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GAUTENG PROVINCE
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REPUBLIC OF SOUTH AFRICA

**JUNE EXAMINATION
GRADE 12**

2024

**ECONOMICS
(PAPER 2)**

ECONOMICS P2



C2732E

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 open 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 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 Which item best describes a private benefit, when conducting a CBA, of purchasing new capital machinery for a business?
- A A reduction in labour required
 - B Additional maintenance
 - C Purchase cost
 - D Training Cost
- 1.1.2. What does productive efficiency refer to in Economics?
- A Maximising profits
 - B Minimising costs
 - C Optimising market shares
 - D Setting high prices
- 1.1.3 When firms impose their production expenses on third parties, it is known as ...
- A private cost.
 - B average cost.
 - C negative externalities.
 - D a production externality.
- 1.1.4 The following will always be true for a monopolistic competitive firm:
- A $AR = MR$
 - B $P = ATC$
 - C $AR < MR$
 - D $AR > MR$
- 1.1.5 The demand curve of a monopolistic competitive firm is ...
- A negatively sloping.
 - B kinked.
 - C positively sloping.
 - D horizontal.
- 1.1.6 An imperfect market that can only make normal profits in the short run:
- A Oligopoly
 - B Monopolistic competition
 - C Monopoly
 - D Perfect market

1.1.7 A feature of a perfect market is:

- A Sellers have significant market power.
- B Prices can be set higher than the market price.
- C Products are differentiated.
- D Firms are price takers.

1.1.8 If a business in a perfect market increases its output, the total revenue of that business will ...

- A show no change.
- B decrease.
- C increase.
- D reset.

(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 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 Allocative efficiency	A all the costs divided by the quantity of output produced
1.2.2 Factor immobility	B occurs when two or more firms in the same industry informally agree to control the market
1.2.3 Average cost	C costs that cannot be recovered once incurred
1.2.4 Perfect market	D cannot be utilised between industries
1.2.5 Progressive income tax	E costs that can be recovered once incurred
1.2.6 Tacit/Implicit collusion	F the pursuit of income through activities that do not create any additional value
1.2.7 Sunk costs	G fierce competition prevents long term economic profit
1.2.8 Rent-seeking	H a system where the wealthy pay more, and low-income earners pay less
	I the efficient distribution of resources to meet the preferences of consumers

(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 systematic way of evaluating the social, economic, and environmental impact of a particular project
- 1.3.2 A situation where markets do not exist or cannot meet the demand for certain goods
- 1.3.3 The communication of information about a product or service to potential consumers
- 1.3.4 A small number of large firms that dominate the entire industry
- 1.3.5 The reduction in producer or consumer surplus due to the introduction of a tax or subsidy
- 1.3.6 A collective term for the classification of markets based on the number of firms, product differentiation, entry barriers, and market power (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 Name TWO characteristics of a demand curve of business in a perfectly competitive market. (2)

2.1.2 Why is price discrimination not possible for firms in a perfect market? (2)

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



[Adapted source: *Daily Maverick*]

2.2.1 How will the avian flu outbreak impact the market supply of eggs? (1)

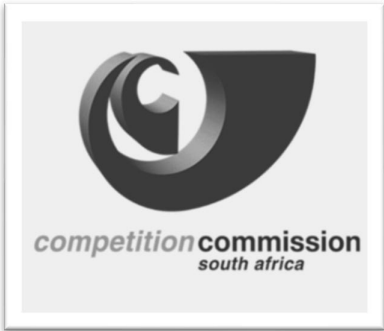
2.2.2 What is the effect of the flu outbreak on egg prices? (1)

2.2.3 Briefly describe the term *marginal product*. (2)

2.2.4 Explain why eggs are homogeneous goods. (2)

2.2.5 How do fluctuations in the market price of eggs impact the revenue of smaller producers? (4)

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

STANDARD CHARTERED BANK (SCB) TO PAY R42,7M PENALTY IN EXCHANGE RATE MANIPULATION MATTER	
<i>15 November 2023 By: Marleny Arnoldi</i>	
	<p>The SCB admitted liability to the manipulation of the US dollar and rand currency exchange rate. The bank agreed to pay an administrative penalty of R42,7-million.</p> <p>The SCB furthermore participated in dividing markets by allocating customers in terms of which one trader withholds or pulls his/her existing bid or offer from the market to allow the other trader to execute and complete his/her trade. This conduct contravenes Section 4 of the Competition Act.</p>

[Adapted source: *Creamer Media*]

- 2.3.1 Identify the competition institution with the highest authority. (1)
- 2.3.2 Give ONE objective of the Competition Act. (1)
- 2.3.3 Briefly describe the term *competition*. (2)
- 2.3.4 Explain the role of the competition commission regarding the exchange rate manipulation matter. (2)
- 2.3.5 How can the manipulation of the exchange rate impact businesses that are competing in world markets? (4)
- 2.4 Draw a correctly labelled graph and explain how the supply curve is derived from cost curves. (8)
- 2.5 How does the slope of the total cost curve change in relation to changes in the output quantity produced? (8)
- [40]**

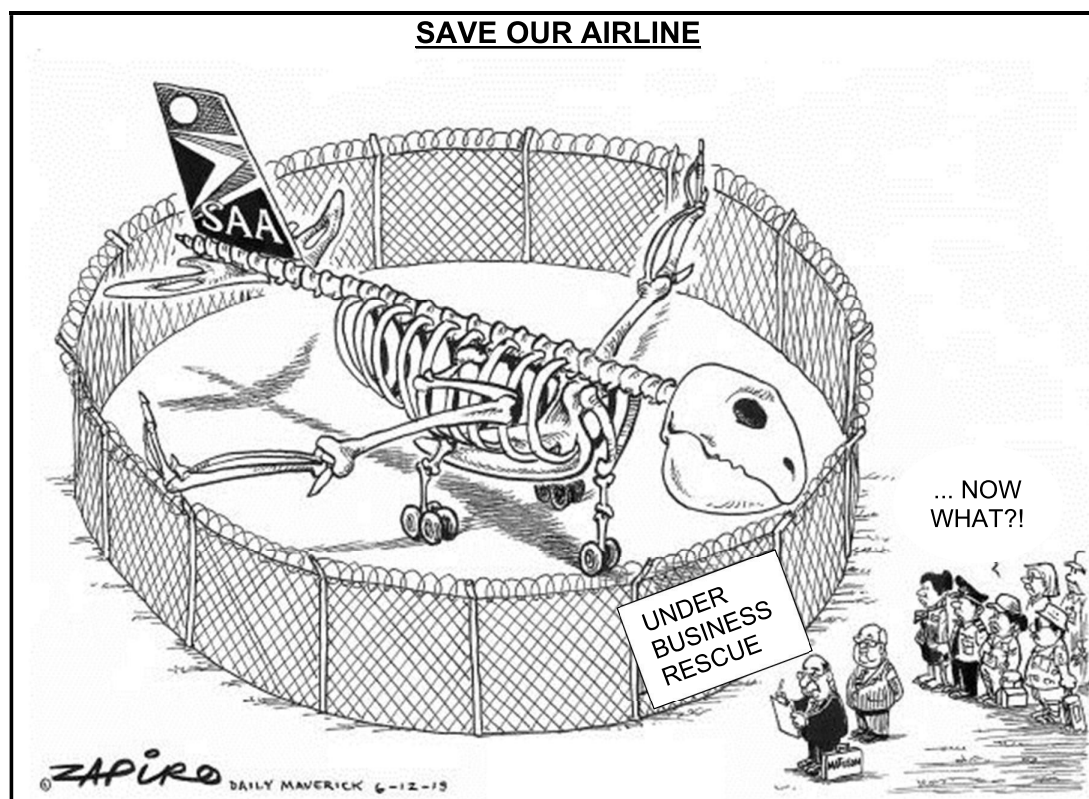
QUESTION 3: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Give any TWO examples of explicit costs. (2)

3.1.2 How does collusion affect the global competitiveness of South African businesses? (2)

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



[Adapted source: www.zapiro.com]

3.2.1 Identify the state enterprise depicted in the cartoon above. (1)

3.2.2 Name the market structure under which it operates. (1)

3.2.3 Briefly describe the term *overt/explicit collusion*. (2)

3.2.4 Why is it difficult for new firms to enter the airline industry? (2)

3.2.5 What impact would the collapse of the airline have on the South African economy? (4)

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



[Adapted source: www.googleimages.com]

- 3.3.1 State the nature of the products in the market as illustrated above. (1)
- 3.3.2 Name ONE other industry that operates in this market structure. (1)
- 3.3.3 Briefly describe the term *non-price competition*. (2)
- 3.3.4 Why are monopolistic competitive businesses reluctant to compete based on prices? (2)
- 3.3.5 Explain briefly why businesses in the monopolistic market are said to be allocatively inefficient. (4)
- 3.4 Draw a well-labelled graph to illustrate economic profits for a monopoly market (without explanation). (8)
- 3.5 Analyse the relationship that exists between marginal revenue (MR) and average revenue (AR) in a monopolistically competitive market. (8)

[40]

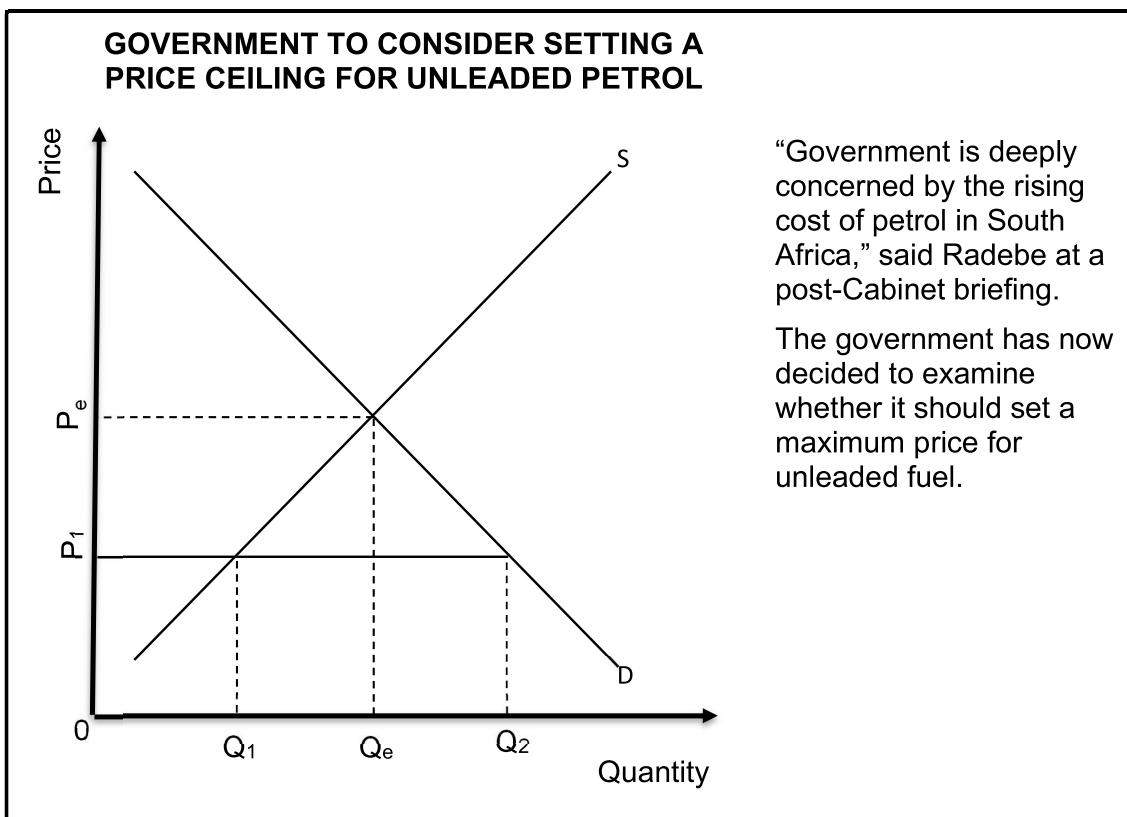
QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name TWO types of goods that are supplied by the government. (2)

4.1.2 How does direct control lead to the misallocation of resources? (2)

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



[Adapted source: *Mail & Guardian*]

4.2.1 Identify the quantity supplied if the price ceilings are enforced. (1)

4.2.2 Name ONE benefit of the price ceiling for motorists. (1)

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

4.2.4 Explain the implications of a price ceiling set above the market price. (2)

4.2.5 How can the proposed price ceiling on unleaded petrol lead to black markets? (4)

- 4.3 Study the text and the table below and answer the questions that follow.

COST AND BENEFIT ANALYSIS		
Imagine two power stations. Station A (thermal) is cheap to build but expensive to run, while Station B (nuclear) is expensive to build but cheap to run.		
The economic costs and benefits calculated using net present values for the two projects are given below:		
Project	Economic cost (R)	Economic benefits (R)
Station A (thermal)	140 billion	290 billion
Station B (nuclear)	450 billion	900 billion

[Source: Examiner]

- 4.3.1 Identify ONE method used when calculating the CBA above. (1)
- 4.3.2 Name the project with the least economic costs. (1)
- 4.3.3 Briefly describe the term *social benefits*. (2)
- 4.3.4 What is the challenge of applying the cost-benefit analysis? (2)
- 4.3.5 How can the South African government use the cost-benefit analysis to prevent market failure? (4)
- 4.4 Discuss the effects of minimum wages as a consequence of market failure. (8)
- 4.5 What are the unintended consequences, in addition to lower production costs, of government subsidies on the agricultural sector? (8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer ONE of the two question in this section in the ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction The introduction is a lower-order response.</p> <ul style="list-style-type: none"> • 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
<p>Body</p> <p>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.</p> <p>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.</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion</p> <p>Any higher-order conclusion should include:</p> <ul style="list-style-type: none"> • 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

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QUESTION 5: MICROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss in detail the various equilibrium positions of a firm in a perfect market, with the aid of graphs. (26)
- How do the pressures of competing in a perfect market affect the ethical behaviour of firms? (10) **[40]**

QUESTION 6: MICROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss in detail, without the use of graphs, the characteristics of monopoly as a market structure. (26)
- Critically analyse the existence of monopolies in addressing socio-economic issues in South Africa. (10) **[40]**

TOTAL SECTION C: 40**TOTAL: 150**