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# basic education

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

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ECONOMICS P2**

**NOVEMBER 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. Write down the question number (1.1.1–1.1.8), choose the answer and make a cross (X) over the letter (A–C) of your choice in the ANSWER BOOK.

EXAMPLE:

1.1.9     

|   |
|---|
| A |
|---|

|   |
|---|
| B |
|---|

|   |
|---|
| C |
|---|

- 1.1.1     An example of a variable-cost item:
- A     Electricity  
B     Rent  
C     Insurance
- 1.1.2     The slope of the demand curve of an individual firm under perfect market conditions ...
- A     is vertical.  
B     is horizontal.  
C     slopes downwards from left to right.
- 1.1.3     The profitability of a monopolist depends on the cost of production and ...
- A     savings.  
B     the number of competitors.  
C     demand.
- 1.1.4     The costs and benefits for third parties that are NOT included in the market price are called ...
- A     social cost.  
B     externalities.  
C     cost of production.
- 1.1.5     The ratio of the GDP at current prices to the GDP at constant prices is called the ... GDP deflator.
- A     implicit  
B     explicit  
C     constant
- 1.1.6     The variety of plant and animal life in a particular habitat is called ...
- A     biodiversity.  
B     the carbon footprint.  
C     deforestation.

1.1.7 An economic situation where there is a high inflation rate together with a high unemployment rate is called ...

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

1.1.8 Tourism can help to reduce ... in South Africa.

- A job opportunities
- B savings
- C poverty

(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, for example 1.2.9 J.

| COLUMN A                    | COLUMN B  |
|-----------------------------|---|
| 1.2.1 Private cost          | A a general increase in prices caused by an increase in factor costs                      |
| 1.2.2 Break-even point      | B expenses incurred by businesses when producing an article                               |
| 1.2.3 Industry              | C situation where the business does not make a profit or a loss                           |
| 1.2.4 Diseconomies of scale | D businesses that produce similar products  |
| 1.2.5 Price discrimination  | E solid waste, for example plastic bags and garbage, that cannot be disposed of           |
| 1.2.6 Land pollution        | F the increase in the percentage output is less than the increase in the percentage input |
| 1.2.7 Cost-push inflation   | G give businesses the right to pollute up to a certain extent                             |
| 1.2.8 Marketable permits    | H consumers selling goods   |
|                             | I buyers are charged differently for the same product                                     |

(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 profit that the producer receives over and above the normal profit
- 1.3.2 The duration (period) during which at least one factor of production is fixed
- 1.3.3 Where buyers and sellers of goods and services interact for trading purposes
- 1.3.4 The legal right whereby the holder obtains the exclusive right to manufacture a product
- 1.3.5 Gases that trap the heat within the Earth's atmosphere and contribute to global warming
- 1.3.6 The value of the alternative that is sacrificed when a choice is made in the production of two products (6 x 1) (6)
- TOTAL SECTION A: 30**

**SECTION B**

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

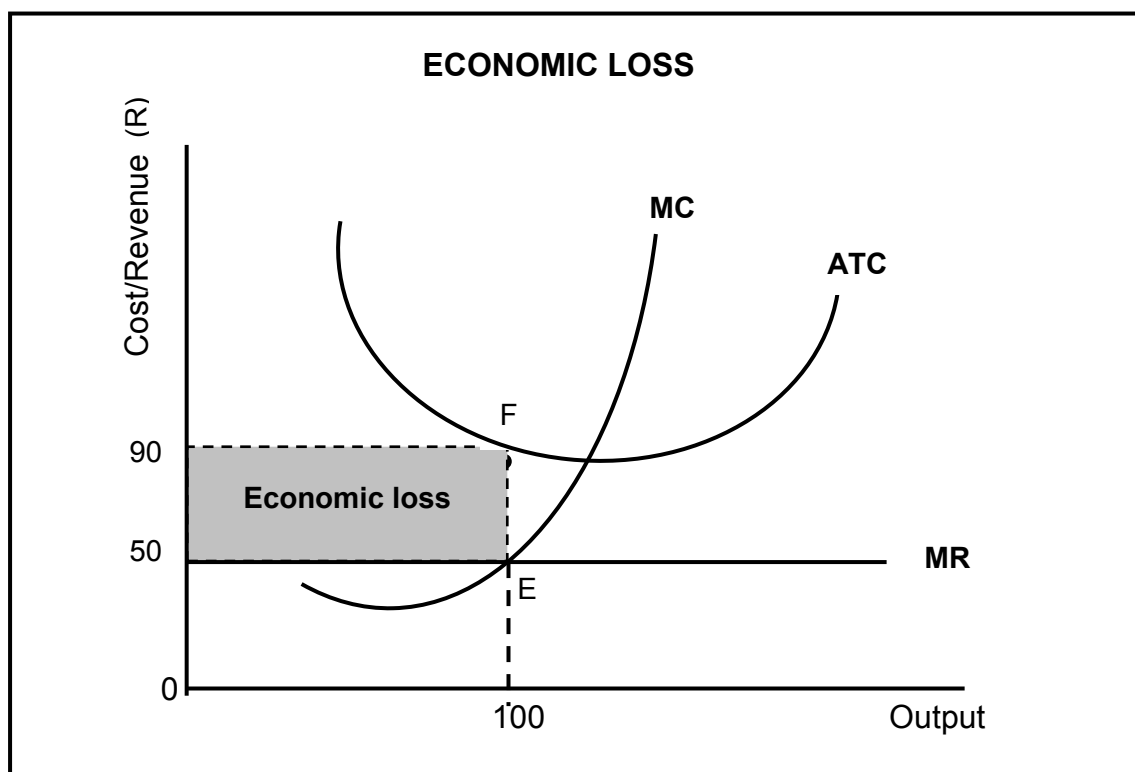
**QUESTION 2: MICROECONOMICS****40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO institutions that regulate unfair competition in South Africa. (2 x 1) (2)

2.1.2 How will producers benefit from minimum prices that are implemented by the government? (1 x 2) (2)

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



2.2.1 Identify the market structure in the graph above. (1)

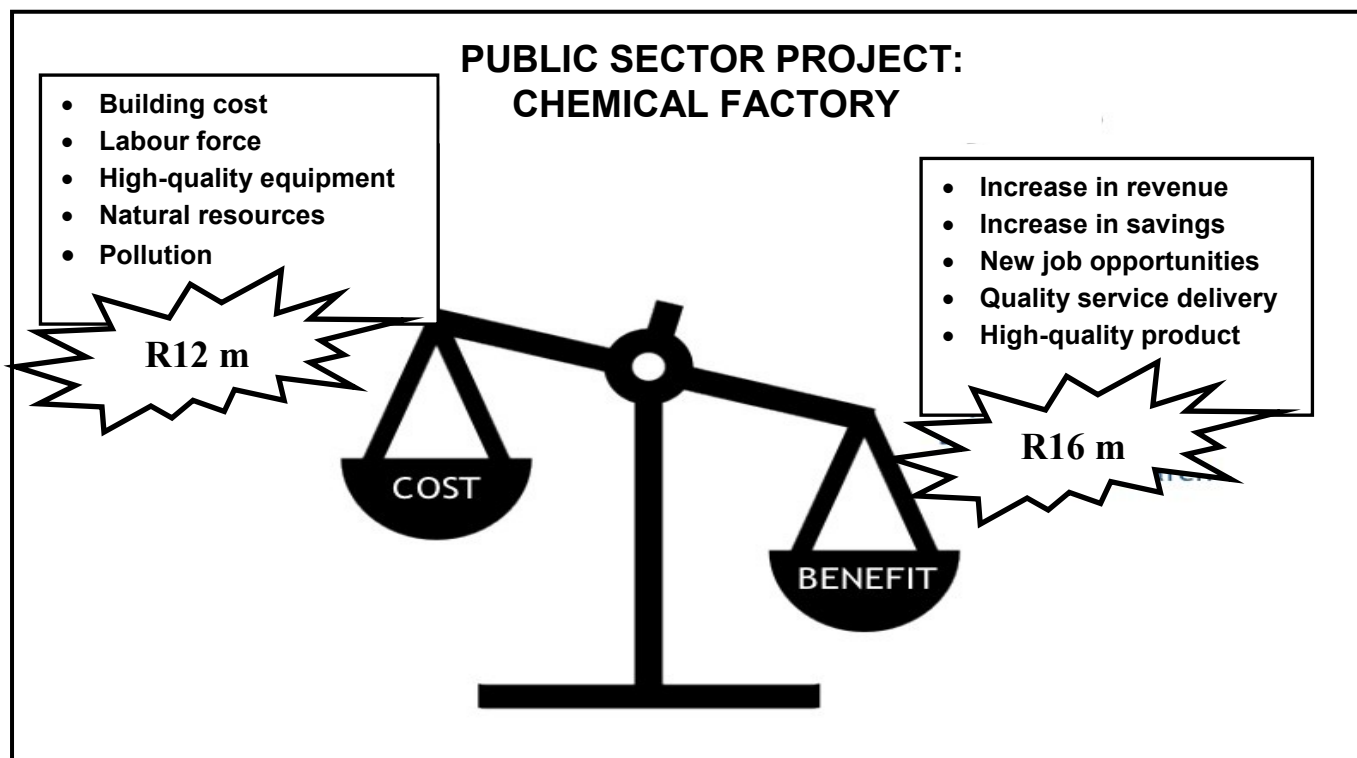
2.2.2 Give the value of the market price depicted above. (1)

2.2.3 How will this equilibrium position change in the long run (long term)? (2)

2.2.4 What conditions must exist for this firm to shut down? (2)

2.2.5 Calculate the economic loss faced by this firm. (4)

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



2.3.1 Identify ONE external cost in the project above. (1)

2.3.2 Identify a social benefit in the project above. (1)

2.3.3 What can the government do to reduce the external cost of the project above? (2)

2.3.4 How will the government benefit from the approval of the project above? (2)

2.3.5 Why should the government do a cost-benefit analysis before starting each new project? (2 x 2) (4)

2.4 Differentiate between *productive inefficiency* and *allocative inefficiency*. (2 x 4) (8)

2.5 How may differentiated products influence consumers and producers in a monopolistic competitive market? (8)  
**[40]**



**QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO millennium development goals that form part of international agreements that ensure a sustainable environment. (2)

3.1.2 How may taxes be used to ensure environmental sustainability? (1 x 2) (2)

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

**LABOUR MARKET – WAGE DEMANDS**

The National Union of Mineworkers (NUM) demanded an 84% rise in basic pay for entry-level gold-mining workers, a near 10 percentage point increase on previous demands. NUM, which represents 57% of the workers in the gold-mining industry, wants employers to pay entry-level workers R10 500 per month.

Entry-level gold diggers currently earn around R5 700 per month, excluding various allowances structured into their pay packages. The demand for wage increases that are higher than the inflation rate seemed to be a trend across many industries. Workers in the transport industry, represented by SATAWU, demanded a 25% increase across-the-board in 2015.

[Source: [www.publicnewshub.com](http://www.publicnewshub.com), June 2015]

3.2.1 Identify the percentage wage increase in the extract above that was demanded by workers in the transport industry. (1)

3.2.2 Which labour union represents the workers in the mining sector above? (1)

3.2.3 Why is the wage demand by the transport workers unrealistic? (2)

3.2.4 Briefly explain ONE reason for the excessive wage demand above. (2)

3.2.5 What will the impact be on the mining industry if the entry-level workers' wage demands of R10 500 per month are met? (2 x 2) (4)

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

### Human fingerprints are all over our climate

**GLOBAL WARMING: THE DEBATE**

There is a 97 per cent consensus among climate experts and in climate science literature that humans are causing global warming. The scientific evidence of this question is overwhelming.

Still a small minority of voices questions the validity of such claims and prefers to cast doubt on the multitude of evidence. They claim that recent changes attributed to human activity can be seen as part of the natural variations in Earth's climate and temperature.

Economists agree that adopting measures to reduce fossil fuel emissions would be far less expensive than dealing with the consequences of not doing so.

[Adapted from *Skeptical Science*, September 2015]

- 3.3.1 What, according to the information above, should be reduced to avoid global warming? (1)
- 3.3.2 Identify ONE negative effect of global warming. (1)
- 3.3.3 Briefly describe the term *climate change*. (2)
- 3.3.4 Why do businesses resist changing to more environmentally friendly production methods? (2)
- 3.3.5 What can be done to reduce the emissions caused by the burning of fossil fuels? (2 x 2) (4)
- 3.4 Differentiate between *conservation* and *preservation*. (2 x 4) (8)
- 3.5 How will you advise the Minister of Tourism to overcome the impact of negative externalities generated by tourism? (4 x 2) (8)
- [40]**

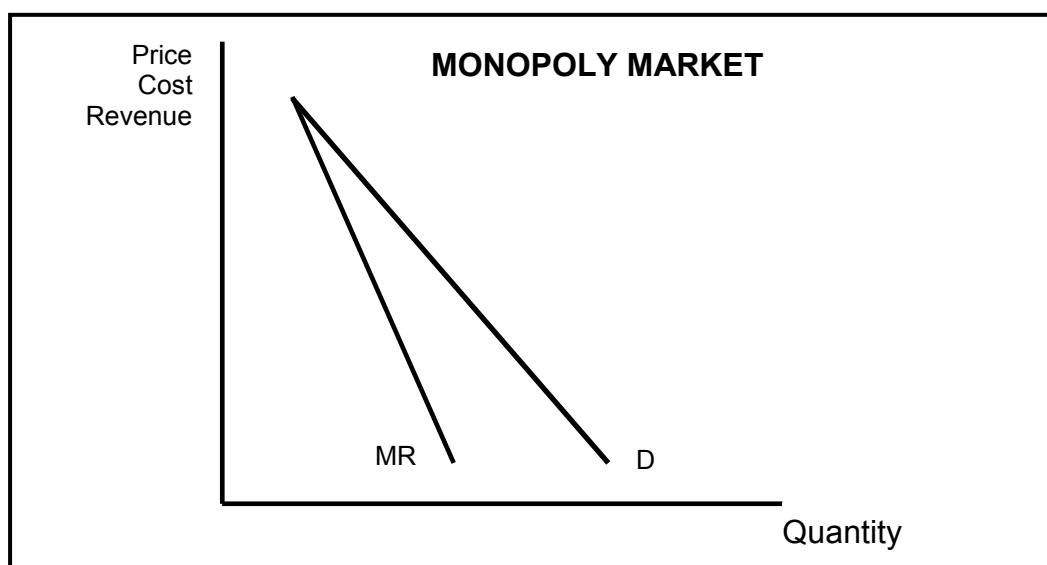
**QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**  
**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO types of tourism. (2 x 1) (2)

4.1.2 Why is a perfect competitor unable to influence the market price?  
(1 x 2) (2)

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



4.2.1 Which curve represents the average revenue (AR) curve? (1)

4.2.2 How many firms dominate this type of market? (1)

4.2.3 Why does the marginal revenue (MR) curve lie below the demand curve? (2)

4.2.4 Why will the monopolist not be able to charge excessively high prices for his/her product? (2)

4.2.5 Redraw the graph above into the ANSWER BOOK. Indicate economic profit on your graph by inserting the average cost (AC) curve and marginal cost (MC) curve on the same set of axes. (4)

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

**TOURISM: A KEY GROWTH SECTOR**

Tourism is regarded as a modern-day engine of growth and is one of the largest industries globally. In 2014, G20 heads of state recognised tourism as a driver of growth and development, as well as a sector with the potential to spur global economic recovery.

South Africa has earmarked tourism as a key sector with excellent potential for growth: the government aims to increase the contribution of tourism, both direct and indirect, to the economy.

South Africa's spectacular scenery, friendly people and world-class infrastructure make it one of the most desired destinations in the world.

The regional African tourist market is South Africa's most important tourist market, contributing more than 73% of total tourist arrivals and more than R50 billion in revenue in 2014.

As a labour-intensive sector with a supply chain that links across sectors, tourism is a priority sector in the government's planning and policy frameworks.

[Adapted from [South Africa.info](http://South Africa.info), May 2016]

- 4.3.1 Give ONE reason in the extract above why South Africa is regarded as a very popular tourist destination. (1)
- 4.3.2 Identify in the extract above why the tourism industry has been earmarked as a key sector. (1)
- 4.3.3 Briefly describe the term *tourism*. (2)
- 4.3.4 Give ONE reason why the tourism industry is growing at such a high rate. (2)
- 4.3.5 In your opinion, how can the tourism industry benefit the poor, rural communities of South Africa? (2 x 2) (4)
- 4.4 Explain the goals of the South African competition policy. (8)
- 4.5 How do consumers as key market roleplayers fail to protect the environment? (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 |
|---|-----------------|
| <b>Introduction</b>   | Max. 2          |
| <b>Body</b><br><b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/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/How?/Suggest   | Max. 10         |
| <b>Conclusion</b><br>Any higher-order conclusion should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating facts already mentioned</li> <li>• Any opinion or value judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul> | Max. 2          |
| <b>TOTAL</b>  | <b>40</b>       |

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

The oligopoly is a necessary market structure in a free-market system.

- Discuss in detail an oligopoly as a market structure. (26 marks)
- Explain, with the aid of a well-labelled graph, why the oligopolist will not compete on price to increase his/her market share. (10 marks)

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

Inflation originates from the demand side or supply side of the economy.

- Examine in detail the causes of demand-pull inflation. (26 marks)
- How successful have monetary policy measures been in combatting demand-pull inflation in South Africa? (10 marks)

**[40]**

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