



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

**SENIOR CERTIFICATE/
NATIONAL SENIOR CERTIFICATE**

GRADE 12

ECON.2

ECONOMICS P2

NOVEMBER 2020

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.

AFTERNOON SESSION



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. Read the questions carefully.
5. Start EACH question on a NEW page.
6. Leave 2–3 lines between subsections of questions.
7. 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.
8. Use only black or blue ink.
9. You may use a non-programmable pocket calculator.
10. 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 The government can intervene to reduce the production and consumption of a demerit good ...
- A by using excise tax.
 - B through public-sector provisioning.
 - C by granting subsidies.
 - D by implementing a progressive system of taxation.
- 1.1.2 Advertising and branding play a key role in a/an ... market.
- A monopoly
 - B formal
 - C oligopoly
 - D monopolistic competitive
- 1.1.3 In a perfect market, normal profit is also known as the ... point.
- A minimum
 - B break-even
 - C maximum
 - D zero
- 1.1.4 Social costs consist of the sum of private and ... costs.
- A internal
 - B public
 - C external
 - D variable
- 1.1.5 Development in media technology is important for tourism as part of the ... infrastructure.
- A transport
 - B communication
 - C energy
 - D basic service
- 1.1.6 When a country experiences high inflation, high unemployment and low economic growth, it is called ...
- A disinflation.
 - B deflation.
 - C inflation target.
 - D stagflation.



1.1.7 Which ONE of the following is a fiscal measure to combat inflation?

- A A decrease in direct taxation
- B An increase in productivity
- C A decrease in government expenditure
- D Increased import control

1.1.8 The development of environmentally friendly technology refers to ... measures to ensure sustainability.

- A market-related
- B international
- C voluntary
- D government

(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.

COLUMN A	COLUMN B
1.2.1 Short run	A visiting a country to see sites of archaeological significance, such as the Cango Caves
1.2.2 Marginal cost	B the period of production where at least one factor of production remains fixed
1.2.3 Direct control	C a duty charged on the production of products that causes external environmental costs
1.2.4 Maximum prices	D the expense incurred to produce an extra unit
1.2.5 Climate change	E the measurement of the production cost of goods over time
1.2.6 Paleo tourism	F sacrificing one good for another
1.2.7 Production price index	G government intervenes to make goods more affordable
1.2.8 Green tax	H bills passed by the government that regulate negative externalities generated by businesses
	I a significant and sustained variation in the normal weather pattern

(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, acronyms and examples will be NOT be accepted.
- 1.3.1 When it is impossible to increase the welfare of one individual without making things worse for another individual
- 1.3.2 The point where the marginal cost or average revenue is equal to the average variable cost
- 1.3.3 Where goods are bought and sold illegally
- 1.3.4 The activities of people travelling outside their usual environment for not more than a year
- 1.3.5 Type of inflation where prices of goods and services are set by government
- 1.3.6 The introduction of waste matter in the environment which damages the ecosystem (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 explicit cost for a firm. (2 x 1) (2)

2.1.2 Why is monopolistic competition regarded as a *hybrid* structure? (1 x 2) (2)

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



[Adapted from Google Images]

2.2.1 Identify the type of monopoly depicted in the above cartoon. (1)

2.2.2 What is the nature of the product offered by monopolies? (1)


2.2.3 Briefly describe the term *patent* as used in Economics. (2)

2.2.4 How does the slope of a monopolist's demand curve differ from that of a monopolistic competitor? (2)

2.2.5 Why do state-owned monopolies in South Africa find it difficult to make an economic profit? (2 x 2) (4)



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

MARKET FAILURE – Government Intervenes	
<p>There are many causes of market failure, such as externalities, merit goods and unequal income distribution.</p> <p>In January 2019, government intervened to address unequal income distribution and announced a <i>national minimum wage</i>. This announcement was supported by Cosatu and the Federation of Unions of South Africa.</p> <p style="text-align: right;">[Adapted from <i>FIN24</i>, 1 January 2019]</p>	

- 2.3.1 Name ONE type of inefficiency that results from market failure. (1)
- 2.3.2 Give ONE redress policy that the government uses to redistribute income. (1)
- 2.3.3 Briefly describe the term *merit goods*. (2)
- 2.3.4 Why does a negative externality result in the overproduction of goods and services? (2)
- 2.3.5 Explain the negative consequences of minimum wages for the economy. (2 x 2) (4)
- 2.4 Draw a fully labelled graph to show the economic loss in a monopoly market structure. (8)
- 2.5 Evaluate the impact of *producer subsidies* by government on the business sector. (8)
- [40]**



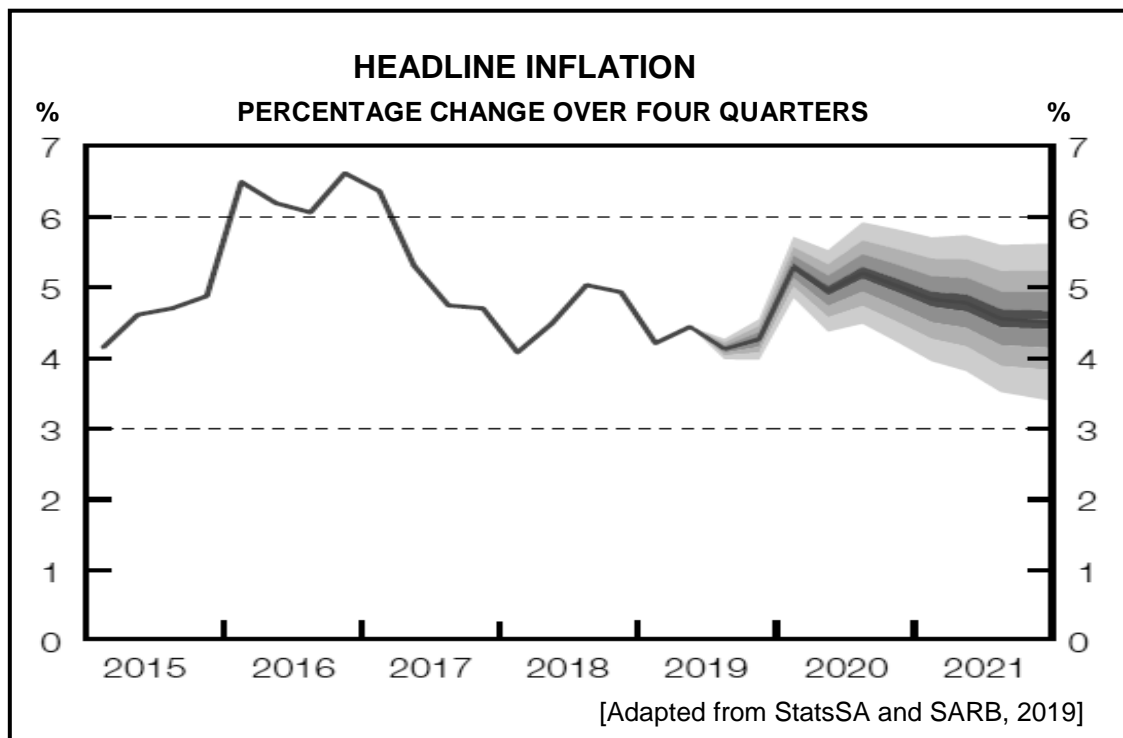
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Give TWO examples of World Heritage Sites in South Africa. (2 x 1) (2)

3.1.2 How can the tourism sector help to reduce poverty among the local people in the community? (1 x 2) (2)

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



3.2.1 What do the TWO dotted lines in the graph refer to? (1)

3.2.2 During which year would the Monetary Policy Committee more likely increase the repurchase (repo) rate? (1)

3.2.3 Briefly describe the term *headline inflation*. (2)

3.2.4 Explain the influence of inflationary expectations on consumption expenditure. (2)

3.2.5 How would an increase in value-added tax impact on the economy? (2 x 2) (4)



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

TOURISM FACES CHALLENGES

During the 2018 Africa Travel Indaba held in Durban, exhibitors complained that township tourism faced high crime rates, a lack of security and funding.

Emerging businesses in the industry experience economic backlog and marketing challenges, and although a weakened rand encouraged international tourists to travel to South Africa, only 5% of the world's tourists visit Africa.

SATourism requested that the government should not try to run the industry, but rather to create a space for business to operate successfully.

[Adapted from @SABCNewsOnline, 2019]

- 3.3.1 Give the term used to describe tourists from another country visiting South Africa. (1)
- 3.3.2 State ONE purpose of tourism. (1)
- 3.3.3 Briefly describe the term *indigenous knowledge*. (2)
- 3.3.4 Why is marketing as a tourism policy important? (2)
- 3.3.5 How can tourism have a negative impact on the environment? (2 x 2) (4)
- 3.4 Briefly explain the benefits of tourism for the household. (4 x 2) (8)
- 3.5 How will the consumer price index influence the economy? (8)
- [40]**



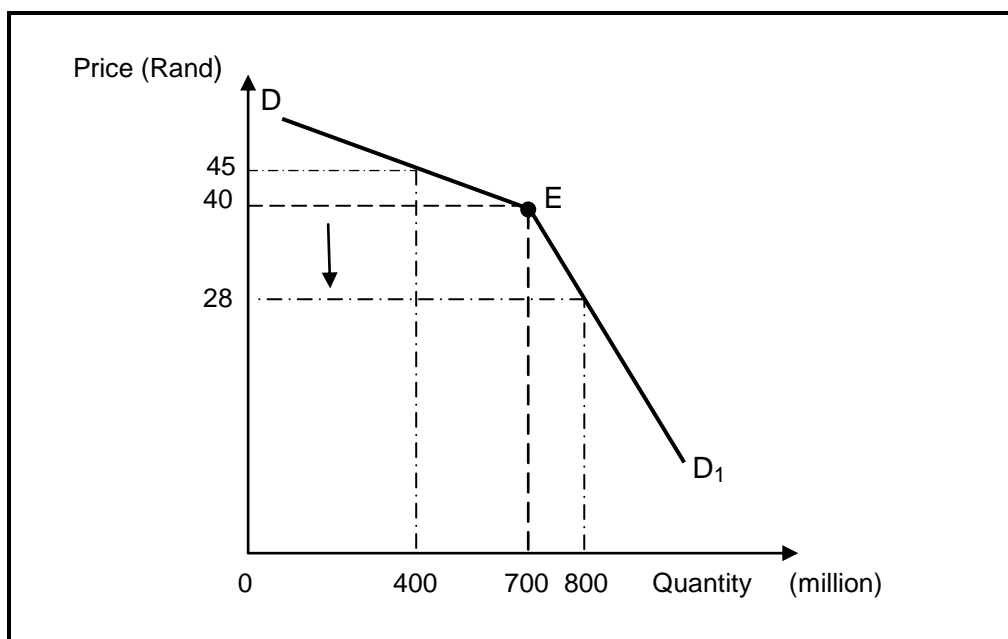
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name TWO institutions responsible for regulating competition in South Africa. (2 x 1) (2)

4.1.2 Why would high inflation lead to retrenchment in the workplace? (1 x 2) (2)

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



4.2.1 Identify the *inelastic segment* of the demand curve. (1)

4.2.2 Name the demand curve above. (1)

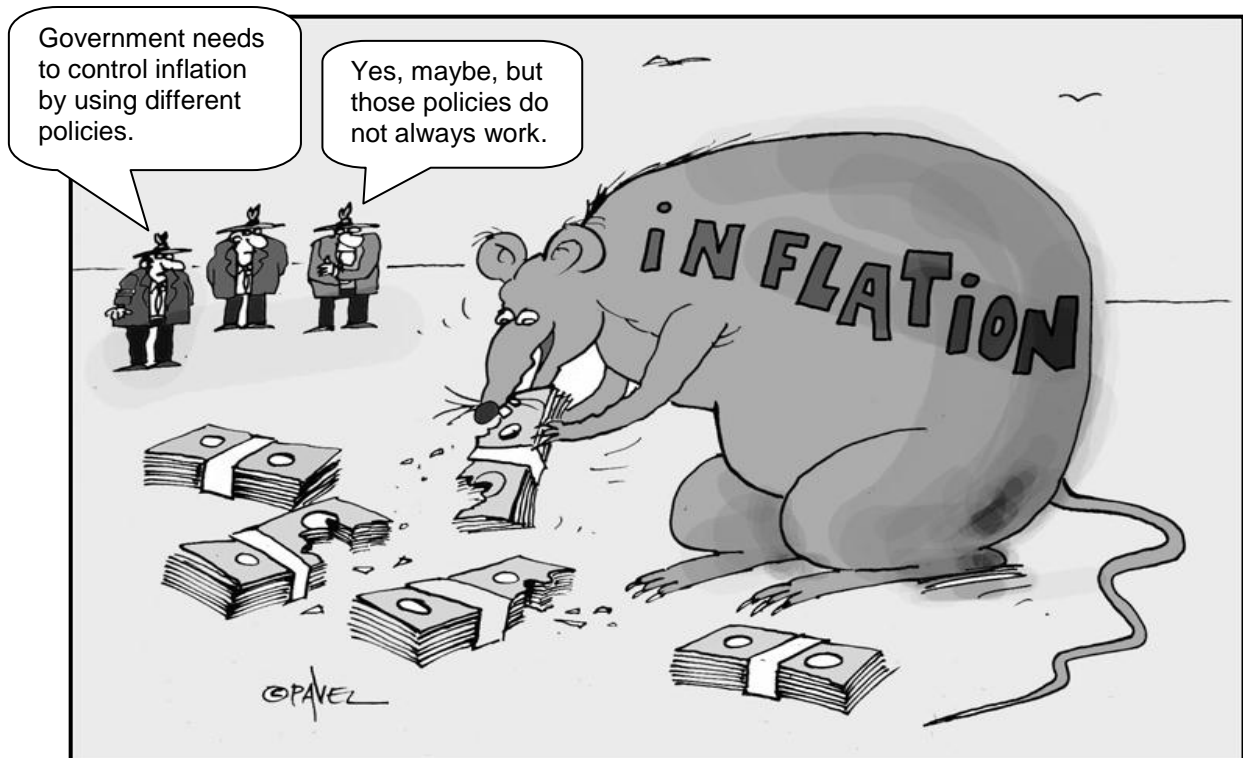
4.2.3 Briefly describe the term *tacit collusion*. (2)

4.2.4 How does the profit of an oligopoly differ from the profit of a monopolistic competitor in the long run? (2)

4.2.5 Why will the producer be reluctant to decrease the price from R40,00 to R28,00? Show ALL calculations. (2 x 2) (4)



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



[Adapted from Google Images]

- 4.3.1 Name the South African institution responsible for combatting inflation. (1)
- 4.3.2 Which school of thought believes that inflation is influenced by the total money supply? (1)
- 4.3.3 Briefly describe the term *hyperinflation*. (2)
- 4.3.4 How would the cost of imported *key inputs* contribute to a higher inflation rate? (2)
- 4.3.5 Why is a monetary policy effective in reducing demand-pull inflation? (2 x 2) (4)
- 4.4 Briefly explain the reasons for a cost-benefit analysis. (4 x 2) (8)
- 4.5 Why is investment in tourism important for the economy? (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 mentioning 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/Compare/Distinguish/Differentiate/Explain/Asses/Debate/Draw a graph and explain/Use the graph given and explain/Complete the given graph Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/Distinguish/Interpret/Briefly debate/How/Suggest/Analyse	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**

- Discuss in detail, without the use of graphs, perfect competition as a market structure. (26 marks)
- Evaluate the competition policy in promoting a more competitive economy. (10 marks)

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

- Discuss the major environmental problems that affect countries globally. (26 marks)
- Evaluate the success of the international measures adopted to address environmental problems. (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150

