



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P2

FEBRUARY/MARCH 2018

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

SECTION A: COMPULSORY
SECTION B: Answer TWO of the three questions.
SECTION C: Answer ONE of the two questions.
2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2–3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only blue or black ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.

SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 D.
- 1.1.1 A close example of a perfect market in South Africa is ...
- A oil companies.
 - B the Johannesburg Securities Exchange.
 - C Eskom.
 - D the retail industry.
- 1.1.2 A monopolist will maximise his revenue where his marginal revenue is equal to ...
- A one.
 - B marginal cost.
 - C zero.
 - D the market price.
- 1.1.3 Products of a monopolistic market are ...
- A differentiated.
 - B homogeneous.
 - C unique.
 - D identical.
- 1.1.4 The gap between the average cost (AC) curve and the average variable cost (AVC) curve ... as production increases.
- A increases
 - B stays the same
 - C expands
 - D decreases
- 1.1.5 Low growth, high unemployment and high rates of inflation are characteristics of ...
- A stagflation.
 - B inflation.
 - C hyperinflation.
 - D deflation.
- 1.1.6 For an activity to be classified as part of tourism, the minimum length of stay should be one ...
- A year.
 - B month.
 - C day.
 - D week.

1.1.7 The use of a cost-benefit analysis allows ... decision-making.

- A subjective
- B complex
- C biased
- D objective

1.1.8 Tourism is a ...-intensive industry.

- A capital
- B labour
- C trade
- D goods

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–I) next to the question number (1.2.1–1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Break-even point	A	controlled by the government
1.2.2	Perfect market	B	total revenue is equal to average costs
1.2.3	Price leadership	C	make decisions on repo (repurchase) rate
1.2.4	Minimum wages	D	total revenue is equal to total cost
1.2.5	Cultural tourism	E	creates an excess supply of labour
1.2.6	Monetary Policy Committee	F	large number of buyers and sellers
1.2.7	Preservation	G	manage the environment in such a way that it remains intact
1.2.8	Administered-price inflation	H	an example of tacit collusion in an oligopoly market with regard to pricing
		I	visiting museums and art galleries

(8 x 1) (8)

- 1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.6) in the ANSWER BOOK. NO abbreviations or acronyms will be accepted.
- 1.3.1 A financial grant from the government to support the production of a particular product
- 1.3.2 The point in production below which a firm's revenue is not able to meet its average variable costs, in other words where $MR = AVC = P$
- 1.3.3 An industry that is dominated or controlled by two producers
- 1.3.4 This type of inflation excludes items that show a high price volatility from the CPI basket of goods
- 1.3.5 Natural resources that cannot be replaced when exhausted (used up)
- 1.3.6 Basic systems and structures that a country needs for economic activity, for example transport and communication (6 x 1) (6)
- TOTAL SECTION A: 30**

SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

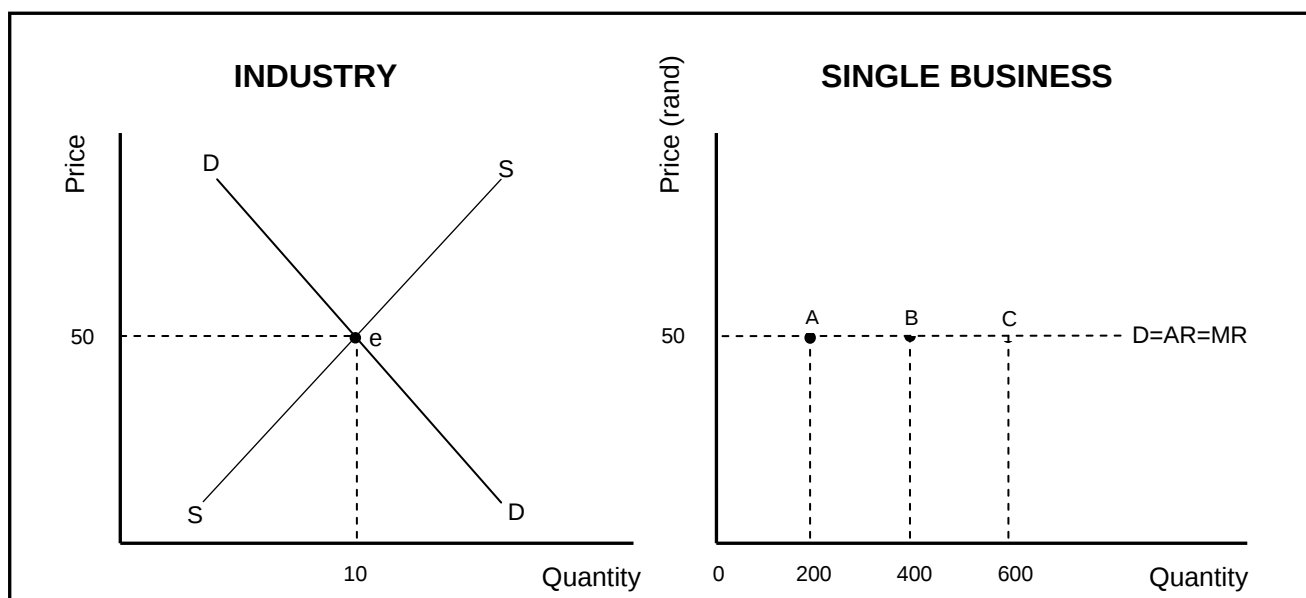
QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give any TWO examples of variable costs. (2 x 1) (2)

2.1.2 Why is it difficult for new firms to enter an oligopoly market? (1 x 2) (2)

2.2 Study the graphs below and answer the questions that follow.



2.2.1 What market structure is depicted above? (1)

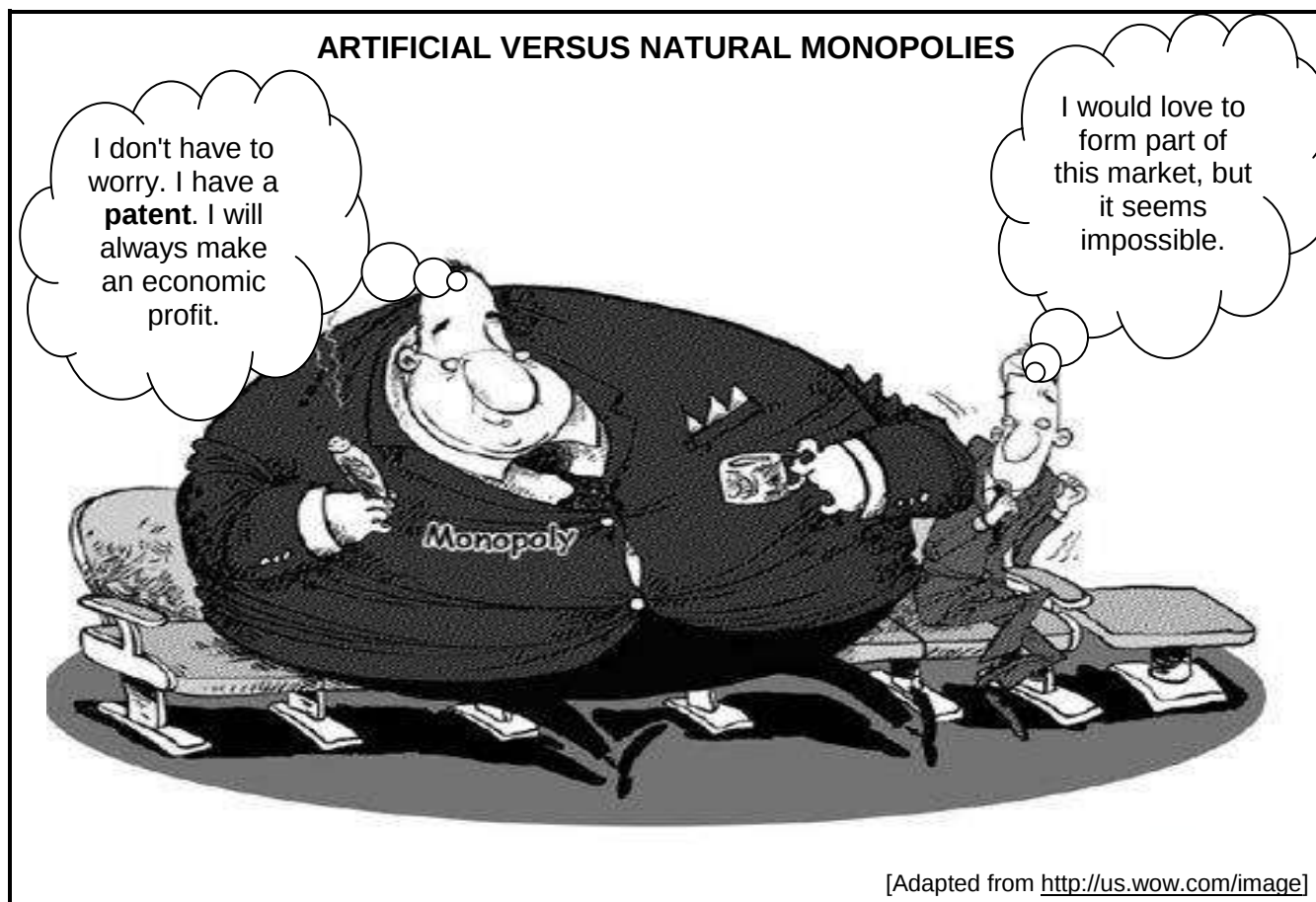
2.2.2 What is the market price at which the business will sell his/her product? (1)

2.2.3 Briefly describe the term *opportunity cost*. (2)

2.2.4 Why is it not possible for a single business to adjust its selling price? (2)

2.2.5 Explain the effect on the market in the long run if the businesses above in a perfect market made an economic profit. (2 x 2) (4)

2.3 Study the cartoon below and answer the questions that follow.



- | | | |
|-------|---|-------------|
| 2.3.1 | Identify the type of monopoly depicted in the cartoon. | (1) |
| 2.3.2 | How many firms usually dominate this type of market? | (1) |
| 2.3.3 | Describe the <i>nature of the product</i> produced by a monopoly. | (2) |
| 2.3.4 | How are natural monopolies created? | (2) |
| 2.3.5 | Why will this monopolist always make economic profit in the long run? | (2 x 2) (4) |
| 2.4 | Explain the aims of South Africa's antimonopolistic policy. | (4 x 2) (8) |
| 2.5 | Why do oligopolies often collude, although it is illegal in South Africa? | (8) |
| | | [40] |

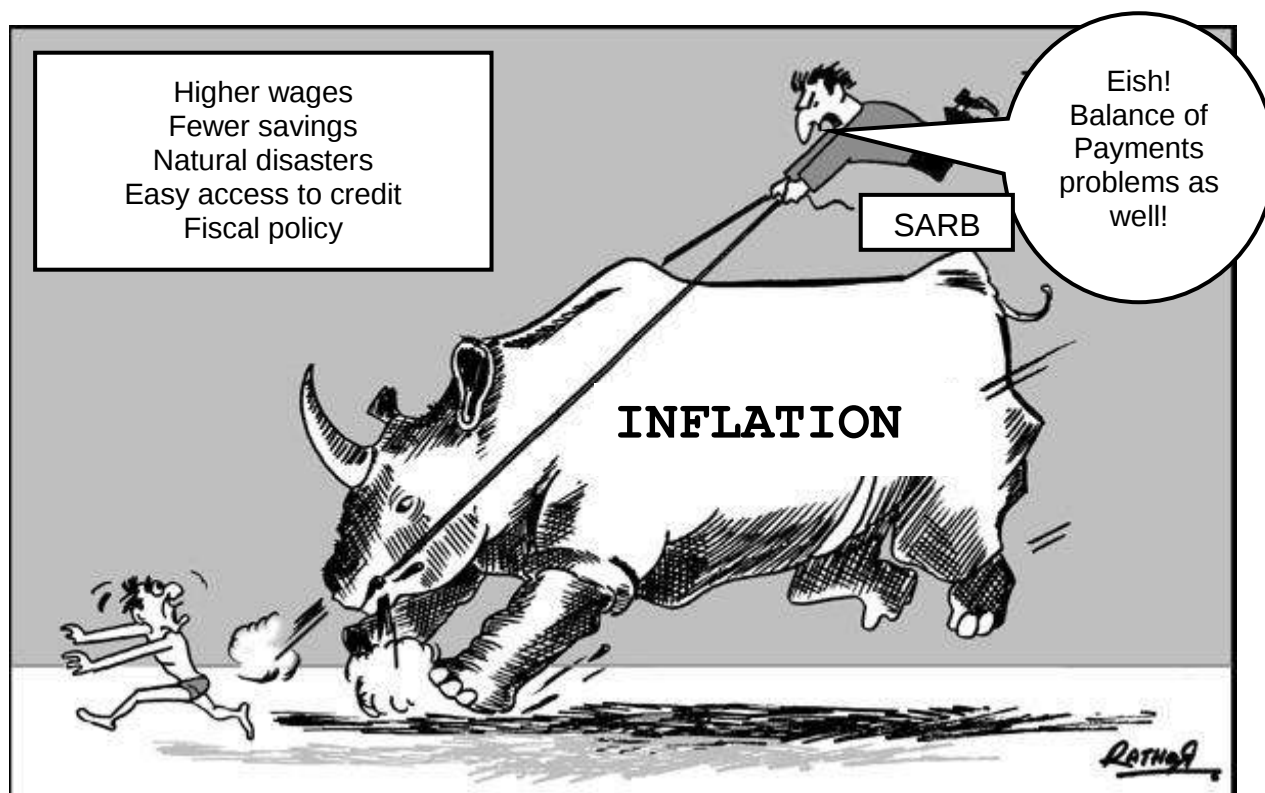
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 State any TWO measures used by the government to ensure environmental sustainability. (2 x 1) (2)

3.1.2 What do monetarists believe to be the main reason for inflation? (1 x 2) (2)

3.2 Study the information below and answer the questions that follow.



[Adapted from www.pak101.com]

3.2.1 Identify ONE cause of demand-pull inflation in the information above. (1)

3.2.2 Identify ONE cause of cost-push inflation in the information above. (1)

3.2.3 Briefly describe the term *inflation*. (2)

3.2.4 What is the main instrument used by the South African Reserve Bank to control inflation? (2)

3.2.5 Why is the SARB concerned about the impact of inflation on the Balance of Payments? (2 x 2) (4)

3.3 Study the information below and answer the questions that follow.

AIR POLLUTION IN SOUTH AFRICA

In 2016 the Global Urban Ambient Air Pollution database revealed which regions in the world experience high levels of air pollution. The database covers over 3 000 cities across the world, measuring fine particle matter per cubic metre. According to the World Health Organisation, these measurements can be linked directly to increased health risks, as the particles are so fine they can cause a variety of diseases.

Below are five South African urban areas that experience the most air pollution.

URBAN AREA	PROVINCE	PARTICLE MATTER PER CUBIC METRE
Hartebeespoort	North West	60
Durban	KZN	51
Emalahleni	Mpumalanga	41
Tshwane	Gauteng	34
Port Elizabeth	Eastern Cape	31

[Adapted from www.environment.co.za]

3.3.1 Identify the most polluted urban area in South Africa in the information above. (1)

3.3.2 Which organisation, in the information above, links health risks to air pollution? (1)

3.3.3 Briefly describe the term *air pollution*. (2)

3.3.4 Why is pollution resulting from production such a serious problem? (2)

3.3.5 Why are the major cities in South Africa the most polluted? (2 x 2) (4)

3.4 Briefly describe the negative effects of tourism on the environment. (4 x 2) (8)

3.5 How does the government contribute to higher inflation? (8)

[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Give any TWO reasons why governments levy tax on tourism. (2 x 1) (2)

4.1.2 Why does the government sometimes set minimum prices (price floors) for certain products? (1 x 2) (2)

4.2 Study the information below and answer the questions that follow.

MONOPOLISTIC COMPETITION

The demand curve of a monopolistic competitor is very similar to that of a monopolist, with the demand curve being more elastic than that of a monopoly. Short-run equilibrium is very similar to a monopoly and long-run equilibrium of normal profit is very similar to a perfect market. For this reason it is sometimes referred to as a hybrid market structure.



[Adapted from www.monopolisticcompetition.co.za, 2017]

4.2.1 Identify ONE example of a monopolistic competitor in the information above. (1)

4.2.2 Which word in the information above suggests that a monopolistic competitor is a combination of two market structures? (1)

4.2.3 Briefly describe the term *normal profit*. (2)

4.2.4 Why is the demand curve of a monopolistic competitor more elastic than that of a monopoly? (2)

4.2.5 How does branding play a key role in a monopolistic competitive market structure? (2 x 2) (4)

- 4.3 Study the information below and answer the questions that follow.

THE UNITED NATIONS CLIMATE CHANGE CONFERENCES

The UN has yearly conferences which serve as a formal meeting of parties that are known as the Conference of the Parties (COP). The meetings assess the progress made in dealing with climate change. The first conference was held in Berlin, Germany, in 1995 and the third meeting was held in Kyoto, Japan, in 1997, where the reduction of greenhouse gases was discussed.

In 2011 the 17th meeting was held in Durban, South Africa. The emphasis was on the creation of a green climate fund. The Kyoto conference outlined the reduction of greenhouse gas emissions. In 2016 the 22nd conference (also known as COP 22) was held in Morocco. Despite these numerous meetings, global temperatures are still increasing.

[Adapted from 222.wikipedia.com]

- | | | |
|-------|---|--------------------|
| 4.3.1 | Give the name of ONE city in the extract where climate change conferences were held. | (1) |
| 4.3.2 | Identify the international organisation in the extract above that initiates climate change conferences. | (1) |
| 4.3.3 | Describe how greenhouse gases contribute to global warming. | (2) |
| 4.3.4 | How can a green fund help to reduce global warming? | (2) |
| 4.3.5 | Why is global warming increasing despite the many international conferences on climate change? | (2 x 2) (4) |
| 4.4 | Briefly describe the fiscal measures that can be used to combat demand-pull inflation. | (4 x 2) (8) |
| 4.5 | Draw a well-labelled graph to illustrate economic profit in a monopoly market. | (8)
[40] |

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in 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 define 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/Differentiate/Explain 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	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • 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 5: MICROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss the following causes of market failure without using any graphs:
 - Externalities (13 marks)
 - Missing markets (13 marks) (26 marks)
- Explain, with the aid of a graph, the effect of a negative externality on production levels. (10 marks) **[40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Discuss the benefits of tourism for:
 - Business (10 marks)
 - Infrastructure (8 marks)
 - Households (8 marks) (26 marks)
- How can tourist attractions in less popular destinations be marketed successfully? (10 marks) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150