GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

PREPARATORY EXAMINATION

2023

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 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 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 time frame where any of the factors are flexible is called the …

A short run.
B free range.
C medium term.
D long run.

1.1.2 Two competing companies that share the market is known as a …

A duopoly.
B dual market.
C symbiotic market.
D competing market.

1.1.3 A price set by government to prevent the sale of goods at "unfairly low" prices is called a … price.

A maximum
B minimum
C equitable
D producer

1.1.4 One of the main functions of the Competition … is to decide if a large merger is beneficial for the economy.

A Act
B Tribunal
C Commission
D Court

1.1.5 The constant decrease in the general price level is known as …

A hyperinflation.
B stagflation.
C deflation.
D disinflation.

1.1.6 An American who travels to South Africa to visit Robben Island is an example of a/an … tourist.

A business
B outbound
C medical
D inbound

1.1.7 The rate at which the commercial banks lend money to their most creditworthy customers is called the …

A prime lending rate.
B interest rate.
C repo rate.
D inflation rate.

1.1.8 Development based on meeting the needs of the present generation without compromising the needs of the future is known as … development.

A economic
B international
C sustainable
D urban (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 Implicit cost	A value of inputs owned by the entrepreneur and used in the production process
1.2.2 Market share	B plants from other parts of the world and are foreign to the country
1.2.3 SABS	C the percentage of total sales in a particular industry gained by a single business
1.2.4 Shut-down point	D alterations in the environment caused by global warming
1.2.5 Moral persuasion	E monitors the quality of goods in South Africa
1.2.6 World heritage site	F a production level that offers no benefit for continued operations
1.2.7 Climate change	G a place that has special cultural or physical significance as identified by the UN
1.2.8 Alien vegetation	H indigenous plants
	I a method used by the Reserve Bank to influence money supply

(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 business that is unable to influence the market price on its own

1.3.2 Goods or services that are different in some way from one another

1.3.3 Goods that can be consumed by many people at the same time without reducing its availability for other users

1.3.4 When a person travels to another place solely to receive healthcare

1.3.5 A type of inflation that is caused by an increase in the prices of factors of production

1.3.6 The permanent destruction of forests and trees (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

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

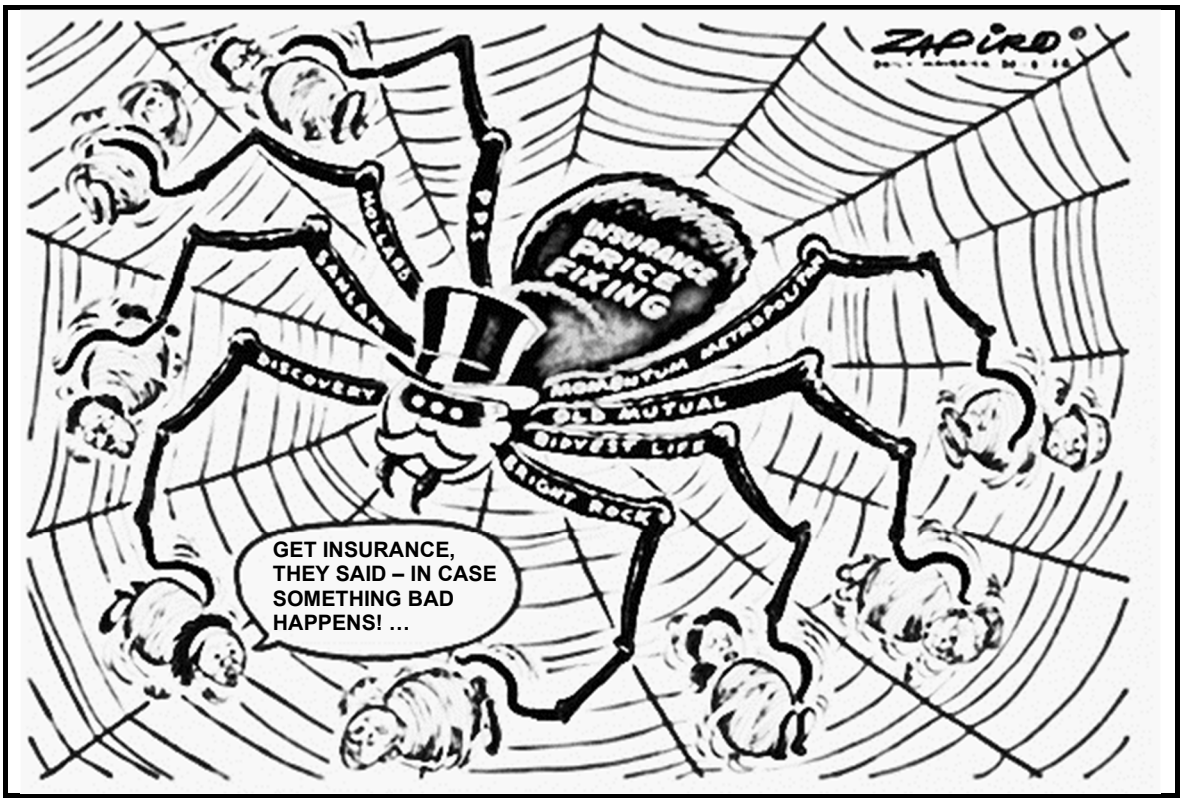
QUESTION 2: MICROECONOMICS **40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give TWO examples of perfectly competitive industries. (2 x 1) (2)

2.1.2 Why do monopolies set their prices higher than the mid-point of the demand curve? (1 x 2) (2)

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



[Source: www.zapiro.com]

2.2.1 Identify the anti-competitive behaviour depicted in the cartoon. (1)

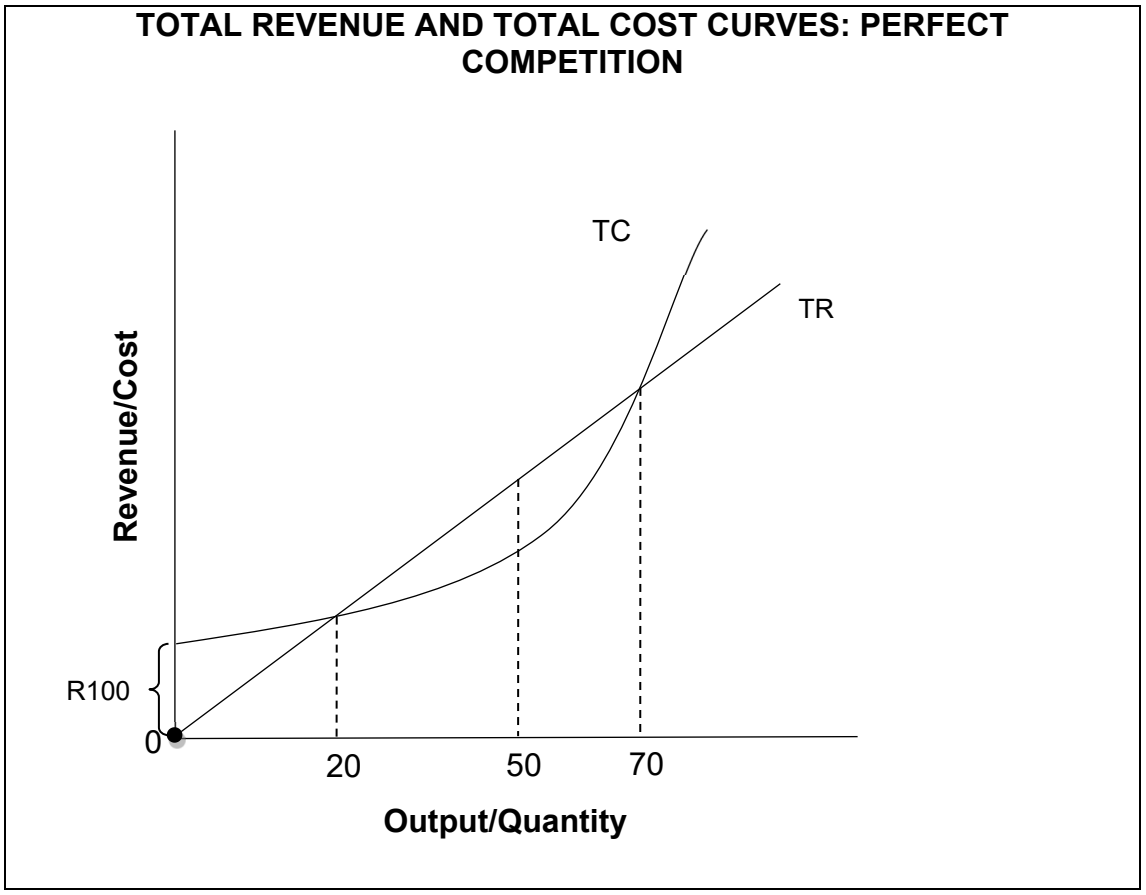
2.2.2 What non-price strategy can insurance companies use to gain market share? (1)

2.2.3 Briefly describe the term *perfect information*. (2)

2.2.4 Why is the insurance industry considered an example of monopolistic competition? (2)

2.2.5 How did the insurance companies in the cartoon benefit from anti-competitive behaviour? (4)

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



2.3.1 Identify the break-even output quantity in the graph. (1)

2.3.2 What is the total fixed cost of the business in the graph? (1)

2.3.3 Briefly describe the term *profit maximisation.* (2)

2.3.4 Why should the business in the graph not produce more than 50 units? (2)

2.3.5 How much profit would this business earn at the equilibrium, if at 50 output AVC = R50 and AR = R70? (Show ALL calculations.) (4)

2.4 Describe the objectives of the Competition Policy Act in South Africa. (4 x 2) (8)

2.5 Why are markets with no barriers to entry the most efficient? (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 List any TWO methods that the government can use to ensure sustainable development. (2 x 1) (2)

3.1.2 What is the effect of high inflation on industrial peace? (1 x 2) (2)

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

GLOBAL WARMING

The COP 27 climate summit in Egypt concluded with a historic breakthrough to help vulnerable countries deal with losses and damages from the impacts of climate change.



[Source: Internet picture]

3.2.1 In what year was COP 27 held? (1)

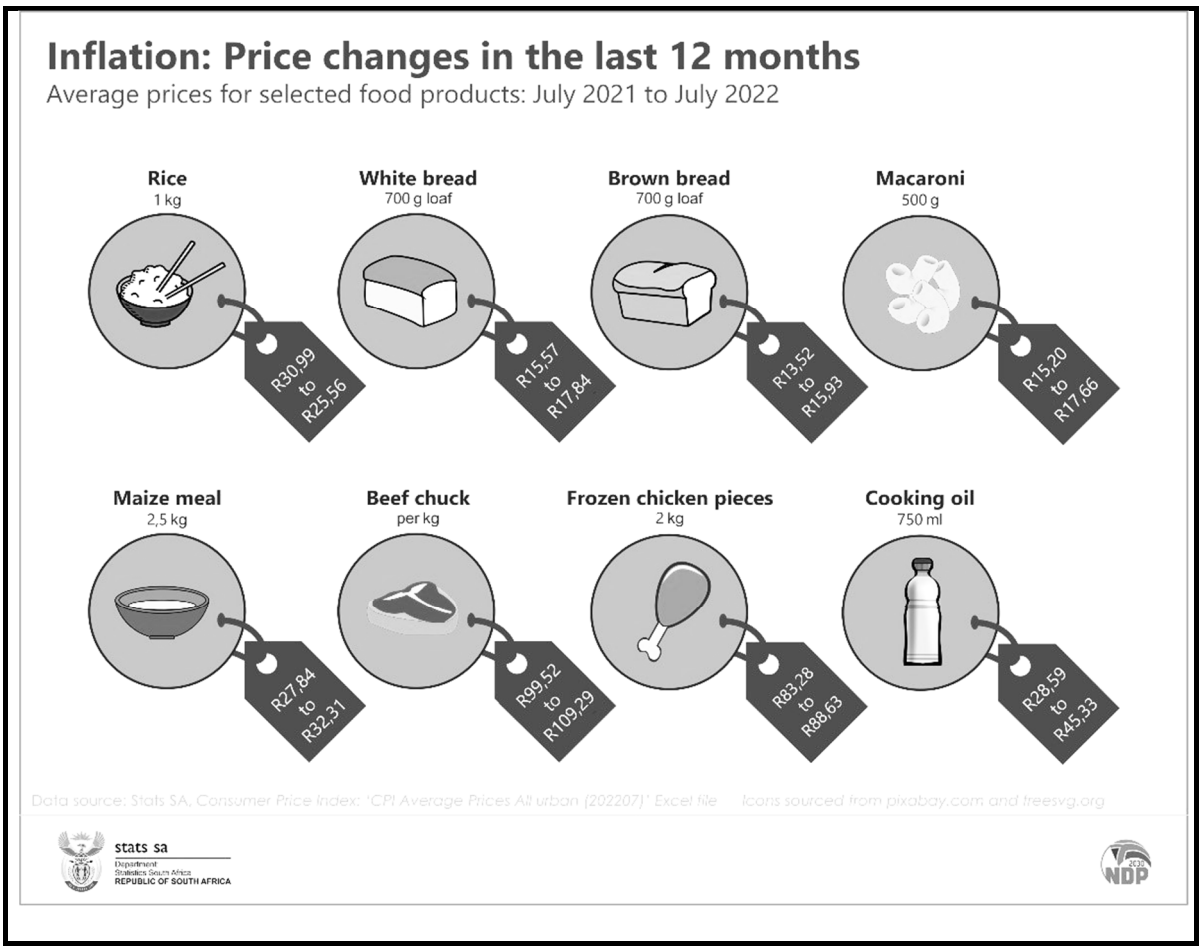
3.2.2 Name the international conference on environmental sustainability held in 1997. (1)

3.2.3 Briefly describe the term *command and control (CAC).* (2)

3.2.4 How will COP 27 influence international measures to sustain the environment? (2)

3.2.5 How can granting property rights assist in achieving environmental sustainability? (2 x 2) (4)

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



[Source: StatsSA]

3.3.1 Identify the product that had a price decrease between July 2021 and July 2022. (1)

3.3.2 What is the current inflation target range in South Africa? (1)

3.3.3 Briefly describe the term c*ore inflation.* (2)

3.3.4 Why did prices of most products increase during July 2021 and July 2022? (2)

3.3.5 How are key inputs a cause of cost push inflation? (2 x 2) (4)

3.4 Distinguish between *public sector intervention* and *public sector control* as measures to ensure sustainability. (4 x 2) (8)

3.5 How is weighting used as a way to measure inflation? (8)

[40]

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

4.1 Answer the following questions.

4.1.1 List TWO positive effects of conservation. (2 x 1) (2)

4.1.2 Why is marginal revenue and average revenue the same for perfect markets? (1 x 2) (2)

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

FIBRE WAR IN SOUTH AFRICA HEATS UP

Hanno Labuschagne 18 July 2022

South Africa's biggest fibre network operators are in a heated battle, cutting prices and increasing line speeds to win over customers. Openserve blew the field wide open with substantial line speed increases and price cuts. MetroFibre and Vumatel followed and doubled their line speeds and reduced prices on most of their packages, significantly reducing Openserve's price advantage.

[Adapted source: mybroadband.co.za]

4.2.1 Name the market structure in which the fibre network operators are competing. (1)

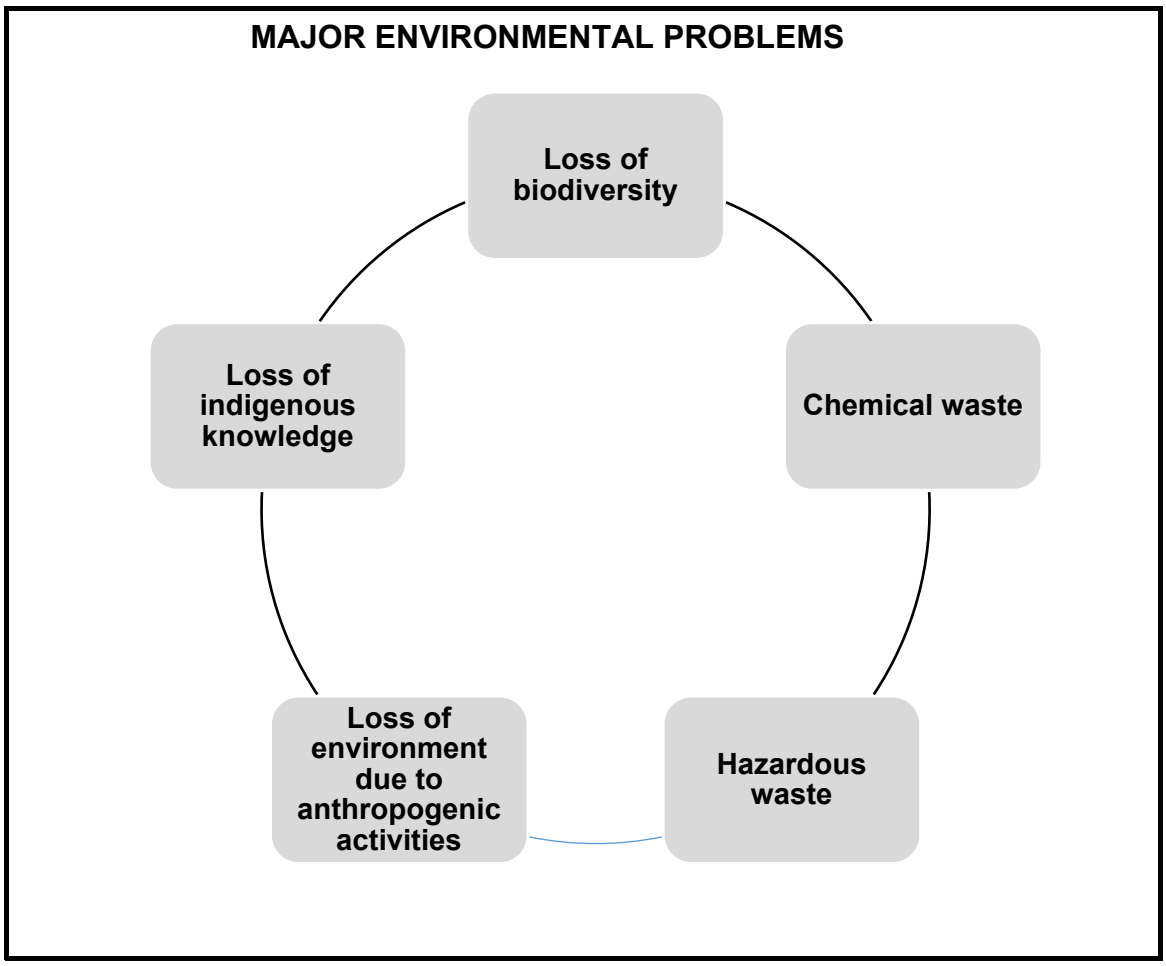
4.2.2 Name the type of demand curve faced by fibre network operators. (1)

4.2.3 Briefly describe the term *mutual dependence*. (2)

4.2.4 Explain whether it is legally possible for the fibre operators to avoid price wars. (2)

4.2.5 What are the possible long-term consequences for businesses involved in a price war? (2 x 2) (4)

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



4.3.1 From the information above, identify the part that refers to the depletion of a variety of species of plants and animals in a particular area. (1)

4.3.2 Name ONE negative effect of tourism on the environment. (1)

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

4.3.4 Briefly explain the Basel Convention agreement to reduce environmental damage. (2)

4.3.5 How can producers contribute to environmental sustainability? (2 x 2) (4)

4.4 Compare perfect competition and the monopoly in terms of the *demand curve* and *allocative efficiency.* (2 x 4) (8)

4.5 Why is cost push inflation more difficult to control than demand pull inflation? (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer 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 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 merely listing 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 supporting 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, with the aid of graphs, externalities as a cause of market failure. (26 marks)

- How can the state prevent market failure caused by externalities? (10 marks) **[40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES

- Examine, in detail, the benefits of tourism for:

  - Businesses (10 marks)
  - Infrastructure development (8 marks)
  - Households (8 marks) (26 marks)

- How is indigenous knowledge threatened by technological advancements? (10 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 150

END