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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P2

2019

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, e.g. 1.1.9 D.

1.1.1 An individual firm under perfect competition has a ... demand curve.

- A perfectly elastic
- B perfectly inelastic
- C relatively elastic
- D relatively inelastic

1.1.2 An example of monopolistic competition in South Africa is ...

- A the banking sector.
- B car manufacturers.
- C fast-food outlets.
- D Eskom.

1.1.3 The effect of a minimum price will increase the ... goods.

- A demand for
- B supply of
- C consumption of
- D spending on

1.1.4 An imperfect market will maximise its revenue where marginal revenue is ...

- A equal to 1.
- B greater than 0.
- C smaller than 0.
- D equal to 0.

1.1.5 Cost-push inflation can be caused by ...

- A lower wages.
- B a decrease in input costs.
- C exchange rate depreciation.
- D increase in productivity.

1.1.6 The United Nations Conference on Sustainable Development agreed to focus on ...

- A preventing soil erosion.
- B a green economy.
- C non-renewable energy.
- D reducing population growth.

1.1.7 Foreigners coming into the country from other countries are regarded as ... tourists.

- A inbound
- B outbound
- C domestic
- D local

1.1.8 A non-renewable energy resource is ...

- A wind.
- B currents.
- C coal.
- D sunlight.

(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 to 1.2.8) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Perfect market	A	an engagement between government and businesses to reduce pollution
1.2.2	Subsidy	B	visiting nature and wilderness areas
1.2.3	Biodiversity	C	excludes items from the average basket that have highly volatile prices
1.2.4	Monopoly	D	a form of financial grant to support an economic activity
1.2.5	Voluntary agreements	E	sells homogenous goods
1.2.6	Differentiated products	F	charges higher prices and produces lower quantities
1.2.7	Ecotourism	G	general price level being stable over a period of time
1.2.8	Core inflation	H	a number of species within a community of organisms
		I	a variety of packaging designs of the same article

(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 A type of monopoly that uses patents to manufacture their product

1.3.2 The output increases by more than the percentage increase in inputs which results in a decrease in costs

1.3.3 Third party effects, such as the cost of pollution, that is not included in the market price

1.3.4 Permission granted by the government to firms that allows them to pollute up to a certain level

1.3.5 Foreign tourists traveling through South Africa to another destination

1.3.6 An extremely rapid rise in the general price level above 50%
(6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

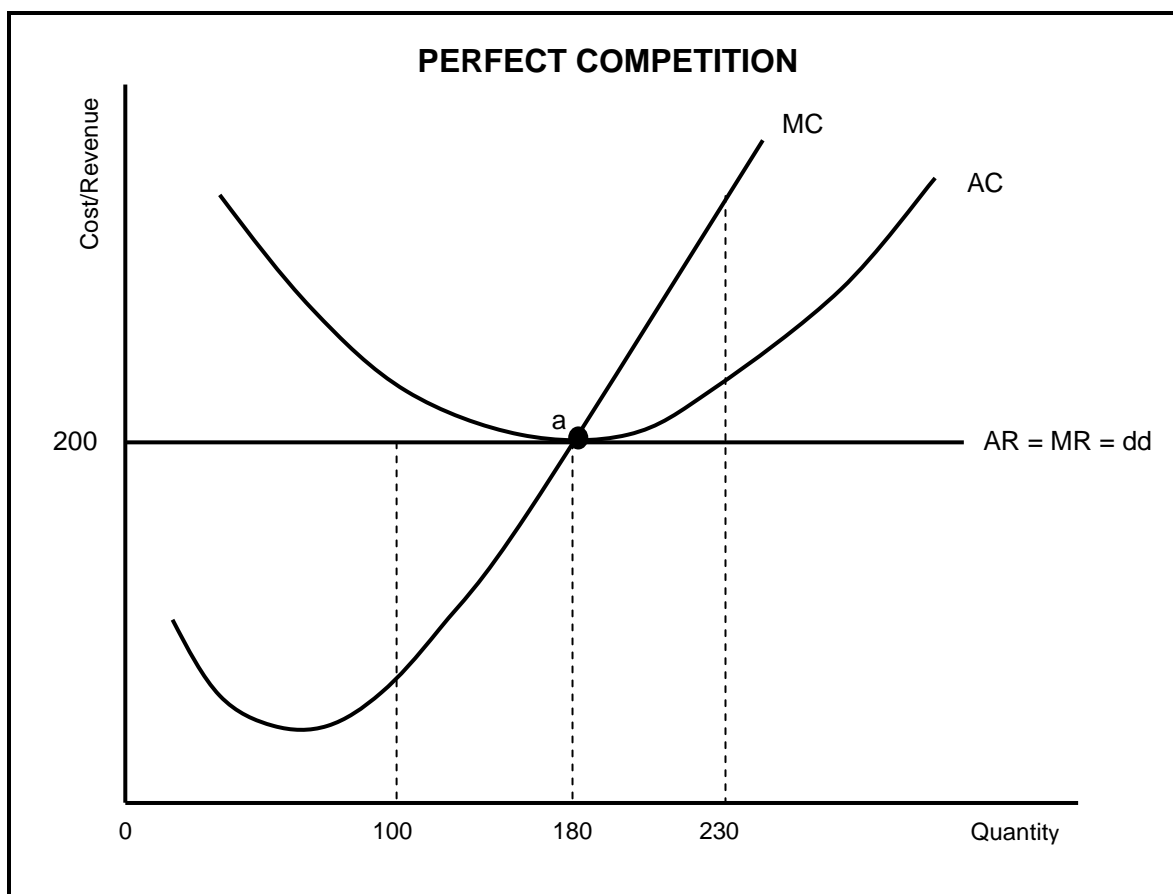
QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

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

2.1.2 Why would a lack of information to entrepreneurs lead to market failure? (1 x 2) (2)

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



2.2.1 Identify the quantity the firm will produce at equilibrium point. (1)

2.2.2 Which curve represents the market price for the perfect competitor? (1)

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

2.2.4 What would the impact on the market be if many firms leave this industry? (2)

2.2.5 Redraw the above graph and insert the average variable cost curve (AVC) to clearly indicate the shut-down point. (4)

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

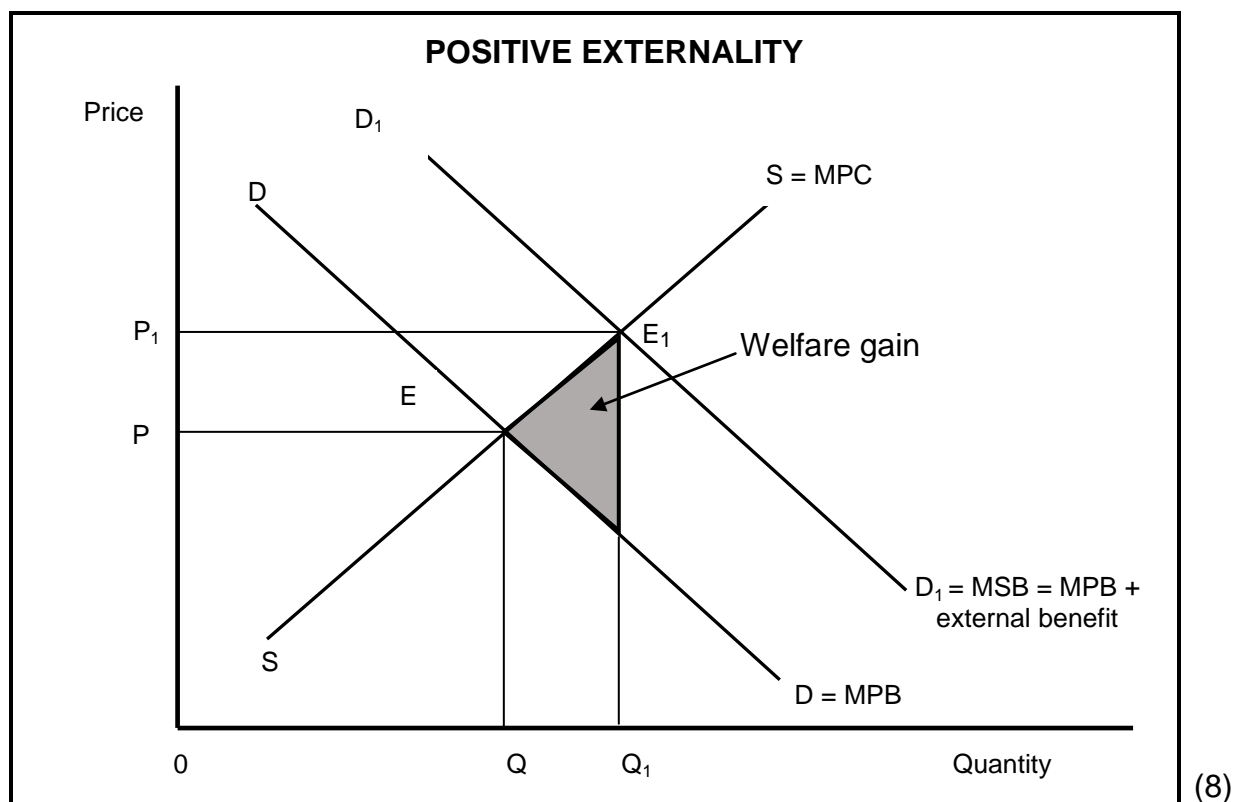
COST BENEFIT ANALYSIS (CBA)

We live in a world of scarce resources, so we need to set priorities and make choices about how to allocate resources. The CBA provides us with a tool that could be used in this decision-making process. Calculations in a CBA should be done by using market prices.

[Source: www.google.com]

- 2.3.1 In which sector is the cost benefit analysis generally used? (1)
- 2.3.2 Give any ONE redress method used by government to enforce the redistribution of income. (1)
- 2.3.3 Briefly describe the term *cost-benefit analysis*. (2)
- 2.3.4 Why is it necessary to do a cost benefit analysis for large projects? (2)
- 2.3.5 Why are some projects undertaken although the financial cost is very high? (2 x 2) (4)

2.4 Use the graph below to explain the effect of positive externalities in the market.



2.5 Discuss the challenges a monopolist will face if excessively high prices are charged for the products.

(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 Why is international tourism important to the South African economy? (1 x 2) (2)

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

DOMESTIC OVERNIGHT TRIPS PER PROVINCE IN 2016/2017		
PROVINCE	NUMBER OF TRIPS IN 2016	NUMBER OF TRIPS IN 2017
Western Cape	3 042	3 504
Eastern Cape	2 511	2 368
Northern Cape	715	711
Free State	1 088	1 067
KwaZulu-Natal	2 494	3 246
Northwest	1 855	1 789
Gauteng	8 202	8 972
Mpumalanga	2 576	2 956
Limpopo	3 061	3 670
TOTAL	25 543	27 532

[Adapted from News 24, 2018]

3.2.1 How many provinces showed a decline in domestic overnight trips? (1)

3.2.2 Which institution compiles the data above? (1)

3.2.3 Briefly describe the term *domestic tourism*. (2)

3.2.4 How could households in rural areas benefit from tourism? (2)

3.2.5 Why is foreign tourism the fastest growing industry in South Africa? (2 x 2) (4)

- 3.3 Study the extract below and answer the questions that follow.

CARBON TAX IS FINALLY COMING TO SOUTH AFRICA

South Africa is expected to pass its long-awaited carbon tax bill this year and implement the tax in January 2019.

To discourage customers from buying plastic bags, the state is also upping the plastic bag levy by 50% to 12c per bag. This will take effect on 1 April 2018.

The carbon tax, which is an environmental tax, will be aimed at businesses and companies that emit high levels of carbon, polluting the atmosphere.

[Adapted from *Business Report*, 2018]

- 3.3.1 Give an example of a business/industry that emits (releases) high levels of carbon. (1)
- 3.3.2 Why does the state discourage the use of plastic bags? (1)
- 3.3.3 Briefly describe the term *environmental sustainability*. (2)
- 3.3.4 How could greenhouse gases lead to climate change? (2)
- 3.3.5 Explain the positive impact of carbon tax on the environment. (2 x 2) (4)
- 3.4 Differentiate between *conservation* and *preservation* of the environment. (2 x 4) (8)
- 3.5 Evaluate the South African government's policies to promote tourism. (8)
- [40]**

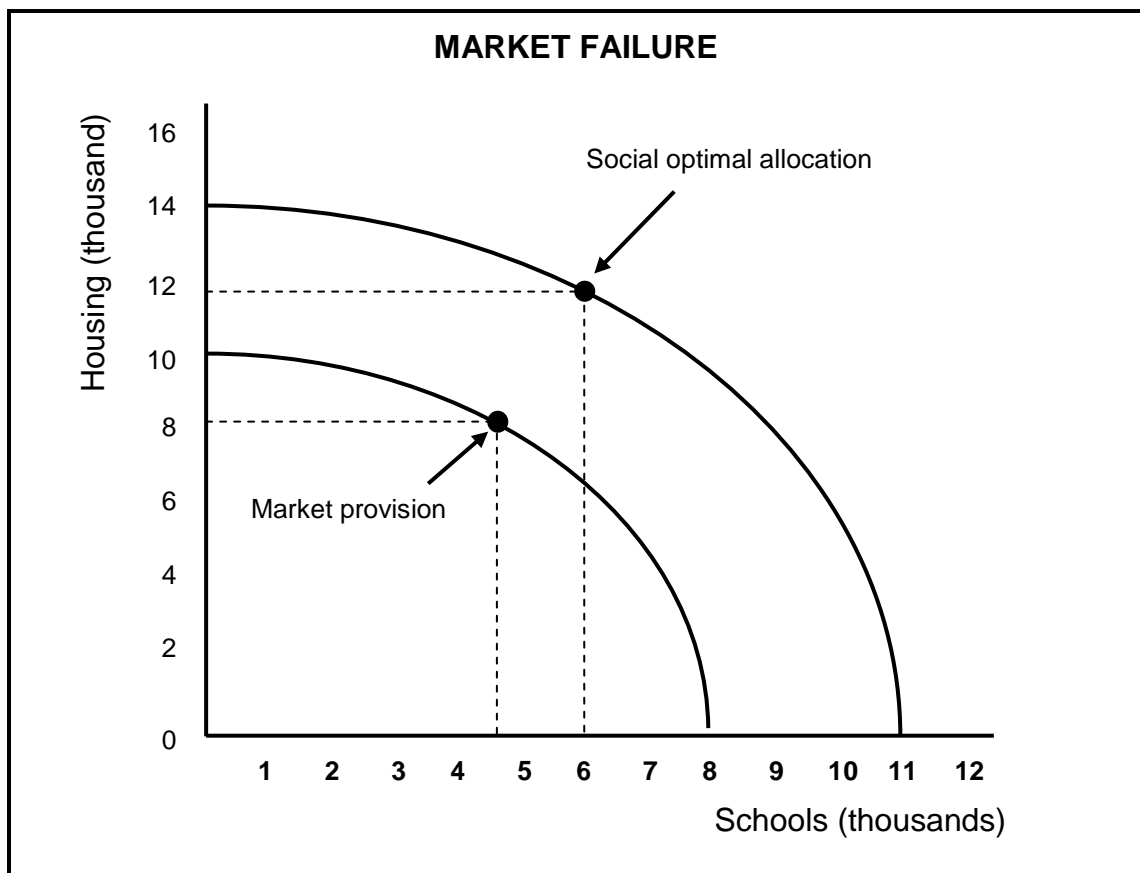
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 State any TWO benefits for the government of levying taxes on tourists. (2 x 1) (2)

4.1.2 What impact do maximum prices have on the market? (1 x 2) (2)

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



4.2.1 Identify the number of houses the market will provide if all resources were spent on houses. (1)

4.2.2 How many schools should the government provide to reach the social optimum allocation? (1)

4.2.3 Briefly describe the term *market failure*. (2)

4.2.4 Why are markets reluctant to produce public goods such as roads? (2)

4.2.5 How can the government ensure macroeconomic stability through their involvement in production? (2 x 2) (4)

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

SOUTH AFRICA'S NEWEST WORLD HERITAGE SITE

The Khomani Cultural Landscape is South Africa's newest World Heritage Sites according to the United Nations Educational, Scientific and Cultural Organisation (UNESCO) .

This landscape protects what remains of the once nomadic San people. The Khomani San are one of the only groups of San still practising their traditional hunter-gatherer way of life, within the Kgalagadi Transfrontier Park (huge semi-desert wilderness in the north of the country).

[Adapted from *Indaba Tourism Guide*, 2017]

- 4.3.1 Name any ONE other World Heritage Site. (1)
- 4.3.2 What type of tourism is indicated in the data above? (1)
- 4.3.3 Briefly describe the term *indigenous knowledge system (IKS)*. (2)
- 4.3.4 In what way can businesses use the knowledge of indigenous people to benefit tourism? (2)
- 4.3.5 Why is infrastructure development important in promoting tourism?
(2 x 2) (4)
- 4.4 Use a graph of total cost (TC) and total revenue (TR) to explain profit maximisation in a perfect market. (8)
- 4.5 Critically discuss the challenges countries face in reducing the production of hazardous waste. (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

Ensure that your answer follows the structure indicated below in order to obtain maximum marks.

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 a concept that appears in the question • 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/Assess/Debate 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 the following: <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 an oligopoly. (26 marks)
- How effective is the competition policy in regulating mergers and takeovers in South Africa? (10 marks)

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

- Discuss in detail the causes of demand-pull inflation. (26 marks)
- How effective has the Monetary Policy Committee of the Reserve Bank been to ensure price stability? (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150