



# basic education

Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**ECON.2**

**ECONOMICS P2**

**NOVEMBER 2014**

**MARKS: 150**

**TIME: 1½ hours**

This question paper consists of 12 pages.

# MORNING SESSION



**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 black or blue ink.
10. You may use a non-programmable pocket calculator.
11. Write neatly and legibly.



**SECTION A (COMPULSORY)****QUESTION 1****30 MARKS – 15 MINUTES**

- 1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–C) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 C.
- 1.1.1 In economics the term 'short run' refers to a period where ... factors of production can change.
- A only variable
  - B all fixed
  - C both variable and fixed
- 1.1.2 In a perfectly competitive market products are ...
- A heterogeneous.
  - B homogeneous.
  - C differentiated.
- 1.1.3 Which ONE of the following is a characteristic of a monopoly?
- A Goods are homogeneous.
  - B Monopolists are price takers.
  - C There are no close substitutes.
- 1.1.4 Government intervention in the market ensures sufficient staple food for the poor by setting ... prices.
- A maximum
  - B minimum
  - C limited
- 1.1.5 The agreement reached in 2002 which focused on environmental sustainability is known as the ...
- A Johannesburg Summit.
  - B Rio+20 Summit.
  - C Kyoto Protocol.
- 1.1.6 South Africans who travel overseas are called ... tourists.
- A inbound
  - B outbound
  - C domestic



1.1.7 The sustainable use of natural resources is known as ...

- A pollution.
- B conservation.
- C preservation.

1.1.8 The promotion of South Africa as an international tourist destination is the responsibility of ...

- A the private sector.
- B international organisations like Green Peace.
- C South African Tourism (SAT).

(8 x 2) (16)

1.2 Choose a description from COLUMN B that matches an 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 Explicit cost	A leads to growth in tourism
1.2.2 Shut-down point	B aircraft noise
1.2.3 Cartel	C where MC = AVC
1.2.4 Perfect market	D when a group of producers form a collective monopoly
1.2.5 Higher disposable income	E controlled by government-appointed authorities
1.2.6 Negative externality	F market price = marginal revenue
1.2.7 Domestic tourism	G people travelling within their own countries
1.2.8 Administered prices	H visiting museums and art galleries
	I actual expenditure of a business, for example wages and interest

(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.
- 1.3.1 The minimum profit required to prevent an entrepreneur from leaving the industry
- 1.3.2 The amount by which the total cost increases when an extra unit is produced
- 1.3.3 A situation where it is impossible to increase the welfare of one person without making another one worse off
- 1.3.4 A sustained and significant increase in the general price level
- 1.3.5 Traditional knowledge that has a practical application for the daily survival of local communities
- 1.3.6 Runaway inflationary conditions where the general price level increases by more than 50% per month (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 – 20 MINUTES**

2.1 Answer the following questions.

2.1.1 State TWO characteristics of monopolistic competition. (2 x 1) (2)

2.1.2 What will happen if one firm in the perfect market decides to increase its selling price? (1 x 2) (2)

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



**TOLL ROADS – WAS THIS THE BEST DECISION?**

There are major debates surrounding toll roads in South Africa, with many consumers unhappy and undecided whether it will really benefit the economy. The major question is whether the government has examined all the positives and negatives regarding toll roads.

[Adapted from *Business Times*, May 2013]

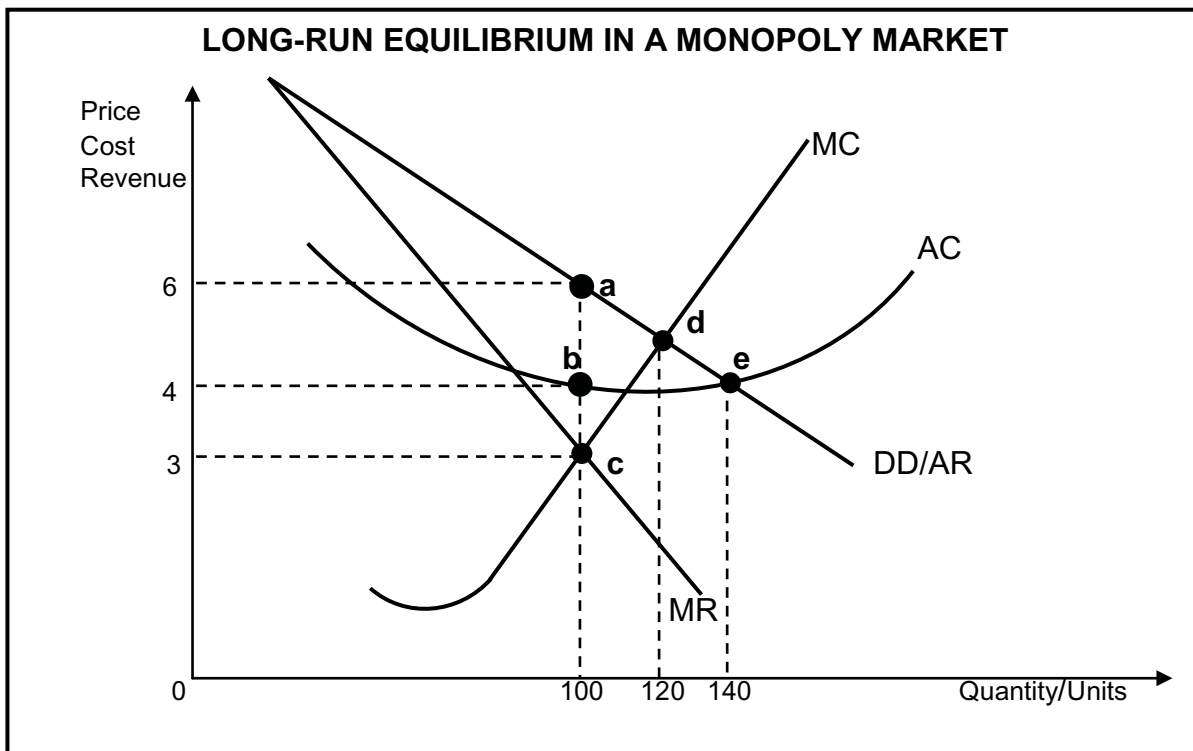
2.2.1 Explain the term *toll*. (2)

2.2.2 What method can the government use to ensure that the introduction of toll roads is the best decision? (2)

2.2.3 How can toll roads lead to market failure? (2)

2.2.4 Argue in favour of the implementation of toll roads. (2 x 2) (4)

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



2.3.1 Indicate the profit maximisation point of the monopolist. (1)

2.3.2 How many units will be produced at the maximisation point? (1)

2.3.3 Determine whether the business is making an economic profit or an economic loss. Show ALL calculations. (4)

2.3.4 What favourable conditions may the monopolist enjoy in comparison to other market structures? (4)

2.4 Explain how the immobility of factors of production can cause market failure. (4 x 2) (8)

2.5 Explain how SASOL can compete in an oligopolistic market with other petrol-selling companies in South Africa. (4 x 2) (8)

**[40]**



**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 20 MINUTES**

3.1 Answer the following questions.

- 3.1.1 Give TWO examples of World Heritage Sites in South Africa. (2 x 1) (2)
- 3.1.2 How can tourism influence the lives of poor people near tourist destinations? (1 x 2) (2)

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

**SOUTH AFRICA SWITCHES OFF LIGHTS FOR THE EARTH**

On the last Saturday of March South Africa and the world at large switched off their lights for an hour in celebration of 'Earth Hour'.

In clarifying the reasons behind the event, the World Wide Fund for Nature South Africa (WWFSA) highlighted that in South Africa electricity and fuel were produced mainly from 'dirty' non-renewable resources like coal, oil and gas. It therefore urged people to be aware of the kind of destruction brought about by such kinds of energy.

More importantly, the organisation explained that South Africa should change to renewable solar energy and also reduce transport energy consumption. If humans could embrace the power of nature rather than working against it, sustainable energy supply could be ensured.

[Adapted from [www.wwf.org.za](http://www.wwf.org.za), October 2013]

- 3.2.1 What are resources that can be replaced called? (2)
- 3.2.2 What do you think is the aim of celebrating 'Earth Hour'? (2)
- 3.2.3 How can people reduce transport fuel consumption in order to sustain the environment? (2)
- 3.2.4 In your opinion, why are non-renewable resources referred to as 'dirty'? (4)





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

<b>HEADLINE INFLATION CLASSIFICATION OF INDIVIDUAL CONSUMPTION</b>			
<b>Item category</b>	<b>Weight</b>	<b>June</b>	<b>July</b>
Food and non-alcoholic beverages	15,41	6,8	6,8
Alcoholic beverages and tobacco	5,43	6,3	7,0
Clothing and footwear	4,07	3,0	3,1
Housing and utilities	24,52	5,8	5,5
Housing content, maintenance and equipment	4,79	2,9	2,9
Health	1,46	5,0	4,8
Transport	16,43	3,7	8,2
Communication	2,63	1,5	1,8
Recreation and culture	4,09	4,3	3,4
Education	2,95	9,0	9,0
Restaurants and hotels	3,50	6,1	6,5
Miscellaneous goods and services	14,72	7,4	7,6
Overall CPI	100,00	5,5	6,3

[Source: SARB Quarterly Bulletin, September 2013]

- 3.3.1 What are unadjusted CPI figures called? (2)
- 3.3.2 Why is the weighting of items in the basket of goods important? (2)
- 3.3.3 Why would you exclude food from the CPI basket when calculating core inflation? (2)
- 3.3.4 Comment on the impact that the overall CPI index has on the consumer. (4)
- 3.4 Discuss the economic benefits of tourism for the government and infrastructure development. (2 x 4) (8)
- 3.5 Why are industries often accused of contributing to land and water pollution? (4 x 2) (8)
- [40]**



**QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**  
**40 MARKS – 20 MINUTES**

4.1 Answer the following questions.

4.1.1 Give TWO examples of the preservation of the environment. (2 x 1) (2)

4.1.2 How can the consumer benefit from competition? (1 x 2) (2)

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

**SOUTH AFRICA TO BE ONE OF THE WORLD'S TOP 20  
TRAVEL DESTINATIONS BY 2020**

South African tourism has been growing since 1994. The international tourist arrivals increased by 10,2% in 2012. In 2012 tourism contributed 3% to the country's GDP compared to 9% worldwide. The country has also sharpened its focus on increasing domestic tourism. It re-launched its Sho't Left tourism marketing campaign targeting young and trendy South Africans and encouraging them to explore their own country.



[Adapted from [www.thesouthafrican.com](http://www.thesouthafrican.com), October 2013]

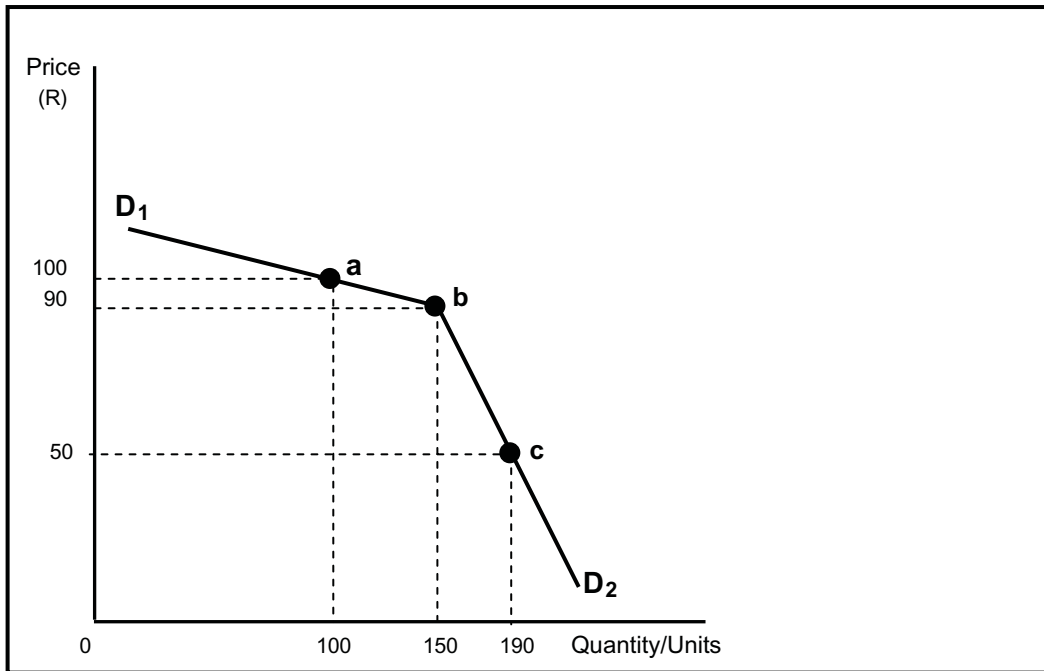
4.2.1 Identify the type of tourism illustrated in the photograph above. (1)

4.2.2 What is meant when South Africans are encouraged to explore their own country? (1)

4.2.3 How would you ensure that South Africa becomes a world top 20 travel destination by 2020? (4)

4.2.4 Why is tourism viewed as a major job creator? Give examples from your own community to support your answer. (2 x 2) (4)

4.3 Study the graph below and answer the questions that follow.



- 4.3.1 Which imperfect market structure is illustrated above? (1)
  - 4.3.2 Name the downward sloping demand curve above. (1)
  - 4.3.3 Explain how price leadership works in this type of market. (4)
  - 4.3.4 Assume that the current selling price is R90. Explain why this business will not lower prices to improve its sales. (4)
  - 4.4 Explain *environmental taxes* and *marketable permits* as intervention strategies to achieve environmental sustainability. (2 x 4) (8)
  - 4.5 What are the effects of the implementation of minimum wages in South Africa? (4 x 2) (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:

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<b>Introduction</b>	Max. 2
<b>Body:</b> <b>Main part:</b> Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/ Explain/Assess/Debate	Max. 26
<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	Max. 10
<b>Conclusion</b>	Max. 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5: MICROECONOMICS****40 MARKS – 35 MINUTES**

Under perfect market conditions the market price of products is determined through the interaction of supply and demand.

- Discuss perfect competition under the following headings:
  - A comparison of the demand curve of the individual producer and industry
  - Profit maximisation
 Use graphs to support your discussion. (26)
- In your opinion, does the Competition Act of South Africa promote fair competition? (10) **[40]**

**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 35 MINUTES**

Inflation is a phenomenon that many countries in the world have to deal with.

- Examine in detail the causes of cost-push inflation. (26)
- Has South Africa's inflation-targeting policy been beneficial to the economy? Motivate your response. (10) **[40]**

**TOTAL SECTION C: 40**  
**GRAND TOTAL: 150**

