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NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P2

NOVEMBER 2017

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 number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 D.

1.1.1 The perfect competitor must be able to cover its ... costs to prevent a shut-down.

- A average variable
- B average
- C labour
- D fixed

1.1.2 Goods which are non-excludable and non-rival are known as ... goods.

- A consumer
- B capital
- C community
- D scarce

1.1.3 When a business does NOT produce at the lowest possible cost, it relates to ... inefficiency.

- A allocative
- B consumer
- C goods
- D productive

1.1.4 The nature of a product under conditions of monopolistic competition is ...

- A homogeneous.
- B differentiated.
- C static.
- D environmentally friendly.

1.1.5 An example of products on which environmental tax is charged, is ...

- A car seats.
- B car tyres.
- C roof tiles.
- D clothes.

1.1.6 The main purpose of South African Tourism (SAT) is to promote South Africa as a tourist destination ... tourists.

- A to domestic and international
- B only to domestic
- C only to international
- D only to business

1.1.7 Managing the environment in such a way that it remains in its present condition, is known as ...

- A scenery.
- B management.
- C conservation.
- D preservation.

1.1.8 The statement 'too much money chasing too few goods' describes ... inflation.

- A hyper
- B supply
- C demand-pull
- D wage

(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	Explicit costs	A	encourages people to buy new products from the same range
1.2.2	Cartel	B	labour intensive and employs many skills
1.2.3	Branding	C	consequence of deforestation
1.2.4	Missing markets	D	actual expenditure that a business incurs for inputs in the production process
1.2.5	Cost-push inflation	E	incomplete because it cannot meet the demand for certain goods
1.2.6	Tourism industry	F	businesses in the same industry come to an agreement to determine quantities and prices
1.2.7	Soil erosion	G	occurs when the price of raw materials increases
1.2.8	Command and control measures	H	easily available credit
		I	involves setting maximum permitted levels of resource use, for example tons of fish caught

(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 An example of tacit collusion where a dominant firm will set the price and the others will follow
- 1.3.2 Costs paid by the consumer that are NOT included in the market price
- 1.3.3 The period in which the perfect competitor can make economic profit
- 1.3.4 Prices on certain goods that are set or controlled by government, for example petrol
- 1.3.5 Tourists visiting museums, art galleries and areas that depict a certain lifestyle, for example the Apartheid museum
- 1.3.6 The release of harmful gases into the atmosphere (6 x 1) (6)
- TOTAL SECTION A: 30**

SECTION B

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

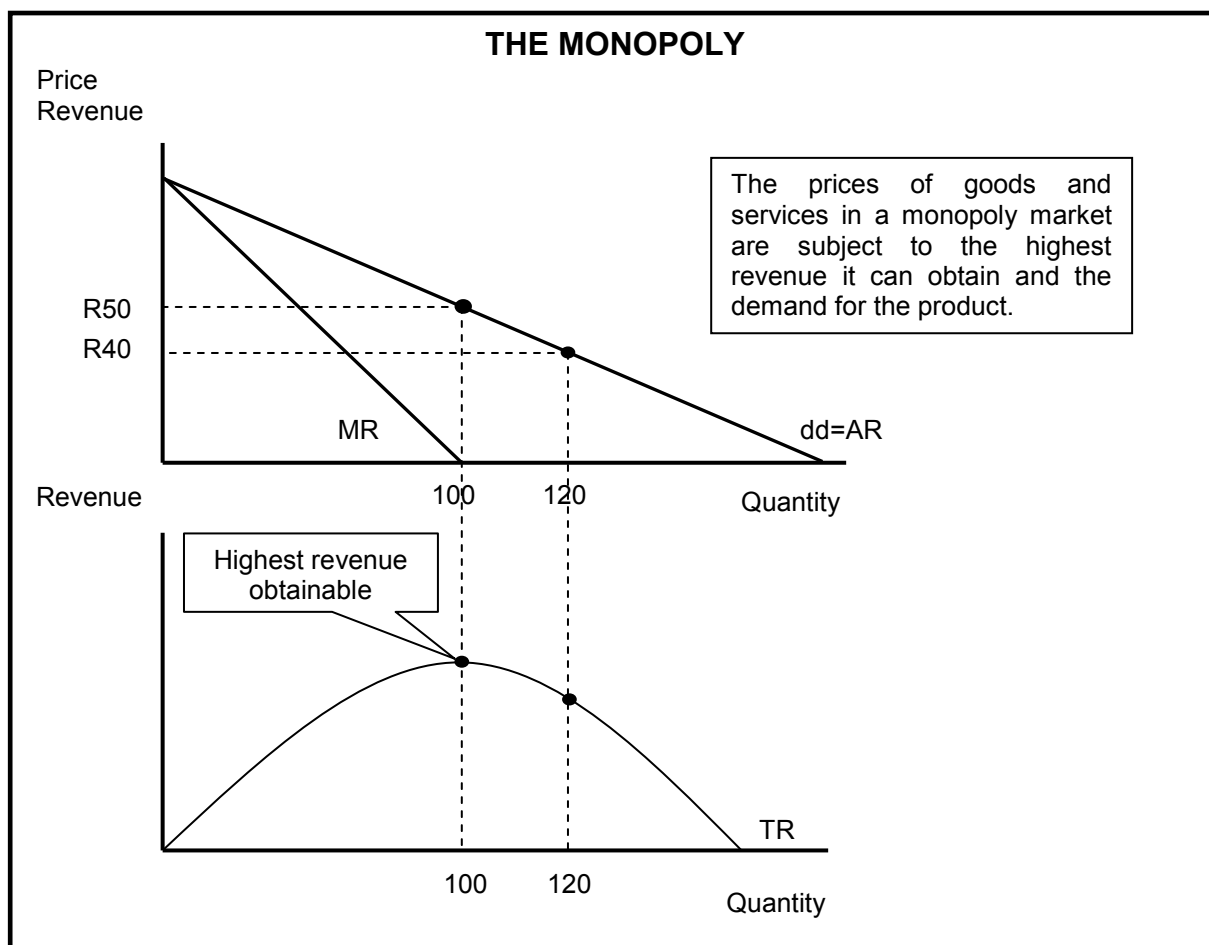
QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give any TWO examples of positive externalities. (2 x 1) (2)

2.1.2 Why do people in rural areas sometimes pay higher prices for goods and services than those living in urban areas? (1 x 2) (2)

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



2.2.1 Identify any factor that can influence the prices of goods and services for the monopoly. (1)

2.2.2 At what price must the monopolist sell to obtain maximum revenue? (1)

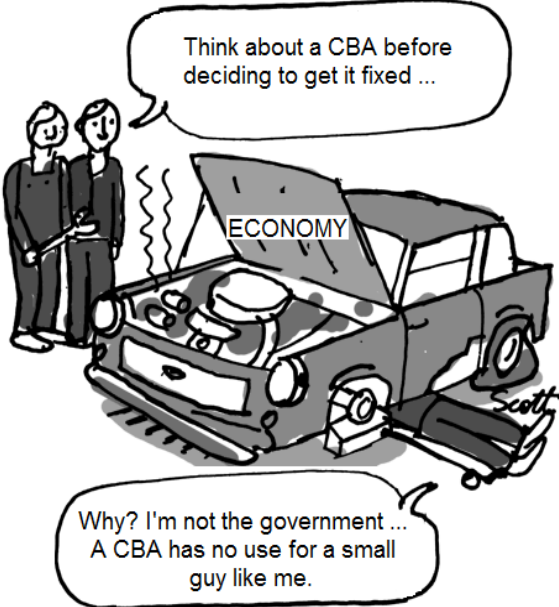
2.2.3 What is the nature of the product of a typical monopolist? (2)

2.2.4 Which curves are required to determine how much profit the monopolist will make? (2)

2.2.5 Why will you discourage the monopolist from increasing the price of the product drastically? (2 x 2) (4)

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

A COST-BENEFIT SCENARIO



Below are the cost-benefit analysis (CBA) findings relating to different projects for a specific community.

ALTERNATIVE	COSTS (R millions)	BENEFITS (R millions)
A – road	100	50
B – park	150	200
C – hospital	120	200
D – airport	80	100

[Adapted from www.google.co.za]

- 2.3.1 In the information above, who is more likely to use a CBA when making decisions? (1)
- 2.3.2 Identify ONE project in the data above that the government is considering for this community. (1)
- 2.3.3 Give a reason why a CBA will NOT be of use to the mechanic in the cartoon. (2)
- 2.3.4 According to the data above, which project would be best for the community? (2)
- 2.3.5 Why do you think it is important to do a CBA when deciding about large projects? (2 x 2) (4)
- 2.4 Explain the *nature of the product* and *market entry* as characteristics of perfect competition. (2 x 4) (8)
- 2.5 How will a monopolistic competitor, like KFC, compete with other fast-food chicken outlets to increase its market share? (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

- 3.1.1 Give any TWO examples of transport infrastructure needed for tourism. (2 x 1) (2)
- 3.1.2 How can a reduction in income tax rates contribute to demand-pull inflation? (1 x 2) (2)

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

HEADLINE AND CORE INFLATION

The consumer price index (CPI) is an important instrument for measuring headline inflation. Headline inflation rose from 5,8 per cent in June 2016 to a peak of 6,4 per cent in December 2016, with no indication that it is about to slow down. The main reason for that was the hike in maize and wheat prices caused by the severe drought.

The gradual increase in both headline and core inflation, despite a weaker currency, suggest that inflation expectations remain well anchored, although at the upper end of the 3%–6% band.

[Adapted from *Mail & Guardian*, February 2017]

- 3.2.1 Identify the index used to measure South Africa's inflation rate. (1)
- 3.2.2 Give the main reason for the increase in the CPI inflation above. (1)
- 3.2.3 Briefly describe the term *core inflation*. (2)
- 3.2.4 How can the South African Reserve Bank ensure that the CPI fluctuates within the 3%–6% band? (2)
- 3.2.5 Calculate the percentage change in the inflation rate between June 2016 and December 2016. Show ALL calculations. (4)

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

**INDIGENOUS KNOWLEDGE SYSTEM HAS THE POTENTIAL
TO STIMULATE THE ECONOMY**



Researchers and traditionalists believe that *Aloe Ferox*, an indigenous plant, has the potential to benefit people in the rural and urban areas in South Africa. The plant, popularly known as *Ikhala*, can be found on rocky hills, grassy and dry lands. It is used for medicinal purposes for both humans and animals. The idea is to exploit the huge international demand for *Aloe Ferox* products.

[Adapted from www.google.co.za]

- | | | |
|-------|--|-------------|
| 3.3.1 | Identify the African name for the plant, <i>Aloe Ferox</i> , in the extract above. | (1) |
| 3.3.2 | According to the information above, what is the reason for the high international demand for <i>Aloe Ferox</i> products? | (1) |
| 3.3.3 | Briefly describe the term <i>indigenous knowledge system</i> . | (2) |
| 3.3.4 | How can commercial use of <i>Aloe Ferox</i> contribute to government revenue? | (2) |
| 3.3.5 | How can <i>Aloe Ferox</i> plants be used to reduce unemployment in rural and urban areas?
(2 x 2) | (4) |
| 3.4 | Explain the government's use of subsidies and permits as measures to ensure environmental sustainability.
(2 x 4) | (8) |
| 3.5 | How effective has inflation targeting in South Africa been to ensure price stability? | (8) |
| | | [40] |

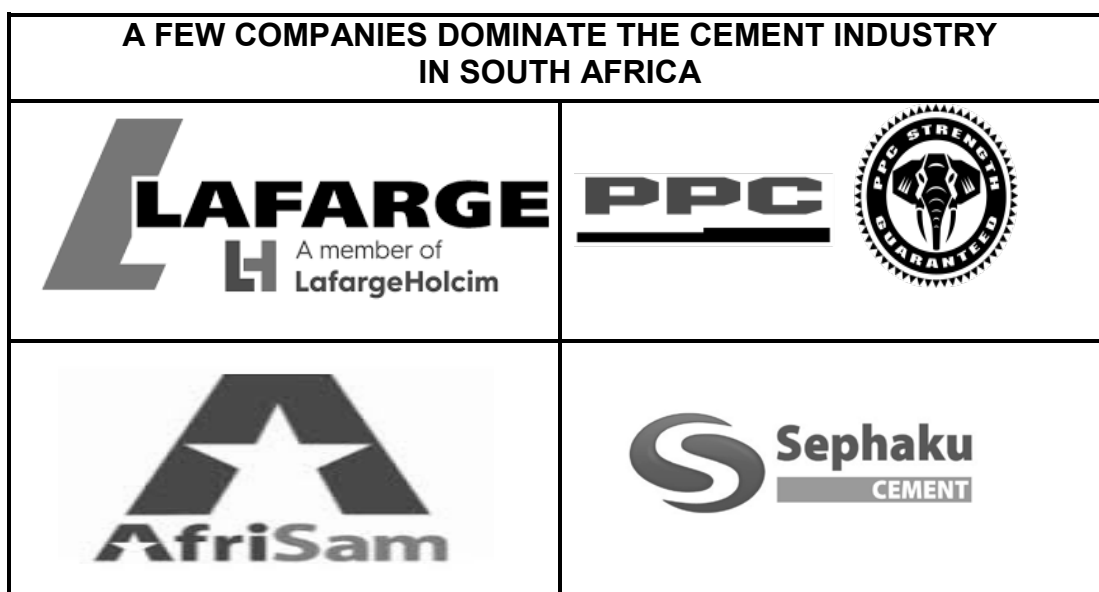
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 State any TWO ways in which households can benefit from tourism. (2 x 1) (2)

4.1.2 How will a national minimum wage influence the supply of labour? (1 x 2) (2)

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



[Adapted from www.google.co.za]

4.2.1 Identify the products produced by the businesses above. (1)

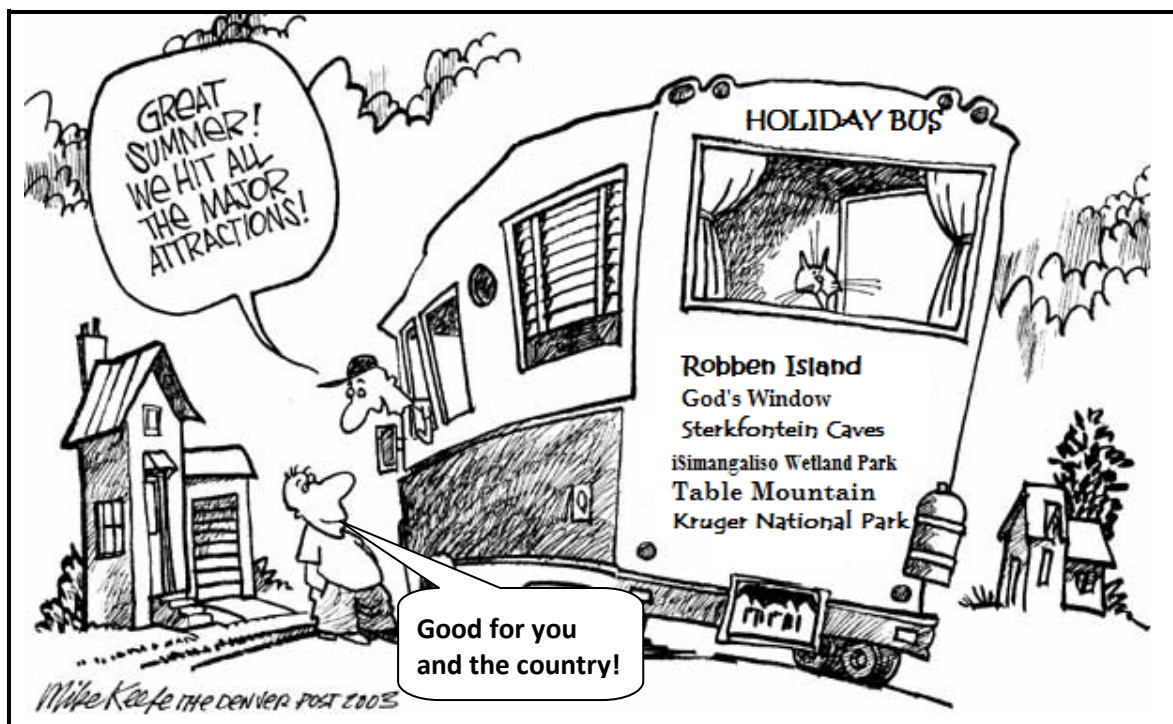
4.2.2 Which market structure is depicted above? (1)

4.2.3 Why will a new business find it difficult to enter into this type of market? (2)

4.2.4 What does *interdependency of businesses* in this market structure imply? (2)

4.2.5 Explain, without the use of a graph, why businesses in this industry will be reluctant to decrease the price of their product. (2 x 2) (4)

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



[Adapted from www.google.co.za]

- 4.3.1 Identify any TWO holiday attractions that people on this bus are going to visit. (2 x 1) (2)
- 4.3.2 Briefly describe the term *tourism*. (2)
- 4.3.3 How can local communities benefit from nearby tourist attractions? (2)
- 4.3.4 Which strategies can be used to promote tourism in South Africa? (2 x 2) (4)
- 4.4 Explain the negative effects of inflation on investors and people with a fixed income. (2 x 4) (8)
- 4.5 Explain, by means of a neatly labelled graph, the impact of maximum prices on the 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. <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 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: <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**

- Explain, with the aid of THREE separate graphs, the following short-run equilibrium positions in a perfect market:
 - Economic profit (10 marks)
 - Economic loss (8 marks)
 - Normal profit (8 marks) (26 marks)
- How successful is the competition policy in promoting a more competitive economy? (10 marks)

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

- Discuss the FIVE environmental problems and the international measures taken to solve these problems in order to ensure a sustainable environment. (26 marks)
- How does South Africa use conservation to ensure a sustainable environment? (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150