓
  - The price in the market is lower than it would be if it was just left to the market mechanism to find an equilibrium. ✓✓
  - There is a deficit of the product in the market. ✓✓
  - The government is then often forced to find a way to ration the limited amount of the good and to find a fair way to share the limited amount among the consumers. ✓✓
  - They often lead to “black markets.” ✓✓

(Accept any other correct and relevant response.)

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Minimum prices:✓

- The government may feel that in some markets the prices are too low and that they need to assist suppliers. ✓✓
- Government then intervenes in the market by setting a minimum price (price floor) that must be charged. ✓✓
- The minimum price is the lowest that consumers of a product have to pay the producer or owner of the product. ✓✓
- Reasons for implementing minimum prices.
  - Governments hope they will ensue a steady income for producers. ✓✓
- Results of minimum prices. ✓
  - There is a surplus of the product in the market. ✓✓
  - The price is higher that it would be if it were left to the market mechanism. ✓✓
  - The important sectors of the economy that are subject to price fluctuations of changes brought about by global markets are now offered some protection. ✓✓
  - In order to cope with the surplus of products the government can try to restrict supply. ✓✓
  - It limits competition and can create unrealistic markets which exploits consumers. ✓✓

(Accept any other correct and relevant response.)

Minimum wages: ✓

- A minimum wage is the lowest wage that an employer is allowed to pay a worker per month. ✓✓
- This is done to ensure that the standard of living of the people who earn the lowest wages is not too low and they are not exploited by employers. ✓✓
- Reasons for implementing minimum wages. ✓
  - To reduce exploitation of lower paid workers. ✓✓
  - To decrease income inequality by boosting the income of low-income households. ✓✓
  - To reverse the effects of employer discrimination. ✓✓
  - To encourage more people to enter the workforce. ✓✓
  - To reduce the burden on the state to pay income support. ✓✓
- The effect of minimum wages. ✓
  - There is a surplus of labour in the market. ✓✓
  - The wage rate increases in the market. ✓✓
  - People are being paid a more equitable and fair wage for their services. ✓✓
  - There is a fall in employment due to higher wage costs. ✓✓
  - Risk of higher wage inflation due to firms having to increase their selling price to adjust to the higher wage bill. ✓✓
  - Damages to the competitiveness of some firms, due to the higher cost of production. ✓✓
  - Free-market economists believe that a minimum wage creates artificial distortions in the way the labour market works. ✓✓

(Accept any other correct and relevant response.)

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<u>Indirect taxes:</u> ✓

- Taxes are compulsory payments made by the people and businesses of a country to the government. ✓✓
- This money is used to finance all the goods and services that the state provides. ✓✓
- Taxes can be divided into direct and indirect taxes. ✓✓
- Direct taxes are calculated by using the income or wealth of individuals or firms. ✓✓
- Indirect taxes are consumption taxes that have to be paid by the providers of goods or services. ✓✓
- The indirect taxes are added to the prices of the goods and services. ✓✓
- Examples are value added tax, customs duty, excise duty. ✓✓
- Reasons for indirect taxes. ✓
  - To raise income for the government. ✓✓
  - To reduce the demand for a harmful product. ✓✓
  - To limit the impact of imported products. ✓✓
- Effects of indirect taxes✓
  - The equilibrium price in the market increases. ✓✓
  - Consumers pay more per item as the price increases from the original price to the new market price. ✓✓
  - Firms are selling their products at higher prices, but profits may decrease due to the implementation of the tax. ✓✓
  - There are fewer products being bought and sold in the market. ✓✓
  - Employees of the company may be affected since supply has fallen and the profits have dropped. ✓✓
- Per-unit tax. ✓
  - Per unit taxes are taxes where the amount of tax charged is always the same on each unit. ✓✓
  - Import or customs duty is paid on many foreign goods that are brought to South Africa. ✓✓
- Ad-valorem tax✓
  - Ad-valorem taxes charge a percentage of the value of the product. e.g. Value Added Tax. ✓✓

(Accept any other correct and relevant response.)

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Subsidies: ✓

- The government may wish to promote the production or use of a particular product or service.✓✓
- The government will then offer ~~a~~ payment to a firm that provides a product or to a household that needs to consume a certain product or service. ✓✓
- Subsidies to producers:
  - The government pays subsidies in the form of cash or tax reductions to certain firms to expand their production. ✓✓
  - Subsidies benefit the producers of goods that are important to the economy. ✓✓
  - Subsidies are given to encourage entrepreneurship and employment. ✓✓
  - There is an increase in the quantity of products being demanded and supplied in the market. ✓✓
  - The price will decrease and more consumers will be able to buy the product. ✓✓
  - Some believe that these firms will not survive without the intervention. ✓✓
  - Some subsidies are considered to be unfair as other producers have to compete with subsidised companies. ✓✓
- Subsidies to consumers:
  - Subsidies to consumers are made by the government to consumers so that they are able to buy products that they normally would not be able to afford. ✓✓
  - These subsidies are made to benefit poorer people because it makes the price of the product lower. ✓✓
  - It is done to encourage the use of a particular product or service that the government feels is of public interest. e.g., transport and antiretrovirals. ✓✓
  - The price of the product increases in the market. ✓✓
  - People who are receiving a subsidy will be paying less than the original equilibrium price. ✓✓
  - People who can afford to pay for the product will be paying more than the original equilibrium. ✓✓
  - The overall quantity of the product will increase. ✓✓
  - Government needs to monitor the prices so that they do not lead to exploitation of the consumer. ✓✓

(Accept any other correct and relevant response.)

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Welfare:

- South Africa's constitution states that everyone has the right to have access to social security. ✓✓
- If they are unable to support themselves, they can get social assistance. ✓✓
- The unequal distribution of wealth causes a lot of people to be unable to meet their own basic needs. ✓✓
- To help the needy, the government provides welfare grants. ✓✓
- The government takes these grants from the taxes they receive. ✓✓
- Types of grants in South Africa:
  - Social grants include old age grants, disability grants and war-veteran's grants. ✓✓
  - Children's social support includes care-dependency grants, foster child grants and child support grants. ✓✓
  - Special awards include social relief of distress grants and transport relief grants. ✓✓

(Accept any other correct and relevant response.)

Government production of goods and services ✓

- Some goods are not normally provided by the private sector because they would be unable to supply them with a profit. ✓✓
- The market has therefore failed to provide important goods to the public and the government needs to step in. ✓✓
- By producing these goods, the government is increasing the quantity of goods and services available in the market. ✓✓
- In most cases they decrease the price in the market to keep the goods and services accessible to all. ✓✓
- Public goods ✓
  - Public goods are non-excludable. ✓✓
  - The benefits of public goods cannot be excluded from anyone and given only to those who have paid for it. ✓✓
  - Non-payers can enjoy the benefits of consumption at no financial cost. ✓✓ e.g. streetlights. ✓
  - There is non-rivalry in consumption. ✓✓
  - Consumption by one person does not reduce the availability of the good to others. ✓✓
  - The product cannot be used up. ✓✓
- Merit goods ✓
  - A merit good is a product that society values and that is regarded as something that everyone should have. ✓✓
  - Society feels that the use of these products will generate many positive effects for the greater society. ✓✓
  - Merit goods are those goods and services that the government feels ought to be subsidised or provided for free. ✓✓
  - Both the public sector and the private sector provide merit goods and services. ✓✓ e.g. education and health services. ✓

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- Social costs and benefits ✓
  - There are many demands on government to provide public goods and services. ✓✓
  - Before the government can decide on what to produce, it must determine what the benefits and what the costs are going to be. ✓✓
  - If the benefits and costs of satisfying different wants can be measured, the wants and needs of the society can be ranked according to their cost-benefit ratio. ✓✓
  - Those projects with the highest cost-benefit ratio would be undertaken first. ✓✓
  - Social benefits consist of the total benefits society gains from the consumption and production of goods or services. ✓✓
  - Private benefits are those benefits that the individuals or firms receive from using or consuming a good or service. ✓✓
  - Social costs are the total costs society suffers for consuming or producing certain goods or services. ✓✓
  - Private costs are the costs paid by individuals or firms for goods or services. ✓✓

(Accept any other correct and relevant response.) **(26 marks)**

ADDITIONAL PART

- Government needs to intervene to correct inefficiencies in the economy such as monopolies, distribution of wealth etc. ✓✓
- The market is not able to provide goods and services like infrastructure and essential services such as health and education to the people. ✓✓
- They need to prevent unequal opportunities in the market to create fair competition by investigating collusion, excessive prices etc. ✓✓
- To guard against market prices that may be detrimental to the economic health of the country. ✓✓
- They need to improve the level of welfare by financing a system of grants to the poorest members of society. ✓✓
- Government needs to manage strategic industries in the country such as power generation, water supply and transport infrastructure. ✓✓
- They need to correct market failures which result in an insufficient supply of essential goods and services. ✓✓
- The government needs to promote the fair treatment of workers and prevent exploitation, so it sets minimum wages and maximum working hours. ✓✓

(Accept any other correct and relevant response.) (Max. 10 marks)

CONCLUSION

- The Government also provides public goods and merit goods to society at large. ✓✓

(Accept any other correct and relevant high-order conclusion.)

(Max. 2 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 100

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