



Province of the
EASTERN CAPE
EDUCATION

NATIONAL SENIOR CERTIFICATE

GRADE 12

SEPTEMBER 2012

ECONOMICS

MEMORANDUM

MARKS: 300

This memorandum consists of 19 pages.

SECTION A**QUESTION 1 (LO1 – LO4)**

1.1

- | | | | |
|-----|--------|------|--------------------|
| LO1 | 1.1.1 | C ✓✓ | business cycle |
| | 1.1.2 | B ✓✓ | public |
| | 1.1.3 | A ✓✓ | terms of trade |
| LO2 | 1.1.4 | B ✓✓ | demand and supply. |
| | 1.1.5 | C ✓✓ | Subsidy |
| | 1.1.6 | A ✓✓ | economic profit |
| LO3 | 1.1.7 | C ✓✓ | RDP |
| | 1.1.8 | A ✓✓ | SDI |
| | 1.1.9 | C ✓✓ | free trade. |
| LO4 | 1.1.10 | B ✓✓ | benefits debtors. |
| | 1.1.11 | B ✓✓ | ecotourists. |
| | 1.1.12 | A ✓✓ | CITES |

(12 x 2) (24)

1.2

- | | |
|-------|-----------------------|
| 1.2.1 | Real flow ✓✓ |
| 1.2.2 | Managed floating ✓✓ |
| 1.2.3 | Oligopoly ✓✓ |
| 1.2.4 | North-South divide ✓✓ |
| 1.2.5 | Stagflation ✓✓ |

(5 x 2) (10)

1.3

- | | | |
|-------|------|---|
| 1.3.1 | C ✓✓ | Direct or indirect compulsory payments to the government. |
| 1.3.2 | H ✓✓ | Shows the relationship between tax revenue and tax rate. |
| 1.3.3 | I ✓✓ | Profit maximisation. |
| 1.3.4 | F ✓✓ | An example of a negative externality. |
| 1.3.5 | A ✓✓ | Removal of restrictive laws and regulations. |
| 1.3.6 | D ✓✓ | Incentives to increase sales abroad. |
| 1.3.7 | E ✓✓ | A cause of cost-push inflation. |
| 1.3.8 | B ✓✓ | Resource that can be replenished or replaced. |

(8 x 2) (16)

TOTAL SECTION A: 50

SECTION B (Answer any THREE questions from this section.)**QUESTION 2 (LO1 AS1 – AS4)**

- 2.1 2.1.1 real ✓✓
 2.1.2 Kondratieff ✓✓
 2.1.3 Auditor-General ✓✓
 2.1.4 decrease✓✓ (4 x 2) (8)

- 2.2 List the THREE types of exchange rate systems
 • Fixed rate ✓✓
 • Free floating ✓✓
 • Controlled / managed floating ✓✓ (3 x 2) (6)

2.3 DATA RESPONSE

- 2.3.1 Refers to a small increase in spending leading to a proportionally larger increase in national income. ✓✓ (2)

- 2.3.2 The higher the mpc, the higher the multiplier will be. ✓✓
 Multiplier is directly proportional to mpc. ✓✓ (Any 1 x 2) (2)

$$\begin{aligned} \text{Multiplier} &= \frac{1}{1 - \text{mpc}} \\ &= \frac{1}{1 - 0,6} \checkmark \\ &= \frac{1}{0,4} \checkmark \\ &= 2,5 \quad \checkmark \\ \text{Multiplier effect} &= R1 \text{ bn} \times 2,5 = R2,5 \text{ billion} \quad \checkmark \end{aligned} \quad \text{(6)}$$

2.4 DATA RESPONSE

- 2.4.1 Shows the income and expenditure for a three year period. ✓✓ (2)

- 2.4.2 Education ✓✓ (2)

- 2.4.3 • Informs the parliament of changes in the economy since the main budget. ✓✓
 • Indicates the developments in public policy that will shape the next budget. ✓✓ (4)

- 2.4.4 Mr Pravin Gordhan ✓✓ (2)

2.5 Discuss ‘extrapolation’ as a feature underpinning forecasting.

- Technique used to predict the future by using past data. ✓✓
- It involves the extension of the curve assuming structural variables remain the same. ✓✓
- Extending a trend may give information about what is likely to happen. ✓✓
- Trend line can be extended for the length of a cycle. ✓✓
- Channel lines and resistance points must be considered for the trend of a curve. ✓✓
- Predicting economic behaviour using extrapolation is unreliable. ✓✓

(Any 4 x 2) (8)

2.6 Briefly explain the ‘flows’ in a circular flow.

- Flows are economic variables that happen over time. ✓✓
- There are two flows: money flow and real flow. ✓✓
- Flow of goods and services and factors of production are referred to as the real flow. ✓✓
- Income and expenditure are referred to as the money flow. ✓✓
- For every real flow there is money flow in opposite direction. ✓✓

(Any 4 x 2) (8)
[50]

QUESTION 3 (LO2 AS1 – AS3)

3.1 3.1.1 perfect ✓✓

3.1.2 internal ✓✓

3.1.3 artificial ✓✓

3.1.4 independent ✓✓

(4 x 2) (8)

3.2 List any THREE characteristics of a monopoly.

- Faced with demand curves ✓✓
- Decide on their production levels ✓✓
- Are exposed to market forces. ✓✓
- No close substitutes. ✓✓
- Only one seller. ✓✓
- Price makers. ✓✓
- Exploit consumers. ✓✓
- Protected by barriers of entry. ✓✓
- Enjoy favourable circumstances. ✓✓

(Any 3 x 2) (6)

3.3 DATA RESPONSE

3.3.1 To save SA consumers from price fixing (pricing predators). ✓✓

(2)

3.3.2 • To prevent the abuse of monopoly power. ✓✓

• To regulate the market power through mergers and takeovers. ✓✓

• To prevent price fixing and collusion. ✓✓

(Any 2 x 2)

(4)

- 3.3.3 • The Competition Commission ✓✓
 • The Competition Tribunal ✓✓
 • The Competition Appeal Court ✓✓ (Any 2 x 2) (4)

3.4 DATA RESPONSE

- 3.4.1 Failure of markets to produce the quantities of goods and services that consumers want at a price that reflect marginal utilities and relative scarcities. ✓✓ (2)
- 3.4.2 • Externalities ✓✓
 • Public goods ✓✓
 • Merit and demerit goods ✓✓
 • Imperfect competition ✓✓
 • Lack of information ✓✓
 • Advertising ✓✓
 • Immobility of factors of production ✓✓
 • Imperfect distribution of income and wealth ✓✓ (Any 3 x 2) (6)
- 3.4.3 • Externalities ✓✓ (2)

3.5 Briefly explain ‘shut-down point’ in a perfectly competitive market.

- Profit maximisation is where $MR = MC$. ✓✓
- The firm should consider shutting down when $TR < \text{Total cost of production}$. ✓✓
- If $TR < TVC$, it should consider closing down. ✓✓
- If price is below MR/MC , the business will not cover its AVC . ✓✓
- If the business is not able to cover AVC , it is better to close down. ✓✓
- This point where price is less than AVC is known as closing down point. ✓✓ (Any 4 x 2) (8)

3.6 Discuss ‘product differentiation’ as a characteristic of monopolistic competition

- Products are not identical. ✓✓
 - Differentiated products are similar in many ways. ✓✓
 - Similarity means that they can satisfy the same need. ✓✓
 - Differences are imaginary. ✓✓
 - May have different brand names but contains the same ingredients. ✓✓
 - Services of sellers make the product different. ✓✓
 - Differences in packaging. ✓✓
 - Packaging of a product makes it different from other products. ✓✓ (Any 4 x 2) (8)
- [50]

QUESTION 4 (LO3 AS1 – AS4)

- 4.1 4.1.1 development ✓✓
4.1.2 IDZ ✓✓
4.1.3 advalorem ✓✓
4.1.4 economic ✓✓ (4 x 2) (8)

4.2 THREE examples of cash benefits to ensure redistribution of income.

- Unemployment insurance ✓✓
- Disability grant ✓✓
- Child support grant ✓✓
- Old-age pension ✓✓ (Any 3 x 2) (6)

4.3 **DATA RESPONSE**

- 4.3.1 The replacement of goods that was previously imported. ✓✓ (2)
- 4.3.2 Industrial Development Corporation. ✓✓ (2)
- 4.3.3 • Iscor ✓✓
• Sasol ✓✓
• Armscor ✓✓ (Any 1 x 2) (2)
- 4.3.4 • To develop local industries. ✓✓
• To increase job opportunities. ✓✓
• To improve the balance of payments. ✓✓ (Any 2 x 2) (4)

4.4 **DATA RESPONSE**

- 4.4.1 The number of infants who die before reaching one year of age per thousand live births. ✓✓ (2)
- 4.4.2 • Sanitation ✓✓
• Electricity ✓✓
• Refuse removal ✓✓
• Water supply ✓✓ (Any 2 x 2) (4)
- 4.4.3 • Infant mortality ✓✓
• Under-five mortality ✓✓
• Health expenditure ✓✓
• Access to safe drinking water ✓✓
• Access to sanitation facilities ✓✓ (Any 2 x 2) (4)

4.5 Discuss any TWO monetary policy instruments used as South African approach for growth and development.

1. **Changes in interest rates.** ✓✓

- To make credit more expensive or cheaper. ✓✓
- To stabilise exchange rate by encouraging capital inflows or outflows. ✓✓

2. **Open market transactions.** ✓✓

- Buying of securities in the open market to encourage credit creation. ✓✓
- Selling of securities in the open market to restrict credit creation. ✓✓

3. **Moral persuasion** ✓✓

- Persuading banks to act in a desirable manner according to the economic conditions in the economy. ✓✓ (Any 2 x (2 x 2)) (8)

4.6 Briefly explain 'Skills Support Programme' as an incentive offered by DTI.

- Cash grant for skills development. ✓✓
- To encourage greater investment in training. ✓✓
- To encourage the development of new advanced skills. ✓✓
- Manufacturing businesses qualifying for SMEDP can apply. ✓✓
- Lasts up to three years. ✓✓
- Maximum of 50% of training costs. ✓✓

(8)

[50]

QUESTION 5 (LO4 AS1 – AS3)

5.1 5.1.1 price indexes ✓✓

5.1.2 headline ✓✓

5.1.3 physical ✓✓

5.1.4 conservation ✓✓

(4 x 2) (8)

5.2 List any THREE reasons for the growth of worldwide tourism.

- Increase in disposable income. ✓✓
- Reduction in working hours ✓✓
- Awareness of leisure and recreation ✓✓
- Improved infrastructure ✓✓
- Increased advertising and promotion ✓✓
- Awareness of the benefits of tourism ✓✓
- Ease of obtaining foreign exchange ✓✓

(Any 3 x 2) (6)

5.3 DATA RESPONSE

- 5.3.1 CPI:
Measures the cost of a representative basket of goods to the consumer. ✓✓
- PPI:
Measures the cost of production of the representative basket of goods when they leave the factory. ✓✓ (4)
- 5.3.2 • Subdued local demand. ✓✓
• Appreciation in the external value of the rand. ✓✓ (4)
- 5.3.3 6% ✓✓ (2)

5.4 DATA RESPONSE

- 5.4.1 The ability of the environment to survive economic activity. ✓✓ (2)
- 5.4.2 • A source of income ✓✓
• Save millions from municipal budgets ✓✓
• Three times more revenue than landfills ✓✓
• Creates six times more jobs ✓✓ (Any 3 x 2) (6)
- 5.4.3 • Charging for the use of the environment. ✓✓
• Environmental taxes ✓✓
• Environmental subsidies ✓✓
• Marketable permits ✓✓ (Any 1 x 2) (2)

5.5 Briefly describe ‘inflation’ as an economic concept.

- It is a process – not a single non-recurrent activity. ✓✓
- Sustained condition – prices continue to rise. ✓✓
- The rise in the price must be considerable. ✓✓
- There is a general rise in the prices. ✓✓
- Increase in the price of isolated goods does not indicate inflation. ✓✓
- There is a decline in the purchasing power of money. ✓✓ (Any 4 x 2) (8)

5.6 Discuss ‘property rights’ as a public sector intervention for environmental sustainability.

- To prevent flora and fauna species from becoming extinct. ✓✓
 - Ensures that owners take proper care of the things that belong to them. ✓✓
 - Owners will try to use them profitably as long as possible. ✓✓
 - Property rights will help in the preservation at little costs to the tax payers. ✓✓
 - But property right is not possible in all instances. ✓✓ (Any 4 x 2) (8)
- [50]

QUESTION 6 (LO1 and LO2)

- 6.2 List the THREE government approaches to reduce the impact of negative externalities.

 - Persuasion ✓✓
 - The price mechanism ✓✓
 - Direct controls ✓✓

(Any 3 x 2) (6)

6.3 DATA RESPONSE

- 6.3.1 Business cycle ✓✓ (2)

6.3.2 • B to C = Depression ✓✓
• D to E = Prosperity / Boom ✓✓ (4)

6.3.3 Trend line ✓✓ (2)

6.3.4 Technique used to predict the future by using past data. ✓✓ (2)

6.4 DATA RESPONSE

- 6.4.1 When collusion between oligopolists occur openly and formally. ✓✓ (2)

6.4.2 Oligopoly ✓✓ (2)

6.4.3

 - Higher profits ✓✓
 - Less uncertainty ✓✓
 - Difficult for new businesses to enter ✓✓ (Any 2 x 2) (4)

6.4.4 OPEC ✓✓ (2)

- 6.5 Briefly explain any TWO demand reasons for international trade.

1. **Effective wants** ✓✓
 - There are differences in the demands for individuals. ✓✓
 - Taste plays an important role. ✓✓
 2. **Income** ✓✓
 - When income increases, there will be an increase in the demand for local as well as imported goods. ✓✓
 3. **International migration** ✓✓
 - Immigrants usually demand goods from their country of origin. ✓✓

4. **Religious, cultural, sociological and life style differences ✓✓**
- Differences between countries will determine the consumption patterns. ✓✓
5. **Levels of economic development ✓✓**
- Less developed countries spend more on food while developed countries spend more on luxuries ✓✓
- (Any 2 x 4) (8)
- 6.6 *Discuss the rationale of 'cost-benefit analysis'.*
- CBA is a valuable tool that helps to make informed decisions. ✓✓
 - It helps in the efficient allocation of resources. ✓✓
 - It is a technique used to measure and compare the costs and benefits of an economic activity. ✓✓
 - It is to find the rate of return on the project. ✓✓
 - It is also used to find the future costs and benefits as well as its present value. ✓✓
 - This technique brings greater objectivity in decision making. ✓✓
- (Any 4 x 2) (8)
[50]

SECTION C (Answer any TWO questions from this section.)

QUESTION 7 (LO1 AS3)

Discuss the objectives of the public sector and conclude your discussion by explaining the effects of fiscal policy.

INTRODUCTION

The state applies fiscal policy with a view to achieve government's macroeconomic objectives. ✓✓✓
(accept any appropriate introduction)

(3)

BODY

Objectives of the Public sector

- Economic growth✓✓**

 - Increase in the production of goods and services in the economy. ✓✓
 - Measured in terms of real GDP. ✓✓
 - Economic growth must be higher than population growth. ✓✓
 - Higher growth and development leads to higher standard of living.✓✓

- Full employment ✓✓**

 - An important aim of all governments. ✓✓
 - Means all individuals who are looking for work must find work. ✓✓

- Exchange rate stability / Balance of payment stability ✓✓**

 - Depreciations and appreciations create uncertainty. ✓✓
 - Fluctuations in the value of a currency should be limited. ✓✓
 - Government should see that the exchange rate remains stable. ✓✓

4. **Price stability** ✓✓

- Economic growth and employment will improve when prices are stable. ✓✓
- In RSA, price stability is achieved when the inflation rate is between 3% and 6%. ✓✓

5. **Economic equity / Fair distribution of income** ✓✓

- Redistribution of income and wealth is necessary. ✓✓
- Progressive tax rates are used to achieve this. ✓✓
- Income from tax is used to finance public and social services. ✓✓

(Max. 10 x 2) (20)

Effects of Fiscal policy1. **Income distribution** ✓✓

- Progressive taxation make income more evenly distributed. ✓✓
- Spending on social and welfare payments increases the income of the poor people. ✓✓

2. **Consumption** ✓✓

- Changes in the rate of taxation will affect consumer spending. ✓✓
- Consumption also depends on the level of savings and the propensity to consume. ✓✓

3. **Price level** ✓✓

- Increase in direct taxes reduces inflationary pressure and aggregate demand. ✓✓
- Increase in indirect taxes will raise the price level. ✓✓

4. **Incentives** ✓✓

- Increase in income tax and company tax reduces the incentives to work, save and invest. ✓✓
- High and progressive rate of taxation discourages people from working hard. ✓✓

5. **Laffer curve** ✓✓

- Laffer curve explains the relationship between revenue and tax rate. ✓✓
- High rate of taxation discourages labour force. ✓✓
- According to the Laffer curve, tax revenue increases only up to a certain point. ✓✓
- At a certain rate tax revenue peaks and then declines. ✓✓
- A reduction in the rate of income tax will encourage more people to work and the tax revenue will increase. ✓✓
- At a lower rate of taxation the tax revenue will be higher than at a higher tax rate. ✓✓

6. **Discretion** ✓✓

- Minister can use discretion with regard to a number of fiscal policy decisions. ✓✓
- Certain rules are in place – deficit-, lending- and debt rule. ✓✓

(Max. 10 x 2) (20)

CONCLUSION

The direction of the fiscal policy depends on the specific stage of the business cycle. ✓✓ *(accept any appropriate conclusion)* (2)

Use the following assessment grid together with the above to assess the discussion.

MARKS	INTERPRETATION OF TOPIC
0	Candidate has shown no understanding of the topic.
1	Candidate has shown some understanding of topic but missed important aspects of topic. (1 – 15 marks)
3	Candidate has interpreted topic correctly but has not linked facts to topic. (16 – 30 marks)
5	Candidate has interpreted topic correctly and has linked facts to topic. (31 – 45 marks)

(5)
[50]

QUESTION 8 (LO2: AS2)

Write a formal letter to the Minister of Local Government explaining government intervention as an effect of market failures.

S. Tshabalala
P.O. Box 1000
Mthatha ✓
5100

Date ✓

To:
The Minister
Ministry of Local Government ✓
Pretoria (3)

Sir

Re: Government intervention ✓✓ (2)

A. **Preventing the misallocation of resources** ✓✓ (2)

1. **Incomplete Markets** ✓✓

- Market failures misrepresent the allocation of resources. ✓✓
- This results in less than optimal production. ✓✓
- Community goods and services prevent competitive markets from supplying them efficiently. ✓✓
- In most cases it is impossible to determine a price or force users to pay. ✓✓
- Collective goods and services have some characteristics of public goods. ✓✓

- These goods can be supplied by competitive markets, but the quantity or the price may not be appropriate. ✓✓
- Government must supply these goods directly by raising taxes. ✓✓
(Max. 3 x 2) (6)

2. Negative Externalities ✓✓

- Governments have used different methods to reduce the impact of negative externalities. ✓✓
 - Persuasion ✓
 - Changing the behaviour of people needs public relations campaigns by the government ✓✓
 - Price mechanism ✓
 - Levying a tax to recover the external cost ✓✓
 - Direct controls ✓
 - Government can use laws to reduce negative externalities ✓✓
- (Max.) (4)

3. Positive externalities✓✓

- Price Mechanism ✓
 - Merit goods provided by private sector must be subsidised. ✓✓
 - Subsidies will improve the consumption of these goods by reducing the cost. ✓✓
- Direct controls ✓
 - Compulsory education, inoculations and treatment of certain diseases are examples ✓✓
- Artificial monopolies (✓) operate where perfect competition is prevented by entry restrictions. ✓
- Natural monopolies (✓) develop in industries that need large capital outlay. ✓
- Government can use various methods to correct the situation ✓✓
- Competition from abroad can be used. ✓✓
- Local competition can be promoted ✓✓
- Control bodies such as regulatory authorities can be used ✓✓
- Statutory requirements can also be used to control excessive prices. ✓✓
(Max.) (6)

B. Improving income distribution ✓✓ (2)

- Free market economy does not improve income and wealth distribution. ✓✓
- Governments use a combination of taxes and subsidies to effect redistribution. ✓✓
- **Traditional methods** (✓) refer to the levying of taxes to provide free services to the poor. ✓
- **Redress methods** (✓) relate to the use of laws to enforce redistribution. ✓

- E.g. BEE, affirmative action, empowerment, land restitution and redistribution, property subsidies, RDP houses etc. ✓✓
 - **Minimum Wages** (✓) are also used to enforce redistribution of income. ✓
 - Unskilled workers are at a disadvantage when negotiating with their employers. ✓✓
 - **Maximum prices/Price ceiling** (✓) are set by the government to benefit the poor. ✓
 - **Minimum prices** (✓) are set for basic food stuffs to ensure that sufficient quantities are produced. ✓
 - **Subsidies on goods** (✓) have the effect of lowering the prices of such goods. ✓
- (Max.) (10)

C. Enhancing macroeconomic stability ✓✓ (2)

- If macroeconomic objectives are not achieved it is considered as market failure. ✓✓
- Government intervention focuses on demand side or supply side of the economy. ✓✓
- Most important demand-side policies are monetary and fiscal policies. ✓✓
- Supply side problems such as lack of information and immobility of factors of production must be removed. ✓✓

(Max. 3 x 2) (6)

Yours faithfully ✓

S. Tshabalala ✓ (2)

Use the following assessment grid together with the above to assess the discussion.

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(5)
[50]

QUESTION 9 (LO3 AS4)

Write a detailed essay on the economic indicators under the headings Production, Employment and Price changes.

INTRODUCTION

Economic indicators are used to measure the performance of the economy. ✓✓✓ (accept any appropriate introduction)

(3)

BODY**A. Production**

- Production of an economy is measured in terms of GDP. ✓✓
- GDP can be calculated by production, income and expenditure method. ✓✓
- GDP is the value of final goods produced within the boundaries of a country over given period. ✓✓

1. GDP at current prices ✓✓

- GDP calculated at market or current prices is called nominal GDP. ✓✓
- Nominal GDP shows the monetary value of goods and services. ✓✓

2. Real GDP ✓✓

- Growth performance of the economy is measured in terms of real GDP. ✓✓
- Real GDP is obtained when the effects of inflation is removed from nominal GDP. ✓✓
- Real GDP is used to show real aggregate economic activity and movement of business cycles. ✓✓
- It is also used for forecasting. ✓✓

3. Per capita real GDP✓✓

- Economic growth allows people to consume more goods and services. ✓✓
- But if population grows faster than economic growth people will be worse off. ✓✓
- For this reason Per capita real GDP is calculated. ✓✓
- Per capita real GDP is real GDP divided by the number of population. ✓✓
- An increase in per capita real GDP shows an improvement in the standard of living. ✓✓
- Per capita figures indicate economic development, living standards and also compare living standards. ✓✓

(Any 7 x 2) (14)

B. Employment

1. Economically Active Population ✓✓

- People between ages 15 and 65 years who are willing to work, are known as economically active population (labour force). ✓✓
- People in this group are workers in the formal and informal sector, employers and self-employed persons and unemployed people. ✓✓

2. Employment rate✓✓

- Number of employed persons expressed as a percentage of the EAP. ✓✓
- Employment rate in RSA is low compared to developed countries ✓✓
- Employment indicators are used for calculating trends and structural changes in the economy. ✓✓
- Also used to calculate productivity ✓✓
- It also shows the success of the economy in utilising its full potential. ✓✓

3. Unemployment✓✓

These are people in the EAP who:

- Did not work for seven days before the interview ✓✓
- Want to work and are available to work within a week ✓✓
- Have taken steps to look for work ✓✓
- Unemployment is the most important cause of poverty ✓✓

(Any 7 x 2) (14)

C. Price changes

- Price changes are part of market economy. ✓✓
- When abnormal changes in prices occur for longer periods, it is called inflation or deflation. ✓✓
- Inflation is an indicator of the health of the economy ✓✓
- Inflation is monitored by PPI and CPI ✓✓

Production prices ✓✓

- It is used to measure prices when goods leave the factory or when imported goods enter the country ✓✓
- PPI serves as an indicator to predict Consumer goods inflation ✓✓

Consumer prices ✓✓

- CPI shows price changes of a shopping basket of goods of an average household ✓✓
- CPI is the most comprehensive indicator of consumer price inflation ✓✓
- CPIX shows the inflation rate excluding the effect of mortgage bond interest rates. ✓✓
- Interest rates are used by SARB to control inflation. ✓✓

(Any 6 x 2) (12)

CONCLUSION

Pro-cyclical indicators move in the direction whereas counter-cyclical indicators move in the opposite direction. ✓✓

(2)

Use the following assessment grid together with the above to assess the discussion.

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5	Candidate has interpreted topic correctly and has linked facts to topic.	(31– 45 marks)

(5)
[50]

QUESTION 10 (LO4 AS2)

Policies to promote tourism

INTRODUCTION

The policy suggestions aim to ensure and accelerate the delivery of tourism benefits to all South Africans. ✓✓✓ It aims to maintain the sustainability of the tourism industry to enhance the quality of life of South Africans. ✓✓✓ (Max.) (3)

BODY

A. Marketing ✓✓

- The marketing and promotion of South Africa's tourism is most important. ✓✓
 - South African tourist attractions must be promoted as tourist destinations. ✓✓
 - Generic promotions (South Africa as a whole) must be made. ✓✓
 - SA tourism was created for this. ✓✓
 - Generic marketing programmes must be included by travel agents ✓✓
 - Factors such as value for money, the political miracle, climate, friendliness etc. must be emphasised. ✓✓
 - Domestic marketing must encourage citizens to consider a wide variety of destinations and group tours. ✓✓
 - Purposes such as biodiversity, cultural, sport, recreation etc. must be Promoted. ✓✓
 - Destinations such as World Heritage sites, Kruger National Park etc. must be given importance. ✓✓
- (Any 6 x 2) (12)

B. Spatial Distribution / Directing ✓✓

- Most tourists go to the same familiar destinations that are well known. ✓✓

1. Create representative bodies ✓✓

- Industries linked to an attraction can form representative bodies to market effectively. ✓✓
- Describe the product more attractively. ✓✓
- Competitive prices must be charged ✓✓
- Products must be promoted considering focus, wording, timing and medium. ✓✓
- Location and accessibility of the attraction are also important. ✓✓

2. Improve and extend supporting services✓✓

- The cause of uneven distribution of tourists is the lack of supporting services. ✓✓
- **Accommodation(✓)** – adequate facilities must be provided ✓
- **Services (✓)** – An increasing range of facilities and services should be provided. ✓
- **Access(✓)** – The development and maintenance of transport facilities are essential ✓
- **Ancillary (support) services (✓)** – to both the consumer and the industry through networking and information. ✓

3. Improve marketing ✓✓

4 x P's:

- **Product (✓)** – were product described in best way?✓
- **Price (✓)** – must be competitive. ✓
- **Promotion (✓)** – reconsider all aspects of advertising. ✓
- **Place (✓)** – location and accessibility are important. ✓ (Max.) (14)

A. Taxing ✓✓

- Growth of tourism leads to an increase in tourist taxes. ✓✓
- Most countries are using it as a source of state revenue. ✓✓
- Taxes should be raised in according to guidelines ✓✓
- **Equity (✓)** – Taxes should be fair compared to other sectors. ✓
- **Efficiency(✓)** – Taxes should have minimal effect on the demand for travel and tourism ✓
- Taxes must be used to regulate the flow of tourists to specific areas. ✓✓
- **Simplicity (✓)** – Taxes should be simple to pay and administer. ✓ (Max.) (8)

B. Infrastructure✓✓

- Requires economic and social infrastructure and basic services ✓✓
- **More infrastructure (✓)** – Physical infrastructure should increase as tourism increases. ✓
- Lack of quality infrastructure reduces tourist flow. ✓✓
- **Upgrading(✓)** – if expansion is not possible, upgrading should be done. ✓
- **New technology (✓)** – should be implemented in all areas to market tourism products domestically and internationally. ✓ (Max.) (6)

CONCLUSION

The policy suggestions aim to ensure and accelerate the practical delivery of tourism benefits to all South Africans. ✓✓

(2)

Use the following assessment grid together with the above to assess the discussion.

MARKS	INTERPRETATION OF TOPIC
0	Candidate has shown no understanding of the topic.
1	Candidate has shown some understanding of topic but missed important aspects of topic. (1 – 15 marks)
3	Candidate has interpreted topic correctly but has not linked facts to topic. (16 – 30 marks)
5	Candidate has interpreted topic correctly and has linked facts to topic. (31– 45 marks)

(5)
[50]**TOTAL SECTION C:** 100**GRAND TOTAL:** 300