

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

SEPTEMBER 2014

ECONOMICS P2

MARKS: 150

TIME: 1½ hours



This question paper consists of 11 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows:
SECTION A: COMPULSORY
SECTION B: Answer any 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. Answer the questions in full sentences and the format, content and the context of your responses must comply with the cognitive requirements of the questions.
4. Number the answers correctly according to the numbering system used in this question paper.
5. Write the question number above each answer.
6. Read ALL the questions carefully.
7. Start EACH question on a NEW page.
8. Leave 2–3 lines between subsections of 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 – 15 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the correct answer and write only the letter (A–C) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK.

1.1.1 Excess capacity is not found under ...

- A monopoly.
- B monopolistic competition.
- C perfect competition.

1.1.2 Profit maximisation occurs when ...

- A $MR = MC$.
- B $TR > MC$.
- C $AR < MC$.

1.1.3 One of the shortcomings of a free market system is that it distributes income ...

- A equally.
- B unequally.
- C excessively.

1.1.4 The most likely barrier to entry for firms wanting to compete with a company like Mercedes or Microsoft:

- A Legal restrictions
- B Licensing problems
- C Technical superiority

1.1.5 Weights to goods and services are assigned to ...

- A enhance the spending of consumers.
- B measure the impact on purchasing power.
- C decrease consumer spending.

1.1.6 An individual entrusted with designing a prudent (well planned) fiscal policy is the ...

- A Governor of the Reserve Bank.
- B Minister of Public Enterprise.
- C Minister of Finance.

1.1.7 In the Eastern Cape, tourists are likely to be attracted by ...

- A the birthplace of Nelson Mandela (QUNU).
- B Amabele entombi (COFIMVABA).
- C Ncora Irrigation Scheme.

1.1.8 Climate change can be due to ...

- A a decrease in harmful human practices.
- B an increase in greenhouse gases.
- C an increase in the rate of planting trees.

(8 x 2) (16)

1.2 Choose a description in 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.

COLUMN A		COLUMN B	
1.2.1	Sunk costs	A	dependant on culture and heritage
1.2.2	Pareto efficiency	B	promotes poverty alleviation by encouraging tourism
1.2.3	Indigenous knowledge systems	C	remains constant irrespective of the quantity produced
1.2.4	Opportunity cost	D	an attempt to ensure the sustainable use of natural resources
1.2.5	Kruger National Park	E	cannot be retrieved if the business exit the industry
1.2.6	Fixed cost	F	resources may not be allocated fairly, as one party benefits, the other is disadvantaged
1.2.7	Conservation	G	cost of giving up the next best choice
1.2.8	Agenda 21	H	the clean development mechanism
		I	find alternative sources of energy to replace the use of fossil fuels
		J	South Africa's big five (lion, leopard, buffalo, rhino and elephant)

(8 x 1) (8)

1.3 Give the correct concept for each of the following phrases.

1.3.1 Cost advantages for large businesses

1.3.2 A market structure where prices of individual firms are determined by the market

1.3.3 Inflation that excludes items with volatile prices

1.3.4 Labour intensive industry that is attractive to many people around the world

1.3.5 A variety of plants and animal life in a particular habitat

1.3.6 A type of profit that occurs when a firm's total revenue is greater than its implicit cost (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

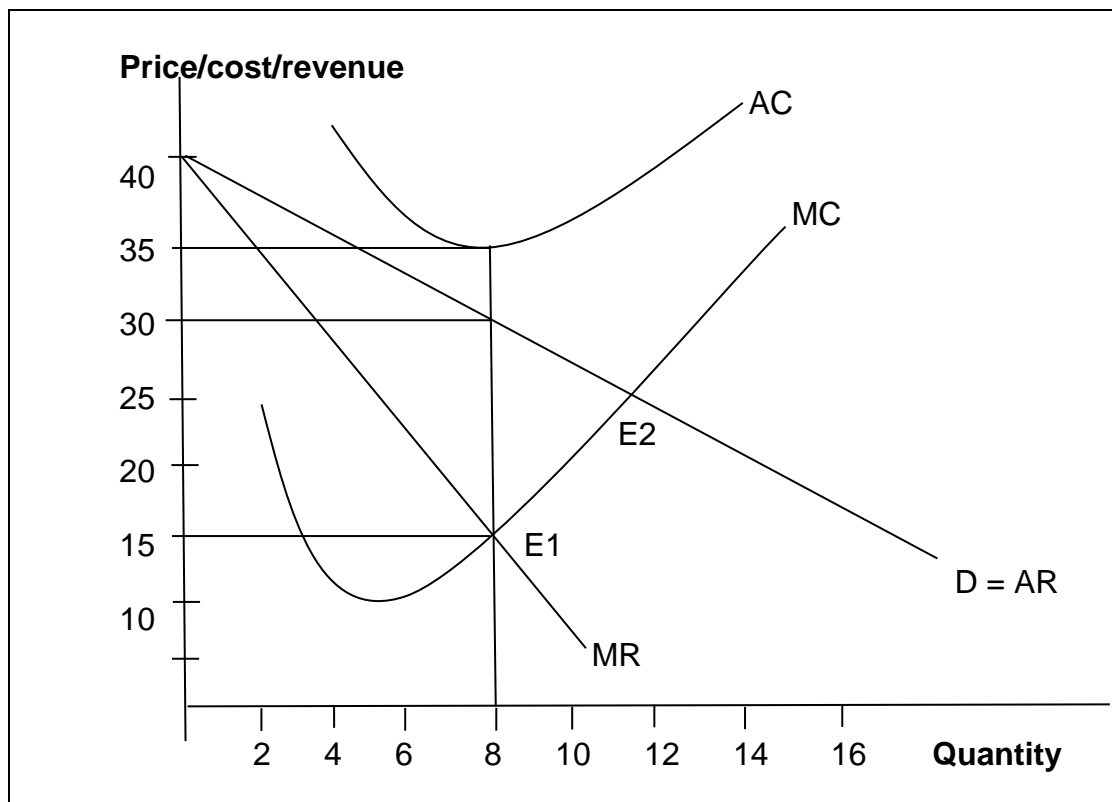
QUESTION 2: MICROECONOMICS**40 MARKS – 20 MINUTES**

2.1 Answer the following questions.

2.1.1 List TWO types of inefficiencies. (2 x 1) (2)

2.1.2 Briefly explain what a *cartel* is. (1 x 2) (2)

2.2 Study the graph below and answer questions that follow.



2.2.1 What type of market is represented by the graph above? (2)

2.2.2 Explain why the MR curve lies below the AR curve. (4)

2.2.3 Calculate the profit/loss of the above producer, and show all your calculations. (4)

[10]

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

PERFECT MARKETS

The attribute of perfect markets has profound political and economic implications. As many participants assume or are taught that the purpose of the market is to enable participants to maximise profits, it is not. The purpose of the market is to efficiently allocate resources and to maximise the welfare of consumers and producers alike. The market therefore regards excess (economic) profits and economic rents as a signal of inefficiency.

[Adapted from the Internet: 2013]

- 2.3.1 Define *perfect markets*. (2)
- 2.3.2 State TWO purposes of perfect markets as indicated in the extract. (4)
- 2.3.3 Give the meaning and implication of *excess profits*. (2 x 2) (4)
- 2.4 Distinguish between *merit* and *demerit goods* as causes of market failure. (2 x 4) (8)
- 2.5 With the aid of a graph explain the shutdown point of a firm under perfect competition. (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES**40 MARKS – 25 MINUTES**

3.1 Answer the following questions.

3.1.1 List any TWO examples of negative externalities in the environment.

(2 x 1) (2)

3.1.2 Define *environmental sustainability*.

(1 x 2) (2)

3.2 Study the extract below and answer questions that follow.

ISIMANGALISO WETLAND PARK

UNESCO chose eight heritage sites. Amongst the eight was the iSimangaliso Wetland Park. It was listed as South Africa's world heritage site in December 1999 in recognition of its unique global values.

The name iSimangaliso means miracle or wonder which aptly describes this unique place with its astonishing variety of habitats that include grassland, ancient sand and coastal forests, wetlands, etc.

This is the place to visit because of its ten jewels, Kosi Bay, coastal forest, Lake Sibaya, Sodwana Bay, uMkhuze, False Bay, western shores and Charters Creek, Lake St Lucia, eastern shores, Cape Vidal and Maphelane.

[Adapted from *Explore Zululand*, 2013]3.2.1 Give a comprehensive definition of *tourism*.

(2)

3.2.2 Briefly explain how tourism benefits households.

(4)

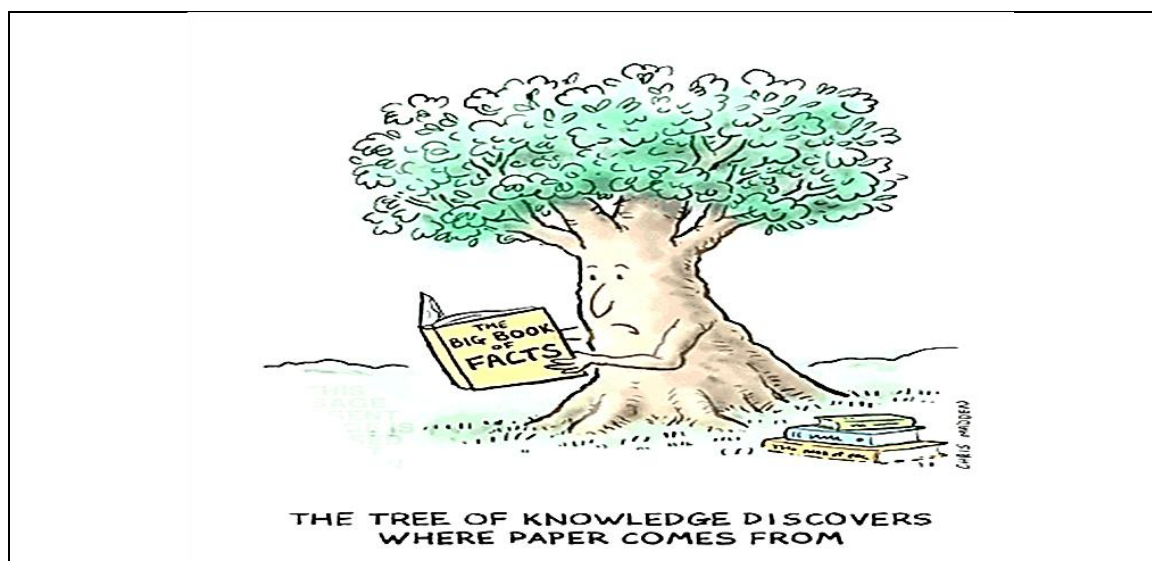
3.2.3 What type of tourism can be associated with visiting the iSimangaliso Wetland Park?

(2)

3.2.4 In which province is iSimangaliso Wetland Park?

(2)

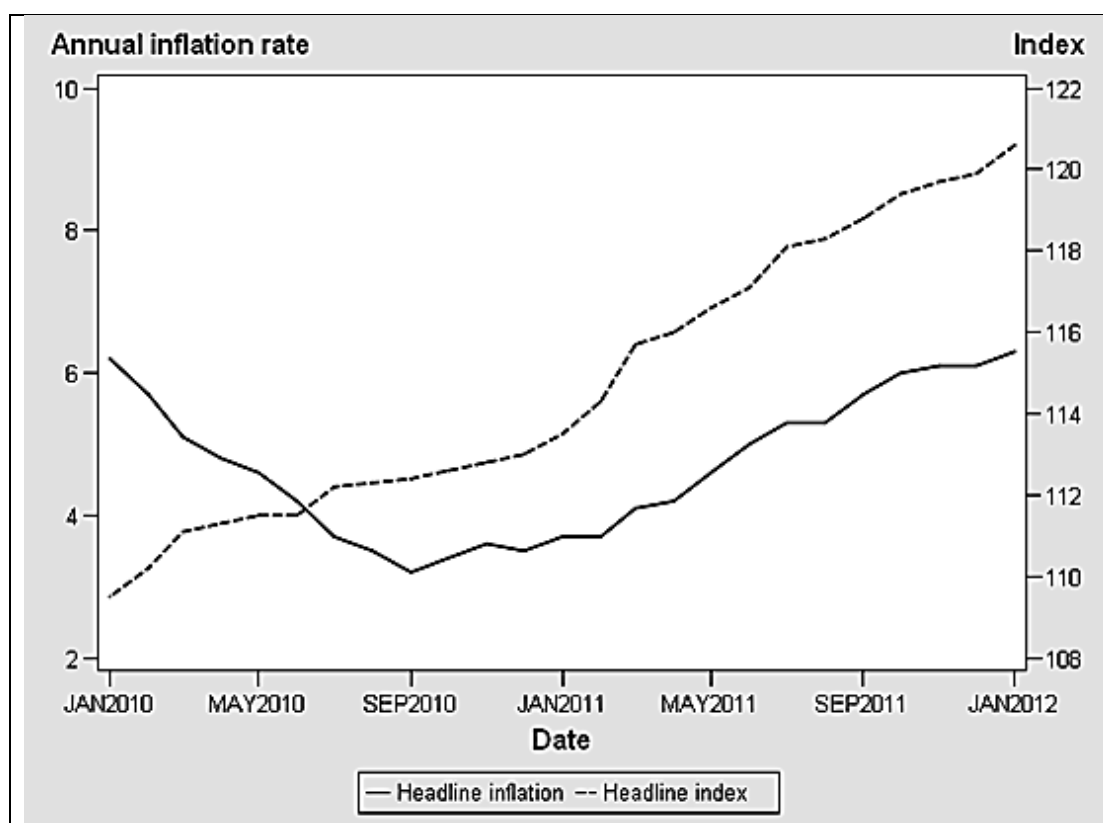
3.3 Study the picture below and answer questions that follow.



- 3.3.1 What, in your opinion, does the picture depict? (2 x 2) (4)
- 3.3.2 Trees are a (renewable/non-renewable) resource. (2)
- 3.3.3 Briefly explain how the abuse of natural vegetation can be reduced. (2 x 2) (4)
- 3.4 Explain any TWO policy suggestions that can advance tourism in South Africa. (2 x 4) (8)
- 3.5 Briefly explain the resolutions of COP 17 in Durban 2011. (4 x 2) (8)
- [40]**

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMICS ISSUES
40 MARKS – 20 MINUTES

- 4.1 Answer the following questions.
- 4.1.1 List any TWO aims of a competition policy. (2 x 1) (2)
- 4.1.2 Explain non-rivalry as a feature of public goods. (1 x 2) (2)
- 4.2 Study the graph below and answer the questions that follow.



- 4.2.1 Define the concept *headline inflation*. (2)
- 4.2.2 In which month and year was South Africa's inflation rate at its lowest? (2)
- 4.2.3 Briefly explain South Africa's inflation targeting policy. (6)

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

DISTINGUISHING YOUR BUSINESS FROM COMPETITION

When envisioning and establishing her business, Zilungile focused on both short term and long term goals. Her short term goal was to outgrow local competitors and gross sales. She knew she wanted to eventually compete with million other giants, but first she needed to examine her strengths and weaknesses.

Market competition can create a battleground and her goal was to win the war. This mindset might be controversial, but many businesses have failed because they did not capitalise on their competitors' faults. Zilungile distinguished her business by: analysing the industry, outshining the competition, focused on customer service, advertising, being proactive, to mention but a few.

[Adapted from the Internet, 2013]

- 4.3.1 What type of market was Zilungile's business operating in? (2)
- 4.3.2 Which economic concept can you align to the ways Zilungile distinguished her business? (2)
- 4.3.3 What, in your opinion, is meant by the sentence in italics? (2)
- 4.3.4 Explain the short run of a business. (4)
- 4.4 Distinguish between *stagflation* and *hyperinflation*. (2 x 4) (8)
- 4.5 Explain any TWO decision-making criteria of cost benefit analysis. (2 x 4) (8)

[40]

TOTAL SECTION B: 80

SECTION C

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

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY		MARK ALLOCATION
Introduction		Max 2
Body		
Main part:	Discuss/Distinguish/Differentiate/ Explain/Analyse/Evaluate/Assess	Max. 26
Additional part:	Use/Draw/Sketch a graph/ diagram/ deduce .../Outline/Briefly explain/Expand on .../Your own opinion	Max. 10
Conclusion		Max. 2
TOTAL		40

QUESTION 5: MACROECONOMICS**40 MARKS – 35 MINUTES**

“An oligopoly is characterised by a high degree of interdependence between firms.”

In the light of the above statement explain other characteristics of an oligopoly and briefly explain the implication of a kinked demand curve.

[40]**QUESTION 6: INFLATION****40 MARKS – 35 MINUTES**

“South Africa must continue to employ forward looking inflation targeting in order to deal with current inflation pressures.”

Discuss clearly the causes of both demand pull and cost push inflation.

Explain how a high rate of inflation can be reduced by a change in the repo rate.

[40]**TOTAL SECTION C: 40****GRAND TOTAL: 150**

