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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P2

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 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 – 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 numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, for example 1.1.9 D.
- 1.1.1 The supply curve for the individual firm under perfect conditions is ... sloped.
- A negatively
 - B positively
 - C horizontally
 - D vertically
- 1.1.2 An industry with only two producers controlling the market is known as a/an ...
- A duopoly.
 - B monopoly.
 - C oligopoly.
 - D tripoly.
- 1.1.3 Public goods are provided and funded by ...
- A markets.
 - B factories.
 - C governments.
 - D companies.
- 1.1.4 The government can introduce ... to increase the mobility of labour.
- A taxes
 - B poverty
 - C inflation
 - D training programmes
- 1.1.5 The South African Reserve Bank is responsible for implementing ... policy.
- A fiscal
 - B domestic
 - C monetary
 - D foreign trade

1.1.6 People travelling to South Africa from other countries are known as ... tourists.

- A inbound
- B influx
- C internal
- D outbound

1.1.7 Global warming is caused by the release of ... into the atmosphere.

- A oxygen
- B carbon dioxide
- C hot air
- D cold air

1.1.8 The institution that publishes the consumer price index on a monthly basis is ...

- A the Department of Finance.
- B the Department of Tourism.
- C the South African Revenue Services.
- D Statistics South Africa.

(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 numbers (1.2.1 to 1.2.8) in the ANSWER BOOK.

| COLUMN A | | COLUMN B | |
|----------|----------------------|----------|--|
| 1.2.1 | Patent | A | excludes products with volatile prices |
| 1.2.2 | Long run | B | condition where a country experiences low economic growth, high unemployment and high inflation simultaneously |
| 1.2.3 | Branding | C | the exclusive right to manufacture a product |
| 1.2.4 | Competition Tribunal | D | spillover effects of an economic activity on third parties |
| 1.2.5 | Core inflation | E | method of building customer loyalty by choosing one product instead of another |
| 1.2.6 | Stagflation | F | authorises and prohibits large mergers and takeovers |
| 1.2.7 | Externality | G | international agreement to limit the production of greenhouse gases |
| 1.2.8 | Kyoto Protocol | H | includes products with volatile prices |
| | | I | period of production where all factors of production become variable |

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 Sum of all individual businesses producing a similar kind of product

1.3.2 The wage rate set by government, below which no employer can pay his/her workers

1.3.3 The combined cost of goods or services to producers and consumers and society as a whole

1.3.4 An extreme increase in price of more than 50% per month

1.3.5 The type of tourism that involves attending conferences, trade fairs and exhibitions in other countries

1.3.6 A variety of plant and animal species found in a particular environment

(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 How are consumers affected by price leadership? (1 x 2) (2)

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

BANKING CARTEL HITS SOUTH AFRICAN RAND HARD

Three South African banks have been implicated in 'widespread' collusion relating to the price-fixing of the rand. It has been alleged that currency traders have been buying and selling US dollars in exchange for the rand at fixed prices. This was accomplished by making false sales to drive up demand, or colluding to agree not to trade for specific periods of time.

These trade practices have resulted in the depreciation of the rand. It consequently affected South Africa's import and export trade directly.

[Adapted from Businessstech.co.za, 2016]

2.2.1 Identify ONE way in the extract in which the banks colluded regarding the exchange of the dollar for the rand at fixed prices. (1)

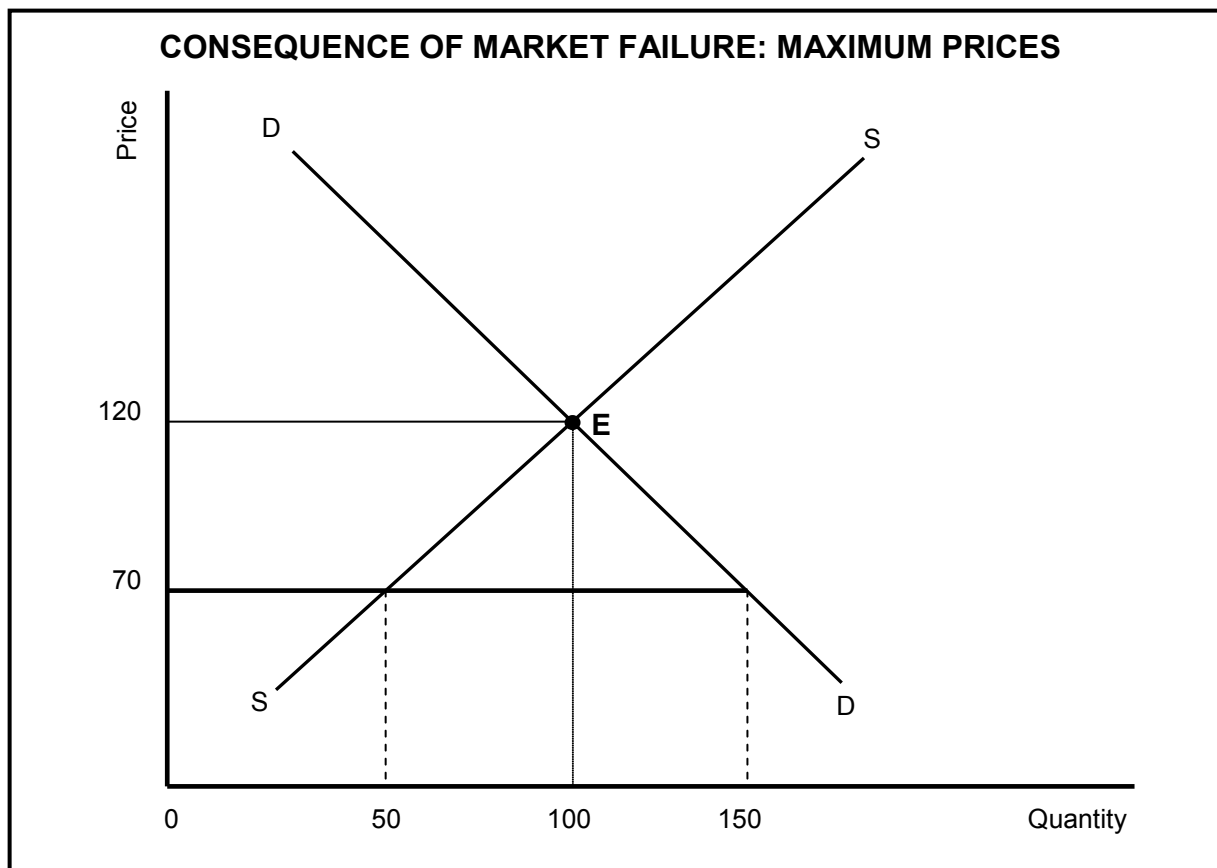
2.2.2 To what kind of market structure does the extract refer? (1)

2.2.3 Briefly describe the term *cartel*. (2)

2.2.4 Explain the view of the competition policy on the formation of cartels. (2)

2.2.5 How would cartels in the banking sector affect South Africa's foreign trade? (2 x 2) (4)

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



- 2.3.1 What is the equilibrium price in the graph above? (1)
- 2.3.2 Identify the quantity of goods above which will be supplied if a maximum price of R70 is implemented. (1)
- 2.3.3 Briefly describe the term *market failure*. (2)
- 2.3.4 Why will a government implement maximum prices of certain goods? (2)
- 2.3.5 Use the graph to explain the impact of maximum prices on the market. (2 x 2) (4)
- 2.4 Briefly discuss *merit* and *demerit* goods as a cause of market failure. (2 x 4) (8)
- 2.5 Draw a fully labelled graph to illustrate the long-run equilibrium of the monopoly. (8)
- [40]**

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO types of pollution. (2 x 1) (2)

3.1.2 How is a reduction in taxes linked to demand pull inflation? (1 x 2) (2)

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

IMPACT OF INFLATION ON THE ECONOMY

For people whose incomes do not keep pace with the rate of inflation, its impact can be especially strong. Inflation can make it difficult for low-income people to pay for basic household expenses such as housing and food. When prices of these goods rise, purchasing power of the consumer declines. In South Africa prices are regarded as stable when the changes are within the inflation target range.

[Adapted from www.google.co.za]

3.2.1 Identify ONE item which low-income earners may struggle to pay when inflation is high. (1)

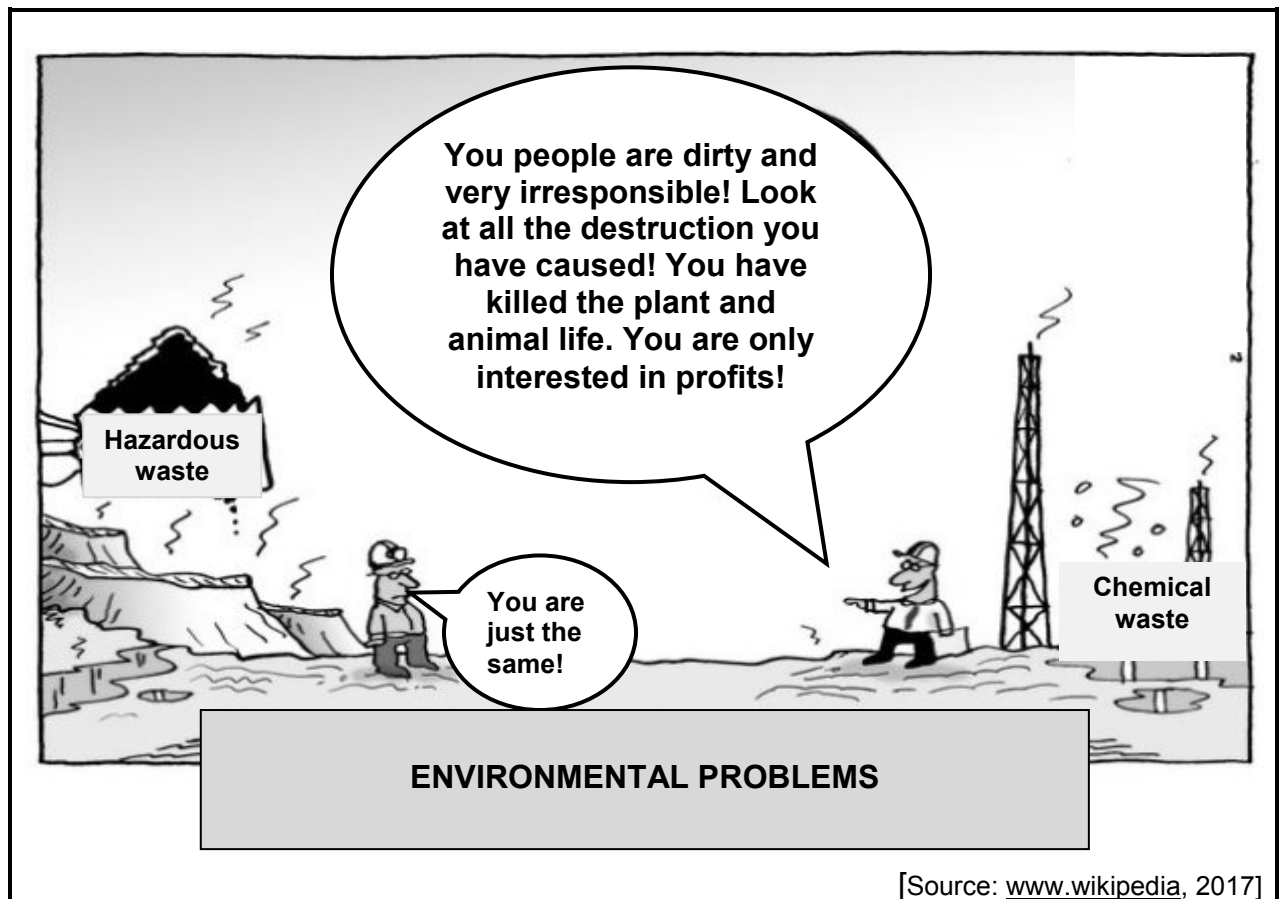
3.2.2 Which phrase in the extract implies a decrease in the quantity of goods purchased by the consumer? (1)

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

3.2.4 How do the actions of trade unions cause inflation? (2)

3.2.5 How can the government use taxation to combat inflation? (2 x 2) (4)

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



- 3.3.1 Identify ONE environmental problem in the cartoon above. (1)
- 3.3.2 Identify the phrase in the cartoon that relates to the loss of biodiversity. (1)
- 3.3.3 Briefly describe the term *pollution*. (2)
- 3.3.4 Explain a measure adopted by the international community to deal with the loss of biodiversity. (2)
- 3.3.5 Why is hazardous and chemical waste regarded as harmful to the environment? (2 x 2) (4)
- 3.4 Differentiate between the *consumer price index* (CPI) and the *producer price index* (PPI). (2 x 4) (8)
- 3.5 How can the government promote South Africa as a tourist destination? (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 examples of world heritage sites in South Africa. (2 x 1) (2)

4.1.2 Why is there a high degree of interdependence between firms in an oligopoly market? (1 x 2) (2)

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

MONOPOLISTIC COMPETITION

Fast-food shops

Hairstressers

Law firms

Monopolistic competitors use various non-price competition methods, like advertising, packaging and services, to attract customers. Economic profit is achieved in the short run and in the long run normal profit is realised.

[Adapted from News24, September 2017]

4.2.1 Give ONE example of monopolistic competition in the information above. (1)

4.2.2 Identify ONE method in the information above that is used in non-price competition. (1)

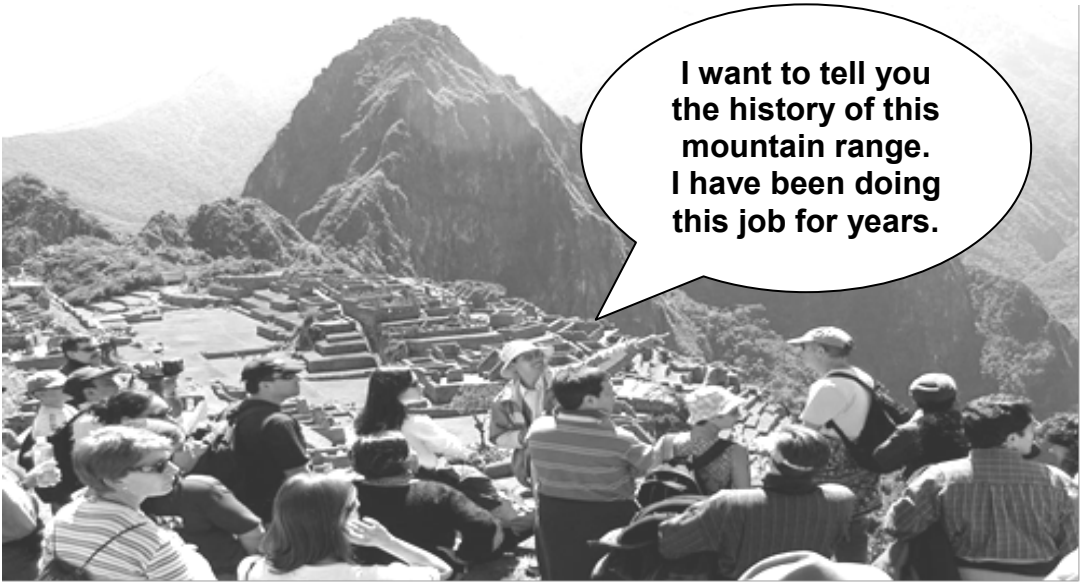
4.2.3 Briefly describe the term *monopolistic competition*. (2)

4.2.4 How does a monopolistic competitor differ from a perfect competitor in terms of market information? (2)

4.2.5 Why do monopolistic competitors achieve only normal profit in the long run? (2 x 2) (4)

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

JOBS ARE STILL GROWING IN THE TOURISM INDUSTRY



A large number of people in South Africa are employed in the tourist sector. Though employment levels had been declining in South Africa where an unemployment rate of 27,7% was experienced in 2017, tourism was one of the few sectors where there was an increase in jobs. The total contribution of travel and tourism to employment in the country was 1,5 million jobs in 2016.

[Source: www.google.co.za]

- 4.3.1 Identify the number of jobs created in the tourism sector in 2016. (1)
- 4.3.2 What was the general unemployment rate in 2017? (1)
- 4.3.3 Briefly describe the term *tourism*. (2)
- 4.3.4 Give ONE reason why South Africa is experiencing growth in tourism. (2)
- 4.3.5 Why is the tourism industry successful in creating jobs in South Africa? (2 x 2) (4)
- 4.4 Briefly discuss the reasons for a cost-benefit analysis (CBA). (4 x 2) (8)
- 4.5 Advise the governor of the Reserve Bank on how monetary policy could be used to combat inflation. (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. <ul style="list-style-type: none"> • 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 mentioning 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 | Max. 26 |
| 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. 10 |
| Conclusion Any higher-order conclusion should include: <ul style="list-style-type: none"> • 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 in detail, without the use of graphs, the market structure of a perfect market. (26 marks)
- With the aid of a graph, explain economic loss of the perfect competitor. (10 marks)

[40]**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES**

- Discuss in detail the measures used by government to ensure sustainable development. (26 marks)
- Evaluate how successful the government has been to conserve and preserve the environment in South Africa. (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150