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NATIONAL SENIOR CERTIFICATE

GRADE 12

ECONOMICS P2

FEBRUARY/MARCH 2016

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–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 The supply curve of a perfect competitor is represented by that part of the MC curve that is above the ... curve.

- A total cost
- B average variable cost
- C average cost

1.1.2 The most likely barrier for a firm wanting to compete with firms in the cellphone industry, such as Vodacom, is ...

- A licensing.
- B capital.
- C technical superiority.

1.1.3 Oligopolies do not have as much control over prices as monopolies because of ...

- A policies.
- B advertising.
- C competition.

1.1.4 The perfect competitor charges a price that is equal to the ...

- A average cost.
- B marginal revenue.
- C average variable curve.

1.1.5 A combination of high inflation and high unemployment is known as ...

- A deflation.
- B hyperinflation.
- C stagflation.

1.1.6 The index that refers to headline inflation is called the ...

- A consumer price index.
- B index of export prices.
- C producer price index.

1.1.7 Which ONE of the following is an example of a negative effect of tourism?

- A Poverty
- B Unemployment
- C Pollution

1.1.8 The main focus of the Johannesburg Summit was on ...

- A hazardous waste.
- B sustainable development.
- C pollution.

(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 Economic loss	A police and defence
1.2.2 Duopoly	B a licence to pollute to a certain degree
1.2.3 Community goods	C taking care of the environment so that present and future generations will benefit
1.2.4 Heterogeneous	D average revenue is less than average cost
1.2.5 Inflation targeting	E two firms that dominate an industry
1.2.6 Cultural tourism	F products that are not the same
1.2.7 Marketable permit	G excludes items with high volatile prices
1.2.8 Conservation	H a policy used by the Reserve Bank to stabilise prices
	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.
- 1.3.1 A wage rate set by the government below which no employer may pay his/her workers
- 1.3.2 The period of production where only the variable factors of production can change
- 1.3.3 The value of the next best alternative
- 1.3.4 Causes damage to the environment by dumping waste material
- 1.3.5 Worldwide interfacing and interaction of economies with trade as the main aim
- 1.3.6 Tourists travelling within their own countries (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 TWO characteristics of monopolistic competition. (2 x 1) (2)

2.1.2 What will the effect be if one firm in a perfect market decides to increase the price of a product? (1 x 2) (2)

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



[Adapted from Internet Google Images]

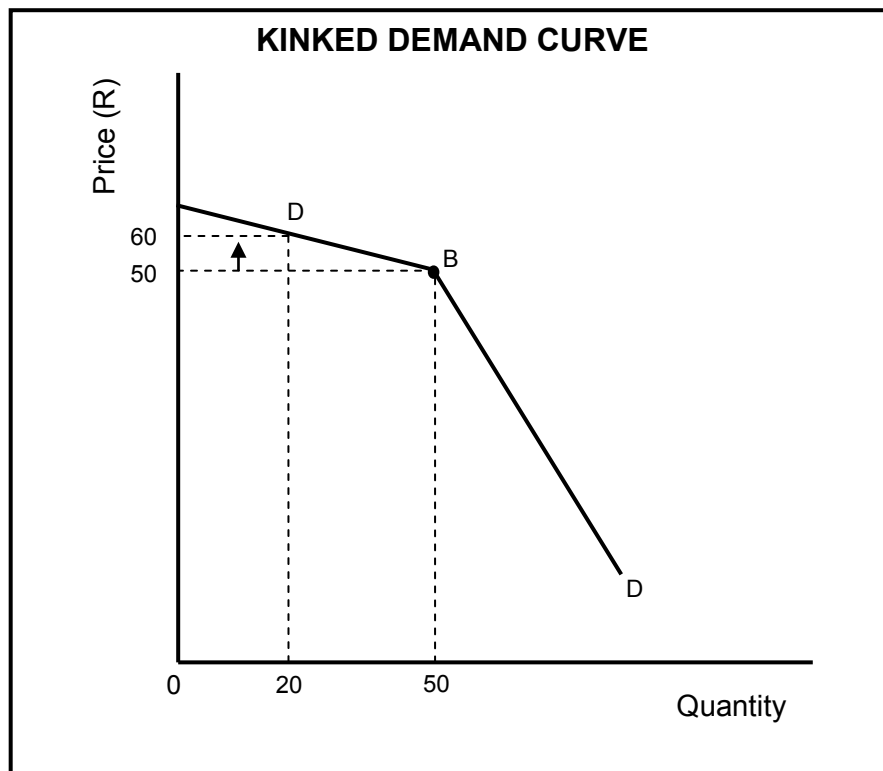
2.2.1 Name the causes of market failure as depicted in pictures 2 and 3. (2 x 1) (2)

2.2.2 Explain the term *market failure*. (2)

2.2.3 How will a lack of information as a cause of market failure influence consumers? (2)

2.2.4 Explain how government can intervene in markets that are affected by externalities (pictures 1 and 4). (2 x 2) (4)

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



2.3.1 To which market structure is the kinked curve related? (1)

2.3.2 What is the output level in the graph above? (1)

2.3.3 What would the effect be on total revenue if the oligopolist increased his price from R50 to R60? Show calculations. (4)

2.3.4 Advise the oligopolist on how to increase his market share in this particular industry. (4)

2.4 Distinguish between *price leadership* and *cartels* as forms of collusion. (2 x 4) (8)

2.5 Analyse *productive inefficiency* with the aid of a production possibility curve. (4 x 2) (8)
[40]

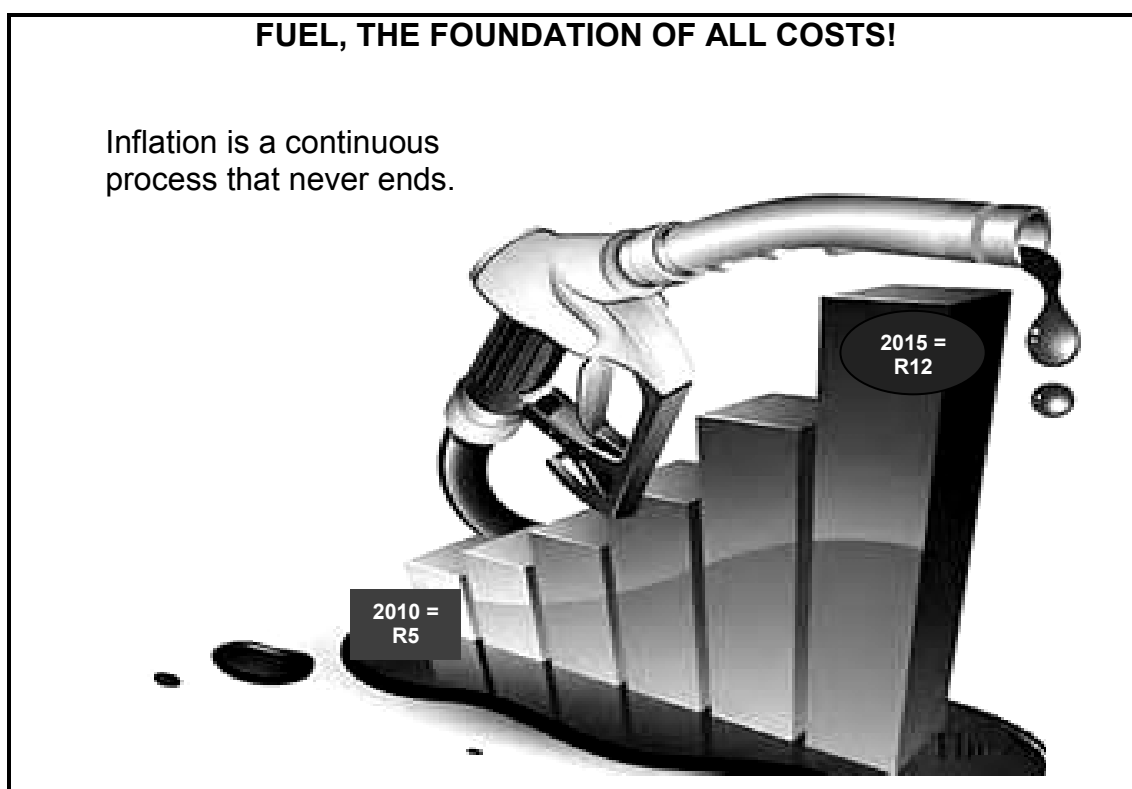
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Give TWO examples of prices that are controlled by the South African government. (2 x 1) (2)

3.1.2 What is the effect of climate change on weather patterns? (1 x 2) (2)

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



[Adapted from Internet Google Images]

3.2.1 What has happened to the fuel price since 2010? (1)

3.2.2 What will happen to employment when the cost of production increases? (1)

3.2.3 What is meant by 'Fuel, the foundation of all costs'? (2 x 2) (4)

3.2.4 Why is inflation regarded as a never-ending process? (2 x 2) (4)

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

**BETTER MEDICAL FACILITIES IN SOUTH AFRICA CONTINUE
TO INFLUENCE MEDICAL TOURISM GROWTH**

There is a general increase being recorded in the number of people visiting South Africa in search of medical treatment from the country's many healthcare institutions, which are considered to have superior facilities and high levels of medical expertise.

Medical tourists are received mostly from other African countries which may lack the appropriate medical facilities with proper equipment to perform challenging surgical procedures. Inbound medical tourists from overseas often travel to South Africa for surgical procedures which are considered relatively expensive in other countries such as the USA and the UK.

[Source: www.euromonitor.com]

- | | | |
|-------|---|-------------|
| 3.3.1 | What, according to the extract, is the reason for the growth in the tourism industry? | (2) |
| 3.3.2 | Explain the term <i>tourism</i> . | (2) |
| 3.3.3 | Why is South Africa such a popular holiday destination? (2 x 1) | (2) |
| 3.3.4 | How will the economy benefit from an increase in the number of medical tourists coming to South Africa? (2 x 2) | (4) |
| 3.4 | Explain how wages and exchange rates can lead to cost-push inflation. (2 x 4) | (8) |
| 3.5 | What is the impact of indigenous knowledge within the South African context on tourism? (4 x 2) | (8) |
| | | [40] |

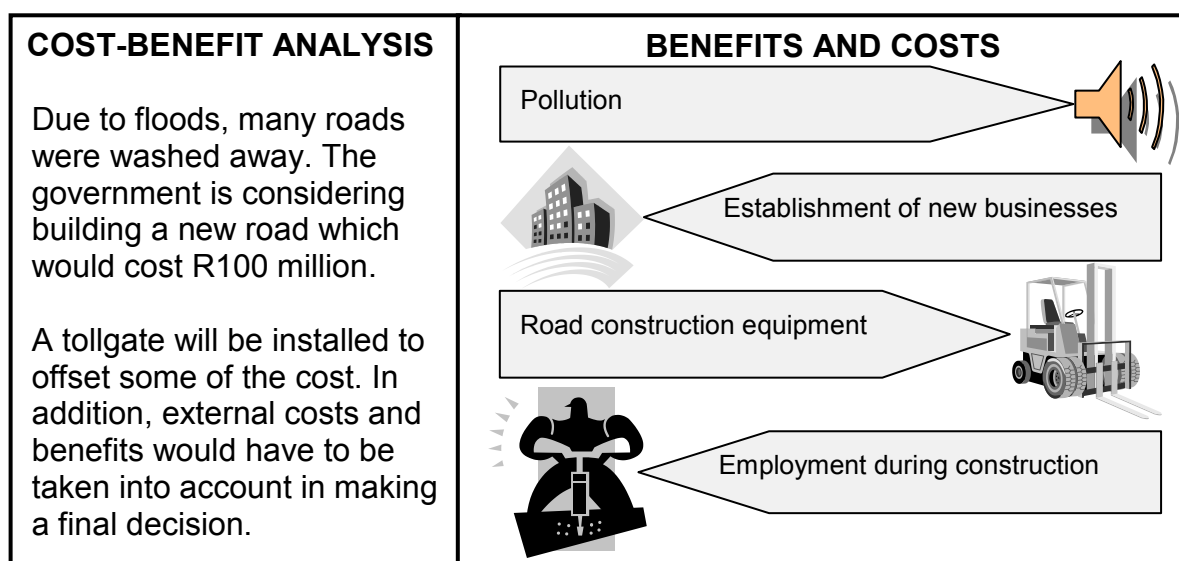
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name TWO World Heritage Sites in South Africa. (2 x 1) (2)

4.1.2 What is the effect on a business if the average cost is more than the average revenue? (1 x 2) (2)

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



[Adapted from *Financial Mail*, August 2013]

4.2.1 Identify ONE private cost and ONE external benefit from the data above. (2 x 1) (2)

4.2.2 Explain the term *cost-benefit analysis*. (2)

4.2.3 What alternative measure could the government consider instead of building a new road? (2)

4.2.4 Should the government proceed with the building of this road? Motivate your answer. (4)

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

INFLATION TARGETING IN SOUTH AFRICA

South Africa has successfully pursued an inflation targeting monetary policy since February 2000. The policy has ensured a stable and sustainable economy.

It is important to understand that the South African Reserve Bank was created as an autonomous body, but this independent body has been mandated to keep inflation within a target range to encourage long-term growth in the economy.

With the inflation rate breaching the upper end of the range in 2014, a generally unpopular interest rate hike has placed the Reserve Bank's governor and the Monetary Policy Committee under increased pressure. Unions advocate the abandonment of inflation targets for the sake of short-term job creation.

[Source: *Inflation Targeting SARB 2004*]

- | | | |
|-------|--|-------------|
| 4.3.1 | What is the current inflation target range? | (2) |
| 4.3.2 | What is the main purpose of the South African inflation targeting policy? | (2) |
| 4.3.3 | How can lower interest rates benefit the South African economy in the short term? | (2) |
| 4.3.4 | How successful, in your opinion, was the Reserve Bank in meeting its inflation target? | (2 x 2) (4) |
| 4.4 | Distinguish between <i>economic profit</i> and <i>normal profit</i> in the perfect market. | (2 x 4) (8) |
| 4.5 | What is the impact of inflation on investors and savers? | (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:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max. 2
Body Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate	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 valued 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**

The existence and survival of any business depend on how they are conducting themselves.

- Compare the market structure of a monopoly with that of a perfect competitor.
(26 marks)
- Draw a clearly labelled graph indicating the shut-down point for the perfect competitor. Briefly explain why a business will stop producing goods at this point.
(10 marks)

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

The current levels of pollution and environmental degradation are too high. This affects the ability of the environment to survive its use for economic activities.

- Discuss government's attempts (interventions and control) to ensure the sustainability of our environment.
(26 marks)
- In your opinion, how effective are pollution control measures in South Africa?
(10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150