

**GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATION  
JUNE 2017  
GRADE 10**

**ECONOMICS  
PAPER 2**

**MEMORANDUM**

**11 pages**

GAUTENG DEPARTMENT OF EDUCATION  
PROVINCIAL EXAMINATIONECONOMICS  
(Paper 2)**SECTION A (COMPULSORY)****QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

1.1.1 B✓✓ global

1.1.2 A✓✓ budget

1.1.3 D✓✓ income tax

1.1.4 A ✓✓ subsidies

1.1.5 D✓✓ utility

(5 x 2) (10)

**1.2 MATCHING ITEMS**

1.2.1 D✓ A single supplier for a good or a service in the market

1.2.2 E✓ The maximum amount a consumer is willing to pay for a good or service

1.2.3 A✓ Trade-off between products

1.2.4 C✓ A situation in which the current combination of goods and services does not give the maximum satisfaction

1.2.5 B✓ An indirect tax that the government levies for goods that are regarded as harmful

1.2.6 G✓ A few suppliers of a good or service in the market (6 x 1) (6)

**1.3 IDENTIFY THE CONCEPT**

1.3.1 Demand curve / Indifference curve

1.3.2 Substitute good ✓

1.3.3 Price floor ✓

1.3.4 Merit goods ✓

(4 x 1) (4)

**TOTAL SECTION A: 20**

**SECTION B**

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

**QUESTION 2: MICRO-ECONOMICS**

2.1 Answer the following questions.

2.1.1 **Mention any TWO policies that the government can use to regulate the market.**

- Regulate prices ✓
- Encourage competition ✓
- Regulate the growth of market powers ✓

Any (2 x 1) (2)

2.1.2 **What is the effect of scarce resources to producers?**

- Force producers to choose how to use their factors of production ✓✓

(1 x 2) (2)

2.2 **Data response**

2.2.1 **Explain the concept maximum prices.**

When the government intervenes in the markets and passes a law that suppliers may not charge more than the maximum prices for a certain product ✓✓

(2)

2.2.2 **Give TWO methods of regulation that the South African government uses to influence market prices.**

- Direct methods ✓
- Indirect methods ✓
- Minimum prices ✓
- Maximum prices ✓
- Minimum wages ✓

(2 x 1) (2)

2.2.3 **What is the impact of the introduction of maximum prices on certain goods and services by the government?**

The development or emergence of black markets to sell the same products ✓✓ / the supply of the product would decline ✓✓ / there will be a shortage of supply of the product ✓✓

(2)

2.2.4 **Differentiate between *quantity demanded* and *quantity supplied*.**

Quantity supplied is the number of products that will be provided for sale at a particular price ✓✓ while quantity demanded is the number of products that will be bought at a particular price. ✓✓

(4)

## 2.3 Data response

## 2.3.1 Explain the term "Equilibrium price."

Equilibrium price means that at a certain price the quantity demanded is exactly the same as the quantity supplied. (1 x 2) (2)

## 2.3.2 Determine the equilibrium price from the table.

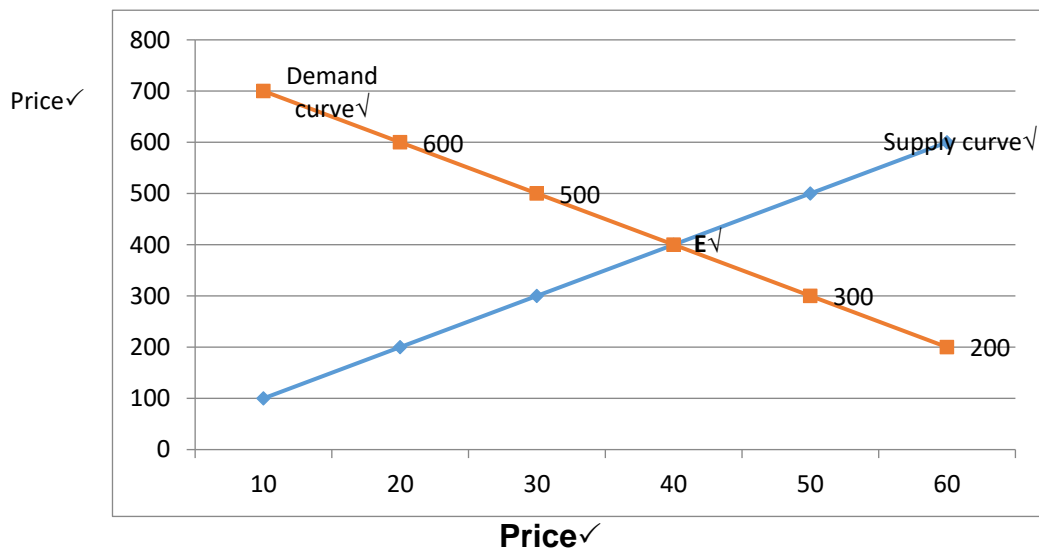
Equilibrium price is R400.00✓ (1)

## 2.3.3 Which market structure is illustrated above?

Perfect market✓✓ (2)

## 2.3.4 Use the above table to draw the demand and supply curves on the same set of axes, also clearly indicating the equilibrium position.

## Demand and supply curves for tyres✓



## Quantity demanded and supplied✓

Marks allocation for graph:

- Heading 1 mark
- Labelling of axis 2 marks
- Equilibrium point 1 marks
- Shape of the curves 2 marks

TOTAL 5 MARKS

2.4 **Briefly discuss FOUR characteristics of an imperfect market.**

- There are few sellers: ✓ These producers have a direct influence on the price of the product. ✓✓ They are not held back by other competitors and are able to affect the price. ✓✓
- Heterogenous products: ✓ The products in the market are quite different from each other and consumers look for specific qualities of each product. ✓✓ The seller supplies goods or services that have no close substitutes. ✓✓
- Imperfect information: ✓ It is not easy, and sometimes not possible, for buyers to know what all the prices of a product are within the market. ✓✓
- Other sellers are prevented from entering the market: ✓ The seller is protected from competition through patents, control of resources and government restrictions. ✓✓
- The seller has control over the price: ✓ The producers of the goods and services can set the prices ✓✓ and the buyers are not able to bargain or affect the prices in a significant way. ✓✓
- There are many imperfect markets: ✓ Examples include Telkom, Eskom, computer manufacturers and cell phone companies. ✓

Any (4 x 2) (8)

2.5 **Discuss why the government implements minimum prices in the market.**

The government will intervene in the market to control the price of a good or service ✓✓ by setting a minimum price or price floor. ✓✓ The aim of this is to ensure a constant supply of a good or service by protecting the producers who might find it difficult to make profit. ✓✓ To be effective the minimum price of a good or service is set above the equilibrium or market price. ✓✓

Any (4 x 2) (8)  
[40]

**QUESTION 3: MICRO-ECONOMICS**

3.1 Answer the following questions.

3.1.1 **Mention any TWO micro-economic issues that can be illustrated by the production possibility curve.**

- Scarcity ✓
- Choice ✓
- Opportunity cost ✓

(Any 2 x 1) (2)

3.1.2 **Describe the term marginal utility.**

Marginal utility is the additional satisfaction gained from the consumption of an additional unit of a good or service at a certain time. ✓✓ (1 x 2) (2)

**3.2. Data response****3.2.1 What is the main source of income for the government?**

Tax / Taxation✓ (1)

**3.2.2 Mention ONE example of a product for which the government does not charge VAT.**

Vegetables✓  
Milk✓  
Eggs✓  
Bread✓ (1)

**3.2.3 What is the effect of a tax on the price of goods and services?**

Tax will increase the price of goods and services. ✓✓ (1 x 2) (2)

**3.2.4 What is the objective of introducing 'sin tax'?**

To reduce the consumption of certain goods ✓✓ (1 x 2) (2)

**3.2.5 Why do you think government levies indirect tax on imported goods?**

To reduce spending on imported goods ✓✓  
Protect local industries ✓✓ (2 x 2) (4)

**3.3 Data response****3.3.1 Explain the term indifference curve.**

A curve that shows all the combinations of two goods between which a consumer is indifferent, which means those combinations that give the same level of satisfaction or utility. ✓✓ (1 x 2) (2)

**3.3.2 Why do indifference curves have a negative slope?**

The negative slope is the result of choice between the two products, an increase in the use of one product results in a decrease of the other. ✓✓ (1 x 2) (2)

**3.3.3 Explain the *law of substitutes*.**

The law state that the scarcer a good becomes, the higher its substitute's value rises ✓✓ / The fewer of a specific good you have, the greater its substitution value becomes. ✓✓ (1 x 2) (2)

**3.3.4 Why do consumers make choices between alternative products?**

The resources that consumers have are limited, they do not allow consumers to have all the products that they need. ✓✓ (1 x 2) (2)

**3.3.5 What does a steep slope of an indifference curve indicates?**

A steep slope indicates greater willingness (large ratio) to give up one good for another. ✓✓ (1 x 2) (2)

**3.4 Briefly discuss the composition of markets.**

- Participants: ✓ These are buyers and sellers/ suppliers ✓✓
- Communication: ✓ The interaction can be direct (face to face), through representation e.g. using an agent or indirect e.g. telephone, email etc. ✓✓
- Commodity: ✓ These are the goods or services traded on the market.
- Location: ✓ Location can be local, regional, national or international. ✓✓ (4 x 2) (8)

**3.5 In your opinion what does the production possibility curve reveal?**

- The curve illustrates the concepts of scarcity and choice. ✓✓
- The curve illustrates opportunity cost. ✓✓
- The curve illustrates that certain combinations cannot be achieved given the available resources. ✓✓
- The curve also illustrates inefficiencies. ✓✓
- The curve illustrates the maximum possible output in any of the combinations on the curves of the two goods. ✓✓
- The maximum possible output applies only when all resources are used to the fullest and efficiently. ✓✓ (Any 4 x 2) (8)

**TOTAL SECTION B: 40**

**SECTION C**

Answer only ONE of the two questions in this section in the ANSWER BOOK.  
Your answers will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
<p><b>Introduction</b></p> <p>The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to determine the main concept related to the question topic</li> <li>• Do not include any part of the question in your introduction</li> <li>• Do not repeat any part of the introduction in the body</li> <li>• Avoid saying in the introduction what you going to discuss in the body</li> </ul>	Max. 2
<p><b>Body</b></p> <p><b>Main part:</b> Discuss in detail / in-depth discussion / Examine / Critically discuss / Analyse / Compare / Distinguish / Evaluate / Differentiate / Explain /Assess / Debate</p> <p><b>Additional part:</b> 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</p>	Max. 26  Max. 10
<p><b>Conclusion</b></p> <p>Any relevant higher order conclusion that should include:</p> <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned in the body</li> <li>• Any opinion or value-judgment on the facts discussed</li> <li>• Additional support information to strengthen the discussion / analysis</li> <li>• A contradictory viewpoint with motivation, if so required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 4**

“Productive efficiency is the efficiency that is achieved when it is not possible for an economy to allocate its scarce resources to produce more of one good without producing less of another good.”

- In line with the above statement discuss the reasons for productive inefficiencies. (26)
- In your opinion what are the effects of inefficiencies? (10)

[40]

**INTRODUCTION**

An economy achieves productive efficiency when it uses all available resources efficiently and produces the maximum possible output for the minimum cost. ✓✓

(Accept any relevant introduction.)

**BODY: MAIN PART****Reasons for inefficiencies**

**Lack of employment opportunities:** ✓ If many people are unemployed labour is not used to its maximum and as a result there will be productive inefficiency. ✓✓

**Slow economic development:** ✓ This can be as a result of unused farmland, unmined minerals etc. ✓✓

**Poor business management:** ✓ Idle machines, wastage of resources✓, using skilled workers unproductively✓ and insufficient control of resources ✓

**Insufficient human resource development:** ✓ Lack of training, ✓ lack of motivation✓ resulting in poor productivity ✓✓

**Insufficient research and development in manufacturing industries:** ✓ Research about new productive technology ✓✓

**Exploitation of consumers:** ✓ High prices and poor quality products ✓✓

**Ineffective government policies and administration:**✓ Implementation of government policies which are not effective. ✓✓

**Poor infrastructure:** ✓ Insufficient and unmaintained roads and communication ✓✓  
(Max 26)

**ADDITIONAL PART****Effects of inefficiencies**

- The economy as a whole cannot produce the potential quantity, quality and variety of goods and services that consumers prefer. ✓✓
- The scarce factors of production are wasted. ✓✓
- Consumers are offered fewer goods and services, often of a poor quality and at a higher price. ✓✓
- The consumer standard of living is dropped below the country's potential. ✓✓
- Hardship for the economically vulnerable / marginalised ✓✓

(Max 10)

**Conclusion**

Efficiency is important for the welfare of the consumers because they will spend their limited income and gain maximum satisfaction. ✓✓

(Any other relevant conclusion.)

**QUESTION 5**

“Subsidies are another form of government intervention in the market.”

- Discuss why government makes subsidy payments? (26)
- In your opinion, why are subsidies given to different economic players. (10)

**[40]****INTRODUCTION**

Subsidies can be direct, for example government pays a cash grant or provides an interest free loan to producers. It can also be indirect, for example producers receive rebates on rent paid. ✓✓

(Accept any other relevant introduction.)

**BODY: MAIN PART****Why government makes subsidy payments****Encourage producers to provide more of certain goods or services:** ✓

Production subsidies can prevent a decline in the supply of an essential product or service ✓✓ e.g. maize. ✓ Helps producers when market price is very low, ✓ makes a product more affordable to the general public. ✓

**Help new industries to be more competitive and to gain a foothold in the world market:** ✓ This will improve balance of payments ✓✓ and creates job opportunities. ✓✓

**Job creation:** ✓ Employment subsidies encourage business to create more job opportunities by means of wage subsidies. ✓✓ These are available for example for employing people with disabilities, ✓ for employing unskilled workers ✓ or for giving skills training to workers to reduce unemployment. ✓

**Create income:** ✓ Income subsidies enable people to enjoy a minimum standard of living. ✓✓ Examples are old-age pensions, ✓ childcare allowances ✓ and unemployment benefits. ✓

**Improve education and training:** ✓ Educational subsidies improve education and literacy levels through subsidies to school and tertiary institutions. ✓✓

**ADDITIONAL PART**

- Exporters need subsidies to solve B.O.P problems and reducing export costs. ✓✓
- Employers use a subsidy to decrease input costs. ✓✓
- Old people need grants to maintain their standards of living. ✓✓
- Child-support grants are needed by those who are taking care of small children. ✓✓
- Unemployed people need income to assist them in attaining a minimum standard of living and assistance in job-seeking. ✓✓

**CONCLUSION**

Subsidies reduce input costs and increase the supply of goods and services and reduce the price. ✓✓

**TOTAL SECTION C: 40**

**TOTAL: 100**