education

MPUMALANGA PROVINCE

REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P2

SEPTEMBER 2025

MARKING GUIDELINE

MARKS: 150

These marking guidelines consist of 19 pages.

SECTION A: COMPULSORY

QUESTION 1 **30 MARKS – 20 MINUTES**

1.1. MULTIPLE CHOICE

1.1.1 B / unique ✓✓
1.1.2 C / downward sloping. ✓✓
1.1.3 A / maximum price. ✓✓
1.1.4 D / missing market. ✓✓
1.1.5 A / ecotourism✓✓
1.1.6 C / administered price inflation✓✓
1.1.7 B / third party effects✓✓
1.1.8 D / deforestation✓✓

(8x 2) (16)

1.2 MATCHING ITEM

1.2.1 D / leading firm sets the price, and other firms follow it ✓
1.2.2 I / amount of income a firm earns for every unit sold ✓
1.2.3 A / technique used by government to compare expected social costs and social benefits ✓
1.2.4 G / rules, laws, and guidelines set by government to manage various aspects of an economy, or the market ✓
1.2.5 C / the measure of changes in prices of all final goods and services.✓
1.2.6 E / list of goods and services which a typical consumer buys and are used to measure headline inflation✓
1.2.7 H / focuses on achieving economic growth without causing long term damage to the environment
1.2.8 F /all the physical resources and natural conditions such as climate, land, water, and raw materials✓

(8 x 1) (8)

1.3 ONE WORD

1.3.1 Competition Commission ✓
1.3.2 Duopoly ✓
1.3.3 Social Benefit ✓
1.3.4 Deflation ✓
1.3.5 Kyoto protocol ✓
1.3.6 Environmental sustainability/Sustainable development ✓

(6 x 1) (6)

TOTAL SECTION A: (30)

SECTION B

QUESTION 2: MICROECONOMICS **40 MARKS**

2.1 **Short questions:**

2.1.1 **Give any TWO examples of Community goods.**

- Street lightning ✓
- Police services ✓
- Defence ✓ (2 x 1) (2)

(Accept any other correct relevant responses)

2.1.2 **How does a monopolist make an economic loss?**

- When the average costs (AC) are higher than the average revenue (AR)
- If the price charged is too high leading to too low demand, total revenue will be lower than total cost ✓✓ (1 x 2) (2)

(Accept any other correct relevant responses)

2.2 **DATA RESPONSE:**

2.2.1 **Identify the equilibrium wage rate in the graph above.**

W ✓ (1)

2.2.2 **Which market participant supply labour in the market?**

Households /consumers✓ (1)

2.2.3 **Briefly describe the term *minimum wage*.**

A wage rate set by government, below which no employer can pay their workers ✓✓
(Accept any other correct relevant response) (2)

2.2.4 **Explain the reason why the quantity of workers demanded reduced from Q to Q_1.**

Minimum wage increases cost of production for businesses and they retrench some of their workers in order to remain profitable ✓✓ (2)
(Accept any other correct relevant response)

2.2.5 **How does minimum wage benefit workers.**

- Workers will earn more and be able to afford basic goods and services leading to increase in their standards of living. ✓✓
- Vulnerable workers are protected as they do not need to negotiate with the employers for wage increases ✓✓ (2 x 2) (4)

(Accept any other correct relevant response)

2.3. **DATA RESPONSE:**

2.3.1 **Identify a barrier to entry into the monopoly market represented above.**

- Patent ✓
- Copyright ✓ (1)

2.3.2 **Name any ONE example of an artificial monopoly.**

- Pharmaceutical industry ✓
- Music industry✓ (1)

(Accept any other correct relevant responses)

2.3.3 **Briefly describe the term *natural monopoly*.**

- High developmental costs prevent other businesses from entering the market ✓✓
- Natural monopoly is created when the barriers to entry into the market are economic in nature ✓✓ (2)

(Accept any other correct relevant responses)

2.3.4 **What does the downward-slopping demand curve indicate for the monopolist?**

The monopolist must reduce prices to sell more units/ as the price decreases, the quantity demanded increases ✓✓ (2)

(Accept any other correct relevant responses)

2.3.5 **How does a typical monopolist make only economic profit in the long run?**

- Barriers to entry prevents new competitors from entering the market, therefore, the monopolist' profit is protected✓✓
- A monopolist as a price-maker can choose the price and quantity that maximizes their profits, ensuring continued economic profits✓✓
- If loses were made in the short run, the firm can change its business strategy to reduce costs relative to revenue, therefore make economic profit✓✓ (2 x 2) (4)

(Accept any other correct relevant response)

2.4 **Discuss methods used by a monopolistic firm to compete in the market.**

- Product differentiation which makes their products slightly different in order to gain more customers and profits ✓✓
- Investing a lot of money in advertising for customers to be aware of their product and buy in numbers leading to more profits✓✓
- Spend a lot of money in research and development to build a loyal consumer group ✓✓

- Branding determines consumer loyalty where a consumer may choose one producer over another thereby increasing sales ✓✓
- Opening extended hours to sell products and services to consumers after work and increase profits ✓✓
- Selling goods and services online and deliver to customers houses and be more convenient to all consumers who are far from shops or do not have time to go to shops thereby increasing profits ✓✓ (8)

(Accept any other correct relevant response)
(Allocate a maximum of 4 marks for a mere listing of facts)

2.5 **How successful is South Africa in reducing the problem of lack of information in the market?**

***Successful because*;**

- Producers are required by law to label their products and its ingredients accurately so that the consumer is not mislead about what the product is✓✓
- Producers are regulated to provide accurate additional information about their products such as expiry dates and quantity✓✓
- Firms are required by law to ensure that the messages in their advertisement are not misleading✓✓
- Retailers should make sure that the price of a product displayed on the shop shelve is accurate, if displayed price is lower than the real price, the seller is obliged by law to sell the product to the specific buyer at the displayed price✓✓
- Various sectors have ombudsman services to investigate the complaint of consumers regarding various issues including misinformation ✓✓
- Job opportunities are advertised in new papers, on internet, on media platforms to make sure that workers are aware of job opportunities. ✓✓
- Government spend money on campaigns that informs the public about policies and legislation that protects them against exploitation ✓✓

Not successful because:

- Despite the laws to ensure that information is provided on products, there are still incidences where some suppliers cheat by selling expired products✓✓
- Many consumers do not use the various consumer protection services to lodge complaints where misinformation about the product happens✓✓ (Max.8)

(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for a mere listing of facts/examples)

[40]

QUESTION 3: MICROECONOMICS **40 MARKS**

3.1 **Short questions:**

3.1.1 **Name any TWO causes of cost push inflation**

- Higher wages✓
- Exchange rate depreciation ✓
- Natural disasters✓
- Key inputs✓ (2 x 1) (2)

(Accept any other correct relevant responses)

3.1.2 **Why does government impose sin tax on demerit goods?**

Discourage the consumption as demerit goods harm social welfare ✓✓ (2)
(Accept any other correct relevant response)

3.2. **DATA RESPONSE**

3.2.1 **Identify the period during which the inflation rate was the lowest.**

July 2023 ✓ (1)

3.2.2 **Name the consumer inflation that is referred to as unadjusted CPI inflation.**

Headline inflation✓ (1)

3.2.3 **Briefly describe the term *inflation.***

A sustained and significant increase in the general price level over a period of time (usually a year) ✓✓ (2)
(Accept any other correct relevant response)

3.2.4 **Why is core inflation always lower than headline inflation?**

Core inflation excludes products with volatile prices while headline includes all products in the shopping basket ✓✓ (2)
(Accept any other correct relevant response)

3.2.5 **How can fiscal policy be used to reduce inflation level?**

- increase personal income tax as such reducing disposable incomes and consumer spending
- reduce government spending by postponing some of the public project in order to reduce level of inflation ✓✓ (2 x 2) (4)

(Accept any other correct relevant response)

3.3 **DATA RESPONSE:**

3.3.1 **What type of pollution described in the extract above.**

Air pollution ✓ (1)

3.3.2 **Identify any ONE environmental problem faced by Thembisile Hani Local Municipality.**

- Drought ✓
- Deforestatioin ✓ (1)

3.3.3 **Briefly describe the term *pollution.***

The introduction of waste matter into the natural environment ✓✓ (2)
(Accept any other correct relevant response)

3.3.4 **How does preservation positively affect the environment?**

It protects the parts of the environment that it threatened by extinction/ it allows part of the environment to be kept intact (unused)✓✓ (2)
(Accept any other correct relevant response)

3.3.5 **How can the government protect the environment in South Africa?**

- Government can impose environmental taxes to force consumers and producers to pay the social cost of pollution✓✓
- Government can subsidise businesses that use of environmentally friendly technology✓✓
- Government can educate people about the importance of the environment ✓✓
- Marketable permits can be used to allow businesses to pollute up to a certain limit✓✓ (2 x 2) (4)
(Accept any other correct relevant responses)

3.4 **Compare consumer price index with producer price index.**

- PPI measures the cost of production✓ whereas CPI measures the cost of living ✓
- PPI' basket consists of goods ✓only while the CPI basket consists of consumer goods and services ✓
- Capital and intermediate goods are included in PPI✓ but capital and intermediate goods are excluded in CPI✓
- Prices exclude VAT in the PPI ✓while Prices include VAT in the CPI ✓
(Accept any other correct relevant responses) (2 x 4) (8)
(Allocate a maximum of **4 marks** for a mere listing of facts/examples)

3.5 **Why international agreements fail to reduce the rate of climate change?**

- The agreements are not contractual; therefore, implementation mainly end up being voluntary and many countries do not follow through✓✓

- Reduction of green houses gases clashes with the goal of economic growth, as many countries use fossil fuel for energy, countries end up choosing to ignore the agreements✓✓
- Major countries such as the USA who are major polluters resigned from the agreements, therefore sending a message that these agreements are not important ✓✓
- Some countries choose not to be part of these agreements at all, indicating that they do not believe in reducing greenhouse gases✓✓
- Clean technology is expensive, as such many countries especially developing countries cannot afford to stop the use of fossil fuels✓✓ (8)

(Accept any other correct relevant response)
(Allocate a maximum of **2 marks** for a mere listing of facts)

[40]

QUESTION 4: MICROECONOMICS & CONTEMPORARY ECONOMIC ISSUES

40 MARKS

4.1 **Short questions**:

4.1.1 **Name any TWO types of externalities.**

- Positive externality✓
- Negative externality✓ (2)

4.1.2 **Why does the market fail to protect the environment?**

- The market is interested only in making profit even at the expense of the environment✓✓
- Some market participants lack knowledge of how their actions negatively affect the environment✓✓ (2 x 2) (2)

(Accept any other correct relevant response)

4.2 **DATA RESPONSE**

4.2.1 **Identify the type of oligopoly illustrated above.**

Pure oligopoly ✓ (1)

4.2.2 **Name the restrictive business practice that is common in oligopoly industries.**

Collusion ✓ (1)
(Accept any other correct relevant response)

4.2.3 **Briefly describe the term *explicit cost*.**

It is the actual expenditure of a business e.g. wages and interest/ the firm's expenditure on factors of production used in production✓✓ (2)
(Accept any other correct relevant responses)

4.2.4 **How can a firm differentiate its product in an oligopoly?**

- By using advertising, the firm can communicate the benefit of the product to the consumer ✓✓
- By using a distinct packaging, the product may appear different from those of the firm's competitors ✓✓ (2)
  (Accept any other correct relevant response)

4.2.5 **Why is the demand curve of oligopoly market kinked?**

- If oligopolist decide to increase prices by a small amount there will be a very large decrease in quantity demanded because the rivals will not follow, which makes the top part to be elastic. ✓✓ OR In the top part demand is very sensitive to price change making it to be elastic. ✓✓
- If oligopolist decide to reduce price the rival will quickly follow and there will be a very small increase in quantity demanded which makes bottom part to be inelastic.✓✓ OR In the bottom part, demand is not sensitive to price change making it to be inelastic ✓✓
  (Accept any other correct relevant response) (2 x 2) (4)

4.3 **DATA RESPONSE**

4.3.1 **Identify the African countries that experienced hyperinflation in the extract above.**

Zimbabwe✓ (1)

4.3.2 **Name any ONE economic condition that must exist in addition to inflation for stagflation to occur.**

- low economic growth✓
- High unemployment✓ (1)

4.3.3 **Briefly describe the term *hyperinflation.***

when there is an extremely high and rapid increase in the general price level which means inflation rate is at 50% or higher per month. ✓✓ (2)
(Accept any other correct relevant response)

4.3.4 **Explain how expectations of high inflation can affect labour unions?**

Labour unions will demand higher wage increases from the employers. ✓✓ (2)
(Accept any other correct relevant response)

4.2.5 **How can inflation targeting contribute towards stable inflation?**

- It controls the level of demand by increasing and decreasing interest rates ✓✓
- It manages people 's inflation expectations and buying behaviours as the target inflation is known ✓✓ (2 x 2) (4)

(Accept any other correct relevant response)

4.4 **Discuss *productive and allocative inefficiency* as causes of misallocation of resources.**

Productive inefficiency

- When businesses do not maximise outputs from given inputs ✓✓
- A business does not produce goods at the lowest possible cost✓✓
- There is room to reduce costs without producing fewer goods or without producing a lower quality good ✓✓ (Max.4)

Allocative inefficiency

- The product mix does not reflect consumers' tastes. ✓✓
- Businesses are allocated resources inefficiently and produce goods and services that consumers do not want. ✓✓
- The quantities required by the consumers are not available✓✓ (Max.4) (8)

(Accept any other correct relevant responses)
(Allocate a maximum of **4 marks** for a mere listing of facts)

4.5 **What is the impact of loss of indigenous knowledge on the environment?**

- the use of non-indigenous ways to fertilise soil (e.g. chemical fertilisers) may result in high output but they cause various environmental problems such soil degradation
- The indigenous people lived positively with the environment; therefore, the loss of such relationship resulted in loss of biodiversity and weakened ecosystem ✓✓
- The decline of traditional way of life due modernisation resulted in over consumption of products which led to the over exploitation of resources to match the ever-increasing production ✓✓
- The loss of knowledge can reduce access to organic and culturally relevant healthcare ✓✓
- The indigenous communities used the environment to satisfy needs, however the profit motive of modern society encourage satisfaction of ever-increasing wants leading to climate change due to air pollution associated with over-production✓✓

(Accept any other correct relevant response (8)
(Allocate a maximum of **2 marks** for a mere listing of facts)

[40]

TOTAL SECTION B: (80)

SECTION C

ESSAYS:

QUESTION 5: MICROECONOMICS **40 MARKS**

- **Discuss in detail the various equilibrium positions of a perfect market with the aid of graphs.** **(26 marks)**
- **Why is it important for South Africa to implement the Competition Policy?.** **(10 marks)**

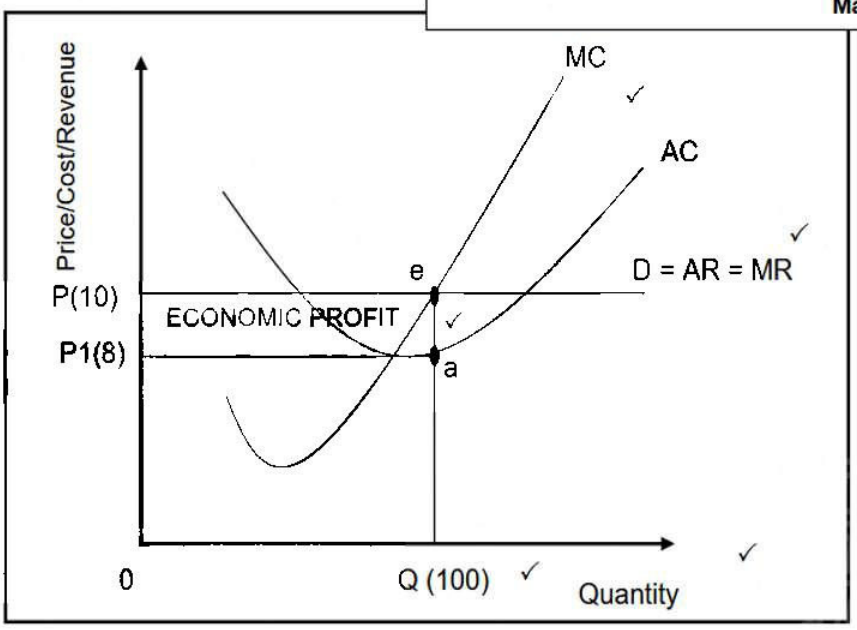
INTRODUCTION

A perfect competitor is a market structure with a large number of buyers and sellers ✓✓ (Max. 2)
(Accept any other correct relevant introductions)

BODY: MAIN PART

ECONOMIC PROFIT ✓

Correct positioning and labelling of cost curves = 1 mark
Correct positioning and labelling of revenue curves = 1 mark
Indication of economic profit area = 1 mark
Labelling on axes = 1 mark
Labelling of axes = 1 mark
Max 4 marks

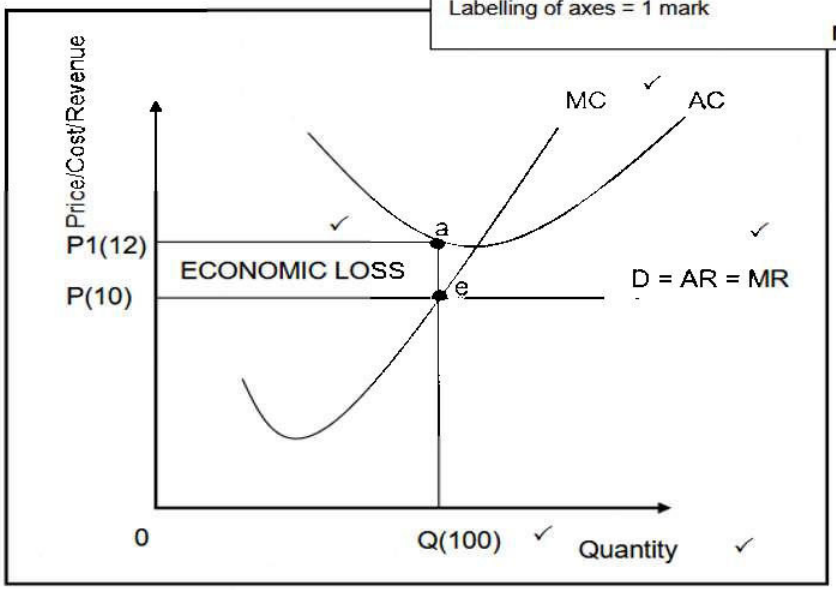


- Economic profit is the profit that is made in addition to the normal profit/When average revenue is greater than average cost the firm makes economic profit. ✓✓
- The firm produces at point e where MR=MC ✓✓/At point e, Q/100 units are produced at P/R10. ✓✓
- At point e, AR (P/R10) is greater than AC (P1/R8). ✓✓
- The firm makes an economic profit of PeaP1 /TR - TC (R1000 – R800= R200) ✓✓ / R2 x 100 = R200**).** ✓✓

ECONOMIC LOSS ✓

Correct positioning and labelling of cost curves = 1 mark
Correct positioning and labelling of revenue curves = 1 mark
Indication of economic loss area = 1 mark
Labelling on axes = 1 mark
Labelling of axes = 1 mark

Max 4 marks

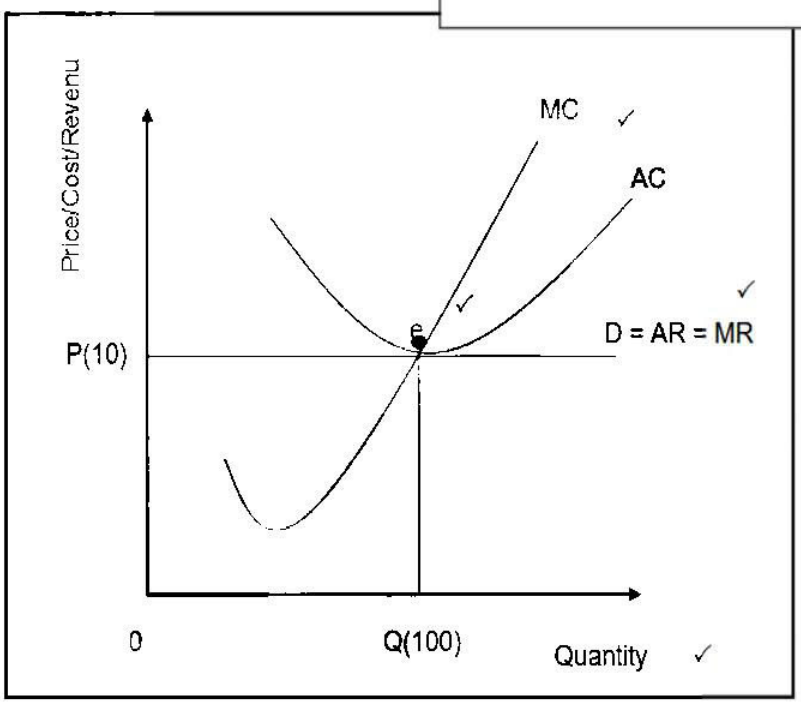


- Economic loss occurs when total costs are greater than the total revenue/when average revenue is lower than the average cost. ✓✓
- The firm produces at point e where MR=MC. ✓✓/At point e, Q/100 units are produced at P/R10. ✓✓
- At point e, AR (P/R10) is less than AC (P1/R12). ✓✓
- The firm makes an economic loss of PP1ae / TR – TC (R1000 – R1200 = - R200)✓✓/ R10 – R12 = - R2). ✓✓

NORMAL PROFIT ✓

Correct positioning and labelling of cost curves = 1 mark
Correct positioning and labelling of revenue curves = 1 mark
Indication of break-even point = 1 mark
Labelling of axes = 1 mark
Labelling on axes = 1 mark

Max 4 marks



- Normal profit is the minimum earnings required to prevent the entrepreneur from
- leaving the industry. ✓✓
- Normal profit occurs when total revenue equals total cost/ when average revenue
- equals average cost. ✓✓
- The firm produces at point e where MR=MC. ✓✓/At point e, Q/100 units are produced at P/R10. ✓✓
- At point e, AR (P/R10) is equal to AC (P/R10). ✓✓
- The firm makes normal profit of P x Q – AC x Q / R1000 – R1000 = R0 ✓✓/ R10 – R10 = R0. ✓✓

(Accept any other correct relevant response) (Max. 26)
(Allocate a maximum of **8 marks** for mere listing of facts including headings)

Additional instructions:

- Mark allocation for graphs= **max 12 marks**
  - Max 12 marks for 3 graphs
  - Max 8 marks for 2 graphs
  - Max 4 marks for 1 graph
- Mark allocation for explanations of graphs = **max 14 marks**

ADDITIONAL PART

South Africa implements the Competition policy to:

- promote a healthy competition among businesses,✓ t**herefor**e leading to lower prices and wide choice✓
- prevent restrictive practices such as collusion✓ **as** they lead to fewer sellers and therefore lower production✓
- protect the consumer against unfair pricing and inferior products✓**therefore**, improving the level of consumer satisfaction✓
- Provide all South Africans with equal opportunities to participate fairly in the economy✓, **therefore,** contributing as per their skills and knowledge✓ **[40]**
- regulate the growth of market power by means of takeovers and mergers,✓ **therefore**, ensuring that the economy is not negatively affected by such agreements✓
- prevent the abuse of economic power such as of monopolies,✓ **therefore**, limiting the effects of inefficiencies that comes with monopolies✓

(Accept any other correct relevant responses) (Max. 10)
(Allocate a maximum of **2 marks** for mere listing of facts)

CONCLUSION

Businesses under perfect competition can only realise normal profits in the long-run. This is due to the number of businesses entering in the market to share in the profits being made in the short-run ✓✓ (Max.2)
(Accept any other correct relevant high order conclusion)

QUESTION 6: MICROECONOMICS **40 MARKS**

- **Examine in detail the benefits of tourism.** **(26 marks)**
- **How can tourism attractions in less popular destinations be successfully marketed?** **(10 marks)**

INTRODUCTION

Tourism is the activities of people travelling to and staying in places outside their usual environment for no more than one consecutive year for leisure, business or other purposes ✓✓ (Max.2)
(Accept any other correct relevant response)

MAIN PART

Business sector ✓

- Tourism stimulates business in areas such as accommodation and entertainment. ✓✓
- The construction industry, in private-public partnership with the government to provide the infrastructure, manufacturing sector and recreation sector all benefits from increased demand due to tourism. ✓✓
- The previously disadvantaged communities get entrepreneurial opportunities through the black economic empowerment schemes. ✓✓
- A large number of people get business opportunities in the informal sector ✓✓ e.g. selling of artefacts✓
- Local retailers may have an increase in sales (and profits) because of increased demand from tourists ✓✓
- Private businesses and government work in partnership to provide the infrastructure needed for tourism✓✓
- This increases the market share of and income of these businesses✓✓
- Allow existing businesses to improve the quality and variety of their products ✓✓
- Allow natural monopolies e.g. Table Mountain Cableway to achieve abnormal profits ✓✓
- The public sector also provides a range of financial incentives for private sector tourism investment (grants, subsidies, loans, tax rebates) ✓✓

Infrastructure development ✓

- Adequate and well-maintained infrastructure is essential for tourist destinations ✓✓
- Locals share this infrastructure with tourists✓✓
- Government often prioritises economic infrastructure such as ports and beaches✓✓
- In addition to physical and basic infrastructure, social infrastructure is also important for the growth of tourism ✓✓
- Most of the SDIs and development corridors also have tourism as an important focus ✓✓

Households ✓

- Members of households earn income from the tourism sector as tour operators, travel agents etc. ✓✓
- Many households are indirectly involved in tourism as employees ✓✓ e.g. in hotels, transport sector. ✓
- Entrepreneurs from households that operate as curio producers or musicians can earn income from tourism ✓✓
- A large number of households acquire skills in the tourism industry ✓✓
- School curriculum and learnership offer opportunities to acquire these skills ✓✓
- Encourages rural development because many tourist attractions are located in rural areas ✓✓

Government ✓

- Tourism enables the government to advertise the country's tourist potential✓✓
- This can create a good image of the country if accompanied by good service ✓✓
- Tourism makes direct and indirect contributions to the government revenue through levies on tourists e.g. tickets, hotel room occupancy ✓✓
- It creates jobs at no cost to the government especially in the informal sector ✓✓
- Tourism earns foreign exchange; therefore, it boosts the country's foreign exchange reserves directly when tourists pay in foreign currencies✓✓
- It enables the government to achieve its socio-economic objectives of black economic empowerment and SMME development✓✓ (Max. 26)

(Accept any other correct relevant responses)
(Allocate a maximum of **8 marks** for the mere listing of facts including headings)

ADDITIONAL PART

Tourism can be successfully marketed in less popular destinations by:

- advertising the firms' attractions in a variety of media including social media and internet which may reach both local and international potential tourists. ✓✓
- 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 – deliver a world class 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 / Shot Left campaign✓✓

(Accept any other correct relevant responses)
(Allocate a maximum of **2 marks** for mere listing of facts)

CONCLUSION

A weaker exchange rate has been a major contributing factor to South Africa's tourism industry growth over many years ✓✓ (Max.2)
(Accept any correct relevant higher order conclusions)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150