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basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P2

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 Which market structure is highly dependent on loyalty branding?

- A Perfect market
- B Monopoly
- C Monopolistic competition

1.1.2 In a monopoly market, entry and exit is ...

- A completely blocked.
- B relatively restricted.
- C completely free.

1.1.3 Price formation for the individual firm under the perfect market is determined by the ...

- A owner.
- B market.
- C dominant firm.

1.1.4 The factors of production are completely mobile in a ... market.

- A perfect
- B imperfect
- C semi-perfect

1.1.5 Toxic chemical waste can result in a high ... rate.

- A birth
- B infertility
- C fertility

1.1.6 Tourism is regarded as a ... industry.

- A technologically advanced
- B capital-orientated
- C labour intensive

1.1.7 The government can prevent fauna and flora species from becoming extinct through ...

- A granting property rights.
- B levying environmental taxes.
- C subsidising manufacturing plants.

1.1.8 An increase in consumption expenditure will lead to ... inflation.

- A cost-push
- B demand-pull
- C hyper

(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	Explicit cost	A	smallest individual and independent producing unit
1.2.2	Firm	B	government intervention to redistribute income equally
1.2.3	Normal profit	C	actual expenditure of a business such as purchasing of raw materials, paying wages and interest
1.2.4	Progressive taxation	D	South African World Heritage Site
1.2.5	Basic services	E	existence of a variety of plant species
1.2.6	Global warming	F	total revenue equals total cost
1.2.7	Command and control	G	provisioning of water and sanitation
1.2.8	iSimangaliso Wetland Park	H	government sets acceptable levels of pollution
		I	climate change that affects the whole world

(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 a business makes that is more than the normal profit
- 1.3.2 The cost that the community incurs
- 1.3.3 A section of the economy that produces goods and services of the same kind
- 1.3.4 When South Africans travel within the borders of the country
- 1.3.5 A set of cultural and traditional skills that has developed around a specific community
- 1.3.6 Prices of goods and services that are set by the government (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 Give TWO examples of merit goods. (2 x 1) (2)

2.1.2 Why will output in the goods market increase when businesses in the perfect market make economic profit? (2)

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

HOW SOUTH AFRICA'S BUSINESSES KEEP THE COUNTRY POOR

South Africa has far too many monopolies, for example Eskom which is regarded as a natural monopoly. There is only one competitor in the market. Some prices in South Africa are therefore much higher than they should be. The quality of products and services is lower and some of these companies are less innovative and efficient than is the case in more competitive environments.

[Adapted from www.moneyweb.co.za]

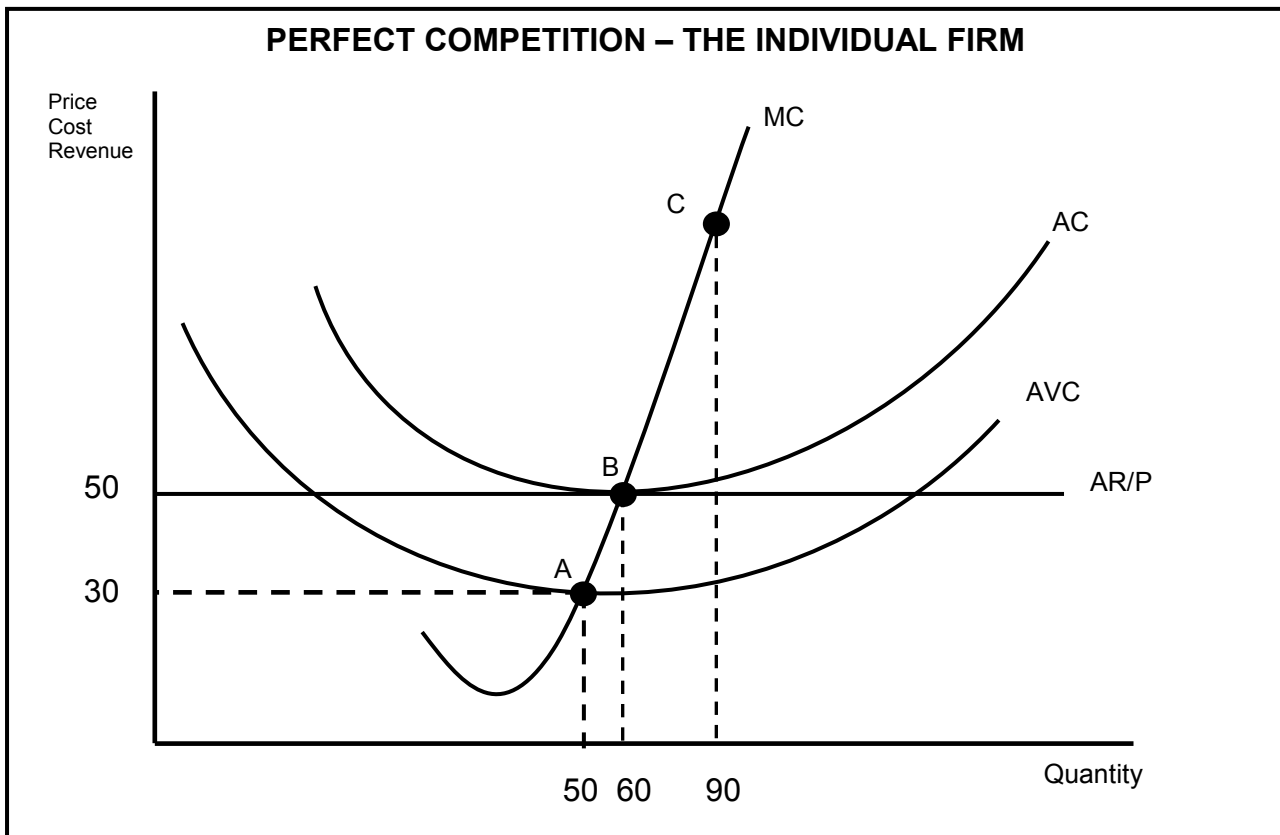
2.2.1 Identify TWO main problems that South Africa experiences with monopolies in the extract above. (2 x 1) (2)

2.2.2 Why is Eskom regarded as a natural monopoly? (2)

2.2.3 What prevents monopolies from charging excessively high prices? (2)

2.2.4 How has the implementation of an antimonopolistic policy benefitted South Africa? (2 x 2) (4)

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



- 2.3.1 Identify the marginal revenue curve in the graph above. (1)
- 2.3.2 Which curve is also known as the supply curve? (1)
- 2.3.3 Why will the individual firm not produce more than 60 units? (2)
- 2.3.4 How does the market demand curve differ from the curve of the individual firm? (2)
- 2.3.5 What is the significance of point A? (2 x 2) (4)
- 2.4 Differentiate between the nature of the product under *monopolistic competition* and under the *monopoly*. (2 x 4) (8)
- 2.5 Explain, by means of a neatly labelled graph, how a negative externality results in the misallocation of resources. (4 x 2) (8)
- [40]**

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name TWO types of tourism. (2 x 1) (2)

3.1.2 What effect does chemical pollution have on agricultural land in South Africa? (1 x 2) (2)

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

INFLATION IN SOUTH AFRICA		
YEAR	CONSUMER PRICE INDEX	INFLATION RATE
2010	100	-
2013	105,4	5,4
2015	111,0	(A)

[Source: www.statisticssouthafrica.org.za]

3.2.1 Which economic indicator is used to determine the inflation rate? (1)

3.2.2 Which year is currently used by the SARB as base year? (1)

3.2.3 Why would the inflation rate in 2013 have been considered to be acceptable by the Monetary Policy Committee? (2)

3.2.4 Why will a reduction in personal income tax increase the inflation rate? (2)

3.2.5 Calculate the inflation rate for 2015 **(A)**. Show ALL calculations. (4)

3.3 Study the extract below and answer questions that follow.

WEAK RAND CAN BENEFIT SOUTH AFRICA'S TOURISM
<p>South Africa's currency has reached its lowest level since 2001. This is great news for international tourists who can take advantage of a very favourable exchange rate to visit South Africa. Now, more than ever, South Africa offers great value for money and has become one of the greatest holiday destinations for international travellers.</p> <p>South Africa offers vacation options to suit every pocket and taste. Travellers are truly spoilt for choice from hotel and safari lodge accommodation, restaurants offering local and international cuisine, access to the Big Five wildlife and spectacular, breath-taking scenery.</p> <p>[Source: www.eturbonews.com]</p>

- 3.3.1 Identify TWO goods or services on which tourists can spend money in South Africa in the extract above. (2 x 1) (2)
- 3.3.2 Explain the term *tourism*. (2)
- 3.3.3 How does a weaker rand affect the South African tourist? (2)
- 3.3.4 How can an increase in tourism benefit South African households? (2 x 2) (4)
- 3.4 Explain the effects of increased tourism on poverty. (4 x 2) (8)
- 3.5 How can the market be used to ensure environmental sustainability? (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 Give TWO reasons for a cost-benefit analysis. (2 x 1) (2)

4.1.2 How can education be used to ensure environmental sustainability in South Africa? (1 x 2) (2)

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

AN OLIGOPOLISTIC RETAIL INDUSTRY

The South African retail industry is the largest in the sub-Saharan region and is positioned as the 20th largest retail market in the world. It is more or less an oligopolistic market with five South African companies, namely Shoprite, Pick n Pay, Spar, Massmart and Metcash, constituting 80% of the retail sales. Informal retail forms the other 20%.

Informal retail concepts vary from taverns to tuck shops (small food-selling retailers). Spazas or small retail stores most often run from home are making inroads in the local retail arena, offering both food and non-food products. Hawkers, street stalls, fast foods, kiosks and take-away food are amongst the informal market retailers.

[Adapted from www.thomaswhite.com]

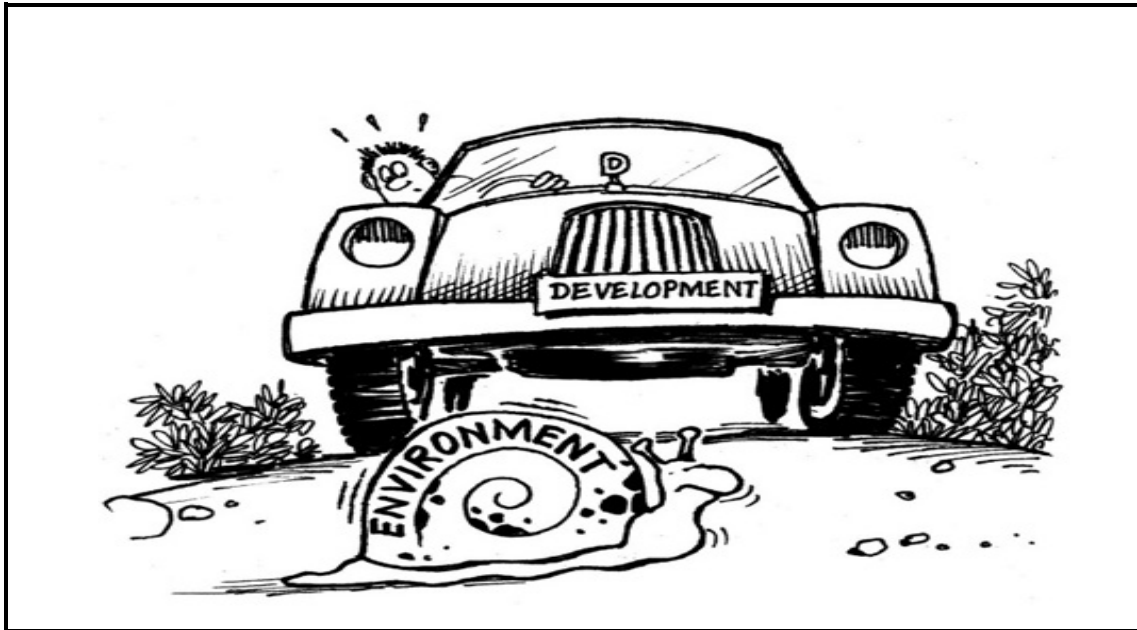
4.2.1 Give TWO examples of informal retailers in South Africa in the extract above. (2 x 1) (2)

4.2.2 Explain the term *oligopoly*. (2)

4.2.3 How can Shoprite influence the price of their goods without forming a cartel? (2)

4.2.4 How do the five biggest South African companies increase their market shares in the economy? (2 x 2) (4)

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



[Source: www.google.co.za]

- 4.3.1 Describe the economic message depicted in the cartoon above. (2)
- 4.3.2 State any ONE negative issue that forms part of the current state of the environment. (2)
- 4.3.3 Explain the term *conservation*. (2)
- 4.3.4 Explain how climate change can lead to a decrease in production in your community. (2 x 2) (4)
- 4.4 Explain the long-term equilibrium of a firm under perfect competition. (4 x 2) (8)
- 4.5 What has contributed to an increase in tourism worldwide? (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	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**

Governments use various instruments at their disposal to correct or limit market failure.

- Draw a clearly labelled graph explaining the consequences of government intervention in the market for each of the following:
 - Maximum prices (maximum 13 marks)
 - Taxation (maximum 13 marks) (26)
 - In your opinion, how has the implementation of minimum wages advantaged the worker in South Africa? (10)
- [40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

The impact of inflation on the economy can often be devastating.

- Examine the measures to combat inflation. (26)
 - What is the impact of inflation on the individual taxpayer? (10)
- [40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150