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# PREPARATORY EXAMINATION

## 2024

10732

**ECONOMICS**

**(PAPER 2)**

**ECONOMICS: Paper 2**



10732E

**TIME: 2 hours**

**MARKS: 150**

**14 pages**

**X05**



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P.T.O.

**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 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 When one oligopoly reacts to the price reductions of other oligopolies, it is known as a ...

- A perfect competition.
- B markup.
- C price war.
- D price challenge.

1.1.2 The costs incurred by businesses when no production is taking place is called ... costs.

- A fixed
- B variable
- C unit
- D marginal

1.1.3 Proposals on penalties against businesses which are guilty of restrictive business practices are made to the Competition ...

- A Appeal Court.
- B Commission.
- C Board.
- D Tribunal.

1.1.4 A market intervention that reduces the cost of production for the producers is known as a ...

- A subsidy.
- B patronage.
- C tax.
- D sponsorship.

1.1.5 The CPIX index is the inflation rate that excludes interest rates on ... bonds.

- A treasury
- B mortgage
- C government
- D municipal



- 1.1.6 A South African who travels to France to watch the Rugby World Cup is an example of a/an ... tourist.
- A business
  - B medical
  - C outbound
  - D inbound
- 1.1.7 The constant decrease in the general price level is called ...
- A hyperinflation.
  - B interest rate.
  - C dis-inflation.
  - D deflation.
- 1.1.8 Introducing waste matter into the environment is known as ...
- A degradation.
  - B pollution.
  - C preservation.
  - D sustainability.
- (8 x 2) (16)

- 1.2 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A – I) next to the question numbers (1.2.1 to 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Loss minimising	A	average cost (AC) is greater than the market price
1.2.2	Economic loss	B	travellers who want to learn about sites of great archaeological significance
1.2.3	Product differentiation	C	costs set or controlled by the government
1.2.4	Indexation	D	adjustment for the effects of inflation, cost of living, or input prices over time
1.2.5	Price ceiling	E	differences may be imaginary, only the brand names vary
1.2.6	Stagflation	F	when AR is between the shut-down point and the break-even point
1.2.7	Paleo tourism	G	inflation is caused by an increase in money supply which causes an increase in aggregate supply
1.2.8	Administered prices	H	the highest amount at which goods and services can be sold
		I	the combination of high consumer price increases and slow economic growth

(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 curve with a top elastic section and a bottom inelastic section
- 1.3.2 The market price at which the quantity of goods supplied is equal to the quantity of goods demanded
- 1.3.3 The lowest amount of remuneration that an employer is required to pay workers for the work performed during a given period
- 1.3.4 Tourism activities that are funded and operated by the government together with the private sector
- 1.3.5 A measure of the rate of the change in prices of products sold as they leave the factory
- 1.3.6 Payment made by the government to businesses to reduce activities that cause negative externalities on the environment (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 features of the demand curves of a perfect market. (2)

2.1.2 Why do producers/businesses prefer other market structures over perfect competition? (2)

2.2 Study the following text and answer the questions that follow.

<b>SIBANYE CEO WARNS OF PLATINUM MINING JOB LOSSES AS PRICE PLUMMETS</b>	
	<p>According to Sibanye CEO, Neal Froneman, “closing some of the loss-making mining operations may be necessary to remain profitable and to save most of the mining jobs”.</p> <p>Sibanye has platinum mines in South Africa and employs about 85 000 workers.</p> <p>While prices for platinum metals may recover, it is unlikely to save those mines that were only profitable during record high prices.</p>

[Adapted from [www.engineeringnews.co.za](http://www.engineeringnews.co.za)]

2.2.1 Identify the cause for job losses at platinum mines, according to the article. (1)

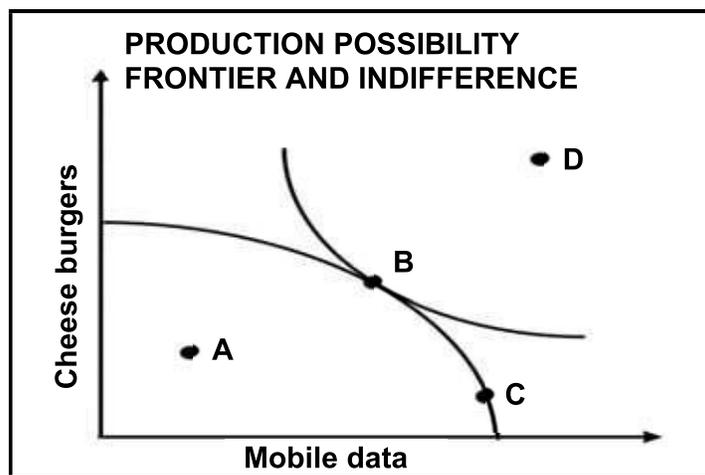
2.2.2 Name the type of cost that is used to determine the shut-down point of a business under perfect competition. (1)

2.2.3 Briefly describe the term *short-run supply curve*. (2)

2.2.4 How does the platinum price influence the shutdown decision of platinum mines? (2)

2.2.5 How can the Sibanye mines ensure that their operations continue during a platinum price collapse? (4)

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



- 2.3.1 Identify the productive inefficient point on the graph above. (1)
- 2.3.2 Name ONE cause of productive inefficiency. (1)
- 2.3.3 Briefly describe the term *pareto efficiency*. (2)
- 2.3.4 Explain why allocative inefficiency leads to a reduction in the welfare of consumers. (2)
- 2.3.5 What is the impact of productive inefficiency on the cost and competitiveness of a business? (4)
- 2.4 With the aid of a graph, explain the derivation of the demand curve for an individual business in the perfect market. (8)
- 2.5 How can non-market costs, such as environmental costs or social impacts, be included when conducting a CBA? (8)
- [40]**

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

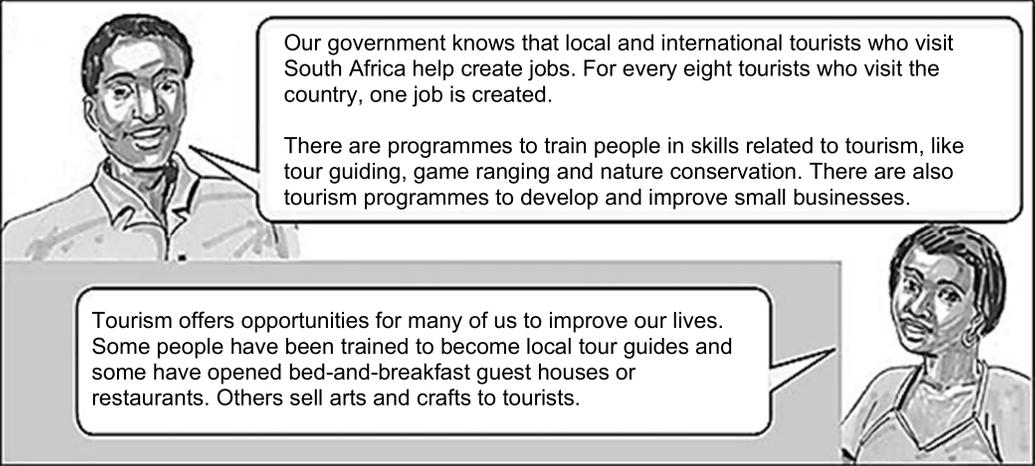
3.1 Answer the following questions.

3.1.1 List any TWO international protocols, on the environment, between 1990 and 2016. (2 x 1) (2)

3.1.2 How does tourism contribute to climate change? (1 x 2) (2)

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

**TOURISM PROGRAMMES**



[Adapted from [vukuzenzele.gov.za](http://vukuzenzele.gov.za)]

3.2.1 Identify ONE opportunity brought about by tourism to develop entrepreneurship in South Africa. (1)

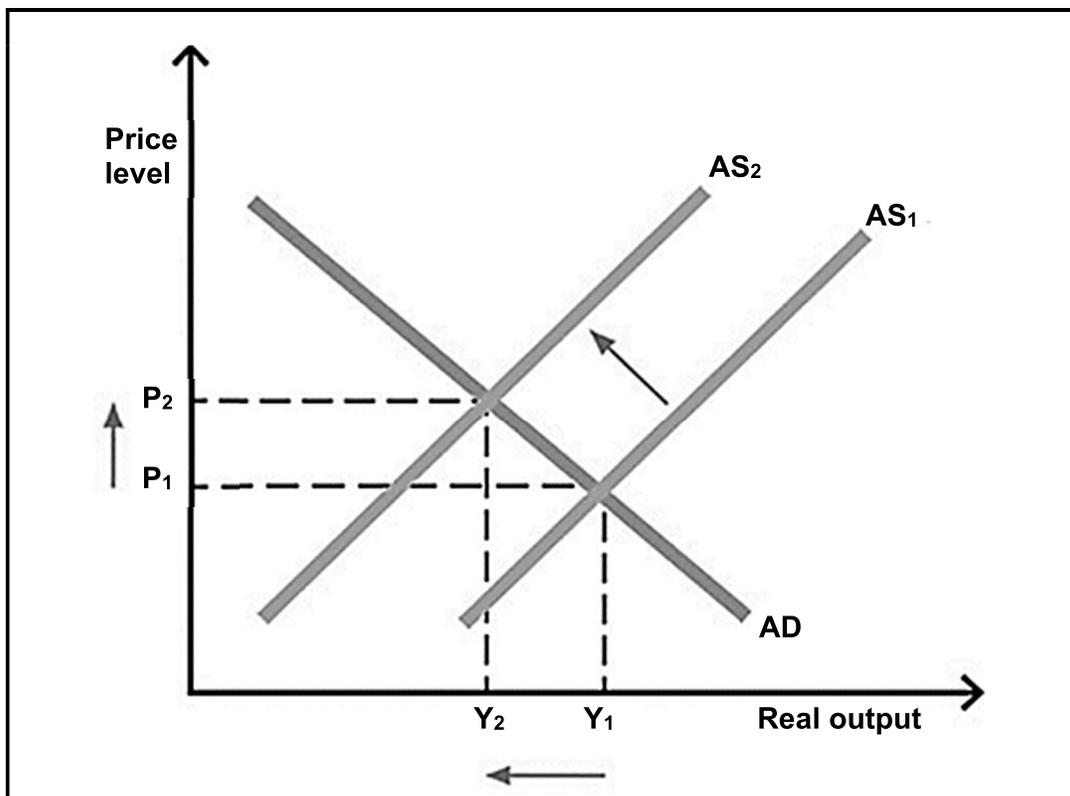
3.2.2 Name ONE career related to tourism. (1)

3.2.3 Briefly describe the term *transit tourist*. (2)

3.2.4 How is tourism marketed internationally by South Africa? (2)

3.2.5 How can tourism reduce gender inequality in South Africa? (2 x 2) (4)

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



[Source: Forbesindia.com]

- 3.3.1 Identify the cause of inflation in the graph above. (1)
- 3.3.2 Name the type of inflation that excludes highly volatile prices. (1)
- 3.3.3 Briefly describe the term *all-inclusive inflation*. (2)
- 3.3.4 Describe the effect of inflation on industrial unrest. (2)
- 3.3.5 Explain the effect of inflationary expectations on producers. (2 x 2) (4)
- 3.4 Distinguish between *fiscal measures* and *monetary measures* when combating inflation. (4 x 2) (8)
- 3.5 What is the impact of exchange rates on tourism? (8)

[40]

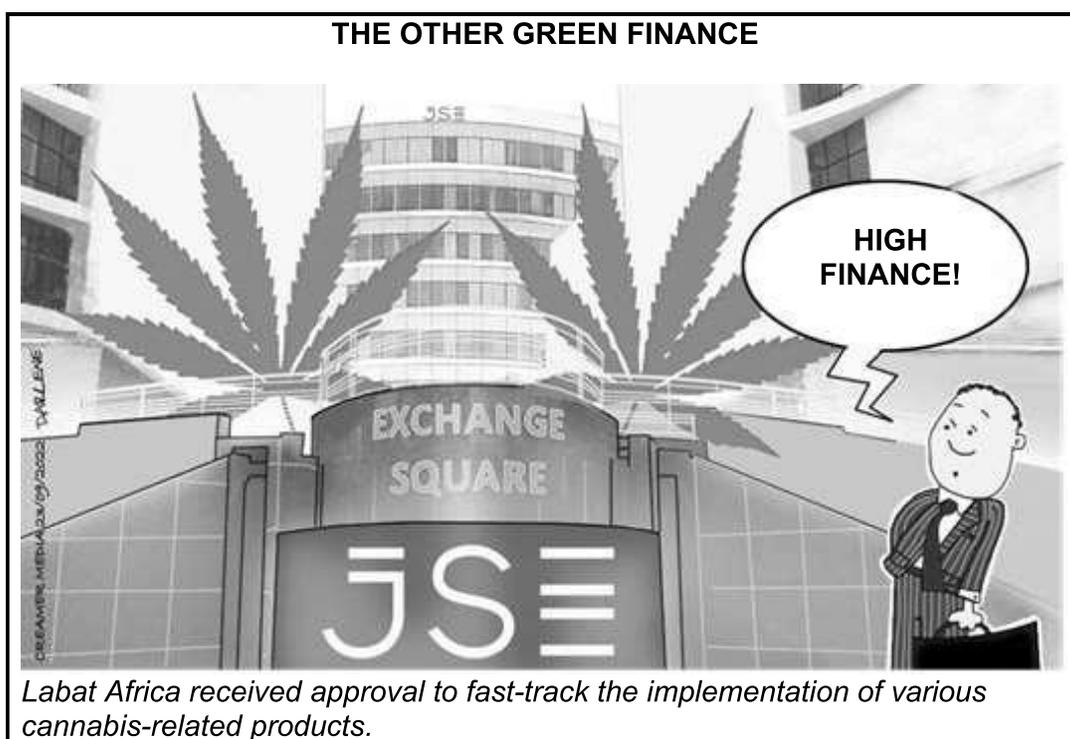
**QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES**  
**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 List any TWO world heritage sites. (2 x 1) (2)

4.1.2 How does the imperfect distribution of income and wealth contribute to market failures? (2)

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



[Adapted from <https://cisp.cachefly.net>]

4.2.1 Identify the institution in the cartoon that closely resembles a perfect market. (1)

4.2.2 Name ONE type of tax that may be levied on cannabis-related products. (1)

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

4.2.4 Explain why a tax on cannabis could help prevent over consumption/abuse if legalised without any restrictions. (2)

4.2.5 Evaluate the externalities of legalising cannabis on the South Africa economy. (4)

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

**INFLATION DILEMMA ON TRAVEL AND TOURISM**

After being struck by lockdowns during the coronavirus (COVID-19) pandemic, the industries commonly associated with the travel and tourism sector are affected by global inflation. The economic impact of the Russia-Ukraine war and supply chain disruptions have contributed to the increasing price of global monthly crude oil and the rise in energy and food costs. Overall, these circumstances are causing a surge in travel-related costs and reducing the purchasing power of tourists.

[Adapted from Statista Research Department, Oct 20, 2023]

- 4.3.1 Identify ONE negative impact of inflation on tourism from the extract above. (1)
- 4.3.2 Name ONE other cause for the decrease in tourism other than inflation. (1)
- 4.3.3 Briefly describe the term *cultural diversity*. (2)
- 4.3.4 Describe the effect of tourism on infrastructure development. (2)
- 4.3.5 How can indigenous knowledge systems contribute to promoting tourism? (2 x 2) (4)
- 4.4 Explain how *price* and *output* are determined under monopolistic competition. (8)
- 4.5 How are local people marginalised in popular tourist areas? (8)

**[40]**

**TOTAL SECTION B: 80**

<b>ECONOMICS (PAPER 2)</b>	<b>10732/24</b>	<b>13</b>
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**SECTION C**

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

Your answer will be assessed as follows:

<b>STRUCTURE OF ESSAY</b>	<b>MARK ALLOCATION</b>
<p><b>Introduction</b></p> <p>The introduction is a lower-order response.</p> <ul style="list-style-type: none"> <li>• A good starting point would be to define the main concept related to the question topic.</li> <li>• Do NOT include any part of the question in the introduction.</li> <li>• Do NOT repeat any part of the introduction in the body.</li> <li>• Avoid mentioning in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<p><b>Body</b></p> <p><b>Main part:</b> Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate  <b>A maximum of 8 marks may be allocated for headings/examples.</b></p> <p><b>Additional part:</b> Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest  <b>A maximum of 2 marks may be allocated for the mere listing of facts.</b></p>	<p>Max. 26</p> <p>Max. 10</p>
<p><b>Conclusion</b></p> <p>Any higher-order conclusion should include:</p> <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 supporting 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>

<b>ECONOMICS (PAPER 2)</b>	<b>10732/24</b>	<b>14</b>
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**QUESTION 5: MICROECONOMICS****40 MARKS – 40 MINUTES**

- Discuss, in detail, the various short run profit and loss possibilities of the monopoly with the aid of graphs. Briefly explain the long run equilibrium without the use of graphs. (26)
- Why does the monopoly market structure often lead to inefficient markets? (10) **[40]**

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

- Discuss, in detail, the following problems and the international measures taken to ensure sustainable development:
  - Biodiversity (8 marks)
  - Chemical waste (6 marks)
  - Climate change (6 marks)
  - Indigenous knowledge (6 marks) (26)
- Critically discuss why the market fails to ensure environmental sustainability. (10) **[40]**

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