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Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS P2

NOVEMBER 2015

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 A business that CANNOT influence the price:
- A Price-taker
 - B Price-maker
 - C Monopolist
- 1.1.2 A perfect competitor will make ... in the long run.
- A economic profit
 - B economic loss
 - C normal profit
- 1.1.3 Product differentiation and ... play an important role in non-price competition.
- A price
 - B advertising
 - C government policy
- 1.1.4 Goods highly desirable for the general welfare of people, but often not highly rated by the market, are called ... goods.
- A demerit
 - B merit
 - C non-durable
- 1.1.5 People's disposable incomes tend to ... during periods of inflation.
- A decrease
 - B increase
 - C remain constant
- 1.1.6 An inflation rate that excludes interest rates on mortgage bonds:
- A Administered-price inflation
 - B Food inflation
 - C CPIX

1.1.7 The setting of maximum permitted levels of emissions such as carbon dioxide is called ... measures.

- A education
- B government
- C command and control (CAC)

1.1.8 The potential for tourism growth is much greater in ... countries.

- A developing
- B developed
- C European

(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 number (1.2.1–1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Oligopoly	A	organisational features of markets
1.2.2	World Heritage Site	B	a period of sustained decreases in price
1.2.3	Implicit costs	C	international agreements aimed at reducing greenhouse gases
1.2.4	Duopoly	D	a market controlled by a small group of businesses
1.2.5	Non-renewable resources	E	a place with special cultural or physical significance
1.2.6	Market structure	F	value of inputs owned by the entrepreneur and used in production
1.2.7	Kyoto Protocol	G	a market controlled by two businesses
1.2.8	Deflation	H	may become depleted if used repeatedly
		I	a period when prices increase

(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 additional cost incurred when production increases by one more unit

1.3.2 Prices that are set by authorities above the equilibrium price to benefit the producer

1.3.3 Businesses working together in an oligopoly market to fix prices

1.3.4 A market that lacks optimum resource allocation and is unable to produce the quantity of goods that people want

1.3.5 A tax charged on goods that harm the environment

1.3.6 An increase in prices of goods due to an increase in 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 – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give TWO characteristics of public goods. (2 x 1) (2)

2.1.2 Why are oligopolists reluctant to compete with each other on price in order to get a greater share of the market? (1 x 2) (2)

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

THE CHALLENGING TASK OF THE COMPETITION COMMISSION

The Competition Commission is a statutory body constituted in terms of the Competition Act, 1998 (Act 89 of 1998) by the government of South Africa and mandated to investigate, control and evaluate restrictive business practices, abuse of dominant positions and mergers in order to achieve equity and efficiency in the South African economy.

Since it is responsible for investigating all complaints of anticompetitive practices across the entire economy, it receives vast numbers of complaints about different types of anticompetitive behaviour relating to all markets/sectors. If found guilty, a fine is imposed which is endorsed by the Competition Tribunal.

[Adapted from the website of the Competition Commission]

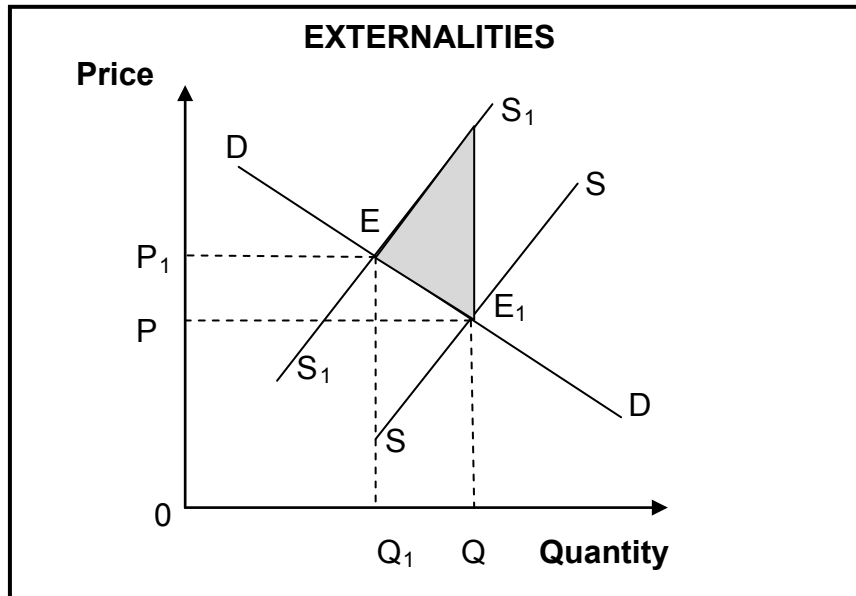
2.2.1 Identify TWO examples of anticompetitive behaviour in the extract above. (2 x 1) (2)

2.2.2 What is the role of the Competition Commission? (2)

2.2.3 What can businesses do if they are not happy with the fine imposed on them by the Competition Commission? (2)

2.2.4 How can consumers benefit from increased competition in the economy? (2 x 2) (4)

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



- 2.3.1 What type of externality is shown in the graph above? (2)
- 2.3.2 Explain the term *externality*. (2)
- 2.3.3 What is indicated in the shaded area on the graph? (2)
- 2.3.4 How can the above externality cause market failure? (2 x 2) (4)
- 2.4 Briefly discuss the number of businesses and the nature of the product as characteristics of a perfect market structure. (2 x 4) (8)
- 2.5 Motivate why the government implements minimum wages in the labour market. (4 x 2) (8)
- [40]**

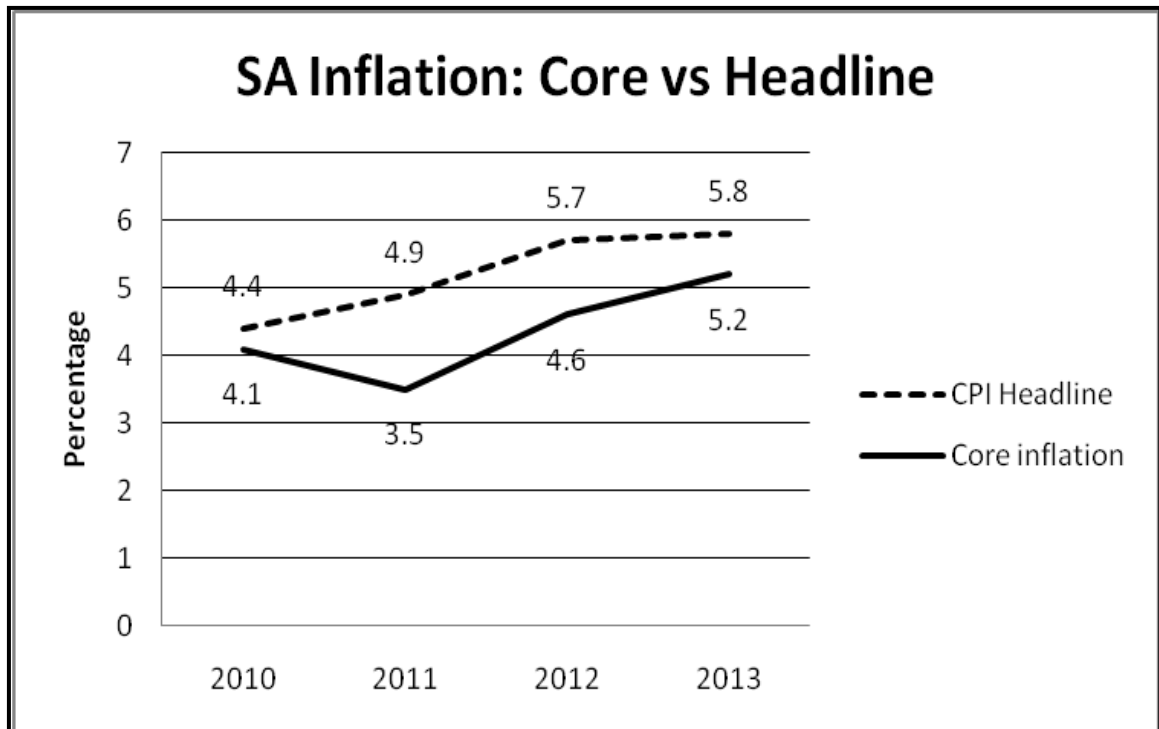
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO ways to measure inflation. (2 x 1) (2)

3.1.2 How can climate change influence agricultural production? (1 x 2) (2)

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



[Source: www.statsa.gov.za]

3.2.1 Which ONE of the two types of inflation is the official inflation rate? (1)

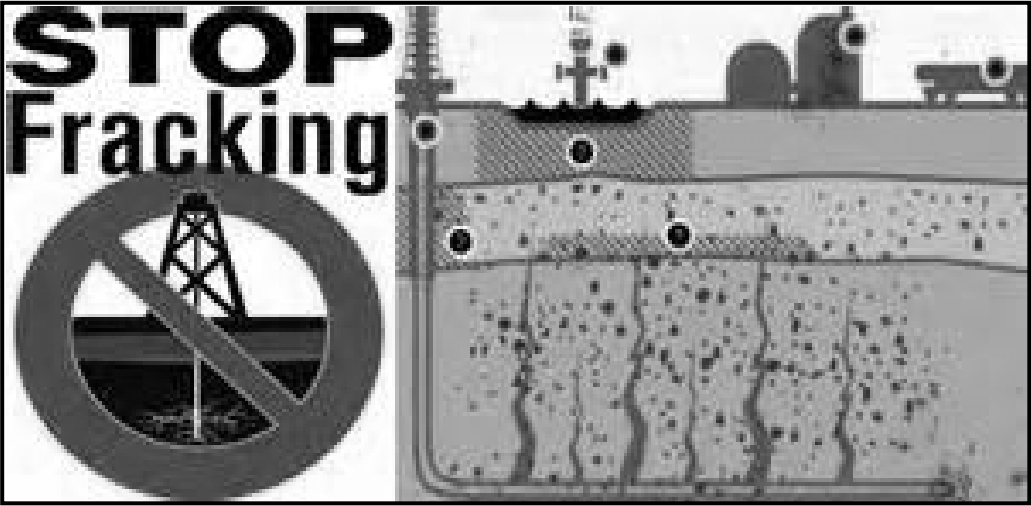
3.2.2 What is the inflation target range set by the SARB? (1)

3.2.3 What effect will an increase in interest rates have on the trend of the CPI curve? (2)

3.2.4 What negative influence will inflation have on the balance of payments? (2)

3.2.5 Why is core inflation lower than the CPI? (2 x 2) (4)

3.3 Study the extract and illustration below and answer the questions that follow.



Shale gas extraction by hydraulic fracturing (fracking) of rock formations has transformed the energy outlook. Countries become self-sufficient in natural gas and could become big exporters, boosting the economy while gas as substitution for coal in electricity generation has decreased carbon emissions. Opponents of fracking claim that it and other consequences of extracting shale gas harm the environment through poor practice, leading to water pollution.

[Adapted from *The Economist*, January 2015]

- 3.3.1 What is *fracking* according to the extract above? (1)
- 3.3.2 Name any ONE non-renewable resource. (1)
- 3.3.3 Name TWO economic benefits of fracking for the South African economy. (2 x 2) (4)
- 3.3.4 In your opinion, what impact will fracking have on the environment? (2 x 2) (4)
- 3.4 Briefly discuss the term *producer price index*. (4 x 2) (8)
- 3.5 What are the benefits of using technology in sustaining the environment? (4 x 2) (8)
- [40]**

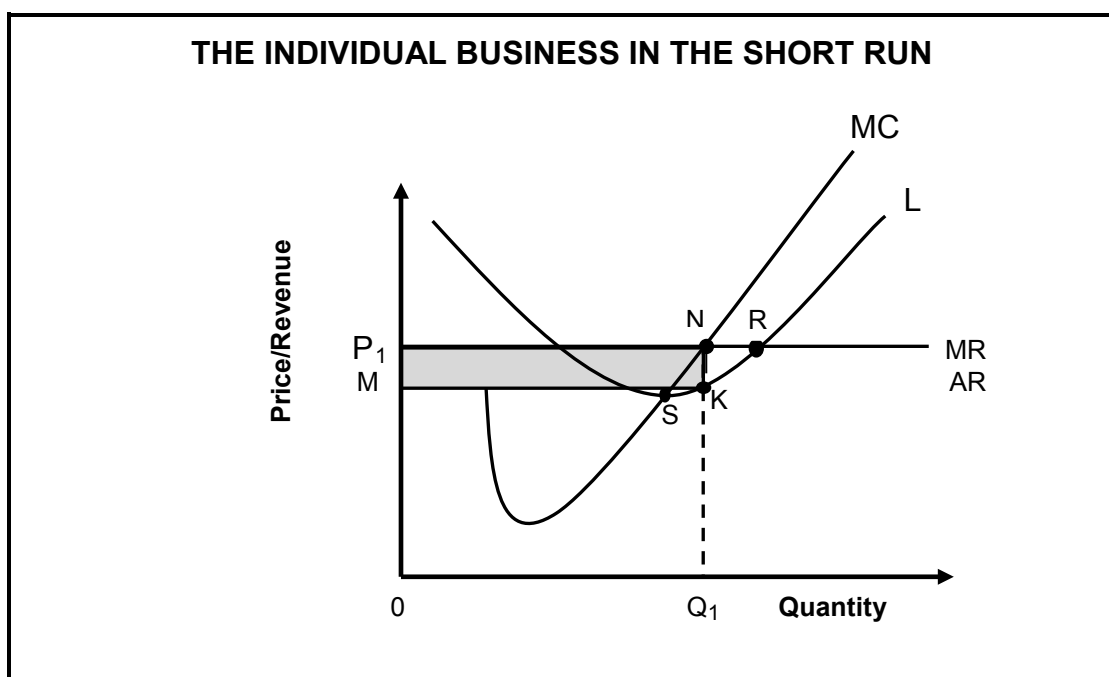
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name TWO kinds of inefficiencies related to market failures. (2 x 1) (2)

4.1.2 What effect will the overexploitation of land have on agricultural output in South Africa? (1 x 2) (2)

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



4.2.1 Which point (label) on the graph indicates profit maximisation? (1)

4.2.2 Name the curve labelled L. (1)

4.2.3 What is depicted by the shaded area? (2)

4.2.4 Briefly explain the term *short run*. (2)

4.2.5 Explain why this equilibrium position will NOT remain fixed. (2 x 2) (4)

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

**PENSIONERS URGED TO USE INVESTMENT TOOLS TO PROTECT
RETIREMENT SAVINGS FROM INFLATION**

Factors such as inflation hikes and market volatility could have a significant impact on South African pension funds. In order to protect their retirement lump sums from these potentially erosive factors, local pensioners are urged to use specialised investment tools to safeguard their future.

[Source: www.fanews.co.za]

- | | | | |
|-------------------------|--|---------|--------------------------|
| 4.3.1 | State TWO factors from the extract above that will have an impact on retirement savings. | (2 x 1) | (2) |
| 4.3.2 | Explain the term <i>retirement lump sum</i> . | | (2) |
| 4.3.3 | How can the government use fiscal policy to combat inflation? | | (2) |
| 4.3.4 | How can pensioners safeguard themselves against the eroding effect of inflation? | (2 x 2) | (4) |
| 4.4 | Explain the uses of cost-benefit analysis (CBA). | (4 x 2) | (8) |
| 4.5 | In your opinion, how is the environment as a common resource responsible for market failure? | (4 x 2) | (8) |
| TOTAL SECTION B: | | | [40]
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 given graph and explain/Complete the given graph/Calculate/Deduce/Compare/ Explain/Distinguish/Interpret/Briefly debate/How?/Suggest	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 in the body • 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**

A monopoly is the extreme opposite of a perfect competitive market.

- Examine the monopoly as a market structure. (26 marks)
- Explain long-run equilibrium of the monopolist with the aid of a neatly labelled graph. (10 marks)

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

Tourism is the fastest growing industry in the world.

- Examine, in detail, the effects of tourism on the South African economy. (26 marks)
- How can indigenous knowledge systems be used to promote tourism in South Africa? (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150