GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2021

10732

ECONOMICS

PAPER 2

TIME: 2 hours

MARKS: 150

13 pages

X05

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 sub-sections 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. A non-programmable calculator may be used.

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 correct answer and write only the letter (A–D) next to the question number (1.1.1 to 1.1.8) in the ANSWER BOOK.

1.1.1 When the economy reaches a maximum level of efficiency, and no change can be made without making someone worse off, it is called … efficiency.

A Pareto
B allocative
C social
D productive

1.1.2 When goods are perfect substitutes and buyers perceive no differences between the products, they are considered to be …

A heterogeneous.
B monogeneous.
C homogeneous.
D versatile.

1.1.3 A market structure with many buyers, sellers and differentiated products is a … market.

A perfect
B monopolistic competitive
C oligopoly
D monopoly

1.1.4 An economic loss is incurred when …

A total cost is less then total revenue.
B total revenue exceeds total cost.
C marginal revenue exceeds total revenue.
D total cost exceeds total revenue.

1.1.5 Deflation is defined as a decrease in the ...

A salaries of all workers.
B GDP.
C prices of certain products.
D general price level.

1.1.6 If the rand depreciates, prices and inflation will ...

A decrease.
B remain unchanged.
C increase.
D differ.

1.1.7 Tourism is basically a … -based industry.

A services
B production
C goods
D transport

1.1.8 Pollution is most harmful to …

A houses.
B human health.
C building materials.
D buildings. (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 to 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Inelastic demand	A	Ensuring change is sympathetic to the quality of life for both present and future generations
1.2.2	Long-run		
1.2.3	Opportunity cost	B	A change in price causes a smaller percentage change in the quantity demanded
1.2.4	Competition Tribunal		
1.2.5	Administered goods	C	The travelling of residents of a country within their own country
1.2.6	Domestic tourism		
1.2.7	Environmental subsidies	D	The loss of potential gain from other alternatives when one alternative is chosen
1.2.8	Conservation	E	An authority to prohibit or authorise large mergers
		F	Prices of goods and services that are set or controlled by government
		G	Provided to companies for activities that reduce environmental damage
		H	Actual expenditure of a business such as purchasing of raw materials, paying wages and interest
		I	A period in which all factors of production and costs are variable

(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 to 1.3.6) in the ANSWER BOOK.
Abbreviations, acronyms and examples will NOT be accepted.

1.3.1 A situation in which two companies control all or nearly all of the market

1.3.2 The position in a perfect market where the costs and revenue are equal

1.3.3 The increase in revenue that results from the sale of one additional unit

1.3.4 The type of tourism where tourists enjoy the pleasure of undisturbed nature such as natural forests

1.3.5 Keeping resources that are non-renewable, intact

1.3.6 Taxes on production or consumption that are aimed to compensate for the harm to the environment (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 – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO reasons for a cost benefit analysis. (2 x 1) (2)

2.1.2 Why is competition necessary for markets to function correctly? (1 x 2) (2)

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

BANKS ARE REDUCING THEIR FOOTPRINT

A decline in space occupied by South African banks is noticeable, as the banking groups move to reduce their footprint in shopping centres.
As South Africans move towards more digital banking channels, established legacy banks such as Absa, Standard Bank and FNB have made moves to down-size their bricks and mortar operations.

[Adapted source: www.*businesstech.co.za*]

2.2.1 What market structure is normally associated with banks? (1)

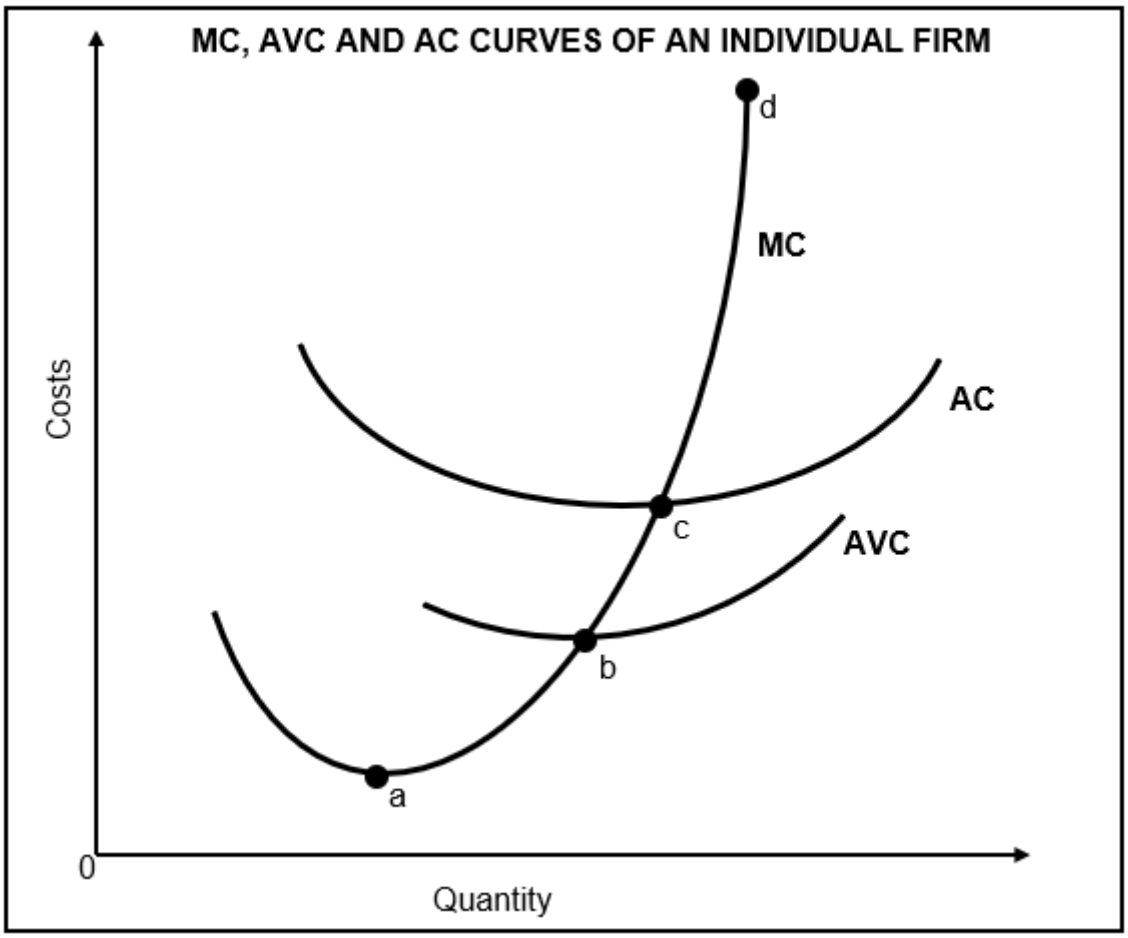
2.2.2 Name ONE non-price method that banks use to compete. (1)

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

2.2.4 Why would ABSA not gain a larger market share if they decrease their banking charges? (2)

2.2.5 What negative consequences could digital banking have on banking employees? (2 x 2) (4)

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



2.3.1 Name ONE example of a variable cost. (1)

2.3.2 Identify the point on the graph where the firm will make a normal profit. (1)

2.3.3 Briefly describe the term *marginal cost*. (2)

2.3.4 How is the firm's supply curve derived in the above graph? (2)

2.3.5 Why would the above firm not be willing to supply goods at a price below point **b**? (2 x 2) (4)

2.4 Compare a monopoly with a perfect competitor in terms of *market entry* and *number of businesses*. (8)

2.5 Discuss, with the aid of a well-labelled graph, the implications of a downward sloping demand curve for a monopolist. (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 List any TWO major international agreements on sustainable development. (2 x 1) (2)

3.1.2 How can eco-tourism benefit the environment? (1 x 2) (2)

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

CONCERN OVER WATER SUPPLY AS GAUTENG HEAT WAVE LOOMS

During expected scorching temperatures, residents in Gauteng are advised to use water sparingly. Extreme high temperatures have resulted in high water consumption and low dam levels, placing a significant amount of stress on the system. Rand Water will implement restrictions to various areas to bring down the water demand. This is aimed at ensuring an equitable supply and system stability.

[Adapted source: *https://www.iol.co.za/the-star/news/concern-over-water-supply-as-gauteng-heat-wave-looms-35902012*]

3.2.1 Except for water restrictions, name any other solution to reduce the demand for water in the country. (1)

3.2.2 Name ONE international measure that ensures sustainability with regard to climate change. (1)

3.2.3 Briefly describe the term *water-stressed country*. (2)

3.2.4 Explain ONE effect of water restrictions on the economy. (2)

3.2.5 How does climate change affect endangered species? (2 x 2) (4)

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

SOWETO, JOBURG AND APARTHEID TOUR



The Soweto, Johannesburg, and Apartheid Tour is a full day tour where you can experience the wonders of Johannesburg, Soweto and other cultural sites.

[Source:*https://sowetoguidedtours.co.za/Soweto-Johannesburg-tour/index.html*]

3.3.1 Identify ONE indigenous cultural site around Johannesburg. (1)

3.3.2 Name ONE benefit of indigenous tourism. (1)

3.3.3 Briefly describe the term *indigenous culture*. (2)

3.3.4 Explain ONE form of direct spending by tourists. (2)

3.3.5 How does culture influence tourism? (2 x 2) (4)

3.4 Explain the effects of tourism on poverty. (4 x 2) (8)

3.5 Evaluate the effectiveness of pollution control measures in South Africa. (8)

[40]

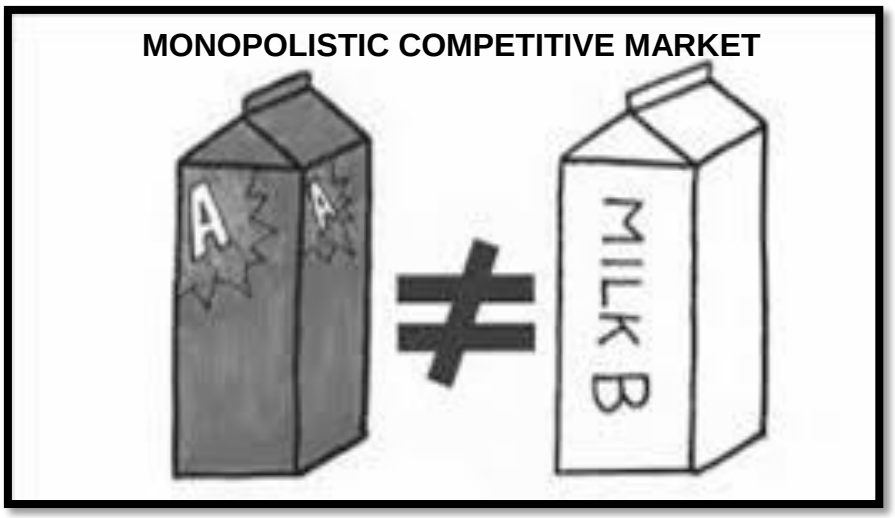
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO negative impacts of monopolies on consumers. (2 x 1) (2)

4.1.2 How does the tourism multiplier effect impact on the economy of the host country? (1 x 2) (2)

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



[Source: *https://www.youtube.com/watch?v=T3F1Vt3IyNc*]

4.2.1 Name ONE example, other than the milk industry, of monopolistic competition. (1)

4.2.2 Name the strategy that businesses use to create a perception of their products. (1)

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

4.2.4 How does equilibrium price under monopolistic competition differ from perfect competition? (2)

4.2.5 Why is it not possible for firms in a monopolistic competitive market to earn long-term economic profits? (2 x 2) (4)

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



[Source: *Internet images*]

4.3.1 Identify a type of pollution that could be incurred in the picture above. (1)

4.3.2 Name ONE reason why people stay in informal settlements. (1)

4.3.3 Briefly describe the term *pollution.* (2)

4.3.4 How do informal settlements threaten environmentally sensitive areas? (2)

4.3.5 How does deforestation cause pollution? (2 x 2) (4)

4.4 Explain, with the aid of well-labelled graphs, the impact of new entrants on the long-term equilibrium of an individual firm in a perfect market. (8)

4.5 Analyse employment as a benefit of tourism. (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 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 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/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: • 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 how the following factors lead to the misallocation of resources in the market:

  - Missing markets (10 marks)
  - Lack of information (8 marks)
  - Immobility of factors of production (8 marks) (26)

- How effective is the government's intervention strategy on the redistribution of wealth in South Africa? (10) **(40)**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

40 MARKS – 40 MINUTES

- Discuss in detail, the measures used to combat demand-pull inflation. (26)

- How significant are changes in the inflation rate for investors? (10) **(40)**

TOTAL SECTION C: 40

TOTAL: 150

END