



**NORTHERN CAPE HIGH SCHOOL**

**GRADE 12**

**ECONOMICS P2**

**JUNE 2019**

**MARKS: 150**

**TIME: 2 hours**

**This question paper consists of 12 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 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 blue or black ink.
10. You may use a non-programmable pocket 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–C) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 C.

1.1.1 The minimum earnings required to prevent the entrepreneur from *leaving the market is ... profit.*

- A economic
- B normal
- C high
- D low

1.1.2 *Cost benefit analyses could use... prices.*

- A market
- B shadow
- C imputed
- D derived

1.1.3 Monopolistic competition and monopoly differ with respect to the following:

- A The demand curve of the individual businesses slopes downwards from left to right.
- B The MR curve runs below the AR curve.
- C Entry to the market is free.
- D The demand curve is the same as the AR.

1.1.4 *The cost of a good or service to those who create them is known as ...*

- A cost benefits.
- B economic costs.
- C social costs.
- D private costs.

1.1.5 For each additional unit sold by the perfectly competitive firm, total *revenue ...*

- A decreases.
- B increases.
- C increases by the same amount.
- D stays the same.

1.1.6 Products that are exactly the same is known as ... goods

- A heterogeneous
- B homogeneous
- C unique
- D differentiated

1.1.7 Monopolies will make a/an ... profit in the long term.

- A normal
- B economic
- C zero
- D sub-normal

1.1.8 An industry with only two producers controlling the market is known as a/an ...

- A duopoly.
- B monopoly.
- C oligopoly.
- D tripoly.

(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 number (1.2.1–1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Long term	A quantity supplied drops
1.2.2 Equilibrium	B the product mix does not reflect consumer's tastes
1.2.3 Substitutes	C one firm fixes the price and other accept it as a market price
1.2.4 Price leadership	D different prices are charged for the same product for different groups
1.2.5 Competition Tribunal	E all factors of production are variable
1.2.6 Allocative inefficiency	F accepts or reject investigations and recommendations
1.2.7 Price discrimination	G entry is restricted through licensing
1.2.8 SABC	H quantity demanded is exactly equal to the quantity offered at a given price
	I can be easily replaced

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.  
(Abbreviations, acronyms and examples will NOT be accepted)

1.3.1 An institution or mechanism that brings together buyers and sellers of goods or services

1.3.2 The legal right whereby the holder obtains the exclusive right to manufacture a product or use a specific technique

1.3.3 An illegal trading arrangement in which a good is sold at a price higher than the legally imposed price ceiling

1.3.4 The benefit gained by a third party which is not included in the market price

1.3.5 The cost that remains the same even if the output changes

1.3.6 The additional revenue earned when sales increase by one more unit

(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 any TWO characteristics of oligopolistic markets. (2 x 1) (2)

2.1.2 Why is it only possible in the long run to vary all factors of production? (1 x 2) (2)

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

**NEW AMENDMENTS TO COMPETITION ACT**

The government introduced the Competition Act, 1998 (Act 89 of 1998) to promote competition and enhance the efficiency of the South African economy. The Competition Commission, Competition Tribunal and Competition Appeal Court play an important role in the administration of the Act.

Companies that are suspected of collusion are investigated and if they are found guilty, they are fined heavily. In the new amendment of section 73A of the Competition Act, provision is made for new criminal sanctions to be imposed on individuals.

[Adapted from [Businessstech.co.za](http://Businessstech.co.za), 2018]

2.2.1 Which institution imposes fines on companies that are guilty of collusion? (1)

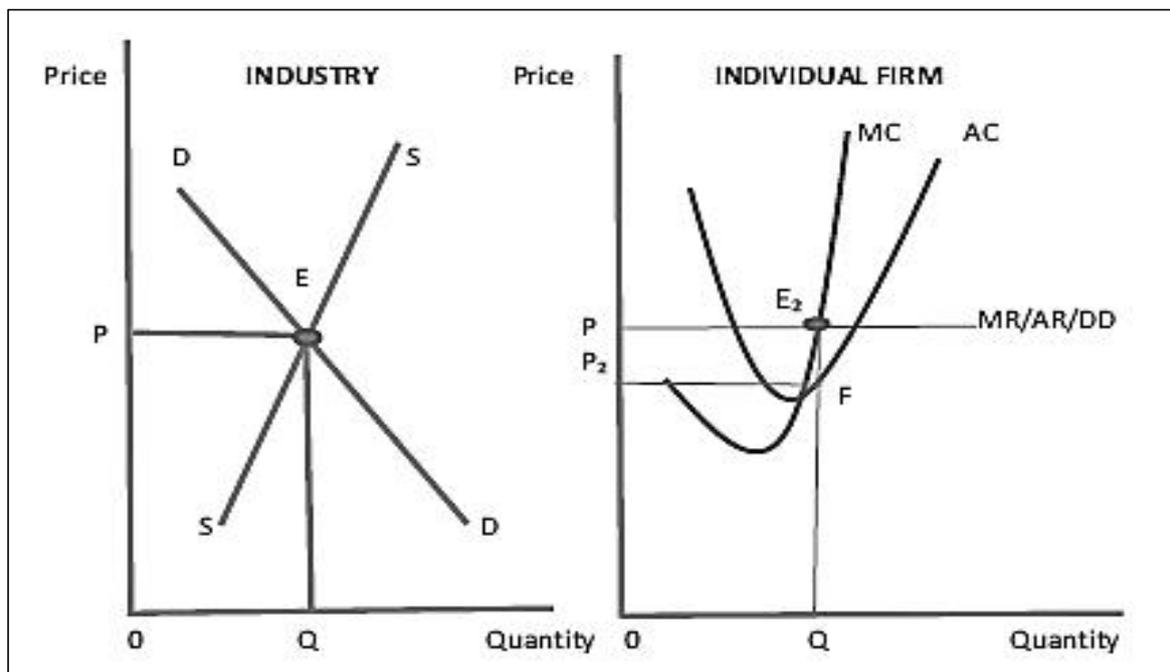
2.2.2 What is the role of the Competition Appeal Court? (1)

2.2.3 State any ONE aim of the competition policy. (2)

2.2.4 How does competition in the market benefit the consumer? (2)

2.2.5 Briefly discuss the success of the competition policy of South Africa. (2 x 2) (4)

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



- 2.3.1 Identify the profit maximisation point (label) of the individual firm. (1)
- 2.3.2 At what point or label will the industry be in equilibrium? (1)
- 2.3.3 Describe the concept *price taker*. (2)
- 2.3.4 Write down the area for profit/loss as seen in the above graph. (2)
- 2.3.5 Explain the slope of the demand curve of the individual firm. (2 x 2) (4)

2.4 Briefly explain the *nature of products* under monopolistic competition. (8)

2.5 How successful are the market forces in influencing monopolies? (8)

**[40]**

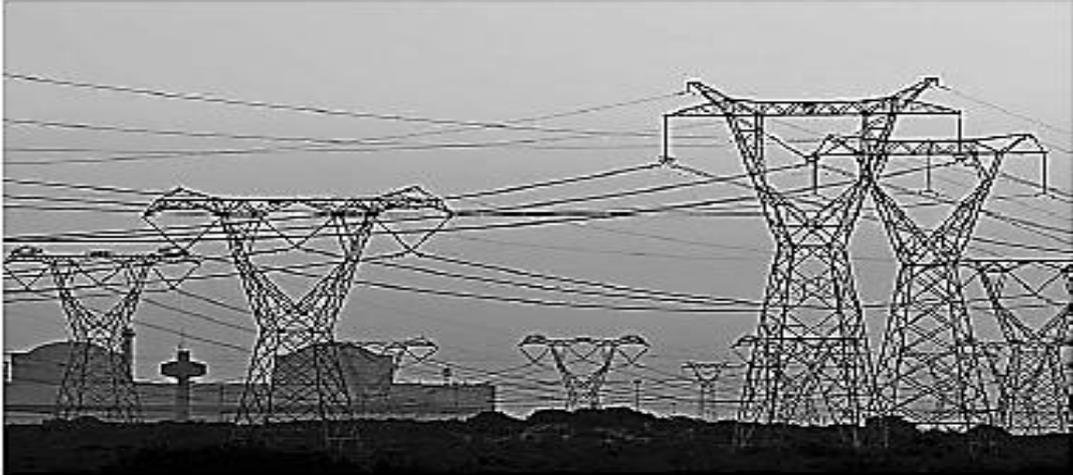
**QUESTION 3: MICROECONOMICS****40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

- 3.1.1 List any TWO examples of subsidies on goods. (2 x 1) (2)
- 3.1.2 How do economic costs differ from accounting costs? (1 x 2) (2)

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

**... LIVING ON BORROWED MONEY– AND TIME**

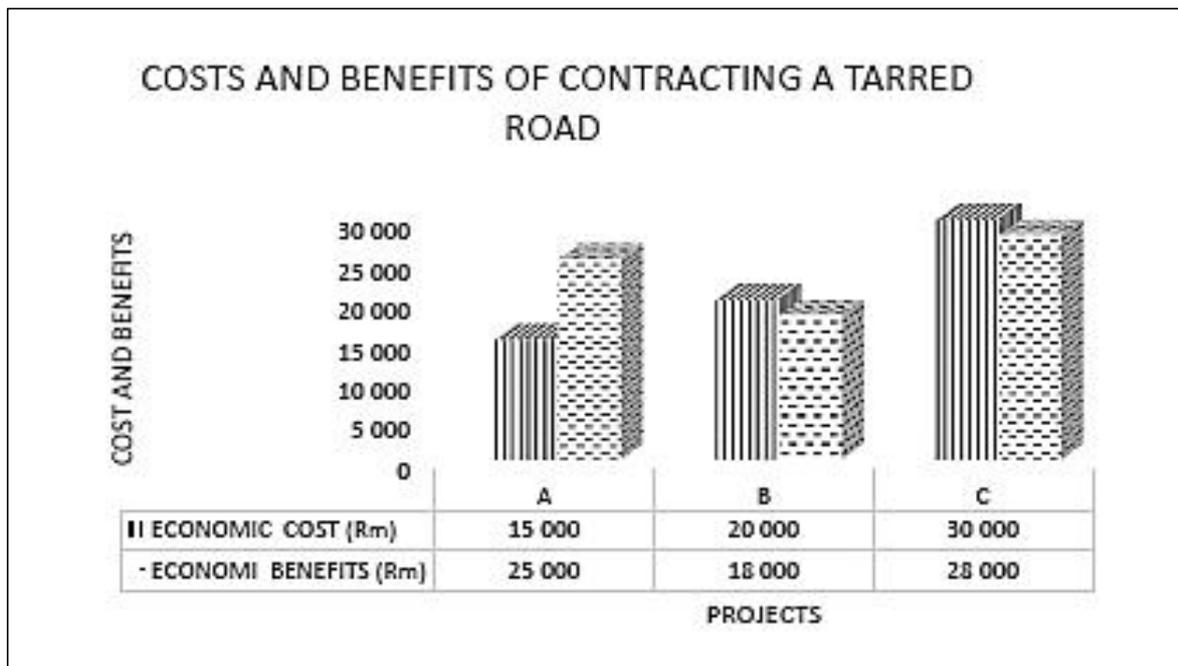


South Africa's energy monopoly has announced it wants to charge consumers more for electricity – but what it is really doing is getting over-burdened tax payers and consumer to foot the bill for the company's expansion plan. In the process it appears to be creating an environment where electricity may become so expensive that large consumers of energy won't want to do business here.

[Source: [www.dailymaverick.co.za](http://www.dailymaverick.co.za)]

- 3.2.1 Identify the company depicted above. (1)
- 3.2.2 Name any ONE factor causing the shortage of electricity in SA. (1)
- 3.2.3 Describe any possible effects of the increase in electricity prices. (2)
- 3.2.4 Analyse the '*uniqueness of a product*' as a feature of monopolies. (2)
- 3.2.5 Explain why monopoly industry is regarded as inefficient. (4)

3.3 Study the bar chart below and answer the questions that follow.



3.3.1 What is the economic cost of project B? (1)

3.3.2 Give an example of a social benefit of contracting a tarred road. (1)

3.3.3 Briefly explain *cost benefit analysis*. (2)

3.3.4 What is the purpose of doing cost benefit analysis (CBA)? (2)

3.3.5 Use the formula to calculate the cost benefit ratio for project C.

$$CBR = \text{Present value of economic benefits} \div \text{Present value of economic costs} \quad (4)$$

3.4 Distinguish between *artificial and natural monopoly*. (2× 4) (8)

3.5 Why do governments produce certain goods and services themselves? (8)  
**[40]**

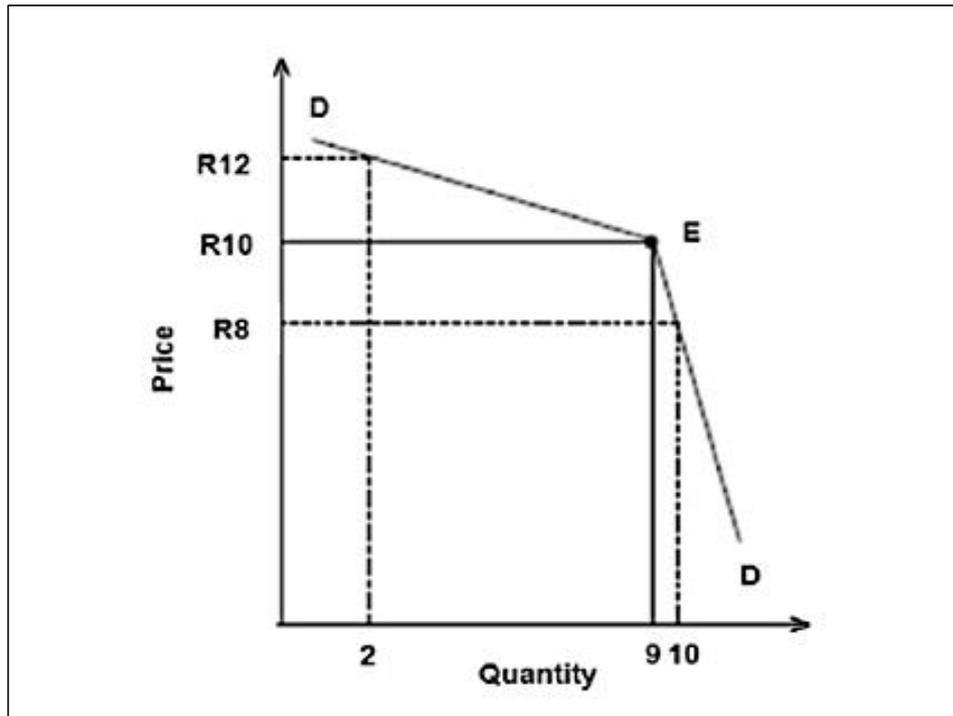
**QUESTION 4: MICROECONOMICS****40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 List any TWO characteristics of public goods. (2 x 1) (2)

4.1.2 How is lack of information a reason for market failure? (1 x 2) (2)

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



4.2.1 Identify the market structure represented by the above graph. (1)

4.2.2 At what price will the firm sell its products? (1)

4.2.3 What would the effect be on total revenue if the oligopoly increased his price from R10 to R12? (2)

4.2.4 Briefly explain the shape of the above demand curve. (2)

4.2.5 How do firms successfully use product differentiation as a form of non-price competition? (4)

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

A LOSS..... TO SHUT DOWN OR NOT?		
	Firm A	Firm B
Total revenue (TR)	R5 000	R5 000
Fixed cost (FC)	R2 000	R2 000
Variable cost (VC)	R4 000	R5 500
Total cost (TC)	R6 000	R7 500
Total loss	-R1 000	-R2 500

- 4.3.1 In which run/term are the two firms operating? (1)
- 4.3.2 Give an example of a fixed cost. (1)
- 4.3.3 Identify the firm that will shut down. (2)
- 4.3.4 For what reasons will the firm shut down? (2)
- 4.3.5 What, do you think, are the implications of a shutdown? (4)

- 4.4 Explain the measures that the government can implement to improve income distribution. (8)
- 4.5 How does a cartel negatively affect businesses and consumers? (8)

**[40]**

**TOTAL SECTION B: 80**

