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Basic Education
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GRADE 12

ECONOMICS P2

EXEMPLAR 2014

MARKS: 150

TIME: 1½ 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 – 15 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 As a rule, a firm should consider shutting down its business at the point where its ...

- A $MC = AVC$.
- B $MR = AC$.
- C $MC = MR$.

1.1.2 A market which has major government influence and control can be described as being ...

- A unregulated.
- B deregulated.
- C regulated.

1.1.3 The value of inputs owned by the entrepreneur and used in the production process is known as ... costs.

- A variable
- B explicit
- C implicit

1.1.4 A patent which gives one the exclusive right to manufacture a product is characteristic of a/an ... monopoly.

- A artificial
- B natural
- C local

1.1.5 The aggregate demand for goods and services that exceeds the aggregate supply thereof is known as ...

- A cost-push inflation.
- B demand-pull inflation.
- C deflation.

1.1.6 Tourism is ... intensive.

- A labour
- B capital
- C risk

1.1.7 When tourists are given the opportunity to experience South Africa's natural beauty it is known as ... tourism.

- A cultural
- B eco-
- C international

1.1.8 The government can play a very important role in environmental sustainability through its ... policy.

- A monetary
- B fiscal
- C urbanisation

(8 x 2)

(16)

1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A–J) next to the question number (1.2.1–1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Core inflation	A price increases combined with high unemployment
1.2.2 Stagflation	B items that have highly volatile prices are excluded from the CPI basket
1.2.3 Climate change	C when it is impossible to increase the welfare of one without decreasing the welfare of another
1.2.4 Pollution	D often under-produced by the market, for example education
1.2.5 Duopoly	E two industries that dominate a particular market
1.2.6 Pareto efficiency	F excessive price increases
1.2.7 Merit goods	G average revenue = average costs
1.2.8 Normal profit	H occurs due to global warming
	I the flow of residual emissions exceeds the natural environment's capacity to absorb them
	J cigarettes and alcohol

(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 market structure dominated by a small number of large firms
- 1.3.2 Prices that are set below equilibrium price in the market and which allow the poor greater access to goods and services
- 1.3.3 The additional cost incurred when production is increased by one more unit
- 1.3.4 Seeks creative continuity of the environment, while ensuring that environmental change considers the quality of life of both present and future generations
- 1.3.5 The cost of a basket of consumer goods and services of an average South African household
- 1.3.6 A general increase in prices caused by increases in factor input costs (6 x 1) (6)
- TOTAL SECTION A: 30**

SECTION B

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

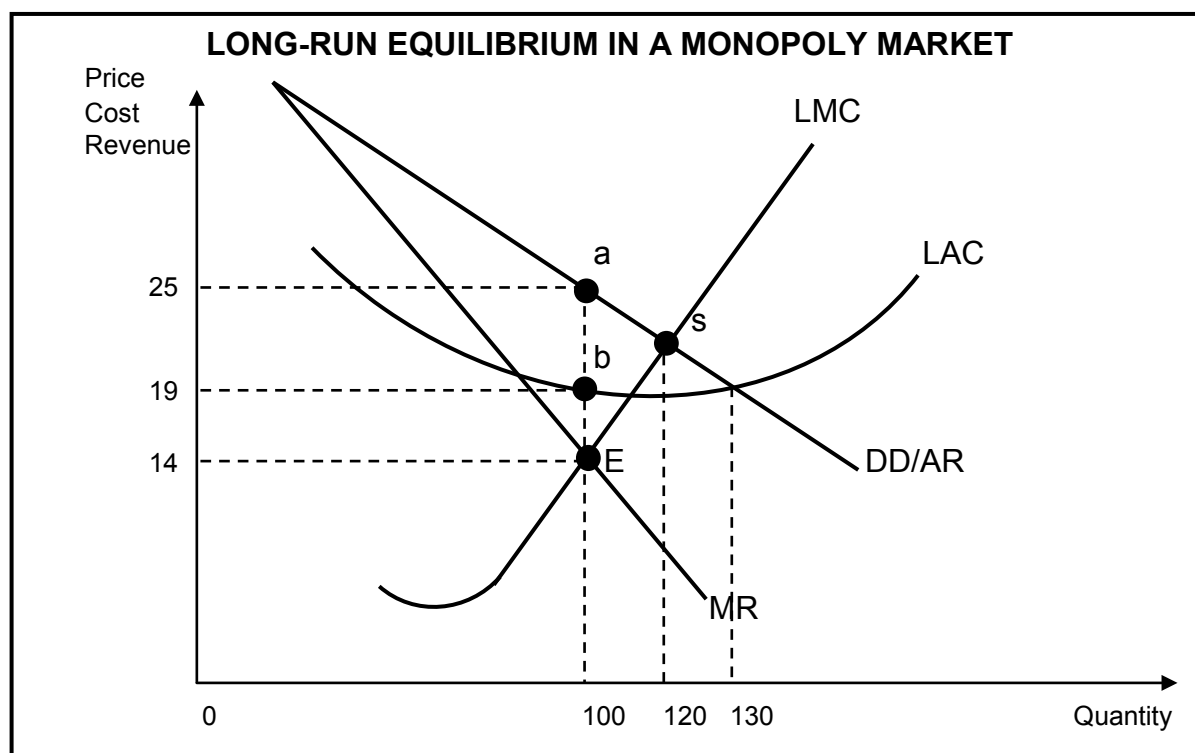
QUESTION 2: MICROECONOMICS**40 MARKS – 20 MINUTES**

2.1 Answer the following questions.

2.1.1 Name TWO redress methods used by the government to improve income distribution. (2 x 1) (2)

2.1.2 Explain how price leadership can result in consumers paying higher prices in an oligopoly market. (1 x 2) (2)

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



2.2.1 Define the concept *long run* as used in economics. (2)

2.2.2 Identify the optimum production level. (2)

2.2.3 Explain why the marginal revenue (MR) curve will always lie below the demand curve (DD) in this type of market. (2)

2.2.4 Calculate the profit or loss of this monopolist. Show ALL calculations. (4)

2.3 Study the article below and answer the questions that follow

COMMISSION CRACKS GLASS CARTEL

Six firms active in the manufacturing and distribution of glass products for the building and construction industry have been found to be involved in a cartel by a Competition Commission investigation.

In its latest ruling on anti-competitive practices in the building and construction industry, the commission alleged that National Glass, Northern Hardware & Glass, Furman and Glass, McCoy's Glass, AF-FSL Glass and Glass South Africa were involved in price fixing, market allocation and the fixing of trading conditions through various arrangements and agreements.



The investigation into cartel activity in the glass industry was initiated in February 2010 based on information received in June 2009. AF-FSL Glass was granted conditional leniency from prosecution.

[Adapted from *Business Report*, 9 April 2013]

- 2.3.1 Define the term *cartel*. (2)
- 2.3.2 Which market structure is depicted in the above article? (1)
- 2.3.3 What prompted the Competition Commission to investigate anti-competitive behaviour in the glass industry? (2)
- 2.3.4 Explain how the glass cartel's behaviour can affect the economy negatively. (4)
- 2.3.5 Name the institution that the glass companies can approach if they are not happy with the fine imposed on them. (1)
- 2.4 Explain the reasons why cost-benefit analysis is used in practice. (8)
- 2.5 How can non-price strategies assist firms to increase their market share? (8)
- [40]**

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 20 MINUTES

3.1 Answer the following questions.

3.1.1 Give TWO examples of places or events that form part of cultural tourism. (2 x 1) (2)

3.1.2 How will a sound political climate lead to an increase in tourist figures? (1 x 2) (2)

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



[Source: Internet Globalisation, 22 February 2013]

3.2.1 What is the meaning of the *greenhouse effect*? (2)

3.2.2 Why is it necessary to prevent global warming at all times? (2)

3.2.3 Name ONE international convention/protocol against global warming. (2)

3.2.4 Explain how the market fails to protect the environment. (4)

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

EXPECTED GDP: R51,1 billion		
Tourist group	Volume of local tourism market (number of trips)	Value of local market (%)
Visits to family and friends	32	37,2
Holiday makers	8,1	44,5
Religion	5,3	4
Business	3,8	12,8
Medical reasons	0,8	14

[Fictitious figures]

- 3.3.1 Which tourist group contributed most (%) to the local economy? (2)
- 3.3.2 Determine the percentage contribution to the gross domestic product by people visiting friends and family. (2)
- 3.3.3 Why do you think that tourist figures increased locally after 1994? (2 x 2) (4)
- 3.3.4 How can tourism eradicate poverty in South Africa? (2 x 1) (2)
- 3.4 Discuss taxation as a fiscal measure to combat inflation. (4 x 2) (8)
- 3.5 Discuss why the loss of indigenous knowledge requires international measures. (4 x 2) (8)
- [40]**

QUESTION 4: MICROECONOMICS & CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 20 MINUTES

4.1 Answer the following questions.

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

4.1.2 What is the value of the production price index (PPI) as an inflation indicator? (1 x 2) (2)

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

TIME RIPE FOR SMART TRANSPORT

Motorists will have to reconsider their transport options in the light of current petrol price hikes. According to Findalift.co.za many motorists drive to work causing millions of empty seats daily. Registering with Findalift will bring you into contact with people traveling the same route on a daily basis. Sharing the total cost of travelling 25 km daily will save you more than R6 500 every year – four people per vehicle will bring this saving up to R10 000. The Universities of Cape Town and Stellenbosch have already registered their students and employees to lower their travel costs.

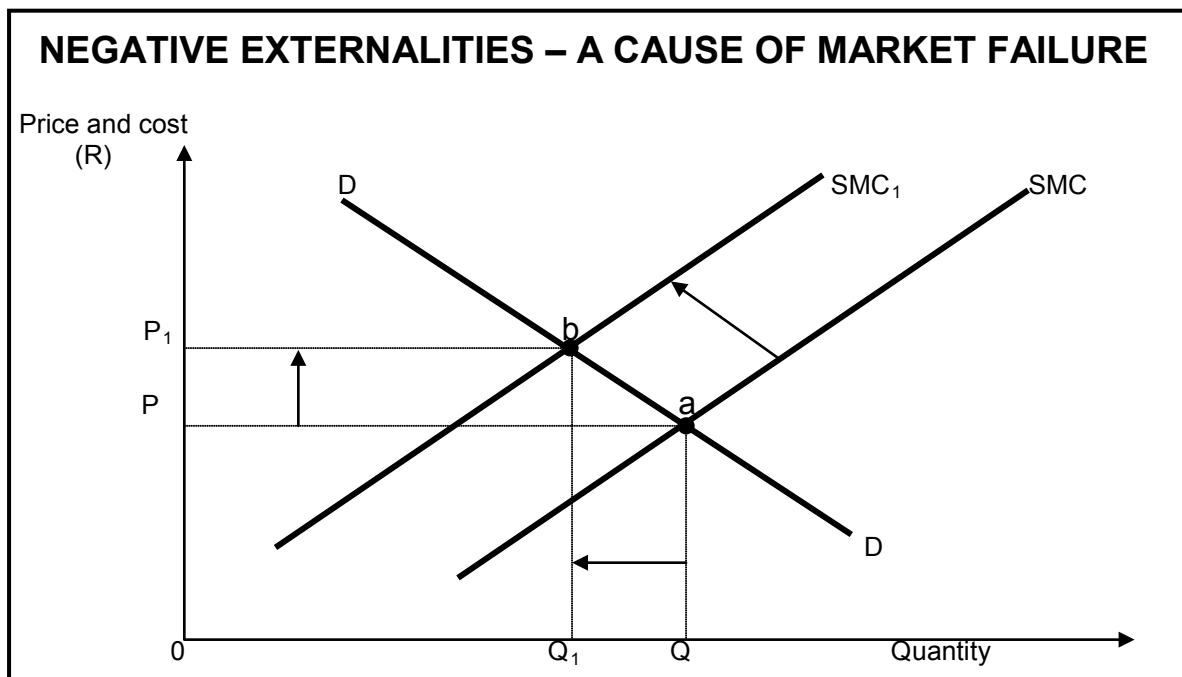
[Adapted from *Beeld*, March 2013]

4.2.1 Define the concept *inflation*. (2)

4.2.2 Explain the influence Findalift might have on consumer consumption expenditure. (4)

4.2.3 What impact will reduced petrol costs have on savings and investment in general? (4)

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



4.3.1 Define the concept *market failure*. (2)

4.3.2 Give ONE example of a negative externality. (1)

4.3.3 Which curve indicates the social cost to society? (1)

4.3.4 Explain how negative externalities can lead to market failure by using the data given in the above graph. (6)

4.4 Explain inefficiency in the economy as a consequence of market failure. (4 x 2) (8)

4.5 What are the effects of taxes and subsidies on the South African economy? (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 THE ESSAY:	MARK ALLOCATION:
Introduction	Max. 2
Body: Main part: Discuss in detail/In-depth discussion/Examine/ Critically discuss/Analyse/Compare/Evaluate/Distinguish/ 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	Max. 10
Conclusion	Max. 2
TOTAL	40

QUESTION 5: MACROECONOMICS**40 MARKS – 35 MINUTES**

Markets are broadly categorised into perfect and imperfect markets. However, in reality very few examples of perfect markets exist.

- Examine the conditions of a perfect market in detail. (26 marks)
- Draw a clearly labelled graph to show economic profit for an individual producer in the market. (10 marks)

[40]**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 35 MINUTES**

Tourism is one of the fastest growing industries worldwide.

- Critically discuss the effects of tourism. (28 marks)
- Evaluate how tourism benefits the households in your community by using appropriate examples. (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150