GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2022

10732

ECONOMICS

PAPER 2

TIME: **2 hours**

MARKS: **150**

13 pages

10732E

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. You may use a non-programmable 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 correct 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 supply curve of the firm under perfect competition is where the …

A MC curve and MR intersect.
B AVC curve is below MC.
C MC curve is above AVC.
D AVC curve is above MC.

1.1.2 To increase the supply of essential goods, government can set a …

A price floor.
B price ceiling.
C maximum price.
D direct command price.

1.1.3 A market structure where businesses face a partially vertical demand curve is called a/an … market structure.

A monopolistic
B monopoly
C oligopoly
D perfect

1.1.4 … occurs when the types and quantities of goods or services that consumers prefer, are produced.

A Producer surplus
B Allocative efficiency
C Productive efficiency
D Technical efficiency

1.1.5 The phenomenon of prices of goods and services increasing sharply, but economic growth being very low is known as …

A deflation.
B stagflation.
C disinflation.
D galloping inflation.

1.1.6 Outbound tourism refers to …

A travelling or movement within the country.
B American tourists visiting South Africa.
C travelling for work purposes for over one year.
D South African citizens travelling to other countries.

1.1.7 The rate at which the Reserve Bank lends money to commercial banks is called the … rate.

A prime lending
B interest
C repo-
D inflation

1.1.8 The government can play a very important role in environmental sustainability through its … policy.

A fiscal
B urbanisation
C immigration
D monetary (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 Direct costs	A The decision of one company will influence the decisions of other companies.
1.2.2 Monopoly	B Income growth causes individuals to pay higher average income tax.
1.2.3 Mutual dependence	C Protecting the earth's resources so that they can support all life for future generations
1.2.4 Loss minimisation level	D Price control of fuel and electricity
1.2.5 Administered prices	E Expenses that change according to changes in output
1.2.6 Command and control measures	F Involves setting maximum permitted levels of resource use
1.2.7 Bracket creep	G Complete control over market price
1.2.8 Conservation	H Keeping resources that are non-renewable intact
	I MR=MC

(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 NOT be accepted.

1.3.1 A situation where a firm cannot meet its average variable costs

1.3.2 One company that has a significant influence on the market price level through its pricing

1.3.3 When some participants have an advantage that exclusively benefits them in the marketplace at the expense of their competitors

1.3.4 Inflation measure based on the cost of manufactured goods when leaving the place of production

1.3.5 Know-how that is unique to a given society or culture

1.3.6 The activity or process of keeping something intact (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

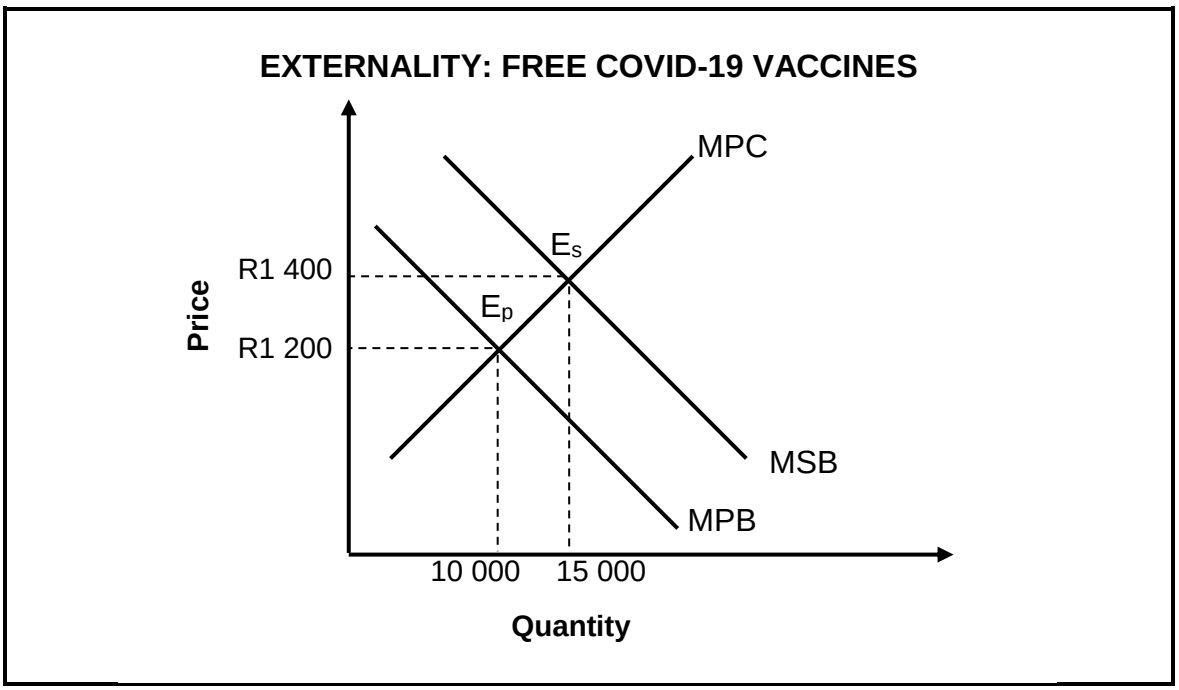
QUESTION 2: MICROECONOMICS **40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give TWO barriers that prevent new businesses from entering markets. (2 x 1) (2)

2.1.2 Why is a perfect market the most efficient market structure? (1 x 2) (2)

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



2.2.1 What type of externality is depicted in the graph above? (1)

2.2.2 Identify the socially efficient level of production in the graph above. (1)

2.2.3 Briefly describe the term *market failure*. (2)

2.2.4 What are the economic benefits of a safe COVID-19 vaccine on the South African economy? (2)

2.2.5 Why would a free supply of the COVID-19 vaccines NOT necessarily lead to a market failure? (2 x 2) (4)

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

BURGER KING ACQUISITION BLOCKED OVER LACK OF BEE The Competition Commission has blocked the proposed acquisition of Burger King South Africa by a private equity fund on the basis that BEE shareholding in the company would drop to 0%.	

[Adapted from: businesstech.co.za, 2021]

2.3.1 Name the legislation that regulates competition in South Africa. (1)

2.3.2 Which department is responsible for the promotion of competition in South Africa? (1)

2.3.3 Briefly describe the term *price fixing*. (2)

2.3.4 Why does the commission consider BEE shareholding before approving an acquisition? (2)

2.3.5 How do restrictive practices prevent competition? (2 x 2) (4)

2.4 Briefly explain the free rider problem. (4 x 2) (8)

2.5 When would it be the best option for a loss-making business in a perfect market NOT to close down? (8)

[40]

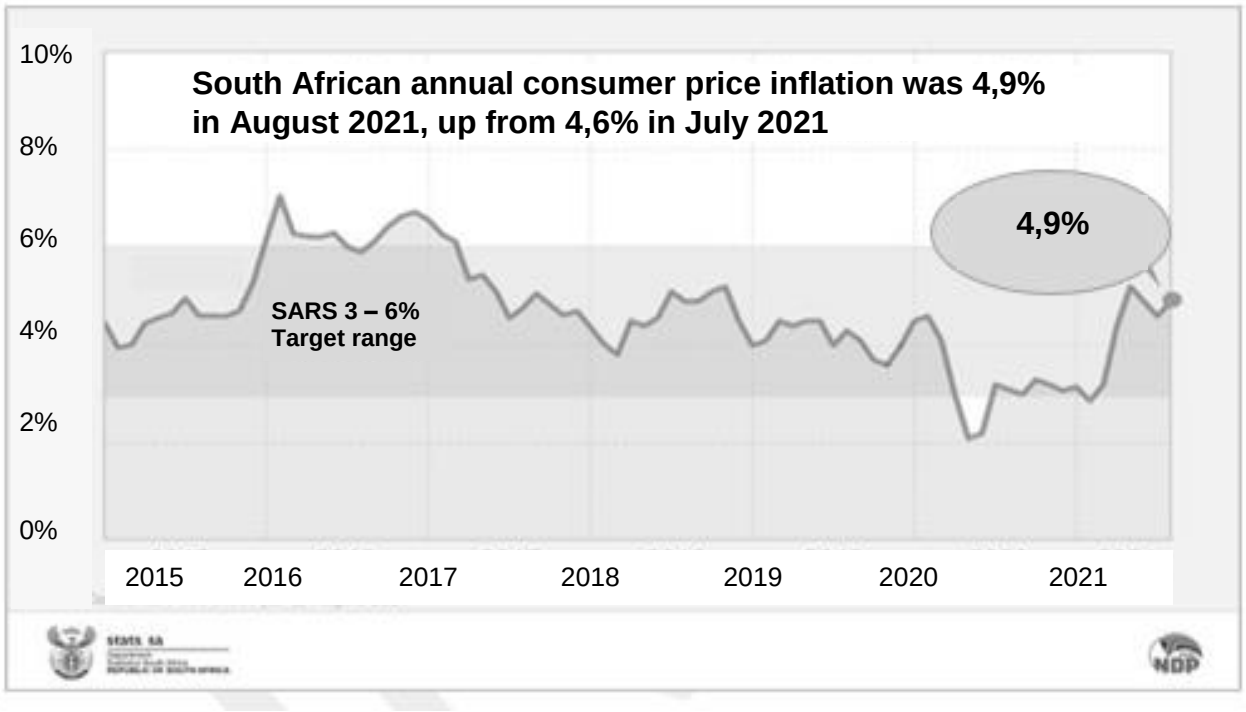
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 List any TWO reasons for tourism. (2 x 1) (2)

3.1.2 How does pollution lead to the loss of biodiversity? (1 x 2) (2)

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



[Source: Stats SA-Consumer Price Index (CPI), August 2021]

3.2.1 Identify the year in which the inflation rate exceeded the inflation target range in South Africa. (1)

3.2.2 Give ONE reason for an increase in the inflation rate. (1)

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

3.2.4 How will an increase in the inflation rate disadvantage low-income earners? (2)

3.2.5 How can price instability affect the economy negatively? (2 x 2) (4)

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

ENVIRONMENTAL DEGRADATION



[Source: www.google.com]

3.3.1 Identify the type of environmental degradation in the picture above. (1)

3.3.2 Name the international conference on environmental sustainability that was held in 2011 in South Africa. (1)

3.3.3 Briefly describe the term *hazardous waste.* (2)

3.3.4 Explain the impact of pollution on the prices of goods and services. (2)

3.3.5 Why is it difficult for the free market to ensure environmental sustainability? (2 x 2) (4)

3.4 Discuss the effects of climate change on the environment. (4 x 2) (8)

3.5 How could inappropriate government fiscal policy impact the inflation rate? (8)

[40]

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

4.1 Answer the following questions.

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

4.1.2 What causes illegal (black) markets to develop? (1 x 2) (2)

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

REVENUE TABLE OF AN INDIVIDUAL BUSINESS

Quantity	Price	Total Revenue	Profit/Loss
0	R 10	R 0	R-10
5	R 10	R 50	R 0
10	R 10	R 100	R 50
15	R 10	R 150	R 75
20	R 10	R 200	R 50

4.2.1 Identify the quantity at which profit will be maximised. (1)

4.2.2 What market structure is depicted in the information above? (1)

4.2.3 Briefly describe the term *marginal revenue*. (2)

4.2.4 Why would it not be possible for the individual business in the information above to raise its price? (2)

4.2.5 Calculate marginal cost of the firm at quantity 15.
Show ALL calculations. (2 x 2) (4)

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

FITCH AND STANDARD & POOR AFFIRM SOUTH AFRICA'S CREDIT RATINGS, BUT INVESTMENT GRADE OUT OF REACH

Fitch Ratings and Standard and Poor (S&P) Global Ratings have maintained South Africa's credit score at three notches below investment grade, which means it remains mired deep in junk territory. Both agencies, including Moody's, affirmed South Africa's sovereign credit rating at BB-, three notches below the coveted investment grade status it once had.

[Adapted from: Daily Maverick, 24/05/2021]

4.3.1 Name ONE index used in the calculation of inflation. (1)

4.3.2 Name ONE cause of South Africa's downgrade to junk status. (1)

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

4.3.4 What is meant by "below investment grade"? (2)

4.3.5 How will the junk status affect inflation in South Africa? (2 x 2) (4)

4.4 Briefly discuss the reasons for using cost-benefit-analysis (CBA). (4 x 2) (8)

4.5 Evaluate the success of the Earth Summit in addressing environmental sustainability in Africa. (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer 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/Draw a graph and explain/Use the graph given 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 the 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 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

- Compare and contrast the oligopolistic competitor with the monopolistic competitor in terms of:

  - Control over prices (8)
  - Economic profit/loss (8)
  - Demand curve (10) (26 marks)

- How does collusion affect markets? (10 marks) **[40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Examine, in detail, the effects of tourism on the following:

  - Employment (8)
  - Environment (8)
  - Externalities (10) (26 marks)

- Analyse the impact of the COVID-19 lockdown on the tourism industry in South Africa. (10 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 150

END