education

Department of Education
FREE STATE PROVINCE

PREPARATORY EXAMINATION

GRADE 12

ECONOMICS P2

SEPTEMBER 2024

MARKS: 150

TIME: 2 HOURS

This question paper consists of 14 pages.

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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. Additional answers 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.

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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 A perfectly competitive firm charges a price that is equal to ...

A marginal cost.
B average cost and marginal cost.
C average revenue and marginal revenue.
D abnormal revenue.

1.1.2 A market structure with a small number of large companies is ...

A a monopoly.
B monopolistic competition.
C perfect competition.
D an oligopoly.

1.1.3 The function of the Competition Appeal Court is to …

A authorise or prohibit large mergers.
B amend or confirm orders.
C adjudicate if misconduct has taken place.
D issue an order for costs.

1.1.4 An instrument that requires private businesses to compare options on whether to go ahead with a project or not is called …

A a cost-benefit analysis.
B a feasibility study.
C needs.
D a monetary instrument.

1.1.5 A licence that a business receives to pollute to a certain degree is called a ...

A marketable permit.
B property right.
C patent right.
D environmental permit.

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1.1.6 Demand pull inflation is caused by ...

A low levels of productivity.
B increases in prices of imported goods.
C increased profits by businesses.
D greater spending by households.

1.1.7 The development of media technology is important for tourism as part of ... infrastructure.

A communication
B energy
C transport
D basic services

1.1.8 A significant and sustained change in the normal weather patterns is known as ...

A weathering.
B climatology.
C climate change.
D condensation.

(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, e.g. 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Market	A	resources that cannot be replaced
1.2.2	Inelastic demand	B	occurs when salary increases move people into higher tax levels
1.2.3	Price discrimination	C	reduction in economic welfare caused by a reduction in consumer and producer surplus
1.2.4	Deadweight loss	D	the practice of charging different prices to different consumers for the same good or service
1.2.5	Deflation	E	when a change in price will cause a smaller percentage change in the quantity demanded
1.2.6	Bracket creep	F	South African citizens travelling abroad
1.2.7	Command and control	G	occurs when the price of a wide range of goods and services decreases continuously
1.2.8	Outbound tourists	H	government sets regulations which enforce environmental standards
		I	any contact or communication between actual and potential buyers and sellers of goods or services

(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 and acronyms will NOT be accepted.

1.3.1 The firms that are not able to determine their own prices

1.3.2 The benefit gained by a third party which is not included in the market price

1.3.3 A legal and exclusive right to manufacture a product

1.3.4 Ongoing high inflation combined with high unemployment and low growth in the GDP

1.3.5 The type of tourism that involves visiting fragile, undisturbed natural areas

1.3.6 The deterioration in the quality of land, topsoil and soil moisture that is caused by incorrect practices

(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**

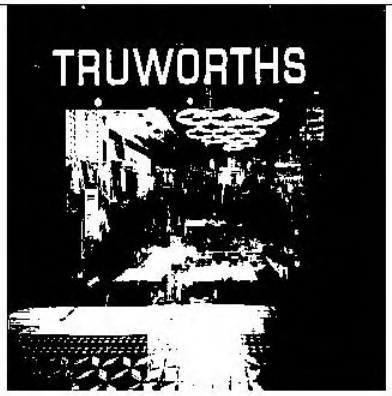
2.1 Answer the following questions.

2.1.1 Name TWO types of products that are produced by oligopolists. (2 x 1) (2)

2.1.2 Why does the government charge excise duties? (1 x 2) (2)

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

CLOTHING STORES



Edgars

Edcon and Truworths are retail companies that have many branches that employ many people. Truworths and Edgars struggled with the oversupply of leased floorspace in 2020 due to the increase in cheaper imported clothing and online shopping. In 2020 the Competition Tribunal approved the sale of the Edgars Division to the Retailability (Pty) Ltd and Jet to the Foschini Group.

[Adapted from en.wikipedia.org/wiki/Edcon]

2.2.1 In which market structure are these clothing stores? (1)

2.2.2 Name the positive impact these companies have on the economy, according to the information provided. (1)

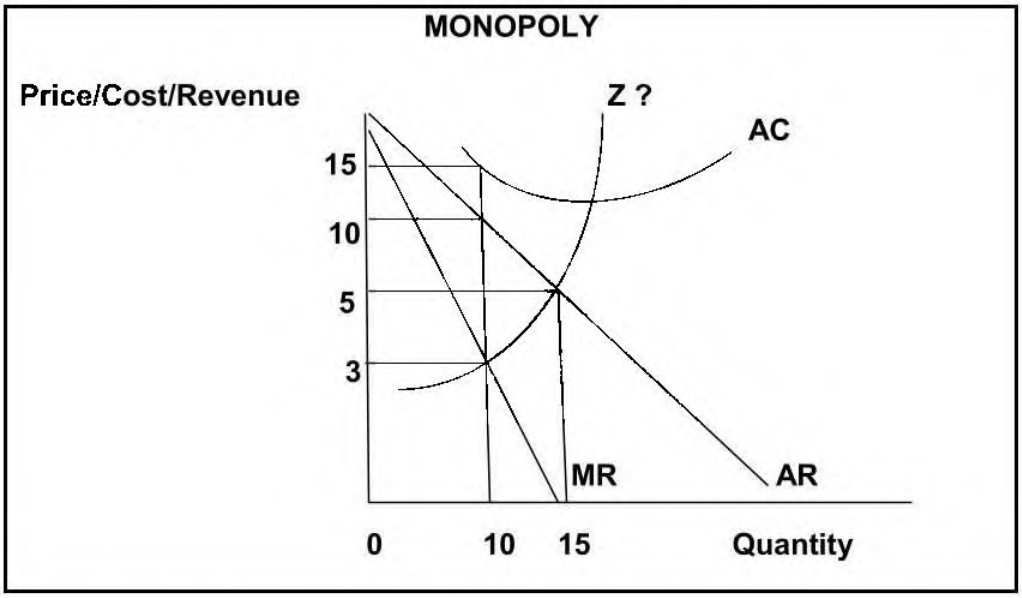
2.2.3 Briefly describe the term *imports.* (2)

2.2.4 What is the role of the Competition Commission in the economy? (2)

2.2.5 How do these businesses use product differentiation as a form of non-price competition? (4)

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



2.3.1 Identify the selling price of the business above. (1)

2.3.2 Name the curve labelled **Z.** (1)

2.3.3 Briefly describe the term *monopoly*. (2)

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

2.3.5 Calculate the loss/profit for this business. Show ALL calculations. (4)

2.4 With the aid of a well-labelled graph, explain how a perfect competitor's economic profit will change in the long run. (2 x 4) (8)

2.5 Critically evaluate the impact of collusion on the economy. (8)
[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Name any TWO institutions that publish inflation figures. (2 x 1) (2)

3.1.2 Why is desertification not desirable in the economy? (1 x 2) (2)

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

HEADLINE INFLATION NUMBERS IN SOUTH AFRICA

YEAR	MONTH	CPI	INFLATION RATE (%)
2018	Jan	109,2	-
2018	Feb	104	-
2018	March	110	(a)?
2020	Jan – Dec	-	3,21
2021	Jan – Dec	-	4,61
2022	Jan – Dec	-	7,04

[Adapted from www.worlddata.infor.africa/South Africa/inflation-rates]

3.2.1 Identify the year in which the inflation rate was above the inflation target. (1)

3.2.2 Name the index that relates to changes in the cost of production. (1)

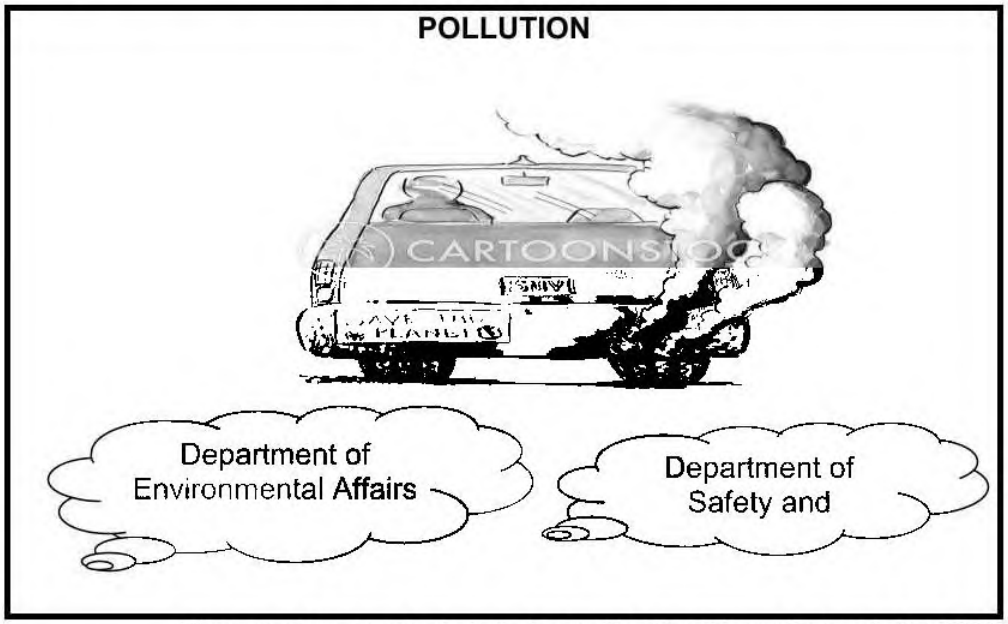
3.2.3 Briefly describe the term *headline inflation.* (2)

3.2.4 How does inflation affect the debtors? (2)

3.2.5 Use the information in the table above to calculate the inflation rate from Feb. 2018 to March 2018 **(a)**. Show ALL calculations. (4)

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



[Source: www.cartoonstockphoto.com/directory/r/recycling.asp). Oct 2023]

3.3.1 Identify the type of pollution in the above cartoon. (1)

3.3.2 Name the Department that deals with the pollution in the cartoon. (1)

3.3.3 Briefly describe the term *preservation.* (2)

3.3.4 Briefly explain the goal of the Paris Agreement on climate change. (2)

3.3.5 How does the government intervene in the economy to protect our environment? (2 x 2) (4)

3.4 Differentiate between *hazardous waste* and *chemical waste.* (2 x 4) (8)

3.5 Evaluate the use of monetary policy to combat inflation in South Africa. (8)

[40]

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

4.1 Answer the following questions.

4.1.1 Name any TWO examples of fixed costs. (2 x 1) (2)

4.1.2 How can a green fund help to reduce global warming? (1 x 2) (2)

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

SOUTH AFRICA: FRUIT AND VEGETABLE MARKET TRENDS



The growing health consciousness among South African consumers has resulted in consumers spending more on healthier foods such as fruit and vegetables. According to a global health ranking, the country has been identified as one of the unhealthiest countries in the world as people are consuming more alcohol.

[Adapted from www.mordorintelligence.com]

4.2.1 In which type of market are fruit and vegetables classified? (1)

4.2.2 Name any demerit good mentioned in the extract. (1)

4.2.3 Briefly describe the term *market structure.* (2)

4.2.4 Why does transport play a vital role in this market? (2)

4.2.5 What are the benefits of online buying to consumers? (4)

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

WATER IS SOUTH AFRICA'S SCARCEST RESOURCE



Wetlands can save lives. They protect, purify the water and provide water in times of drought. Wetlands conserve biodiversity.

[Adapted from www.environserv.co.za. 20 Feb. 2023]

4.3.1 Identify, from the picture above, the concept that refers to the variety of plants and animals. (1)

4.3.2 Which factor of production is represented in the picture above? (1)

4.3.3 Briefly describe the term *environmental sustainability*. (2)

4.3.4 Why is water considered a scarce resource? (2)

4.3.5 What measures can communities implement to save water? (2 x 2) (4)

4.4 Briefly discuss the nature of the product and market entry under perfect competition. (2 x 4) (8)

4.5 Analyse the negative effects of inflation on economic growth. (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. • 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 /Draw a graph and explain/Use the graph and explain/ Complete the given graph/Assess/Debate **A maximum of 8 marks may be allocated for headings/ examples.** **Additional part:** Critically discuss/Evaluate/Critically evaluate/ Debate/Deduce/Compare//Distinguish/Interpret/How?/Suggest **A maximum of 2 marks may be allocated for mere listing of facts.**	Max. 26 Max. 10
Conclusion Any higher-order conclusion should include: • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgment on the facts discussed • Additional support information to strengthen the discussion/ analysis • A contradictory viewpoint with motivation, if required • Recommendations	Max. 2
TOTAL	**40**

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QUESTION 5: MICROECONOMICS **40 MARKS – 20 MINUTES**

- Discuss in detail the causes of market failure. (26 marks)
- Evaluate the effect of maximum prices in the economy. (10 marks) **[40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 20 MINUTES

- Examine in detail the benefits of tourism. (26 marks)
- Evaluate the negative impact of increases in fuel prices on tourism. (10 marks) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150

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