education

Department of Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ECONOMICS P2

SEPTEMBER 2025

MARKS: 150

TIME: 2 HOURS

This question paper consists of 14 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. Additional answers will NOT be marked.

3. Number the answers correctly according to the numbering system used in this question paper.

4. Write the number of the question 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 A market structure with few sellers who sell differentiated products:

A Oligopoly
B Monopoly
C Perfect competition
D Monopolistic competition

1.1.2 A tax levied on demerit goods to reduce consumption is called ... tax.

A capital gains
B inheritance
C sin
D carbon

1.1.3 The demand curve of an oligopoly is …

A positively sloping.
B kinked.
C horizontal.
D upward sloping.

1.1.4 A type of monopoly that occurs due to high start-up costs is a/an …

A artificial monopoly.
B local monopoly.
C duopoly.
D natural monopoly.

1.1.5 A persistent decrease in the general price level of goods and services is called ...

A inflation.
B disinflation.
C deflation.
D deflator.

1.1.6 An extremely high and rapid increase in the general price level of more than 50% per month is called ...

A hyperinflation.
B creeping inflation.
C stagflation.
D demand-pull inflation.

1.1.7 A type of tourism where one visits a country to attend a summit or conference for work purposes is called ... tourism.

A paleo
B business
C eco
D cultural

1.1.8 People who stop over in a country/destination on their way to another country are called ... tourists.

A creative
B inbound
C domestic
D transit

(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, e.g. 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Merit goods	A South African citizens travelling abroad
1.2.2 Diseconomies of scale	B the process where trees and forests are removed from the land and not replaced
1.2.3 Price leadership	C interest that the Reserve Bank charges when it lends money to a commercial bank
1.2.4 Private benefit	D reduced cost of production associated with producing a large quantity of output
1.2.5 Deforestation	E situation where one firm fixes the price and the others accept it as the market price
1.2.6 Outbound tourists	F an increase in the production costs due to inefficient production in the short run
1.2.7 Consumer price index	G statistic that measures the price of a fixed basket of consumer goods and services
1.2.8 Repo rate	H are so beneficial to society that every individual should consume them irrespective of their income
	I gain a consumer gets from the use of the good or service

(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 and acronyms will NOT be accepted.

1.3.1 When a firm determines its price due to having market power

1.3.2 An arrangement between businesses with the aim of limiting competition between them by fixing prices

1.3.3 A wage rate set by the government below which no employer can pay their workers

1.3.4 A combination of local knowledge for all forms of activities that is unique to a given culture or society

1.3.5 Inflation that excludes items with highly volatile prices from the CPI basket

1.3.6 The activity of people travelling to and staying in places outside their usual environment for no longer than one year

(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**

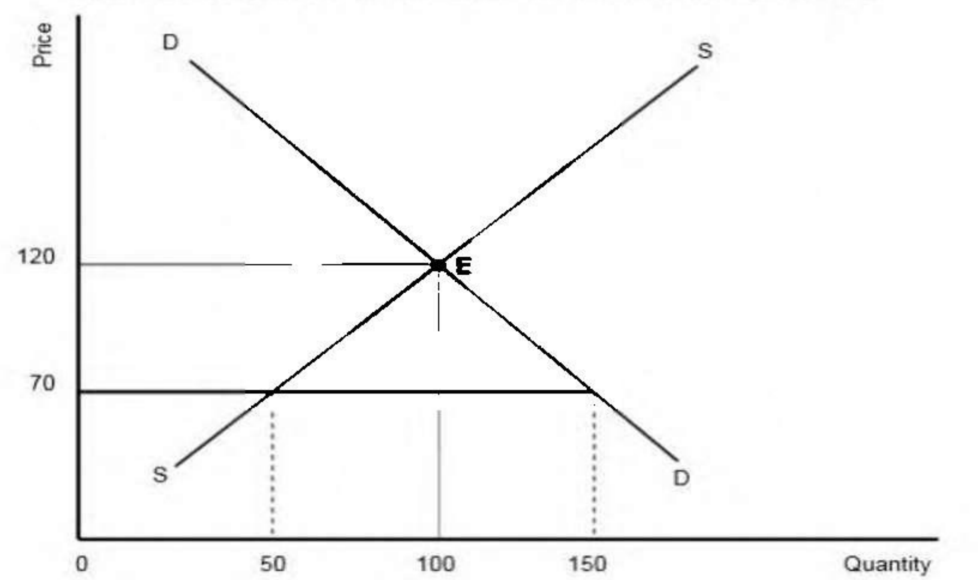
2.1 Answer the following questions.

2.1.1 Name TWO types of costs that contribute to social costs. (2 x 1) (2)

2.1.2 Why are allocative and technical efficiencies important for the economy? (1 x 2) (2)

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

CONSEQUENCE OF MARKET FAILURE: MAXIMUM PRICES



2.2.1 Identify the maximum price from the above graph. (1)

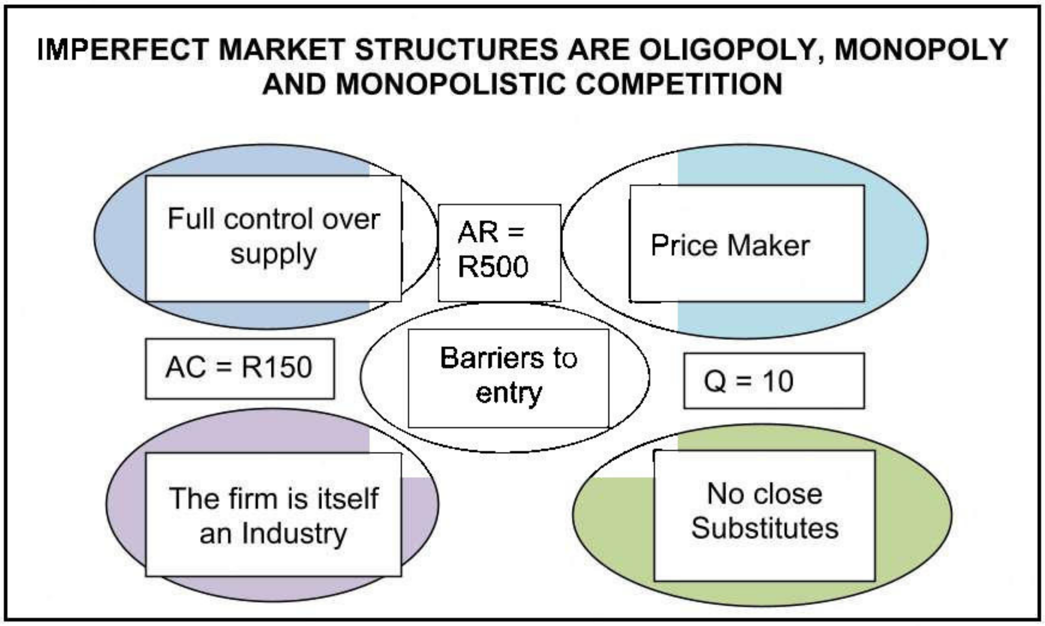
2.2.2 Name any product where a maximum price is set. (1)

2.2.3 Briefly describe the term *implicit cost.* (2)

2.2.4 Why does the government provide production subsidies? (2)

2.2.5 What are the positive effects of implementing a minimum wage in the economy? (4)

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



2.3.1 Identify the market structure that is represented by the above characteristics. (1)

2.3.2 Name ONE parastatal that you know in South Africa. (1)

2.3.3 Briefly describe the term *industry*. (2)

2.3.4 What is the impact of price fixing on the market? (2)

2.3.5 Use the information from the diagram above to determine whether the firm is making a profit/loss per unit. Show ALL calculations. (4)

2.4 Discuss the reasons for the cost-benefit analysis. (4 x 2) (8)

2.5 How do restaurants maintain or increase their market share? (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO monetary measures that can be used to combat inflation. (2 x 1) (2)

3.1.2 How does tourism affect poverty? (1 x 2) (2)

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

STATEMENT OF THE MONETARY POLICY COMMITTEE – MAY 2024

Current Repo Rate	8.25%	Next due: 18 July 2024
Current Inflation Rate	5.2%	Next due: 19 June 2024

We had an uncertain start to 2024, but recent developments have been somewhat more positive. Inflation outcomes of 3 – 6% were worse than expected early in the year, leading to a repricing of rate expectations. There is still considerable uncertainty about the longer-run inflation outlook globally. The exchange rate of the rand has been particularly volatile since the previous MPC.

[Adapted from www.resbank.co.za.mpc/2024/may: 30 May 2024]

3.2.1 Identify the inflation target in the extract above. (1)

3.2.2 Name ONE cause of cost-push inflation. (1)

3.2.3 Briefly describe the term *exchange rate.* (2)

3.2.4 How do expectations of inflation contribute to actual inflation? (2)

3.2.5 Why are low-income earners more adversely affected by inflation than their wealthier counterparts? (4)

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

Basotho Cultural Village

uShaka Marine World

Robben Island

Eiffel Tower

[Source: Google. July 2024]

3.3.1 Identify any heritage site from the pictures above. (1)

3.3.2 Name ONE benefit of tourism to the government. (1)

3.3.3 Briefly describe the term *gross domestic product.* (2)

3.3.4 What is the impact of crime on tourism? (2)

3.3.5 How do households benefit from tourism? (2 x 2) (4)

3.4 Discuss debtors and taxpayers as consequences of inflation. (2 x 4) (8)

3.5 Evaluate externalities as an effect of tourism. (8)
[40]

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

4.1 Answer the following questions.

4.1.1 Name any TWO reasons for the growth of tourism. (2 x 1) (2)

4.1.2 Why is there a need for anti-competitive policies? (1 x 2) (2)

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

The public broadcaster in South Africa provides 19 radio stations (AM/FM) and six television broadcasts to the general public. It is one of the largest state-owned enterprises in South Africa.

[Adapted from www.ask.com/entertainment]

4.2.1 Identify a public broadcaster in South Africa. (1)

4.2.2 Name a characteristic of public goods that is depicted in the cartoon above. (1)

4.2.3 Briefly describe the term *public goods.* (2)

4.2.4 Why is the immobility of factors of production a cause of market failure? (2)

4.2.5 Which measures does the government take to promote the availability of information to consumers and producers? (4)

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

Inflation rate history in South Africa

Year	Average price of a basket of goods	CPI	Inflation rate
2020	R200	100	-
2021	R214,20	107,1	7,1
2022	R223,41	111,7	4,3
2023	R234,58	117,3	**A?**

Administered prices can have dire consequences when they are not managed correctly.

[Adapted from: www.focusontransport.co.za. 12 July 2024]

4.3.1 Identify the base year from the table above. (1)

4.3.2 Which South African institution provides inflation statistics? (1)

4.3.3 Briefly describe the term *administered price.* (2)

4.3.4 Why is it necessary to assign weights to different expenditure items? (2)

4.3.5 Calculate the inflation rate for 2023 (**A**). Show ALL calculations. (2 x 2) (4)

4.4 Briefly discuss market entry and nature of products as characteristics of an oligopoly. (2 x 4) (8)

4.5 How has the marketing of tourism activities changed in recent years? (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 The introduction is a lower-order response. • A good starting point would be to define the main concept related to the question topic. • Do NOT include any part of the question in your introduction. • Do NOT repeat any part of the introduction in the body. • Avoid saying 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/Explain/ Differentiate/Draw a graph and explain/Use the graph and explain/ Complete the given graph/Assess/Debate **A maximum of 8 marks may be allocated for headings/ examples.**	Max. 26
Additional part: Critically discuss/Evaluate/Critically evaluate/ Debate/Deduce/Compare//Distinguish/Interpret/How?/Suggest **A maximum of 2 marks may be allocated for the mere listing of facts.**	Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgment 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 – 20 MINUTES**

- Discuss in detail the various equilibrium positions of the perfect competitors in the short run with the aid of graphs. (26 marks)

- Evaluate the impact of the competition policy on the South African economy. (10 marks)

[40]

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES **40 MARKS – 20 MINUTES**

- Discuss in detail the FIVE environmental problems and the international measures taken to ensure sustainable development. (26 marks)

- Evaluate government intervention measures to ensure the sustainability of the environment. (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150