

PROVINCIAL EXAMINATION
JUNE 2022
GRADE 10
MARKING GUIDELINES

ECONOMICS (PAPER 2)

18 pages

SECTION A (COMPULSORY)**20 MARKS – 10 MINUTES****QUESTION 1: MULTIPLE-CHOICE QUESTIONS**

1.1 1.1.1 C – FNB, Capitec, Nedbank ✓✓

1.1.2 B – the nature of the product is unique. ✓✓

1.1.3 C – production possibility curve ✓✓

1.1.4 C – maximum price ✓✓

1.1.5 D – Legislation ✓✓

(5 x 2) (10)

1.2 MATCHING COLUMNS

1.2.1 D ✓

1.2.2 A ✓

1.2.3 F ✓

1.2.4 B ✓

1.2.5 E ✓

1.2.6 C ✓

(6 x 1) (6)

1.3 IDENTIFY THE TERM

1.3.1 Price ✓

1.3.2 Complementary goods ✓

1.3.3 Public goods ✓

1.3.4 Subsidies ✓

(4 x 1) (4)

TOTAL SECTION A: 20

SECTION B

Answer any ONE of the following two questions.

QUESTION 2: MICROECONOMICS

40 MARKS – 30 MINUTES

2.1 Answer the following questions.

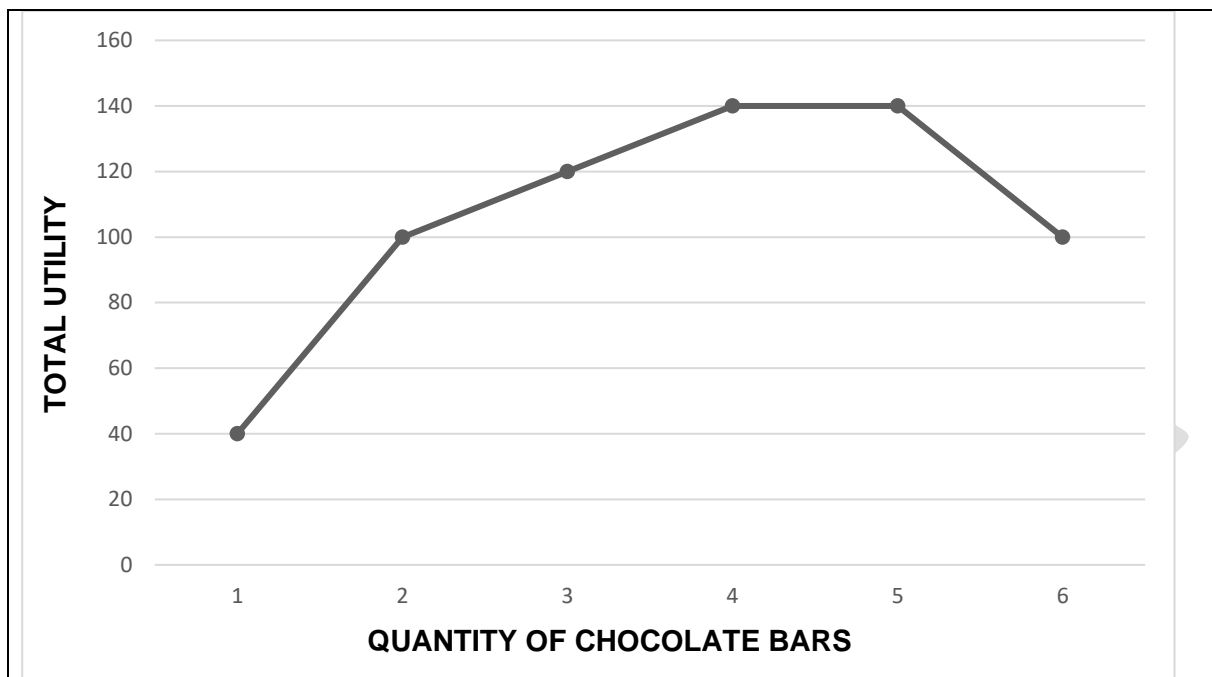
2.1.1 Name any TWO requirements for the establishment of a market.

- At least one buyer and one seller ✓
- Sellers must have goods or services to sell and are 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)

2.1.2 How does a minimum price benefit business?

- At a higher price, businesses will make higher profits. ✓✓
 - Minimum prices will lead to an increase in production/supply of the products. ✓✓
- (Accept any other correct relevant response.) (1 x 2) (2)

2.2 Study the following graph and answer the questions that follow.



2.2.1 Supply an appropriate heading for the graph.

- Total utility graph of chocolate bars ✓
(Accept any other relevant answer.)

(1)

2.2.2 Identify the chocolate bar with a marginal utility of "0".

- Chocolate bar number 5 ✓

(1)

2.2.3 What does the *law of diminishing marginal utility* entail?

- The law of diminishing marginal utility states that as consumption increases, the marginal utility decreases. ✓✓

(2)

2.2.4 Explain the relationship between utility and demand of a product.

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

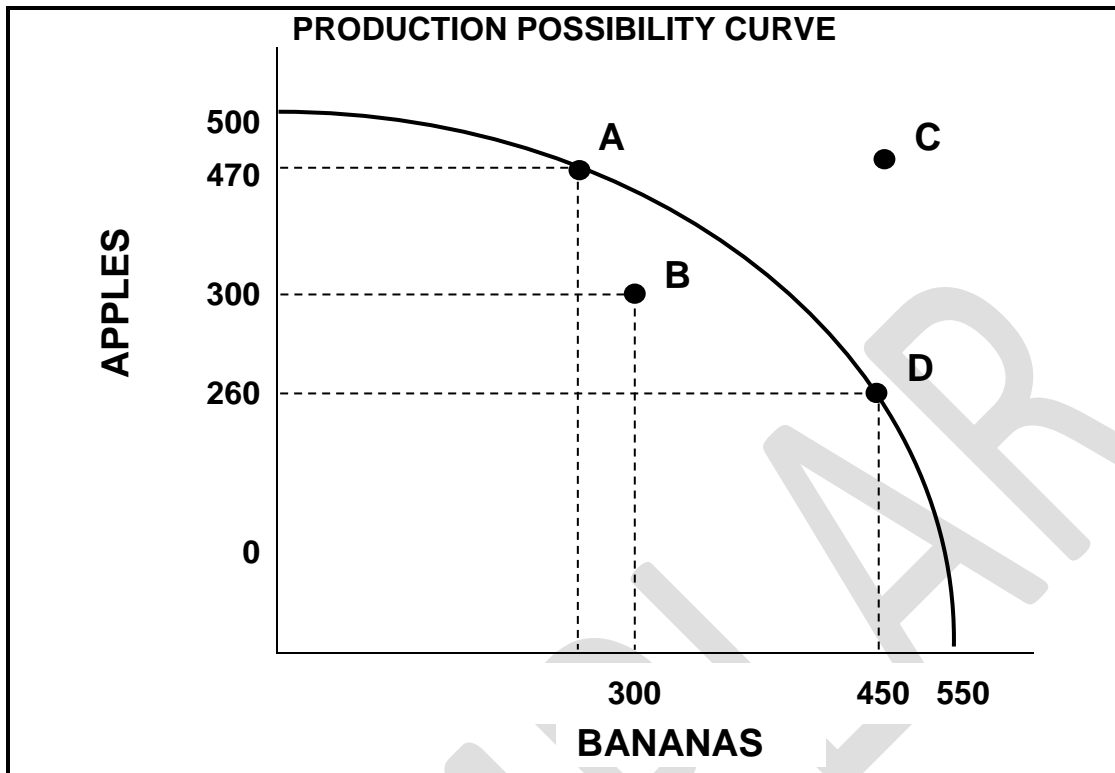
(2)

2.2.5 Distinguish between *utility* and *marginal utility*.

- Utility is the satisfaction gained from consuming a good/the power or ability of a product to satisfy a want. ✓✓
- Marginal utility is the additional satisfaction gained from the consumption of an additional unit of a good or service at a certain time. ✓✓

(4)

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



2.3.1 How many bananas can be produced at point D?

- 450 ✓

(1)

2.3.2 Identify the point of inefficiency.

- B ✓

(1)

2.3.3 Briefly describe the term *production possibility curve*.

- The PPC shows all possible combinations of goods that can be produced with a given set of resources. ✓✓
(Accept any other relevant answer.)

(2)

2.3.4 Why is it not possible to produce at point C?

- Scarcity ✓✓
- Shortage of resources ✓✓
- Point is outside of the PPC ✓✓
(Accept any other relevant answer.)

(2)

2.3.5 Calculate the opportunity cost if production shifts from point A to point D. Show your calculations.

- Shifting production from A to D means we have to sacrifice the production of apples. ✓✓
- $A = 470$ apples $D = 260$ apples
 $= 470 - 260$
 $= 210$ apples ✓✓

(4)

2.4 Briefly discuss any TWO characteristics of perfect markets.

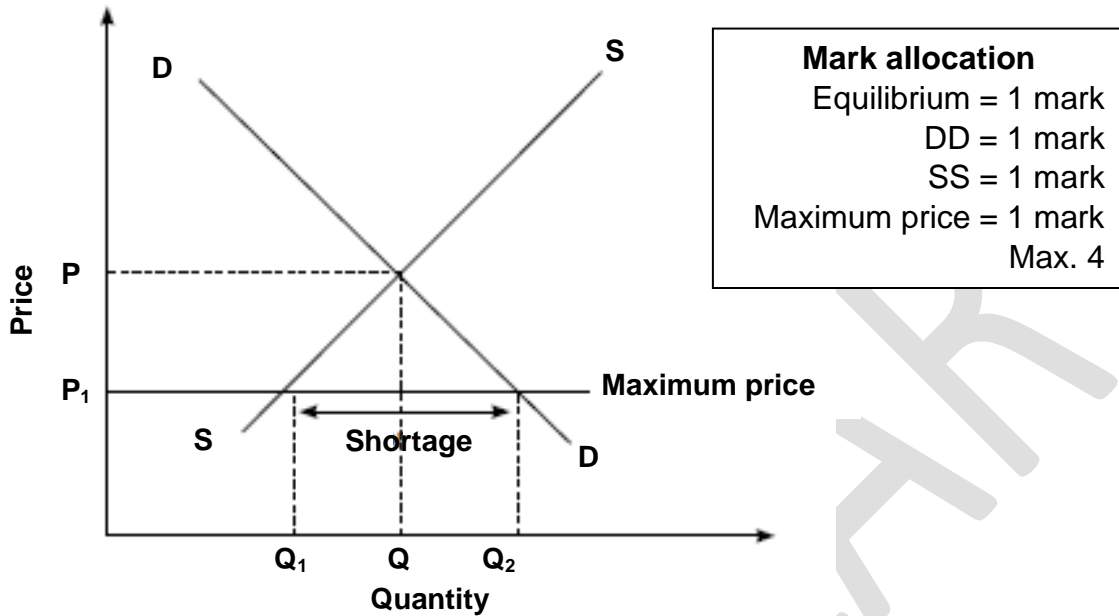
- There are a large number of buyers and sellers so that nobody can influence the market price with their behaviour. ✓✓
- Buyers and sellers have full knowledge and information about market conditions. ✓✓
- There are no barriers to entry and exit, buyers and sellers are free to leave or enter the market. ✓✓
- All goods or services in the market are identical or homogenous. ✓✓
- There is no government interference in the market in order to influence prices. ✓✓
- There is no working together amongst sellers (no collusion). ✓✓

(Accept any other correct relevant response.)

(Allocate a maximum of 4 marks for mere listing of facts/examples.)

(8)

- 2.5 Draw a graph and explain the effect if government sets a maximum price on a product.



- 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 the quantity supply will drop. ✓✓
 - 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. ✓✓
- (Accept any other relevant response.)
(Maximum 4 marks for explanation.)

(8)
[40]

QUESTION 3: MICROECONOMICS**40 MARKS – 30 MINUTES****3.1 Answer the following questions.****3.1.1 Give any TWO examples of geographical markets.**

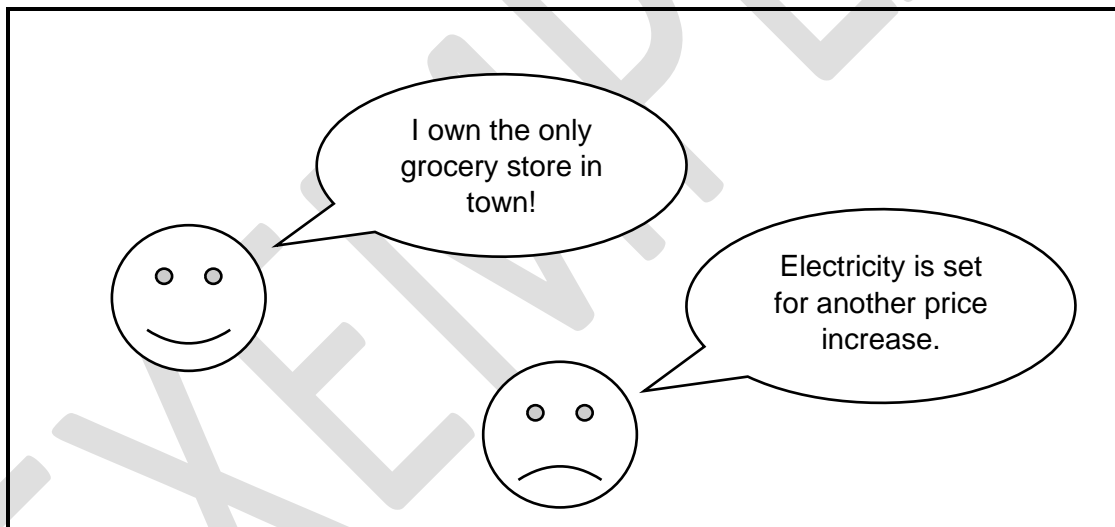
- Local markets ✓
- Regional markets ✓
- National markets ✓
- World markets ✓

(Any correct relevant answer.)

(2 x 1) (2)

3.1.2 What is meant by production inefficiencies?

- If less is produced than is possible with the existing resources, this is referred to as inefficiencies. ✓✓
- Producing below the production possibility curve (PPC). ✓✓ (1 x 2) (2)

3.2 Study the following cartoon and answer the questions that follow.**3.2.1 What type of market structure is illustrated in the cartoon above?**

- Imperfect market/Monopoly ✓

(1)

3.2.2 Give ONE example of such a market structure in South Africa.

- Eskom/Transnet/Post Offices in South Africa/SAA/DENEL ✓
- (Accept any correct, relevant examples.)

(1)

3.2.3 Briefly describe the term *monopoly*.

- There is only one supplier of a product and there is no way that consumers could substitute something else for that product, as it is unique. ✓

(2)

3.2.4 Briefly explain heterogeneous products as a characteristic of a monopoly.

- The products in the market are different from each other. ✓✓

(2)

3.2.5 How can having more grocery stores in town benefit consumers?

- The quality and service of the product will improve due to competition. ✓✓
 - The supply of the product will increase due to increased competition. ✓✓
 - Due to an increase in the supply of the product, consumers will pay lower prices. ✓✓
 - A variety of the product will be sold. ✓✓
 - It lowers the possibility of collusions. ✓✓
- (Accept any other relevant, correct response.)

(4)

3.3 Study the following image and answer the questions that follow.



[Source: Google images/VectorStock/27422520]

3.3.1 Identify the tax applicable on the products in the image.

- Excise duty/Sin tax ✓ (1)

3.3.2 Name any other example of indirect taxation.

- VAT ✓
 - Import duty/Customs duty ✓
 - Stamp duty ✓
 - Transfer duty ✓
- (Accept other correct examples.) ✓ (1)

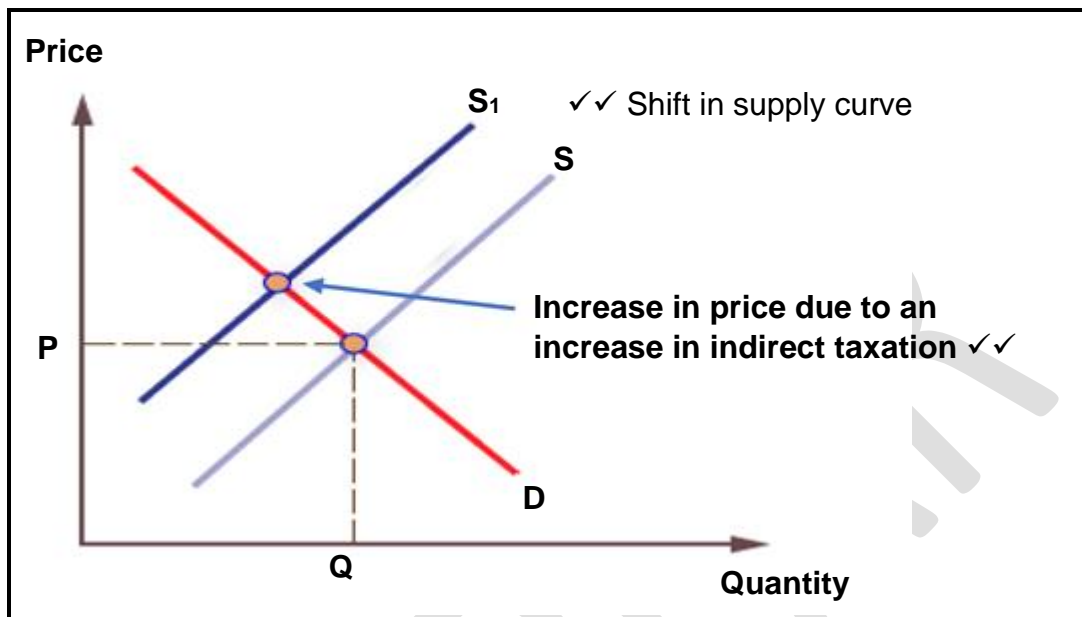
3.3.3 What is meant by *direct taxation*?

- Taxes imposed on the income of individuals and the profits of businesses ✓✓ (2)

3.3.4 Briefly explain why government will impose tax on products like alcohol and cigarettes.

- To raise revenue for the state ✓✓
- To reduce consumption by influencing consumer behaviour/
To reduce or discourage consumption of harmful products such as
cigarettes, alcohol, etc. ✓✓ (2)

3.3.5 Using a graph, explain how an increase in indirect tax will affect the price of products.



(4)

3.4 Discuss the characteristics of indifference curves.

- Always downward-sloping/negatively sloping – When the quantity of one product increases, the other must decrease as the curve represents all the combinations that give the same utility. The gradient of the slope shows the marginal rate of satisfaction. ✓✓
- Higher indifference curves are preferred – There are many different combinations of the consumer's choice between the two products. The further away the curve is from the origin of the graph, the greater the satisfaction that is gained. ✓✓
- They bend inwards (convex) – The slope of an indifference curve represents the marginal rate of substitution. This is the rate at which the consumer trades off one product (of which they have a greater quantity) for the other product (of which they have a smaller supply). ✓✓
- Do not cross or touch – As all points on the curve represent the same utility, and all combinations of two goods on a particular curve will yield the same satisfaction to the consumer, this means all points will always give the same satisfaction. It is therefore impossible for the consumer to be indifferent. ✓✓
- Differently shaped curves from consumer to consumer – An indifference curve only reflects the preferences and utility gained by the individual consumer. ✓✓

(Max. 4 marks for listing of facts without discussion.)

(8)

3.5 **How can the government protect consumers against exploitation by imperfect markets?**

- The government can investigate charging of abnormal 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. ✓✓

(Accept any other relevant answers.)

(8)
[40]

TOTAL SECTION B: 40

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction:</p> <p>The introduction is a lower-order response.</p> <ul style="list-style-type: none"> • A good starting point would be to define a key concept that appears in the question. • 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
<p>Body:</p> <p>Main part: Discuss in detail/In depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Assess/Debate.</p> <p>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/Evaluate</p>	Max. 26 Max. 10
<p>Conclusion:</p> <p>Any relevant higher-order conclusion should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed/analysed without repeating facts already mentioned in the body • Any 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

QUESTION 4: MICROECONOMICS

40 MARKS – 40 MINUTES

- Discuss, in detail, price formation under the following headings:

- Equilibrium point, price and quantity
- Change in demand and supply

Use fully labelled graphs.

(26 marks)

- In your opinion, why are subsidies given to the different roleplayers by government in the economy. (10 marks) [40]

INTRODUCTION

The price of a good or a service is based on the relationship between its supply and demand. ✓✓

(Accept any other relevant introduction.)

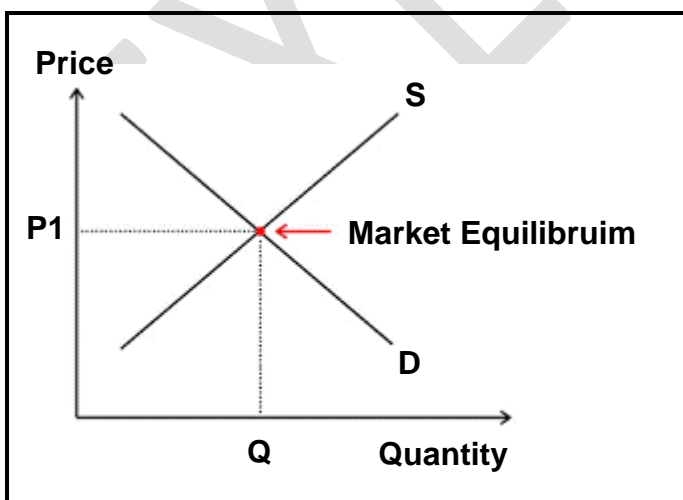
(Max. 2 marks)

(2)

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. ✓✓



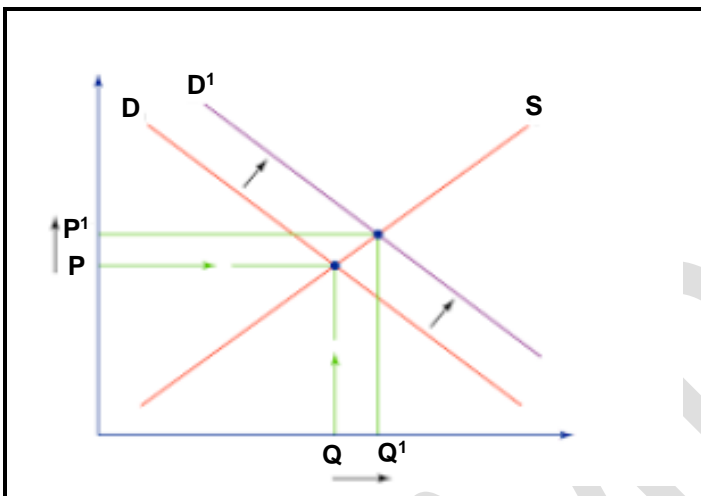
Quantity/x-axis	1 mark
Price/y-axis	1 mark
Equilibrium point	2 marks

(Accept any other relevant answer.)

(Max. 10 marks)

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 ✓✓
- Change in 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

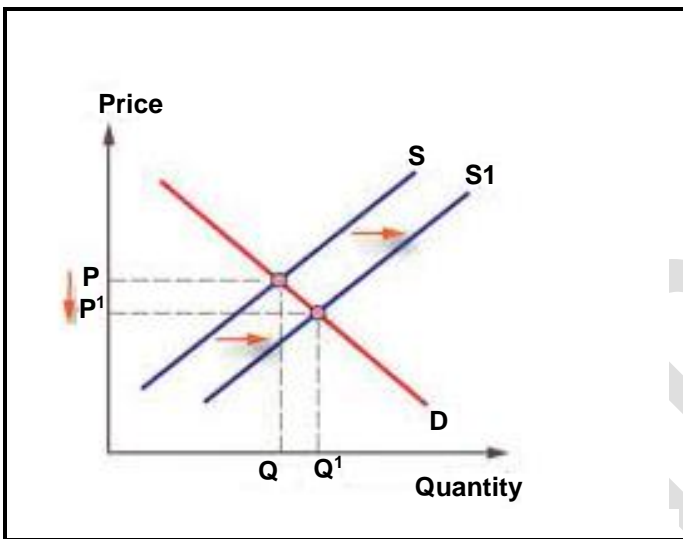
- The demand curve will move up and to the right which will cause the equilibrium to change. ✓✓

(Accept any other relevant answer.)

(Max. 8 marks)

Change in supply

- There are several factors that could affect a change in the supply of a product. ✓✓
- Change in industry size ✓✓
- A change in production techniques which will allow producers to produce more. ✓✓
- The cost of production: if it increases the amount produced will decrease ✓✓
- An increase in the price of competing goods ✓✓
- Government policy, e.g. an increase in taxes ✓✓
- Natural factors such as droughts or floods ✓✓



Quantity/x-axis	1 mark
Price/y-axis	1 mark
Change in demand	2 marks

- The supply curve will move down and to the right which will cause the equilibrium point to move. ✓✓
- (Accept any other relevant answer.)

(Max. 8 marks)
(26 marks)

ADDITIONAL PART

- Subsidies are payments made by government to promote the production or use of a particular product. ✓✓
- Subsidies are given to producers to encourage start-up businesses in the early stages when they are unable to compete. ✓✓
- Subsidies help to promote employment and entrepreneurship. ✓✓
- Subsidies assist producers to produce more products, sometimes for foreign markets. ✓✓
- Subsidies to consumers are given to benefit poorer people as the subsidy lowers the price. ✓✓
- Subsidies encourage the use of a specific product or service, for example, transport subsidies. ✓✓

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

CONCLUSION

(Accept any relevant higher-order conclusion.) (Max. 2 marks)

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

- Discuss the reasons for, and impact of minimum wages on the supply and demand in the labour market. (26 marks)
- Give recommendations to government on how they can prevent market failure. (10 marks) [40]

INTRODUCTION

Minimum wage is the lowest wage that an employer is allowed to pay a worker per month. ✓✓

(Accept any other relevant introduction.)

(Max. 2 marks)

MAIN PARTReasons for minimum wages

- Minimum wages are set to ensure that the standard of living of the people who earn the lowest wages are not exploited by employers. ✓✓
- Minimum wages reduce exploitation of lower paid workers. ✓✓
- Minimum wages decrease income inequality by boosting incomes of low-income households. ✓✓
- Minimum wages reverse the effects of employer discrimination. ✓✓
- Minimum wages encourage more people to enter the workforce. ✓✓
- Minimum wages reduce the burden on the state to pay social grants. ✓✓

Impact of minimum wages

- Minimum wage will cause a surplus of labour being offered in the market. ✓✓
- The quantity of labour supplied will be greater than the quantity demanded. ✓✓
- The wage rate increases in the market to above the equilibrium point. ✓✓
- People are being paid a fair wage for their services. ✓✓
- There is a fall in the demand for labour due to higher wages. ✓✓
- Unemployment will therefore increase. ✓✓
- There is a risk of higher wage inflation due to firms having to increase their selling price to adjust to higher wages. ✓✓
- Damages to the competitiveness of some businesses 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 relevant answer.)

(Max. 26 Marks)

ADDITIONAL PART

- Government can provide those goods and services, such as public goods (e.g., electricity, schools, hospitals and refuse removal) which may be too expensive for the market mechanism to provide. ✓✓
 - Government can implement legislation that encourages competition and prohibits high prices. ✓✓
 - The sale of certain products (e.g., cigarettes and alcohol) to children can be banned. ✓✓
 - Government can protect employees by setting maximum working hours and setting a minimum wage for certain jobs. ✓✓
 - They can address issues of income equity and fairness in the workplace through policies such as affirmative action or economic empowerment. ✓✓
 - Government can use its budget to influence the way households and firms use their resources. ✓✓
 - They can increase indirect taxes on products like liquor and cigarettes which will force people to buy less and instead spend more money on other necessities. ✓✓
 - Subsidies or tax relief can be provided to certain firms. ✓✓
 - They can adjust welfare payments to certain individuals. ✓✓
- (Accept any relevant answer.) (Max. 10 marks)

CONCLUSION

(Accept any relevant higher-order conclusion.) (Max. 2 marks)

[40]**TOTAL SECTION C: 40****TOTAL: 100**