GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2020

10732

ECONOMICS

PAPER 2

TIME: **2 hours**

MARKS: **150**

14 pages

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 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. Write down the question number (1.1.1 to 1.1.8), choose the answer and write the letter (A – D) of your choice next to the question number in the ANSWER BOOK.

1.1.1 The demand curve of an individual business in a perfect market has a ... slope.

A negative
B positive
C horizontal
D convex

1.1.2 The minimum earnings required to prevent an entrepreneur from leaving the industry is called …

A economic profit.
B normal profit.
C profit.
D economic loss.

1.1.3 A manufacturer of digital music players uses a proprietary file format that is not used by the other firms in the market. This action by the firm may be an example of using a … to reduce the number of firms in the market and to maintain a relatively inelastic demand for its products.

A natural monopoly
B subsidy
C positive externality
D barrier to entry

1.1.4 In a perfectly competitive market, the demand curve is equal to …

A average cost.
B price.
C total cost.
D variable cost.

1.1.5 Tourism is a ... intensive industry.

A capital
B production
C labour
D trade

1.1.6 An institution responsible for calculating and publishing separate inflation data for different metropolitan areas is known as …

A Statistics South Africa.
B The South African Reserve Bank
C The Minister of Finance.
D The Department of Trade and Industry.

1.1.7 The variety of plant and animal life in a particular habitat is called ...

A deforestation.
B carbon footprint.
C desert formation.
D biodiversity.

1.1.8 South Africans traveling abroad are considered ... tourists.

A cultural
B domestic
C local
D outbound (8 × 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	Break-even point	A	Visiting a country to enjoy the scenery of the nature of a country
1.2.2	Competition Act in South Africa	B	Occurs when wages does not keep up with the cost of living
1.2.3	Homogeneous	C	The sustainable use and management of natural resources
1.2.4	Monopoly	D	Horizontal demand curve
1.2.5	Direct intervention	E	The government can pass laws using existing legislative framework to control businesses that generate negative externalities.
1.2.6	Conservation	F	Manufacture different variations of products in order to make it difficult for other companies to copy
1.2.7	Creeping inflation	G	Enable SMMEs to participate in the economy
1.2.8	South African Tourism Profile	H	The revenue of the firm from selling its product is just enough to cover all costs.
		I	The market where consumers will have no choice or variety available

(8 × 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 All the goods in this market structure must be identical.

1.3.2 Occurs when the actions of one firm affect another firm

1.3.3 An institution that monitors the quality of goods in South Africa

1.3.4 A plan of action decided on by government to achieve their goals for the country

1.3.5 A grant programme for training and support for tourism enterprises

1.3.6 The plants and animals of a specific region (6 × 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer 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 objectives of anti-monopoly policies. (2 x 1) (2)

2.1.2 Why are individual market participants in a perfect market insignificant to the market as a whole? (1 x 2) (2)

2.2 Study the following extract and answer the questions that follow

CANNED VERSUS BOTTLED WINE

South Africa can now buy vegan-friendly canned wines – without added sulphur. The uncanny range of Merlot and Chenin Blanc wines are certified by the wine and spirit board of South Africa to ensure their quality. There is a misconception that canned wines will have a 'tinny taste'. Cans allow for no air to penetrate, which makes it an extremely stable container for wine. It can be thrown into a picnic basket without the worry of glass that can break. Wine in cans defy a centuries-old tradition. For most consumers, however, it's a matter of focus on superiority.

[Adapted source: www.businessinsider.co.za]

2.2.1 Which market structure is depicted in the extract above? (1)

2.2.2 What is the nature of the product in the extract above? (1)

2.2.3 Briefly describe the term *focus on superiority.* (2)

2.2.4 How do producers use market research to maximize profits? (2)

2.2.5 How was the wine industry affected by the Corona virus lockdown in South Africa? (2 x 2) (4)

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

COST-BENEFIT ANALYSIS: SHOULD THE BUS RAPID TRANSIT (BRT) SYSTEM CONTINUE TO EXIST IN SOUTH AFRICA?



The Bus Rapid Transit (BRT) systems in the country's main cities, Johannesburg, Cape Town and Tshwane, are performing worse financially than was expected. There are serious problems with the BRT system. One high ranking government official suggested that it was time to rethink and redesign the system to stop draining the fiscus. Fixing them must focus on reducing costs and increasing income. Running costs should automatically decline as the system matures. The net present value was not as expected when the project was implemented.

[Adapted source: https://citizen.co.za/news/south-africa/1688443/sa-needs-to-revamp-its-new-public-transport-system/]

2.3.1 Identify ONE intangible cost associated with the implementation of the BRT system in South Africa. (1)

2.3.2 Name ONE benefit associated with public transport systems in South Africa. (1)

2.3.3 Briefly describe the term *net present value.* (2)

2.3.4 What is meant by "the BRT system is draining the fiscus"? (2)

2.3.5 Evaluate the impact of the BRT on other transport systems in South Africa. (2 x 2) (4)

2.4 With reference to an oligopoly graph, explain the two elasticity segments of the demand curve. (4 x 2) (8)

2.5 How does the government deal with lack of information as a consequence of market failure? (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

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

3.1.2 How does stagflation affect the construction industry? (1 x 2) (2)

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

FUEL HIKE TO SEEP INTO CONSUMER INFLATION



Fuel hikes will most certainly impact consumer inflation, according to economists. Higher fuel prices can also affect inflation indirectly through second-round impacts. If firms spend more on transporting their goods, they can upwardly adjust the final price of goods and pass on the additional price pressure to the consumer.

[Adapted source: https://www.fin24.com/Economy/fuel-hike-to-seep-into-consumer-inflation-economists-20180607]

3.2.1 Identify the type of inflation associated with the increase in fuel prices in the extract above. (1)

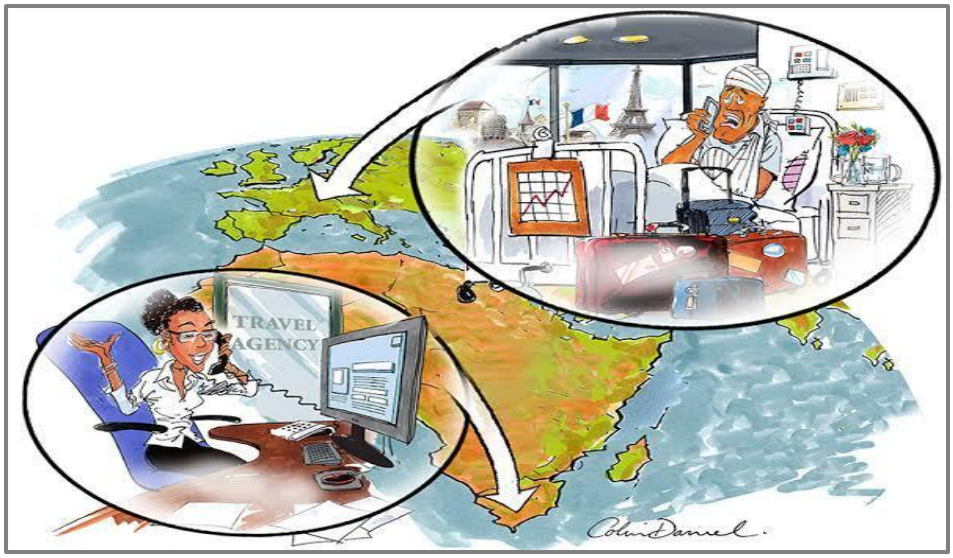
3.2.2 Name ONE way in which inflation is measured. (1)

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

3.2.4 Why should the wage rate be determined at the same or higher rate than the average consumer price index? (2)

3.2.5 How can the government use fiscal policy to combat inflation? (2 x 2) (4)

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



[Source: Internet Cartoon]

3.3.1 Name the type of tourism depicted in the above cartoon. (1)

3.3.2 Which institution is responsible for marketing South Africa as a tourist destination? (1)

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

3.3.4 Why is it difficult to measure the impact of tourism on the economy? (2)

3.3.5 Why is indigenous knowledge growing in South Africa? (2 x 2) (4)

3.4 Discuss the monetarists' explanation of inflation. (4 x 2) (8)

3.5 Evaluate the effect of investments on tourism. (8)
[40]

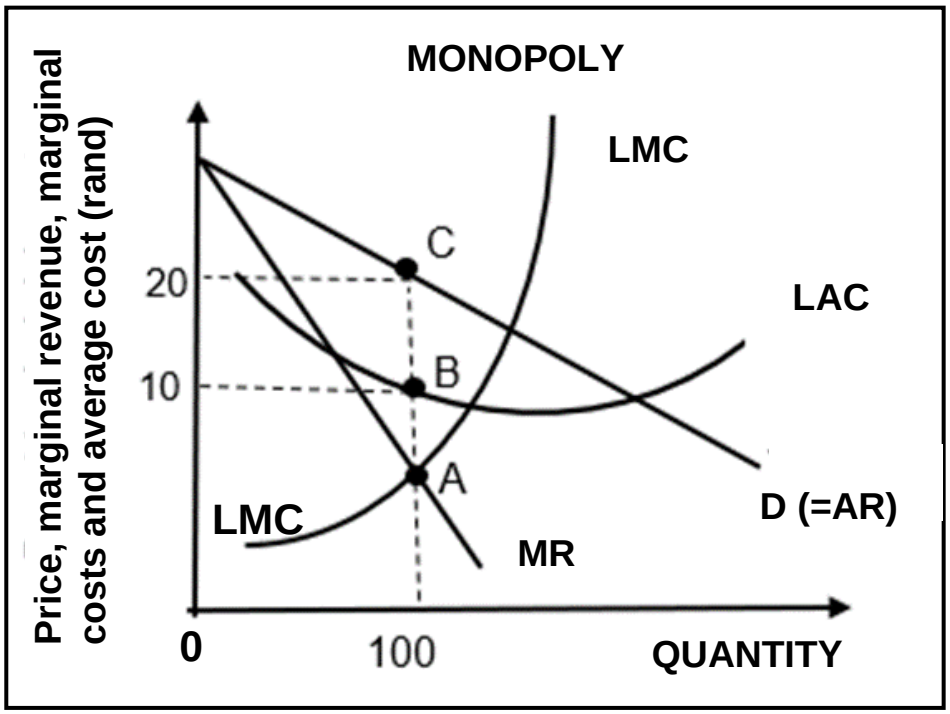
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name TWO examples where maximum prices can be applied. (2 x 1) (2)

4.1.2 What will be the impact of the Corona virus pandemic on the price of goods and services? (1 x 2) (2)

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



[Source: Clever Grade 12]

4.2.1 Identify the market price of the monopoly depicted above. (1)

4.2.2 Name ONE characteristic of marginal revenue. (1)

4.2.3 Briefly describe the term *price discrimination.* (2)

4.2.4 How can monopolies advance technology? (2)

4.2.5 Why does the graph above depict a profit situation? (2 x 2) (4)

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

	Country	Inflation rate	
1.	Venezuela	282 972,80 %	(April 2019)
2.	Zimbabwe	175,66 %	(March 2019)
3.	South Sudan	56,10 %	(March 2019)
4.	Argentina	55,80 %	(June 2019)
5.	Iran	50,40 %	(June 2019)
6.	Sudan	47,80 %	(June 2019)
7.	Liberia	23,30 %	(April 2019)
8.	Haiti	18,00 %	(May 2019)
9.	Sierra Leone	17,46 %	(March 2019)
10.	Angola	16,94 %	(June 2019)

[Source: Trading Economics]

4.3.1 Name the type of inflation currently experienced by Venezuela. (1)

4.3.2 Who carries the burden of high inflation rates? (1)

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

4.3.4 What are the political and social consequences of high inflation rates in South Africa? (2)

4.3.5 How does inflation affect infrastructure development for tourism? (2 x 2) (4)

4.4 Discuss the supply of demerit goods in South Africa and how the government can intervene. (4 x 2) (8)

4.5 How could tourism be promoted while simultaneously protecting the environment? (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two question 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 **40 MARKS – 40 MINUTES**

- Discuss, with the aid of a graph, the shutdown point of a firm under perfect market conditions. **(26)**

- Why is competition in the marketplace good for the economy? **(10)**

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

- Discuss in detail the following problems and the international measures taken to ensure sustainable development:

  - Biodiversity (8)
  - Climate change policy (8)
  - Chemical waste (10) **(26)**

- How do market-related measures ensure environmental sustainability? **(10)**

TOTAL SECTION C: 40

TOTAL: 150

END