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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P2

2017

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–D) of your choice in the ANSWER BOOK.

EXAMPLE:

1.1.9

 A B C D

- 1.1.1 The average revenue of a firm in a perfectly competitive market is equal to its ...
- A selling price.
 - B total cost.
 - C marginal cost.
 - D economic profit.
- 1.1.2 The supply curve for a firm in a perfectly competitive market has a ... slope.
- A negative
 - B horizontal
 - C positive
 - D convex
- 1.1.3 Differentiated products are ...
- A identical.
 - B heterogeneous.
 - C homogeneous.
 - D unique.
- 1.1.4 The demand curve that explains oligopolistic behaviour is described by some theorists as ...
- A kinked.
 - B vertical.
 - C horizontal.
 - D circular.
- 1.1.5 The market is unable to protect the environment because it is mainly driven by ...
- A self-interest.
 - B social interest.
 - C social cost.
 - D the community.

- 1.1.6 The implementation of inflation targets is the responsibility of the ...
- A South African Revenue Services.
B Department of Finance.
C South African Reserve Bank.
D Department of Trade and Industry.
- 1.1.7 For a trip to be classified as part of tourism, the maximum length of stay should be less than ... year(s).
- A ten
B one
C five
D two
- 1.1.8 Global warming is the result of the emission of ... gases into the atmosphere.
- A natural
B hydrogen
C greenhouse
D oxygenated

(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.

COLUMN A		COLUMN B	
1.2.1	Diseconomies of scale	A	duration where at least one factor of production is fixed
1.2.2	Marginal revenue	B	existence of facilities and amenities, for example roads and bridges
1.2.3	Short run	C	cost to produce one extra unit of a product
1.2.4	Shut-down point	D	occurs when inputs increase, while outputs are increasing by less than the percentage increase in inputs
1.2.5	Millennium development goals	E	excludes the prices of goods and services that change frequently
1.2.6	Core inflation	F	extra income the seller earns if one more unit of a product is produced and sold
1.2.7	Infrastructure	G	a business in a perfect market will consider closing down if $AR = AVC$
1.2.8	Marketable permit	H	licence for a business to pollute up to a specified limit
		I	eradication of extreme poverty and hunger

(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 cash incentive given to a producer to lower the cost of production
- 1.3.2 A situation where one firm fixes a price and other firms accept it as the market price
- 1.3.3 The spillover effect of an economic activity that affects third parties
- 1.3.4 An excessive rise in the general price level, sometimes referred to as runaway inflation
- 1.3.5 The dumping of waste matter into the environment
- 1.3.6 The long-term change in weather patterns which includes changes in temperature, rainfall patterns and wind (6 x 1) (6)
- TOTAL SECTION A: 30**

SECTION B

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

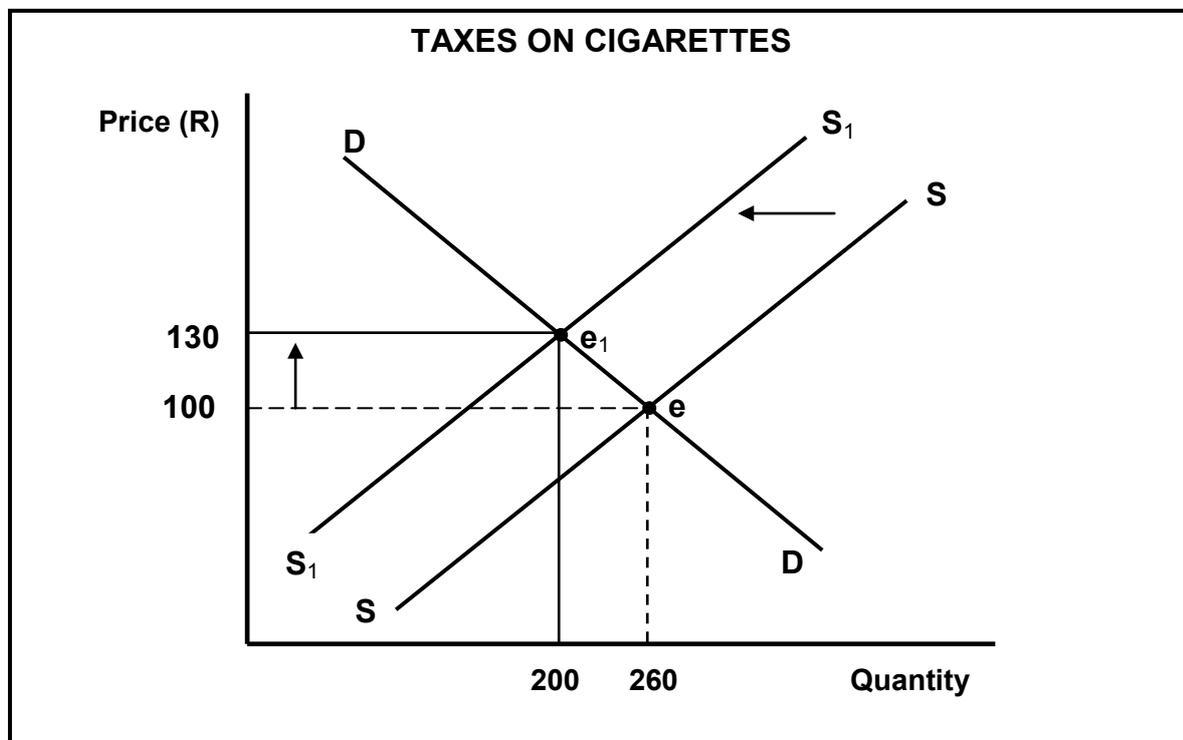
QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give any TWO examples of community goods. (2 x 1) (2)

2.1.2 Why is the demand for skilled labour difficult to adjust in South Africa? (1 x 2) (2)

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



2.2.1 Identify the price of cigarettes before a tax was imposed on it. (1)

2.2.2 What quantity is demanded after the government imposed a tax on cigarettes? (1)

2.2.3 Clearly distinguish between *merit goods* and *demerit goods*. (4)

2.2.4 Use the graph above and explain how a tax on cigarettes will reduce market failure. (4)

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

ARCELORMITTAL'S CARTEL BEHAVIOUR STIFLED SA INDUSTRIES

ArcelorMittal has agreed to pay a fine of R1,5 billion to the Competition Commission after admitting to being involved in anticompetitive behaviour through long-steel and scrap-metal cartels. At least five investigative complaints were brought against the steel manufacturer dating back as far as 2003.

ArcelorMittal's abuse of market dominance has had a massive effect on trade exports, the industrial sector and job creation downstream.

[Source: www.702.co.za]

- 2.3.1 Name the institution in the extract that investigates anticompetitive behaviour in South Africa. (1)
- 2.3.2 Identify ONE aspect that was influenced negatively by ArcelorMittal's anticompetitive behaviour. (1)
- 2.3.3 What is the role of the Competition Tribunal? (2)
- 2.3.4 What is meant by *market dominance*? (2)
- 2.3.5 How will ArcelorMittal's anticompetitive behaviour affect the industrial sector? (2 x 2) (4)
- 2.4 Distinguish, without using graphs, between *productive inefficiency* and *allocative inefficiency*. (2 x 4) (8)
- 2.5 Draw a fully labelled graph to illustrate the economic loss of a monopoly market structure. (8)

[40]

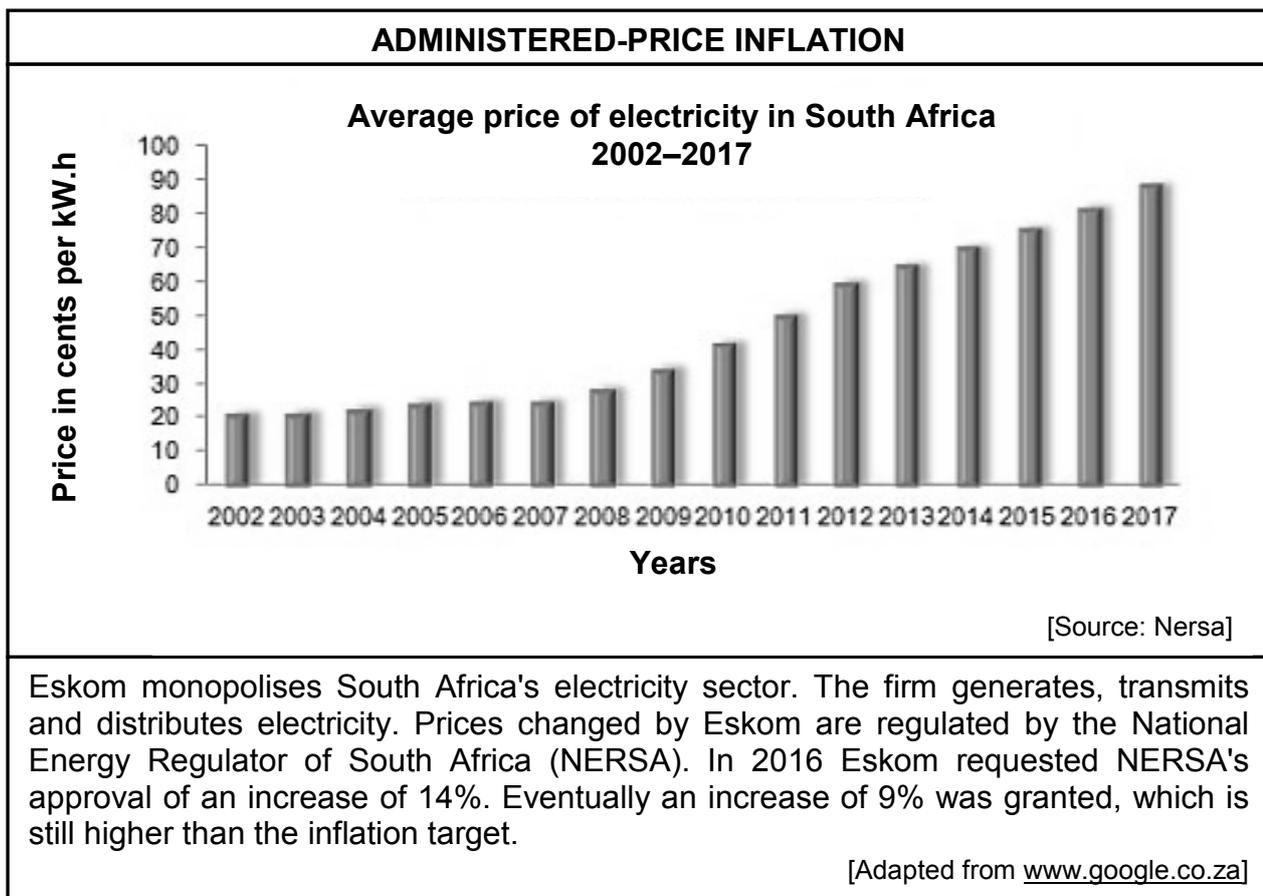
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO World Heritage Sites in South Africa. (2 x 1) (2)

3.1.2 How can people be educated to manage the environment in such a way that sustainability is ensured? (1 x 2) (2)

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



3.2.1 Identify the average price of a kilowatt per hour (kW.h) electricity in 2002. (1)

3.2.2 What trend does the average price of electricity show, as represented in the graph? (1)

3.2.3 Briefly describe the term *administered-price inflation*. (2)

3.2.4 Why does NERSA allow Eskom to have price increases above the inflation rate? (2)

3.2.5 Why is it important that NERSA regulates electricity prices in South Africa? (2 x 2) (4)

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

PURPOSES OF DOMESTIC TOURISM IN SOUTH AFRICA 2015 AND 2016		
Purpose of trips	Trips made	
	2015	2016
Visiting friends and family	66%	70%
Holidays	15%	9%
Business	8%	11%
Total number of trips	4,6 million	7,3 million

[Source: www.southafrica.net]

- 3.3.1 Identify TWO purposes in the table above why South Africans travelled domestically. (2)
- 3.3.2 Briefly describe the term *domestic tourism*. (2)
- 3.3.3 What is a possible reason for the decline in holiday trips between 2015 and 2016? (2)
- 3.3.4 Calculate the number of people who undertook business trips in 2016. Show ALL calculations. (4)
- 3.4 Briefly discuss the *granting of property rights* as a measure to sustain the environment. (4 x 2) (8)
- 3.5 How can indigenous knowledge systems (IKS) be used to increase tourism in South Africa? (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 TWO environmental problems that affect environmental sustainability. (2 x 1) (2)

4.1.2 How will the producer react if the government implements a maximum price on his product? (1 x 2) (2)

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

THE 'BIG FIVE' IN SOUTH AFRICA	
	<p>The current framework of the banking industry in South Africa is such that the oligopoly enjoyed by the bigger banks is extremely difficult to break because of high barriers to entry for entrepreneurs looking to enter the space. A significant entry barrier into the South African banking industry is the large, upfront capital requirement of R250 m cash for a banking licence.</p> <p style="text-align: right;">[Source: www.bizcommunity.com]</p>

4.2.1 Identify ONE of the five big banks in South Africa. (1)

4.2.2 What, according to the extract, prevents any entrepreneur from entering the banking industry in South Africa? (1)

4.2.3 Briefly describe the concept *oligopoly*. (2)

4.2.4 Explain the *nature of the product* offered by the banking industry. (2)

4.2.5 How do banks compete to increase their market share in South Africa? (2 x 2) (4)

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



The Convention on the International Trade in Endangered Species (CITES) agreement is legally binding and aims to ensure that international trade in species of wildlife does not threaten their survival.

More than 2 500 representatives from more than 180 countries attended the conference in Johannesburg in September 2016, against the depressing background of a 30% decrease in African savannah elephant numbers in just seven years, mainly because of poaching driven by Far Eastern syndicates. Poaching poses a major threat to the environment. Conservationists also worry that ivory poaching is moving through southern Zambia towards Botswana's Okavango Delta, location of the world's largest elephant herds.

[Adapted from www.travel24.co.za]

- 4.3.1 In which city was the world wildlife conference held? (1)
- 4.3.2 Identify the aim of CITES in the extract above. (1)
- 4.3.3 Briefly describe the term *conservation*. (2)
- 4.3.4 Why is elephant poaching a threat to the environment? (2)
- 4.3.5 How can CITES contribute to the conservation of elephants? (2 x 2) (4)
- 4.4 Briefly discuss the reasons for growth in the tourism industry. (2 x 4) (8)
- 4.5 Why is a cost-benefit analysis (CBA) necessary for public sector projects? (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. <ul style="list-style-type: none"> • 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/Differentiate/Explain 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/How/Suggest	Max. 26 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 value 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**

Markets are the backbone of economic activities in any country.

- Compare the market structure of a monopolistic competitor to that of a perfect market. (26)
- Explain, with the aid of a graph, how economic profit is achieved for a perfect competitor. (10)

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

The disadvantage of a market economy is often demonstrated by inflation.

- Discuss the causes of cost-push inflation. (26)
- Advise the Minister of Finance on how to use taxes as an instrument to combat inflation. (10)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150