

**HILLCREST HIGH SCHOOL
ECONOMICS PAPER TWO
SEPTEMBER 2019
GRADE 12
MARKS: 150
TIME: 2 HOURS**



INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows:
 - SECTION A:COMPULSORY
 - SECTION B:Answer any TWO questions from this section.
 - SECTION C:Answer any ONE of the two questions.
2. Number the answers correctly according to the numbering system used in this question paper.
3. Read the questions carefully and start EACH question on a new page.
4. Answer questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
5. Use ONLY blue or black ink.
6. Non-programmable pocket calculators may be used.
7. Write legibly and present your work neatly.

SECTION A (30 marks)

QUESTION 1: COMPULSORY

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 – 1.1.8) in the ANSWER BOOK. e.g 1.1.9 C.

1.1.1. With cost-benefit analysis a project will be accepted when ...

- A. social costs exceed social benefits.
- B. private benefits exceeds private costs.
- C. private costs exceed private benefits.
- D. social benefits exceeds social costs.

1.1.2. Actual expenditure of a business on inputs required for production is called ... costs.

- A. implicit
- B. explicit
- C. total
- D. average

1.1.3. Minimum returns required by the owners of a firm can be referred to as an/a ... profit.

- A. pure
- B. economic
- C. supernormal
- D. normal

1.1.4. When average revenue is lower than average cost, the firm is ...

- A. suffering an economic loss.
- B. making a normal loss.
- C. reaching break-even point.
- D. receiving excessive revenue.

1.1.5. Foreign tourists visiting South Africa are also called ... tourists.

- A. domestic
- B. outbound
- C. inbound
- D. local

1.1.6. Headline inflation is also known as ... inflation.

- A. adjusted core
- B. unadjusted CPI
- C. core
- D. PPI

1.1.7. Stagflation is associated with ...

- A. high unemployment, high growth and low inflation.
- B. low prices, high unemployment and high growth.
- C. low growth, high unemployment and high inflation.
- D. high growth, low unemployment and low inflation.

1.1.8. The market mechanism usually fails to ... pollution.

- A. reduce
- B. control
- C. eradicate
- D. correct

(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.-1.2.8.) in the ANSWER BOOK.

Column A	Column B
1.2.1. Marketable permits	A. Investigate and evaluate restrictive business practises
1.2.2. Pareto efficiency	B. Changes with changes in production
1.2.3. Table mountain	C. Direct regulation of an industry through law that state what is allowed and legal
1.2.4. Variable costs	D. License to pollute to a certain degree
1.2.5. Agenda 21	E. Resources are allocated such that one party benefits at the disadvantage of the other
1.2.6. Sunk costs	F. A world heritage site
1.2.7. Command and control	G. Cannot be retrieved if businesses exit the industry
1.2.8. Competition Commission	H. Profits that are additional
	I. Maximum permitted level of emission

(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.-1.3.6.) in the ANSWER BOOK. Acronyms and abbreviations will NOT be accepted.

1.3.1. Costs increases as production increases.

1.3.2. Activities of tourists who visit museums and art galleries.

1.3.3. A continuous fall in the general price level.

1.3.4. Keeping resources intact for future generations.

1.3.5. Costs and benefits to third parties which are not included in the market price.

1.3.6. A market structure in which businesses have many competitors but each one sells a slightly different product.

(6 x 1) (6)

SECTION B (80 marks)

Answer TWO questions in this section.

QUESTION 2

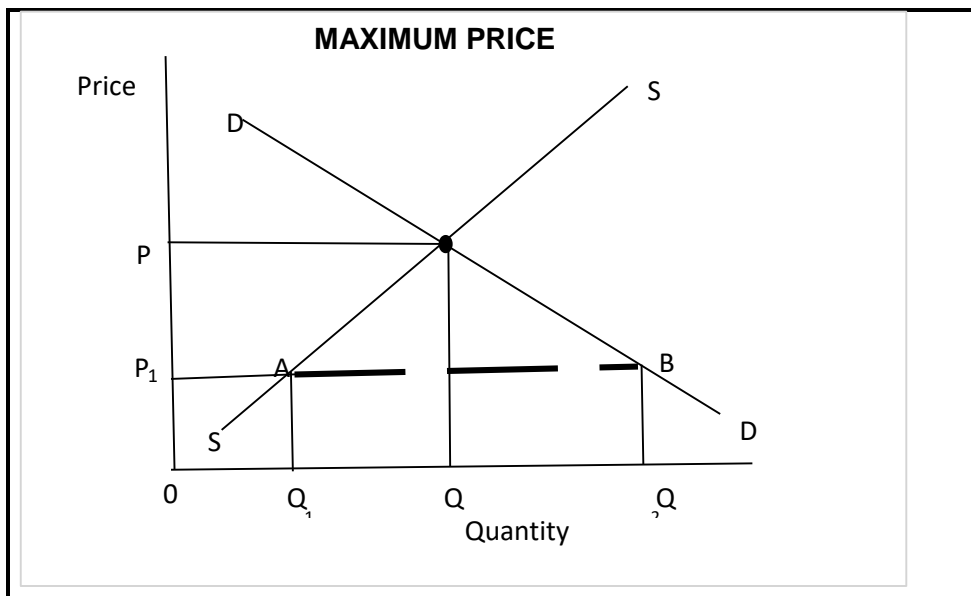
2.1. Answer the following questions.

2.1.1. List any TWO types of subsidies on goods.

(2 x 1)(2)

2.1.2. What is the implication of a horizontal demand curve of an individual firm in a perfect market on the price?
(1 x 2) (2)

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



2.2.1. Identify the maximum price from the graph.

(1)

2.2.2. Which quantity will be supplied when the maximum price is enforced?

(1)

2.2.3. Which role does the government play in redistribution of wealth?

(4)

2.2.4. How will the maximum price affect the economy?

(4)

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

COST BENEFIT ANALYSIS OF ENERGY EFFICIENCY IN LOW COST HOUSING

The CBA was conducted by the Energy and Development Research Centre (EDRC), as part of a larger study on environmentally sound energy efficient low cost housing.

The study considered five fuels, (electricity, paraffin, wood, coal and gas); income groups between R500 and R3000 per month and three end uses (space heating, water heating and lighting).

To analyse the costs and benefits, data sets were needed, e.g. fuel use patterns, fuel prices, solar water heater and capital costs.

[Adapted from: *energy and development centre website*]

- 2.3.1. Identify a cost and s benefit from the above extract. (2)
- 2.3.2. Explain the concept *cost-benefit analysis*. (2)
- 2.3.3. Give ONE purpose of a CBA. (2)
- 2.3.4 How is CBA related to market failure? (4)
- 2.4. Explain in detail TWO forms of collusion. (2 x 4)(8)
- 2.5. How successful are the market forces in influencing monopolies? (4 x 2)(8)
- [40]**

QUESTION 3

3.1. Answer the following questions.

3.1.1. List TWO reasons for growth in the tourism sector. (2 x 1) (2)

3.1.2. How will key inputs contribute to cost push inflation? (1 x 2) (2)

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

Year	Average Price of a Basket of Goods	CPI	Inflation Rate
2010	R200	100	-----
2011	R214,29	107,1	7,1
2012	R223,41	111,7	4,3
2013	R234,58	117,3	5,0
2014	R248,10	A	6,8

[Source: Stats SA 2015]

3.2.1. Which year is considered the base year from the table? (1)

3.2.2. What tendency did the inflation rate show over the last three years? (1)

3.2.3. Explain the concept CPI. (2)

3.2.4 Why do people lose confidence in their currency during hyperinflation? (2)

3.2.5 Calculate the CPI as indicated by the letter A. Show ALL calculations. (4)

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

South African Tourism (SAT)

Business tourism has increased, especially since the establishment of the country's first South African National Convention Bureau (SANCB) as a business unit under South Africa Tourism (SAT). Given the strong growth potential in Africa, SAT was allocated R300 million to expand its marketing in Africa.

SAT's Sho't Left marketing campaign for domestic tourists is already delivering results. It challenges South Africans to see their country differently and promotes a culture of local holiday travelling.

The "It's Here, Vaya Mzansi" campaign is an industry-wide project that relies on collaboration and partnership from the wider industry for success and to grow domestic leisure travel to meet targets.

[Adapted from: *tourism- www.gov.za*]

- 3.3.1. Identify TWO campaigns from the extract that are used to promote domestic tourism. (2)
- 3.3.2. Explain the concept *tourism*. (2)
- 3.3.3. What marketing strategy can South Africa use to improve tourism? (2)
- 3.3.4. How will tourism benefit the business sector in your local community? (4)
- 3.4. Explain any TWO causes of demand-pull inflation. (2 x 4)(8)
- 3.5. How can *indigenous knowledge systems* be used to increase tourism in South Africa? (4 x 2)(8)

[40]

QUESTION 4

4.1. Answer the following questions.

4.1.1. Name any TWO features of public goods. (2 x 1) (2)

4.1.2. What positive effect will the granting of property rights have on the environment? (1 x 2) (2)

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

THE INCREASE IN VAT WILL DRIVE INFLATION HIGHER

Middle-class consumers will bear the brunt of tax reforms announced in South Africa's 2018/19 budget, despite there being no increases to personal income taxes, say experts.

The researcher suggested that following the first VAT increase in SA's democratic history, consumers would pay more for all goods except the most basic food items, suggesting the middle class would be hardest hit.

[Adapted from Business Day, 22 February 2018]

4.2.1. Give an example of a basic food item that is exempted from VAT. (1)

4.2.2. Which type of inflation is depicted in the extract above? (1)

4.2.3. Briefly describe inflation targeting in South Africa. (2)

4.2.4 How are creditors affected by inflation? (2)

4.2.5 How can the effect of an increase in VAT be combated? (4)

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

CELL C WILL KEEP THE 'GIANTS' ON THEIR TOES

The mobile telecom sector is one of the industries that is dominated by two large players, Vodacom and MTN.

Cell C's entry in the telecom sector, and that of other cellular phone network operators challenged what was effectively a duopoly that had sewn up the market.

The recapitalisation of Cell C will ensure that the telecoms giants are kept on their toes for the foreseeable future.

[Adapted from BUSINESS REPORT, 21 December 2017

- 4.3.1. Give ONE type of non-price competition that exists in Oligopolies. (1)
- 4.3.2. What characterises the products sold by oligopolies? (1)
- 4.3.3. Briefly describe the term *duopoly*. (2)
- 4.3.4. What makes it difficult for new businesses to enter into an oligopoly? (2)
- 4.3.5 How is the economy negatively affected by oligopolistic tendencies? (4)

- 4.4. Explain *biodiversity loss* and *chemical waste* as problems in sustaining the environment. (2 x 4) (8)
- 4.5. What does the South African government hope to achieve through competition policies? (8)

[40]

SECTION C (40 marks)

Answer **ONE** question from this section in the ANSWER BOOK

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max. 2
Body: Main part: Discuss in detail/In-depth discussion/Examine/ Critically discuss/ Analyse/Compare/ Evaluate/Distinguish/ Differentiate/Explain/Assess/Debate	Max. 26
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	Max. 10
Conclusion: Any higher-order conclusion should include: <ul style="list-style-type: none">• A brief summary of what has been discussed without repeating facts already mentioned in the body• Any opinion or valued judgement on the facts discussed• Additional support information to strengthen the discussion/analysis• A contradictory viewpoint with motivation, if required	Max. 2
TOTAL	40

QUESTION 5: MICROECONOMICS

- With the aid of graphs, discuss in detail state intervention as a consequence of market failures under the following headings:
 - Minimum wages (13 marks)
 - Subsidies on goods and services (13 marks) (26)
 - How can cost-benefit analysis reduce market failure? (10)
- [40]**

QUESTION 6: CONTEMPORARY ECONOMIC ISSUES

“In today’s declining economic climate, all the sectors of the economy are adversely affected by the negative effects of inflation.

- Analyse the causes of cost-push inflation. (26)
 - What impact does inflation have on the households? (10)
- [40]**

