



## **Education and Sport Development**

Department of Education and Sport Development  
Departement van Onderwys en Sportontwikkeling  
Lefapha la Thuto le Tlhabololo ya Metshameko

**NORTH WEST PROVINCE**

**PROVINCIAL ASSESSMENT**

**GRADE 11**

**ECONOMICS P2**  
**JUNE EXAMINATION 2018**

**MARKS: 150**

**TIME: 2 Hours**

**This question paper consist of 10 pages**



**INSTRUCTIONS AND INFORMATION**

1. Answer FOUR questions as follows in the ANSWER BOOK.
  - SECTION A: COMPULSORY
  - SECTION B: Answer any TWO questions from this section.
  - SECTION C: Answer any ONE question from this section.
2. Number the question 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. Leave 2-3 lines between subsections of questions.
5. Answer questions in full sentences.
6. Write neatly and legibly
7. Only required number of questions will be marked.

**SECTION A (COMPULSORY)****QUESTION1****30-MARKS- 20 MINUTES**

1.1 Various options are provided as possible answer to the following questions.  
Choose the answer and write only the letter (A-D) next to the question number (1.1.1-1.1.8) in the ANSWER BOOK, for example 1.1.9. A.

1.1.1. The law of supply states that the higher the price of goods and services the lower the...

- A. Quantity demanded
- B. Quantity supplied
- C. Disposable income
- D. Price

1.1.2. Total utility is maximised when marginal utility is...

- A. Zero
- B. One
- C. Two
- D. Three

1.1.3. The satisfaction that we get from consuming goods and services is known as...

- A. Scarcity
- B. Utility
- C. Opportunity cost
- D. Marginal utility

1.1.4. The greater the proportion of the consumer income spends on products the more the price... the demand for it.

- A. Elastic
- B. Inelastic
- C. Perfectly inelastic
- D. Unitary

1.1.5. The demand curve for monopolistic competition is ...

- A. Horizontal
- B. Downward sloping
- C. Upward sloping
- D. Vertical



1.1.6. The revenue per unit sold is known as

- A. Average cost
- B. Marginal revenue
- C. Average revenue
- D. Marginal cost

1.1.7. A firm uses fewer inputs to produce the same level of output and this is called

- A. Economies of scale
- B. Comparative advantage
- C. Opportunity cost
- D. Global opportunity

1.1.8. ...firms make use of non-price measures to attract customers and increase their market share

- A. Perfect competition
- B. Monopoly
- C. Oligopolistic
- D. Imperfect market

(8X2) (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)

Column A	Column B
1.2.1. Scarcity	A. Fixed cost plus variable cost
1.2.2. Cross elasticity of demand	B. Powerful competitors try to take over each other's market share by progressively reducing prices.
1.2.3. Imperfect market	C. Barriers to enter the market.
1.2.4. Price war	D. Any market that does not have all the characteristics of a perfect market.
1.2.5. Patent	E. Increasing average costs as the contribution of the variable inputs become more expensive.
1.2.6. Overhead cost	F. The responsiveness of demand for good A to change if the price of good B changes.
1.2.7. Total cost	G. General business expenses that are not part of what is produced.
1.2.8. Diseconomies of scale	H. When something is in short supply or not readily available.
	I. A market with many buyers and sellers.

(8X1) 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.

1.3.1. Products that are used together to satisfy need or want.

1.3.2. Is defined as the percentage change in quantity demanded if the price of the product changes by one per cent.

1.3.3. A situation under which all participants have complete knowledge of the market conditions and the product.

1.3.4. When a firm compete through advertising and product development.

1.3.5. The lowest wage that an employer is allowed to pay.

1.3.6. An additional or extra cost a firm incurs by producing one additional or extra unit of its product.

**(6x1) 6**

**TOTAL SECTION A: 30**

## SECTION B

Answer any TWO of three questions in the ANSWER BOOK

### QUESTION 2: MICRO ECONOMICS

**40 MARKS- 30 MINUTES**

2.1. Answer the following questions

2.1.1. List TWO characteristics of a perfect market. (2x1) (2)

2.1.2. Why would a producer of a product with a unitary price elasticity demand not use price to increase profits? (1x2) (2)

2.2. Study the table below and answer the questions.

OUTPUT	TC	TFC	TVC	AVC	MC
0	20	20	0	0	-
1	25	20	5	5	5
2	28	<b>A</b>	8	4	<b>B</b>
3	30	20	10	3.3	2
4	36	20	16	4	6

2.2.1. Give the value for **A** and explain the answer. (2)

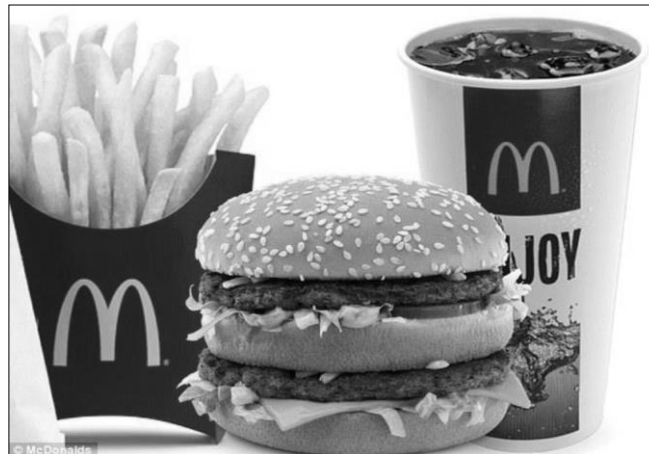
2.2.2. Give any two examples of fixed costs. (1x2) (2)

2.2.3. Why do variable costs change? (2)

2.2.4. Calculate the value of **B**. Show all calculations. (4)



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



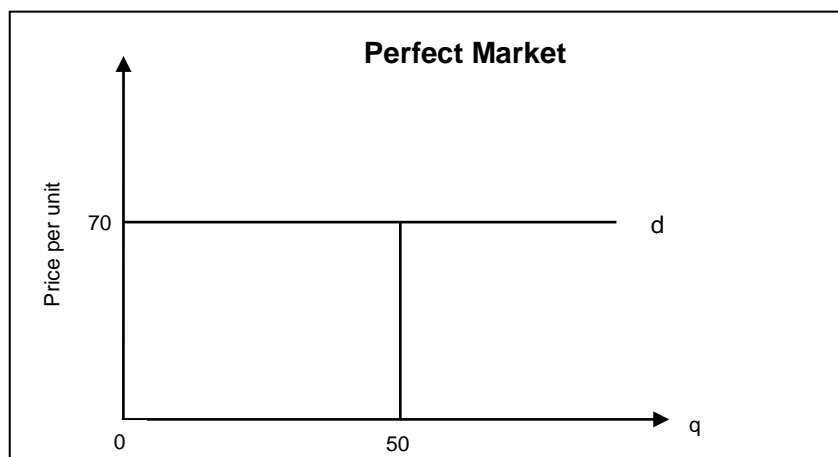
- 2.3.1. What relationship does the Macdonald's Big Mac have with the fries and the soda drink? (1)
- 2.3.2. Explain what compliment or complimentary goods are. (2)
- 2.3.3. What will happen to the demand for fries if the price of the Big Mac burger decreases? Substantiate your answer. (3)
- 2.3.4. The price of a Big Mac burger is R23.00 and the price of a Burger King Whopper burger is R25.00. Explain the relative prices of the burgers and if I choose the Big Mac burger what will the Burger King Whopper burger be? (2x2) (4)
- 2.4. Differentiate between cost in the short run and cost in the long run. (4x2) (8)
- 2.5. Why is it important for business to consider economies of scale in its operation? (2x4) (8)

### QUESTION 3

3.1. Answer the following questions.

- 3.1.1. Name TWO components of total cost. (2x1) (2)
- 3.1.2. What will happen when monopolistic competitor decides to increase prices? (2x1)(2)

3.2. Study the graph below and answer the questions that follows



3.2.1. Name the market structure depicted in the graph. (1)

3.2.2. What type of curve is shown in the graph? (1)

3.2.3. Calculate the Total Revenue amount. Show ALL calculations. (4)

3.2.4. What will happen when firms in a perfectly competitive market sell its products at a price above the market price? (2x2)(4)

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

**THESE NEW CARTELS: WHY WE NEED TO WAKE UP TO THE THREAT  
POSED BY OLIGOPOLIES**

*Last week, Barack Obama unexpectedly issued an executive order directing US agencies to shake up uncompetitive industries, tacitly confirming that the American economy has a problem with oligopoly power.*

*Kraft Food Group, SABMiller, 99p stores, BetFair and O2. What do these companies have in common? They were all recently involved in corporate mergers or takeovers, or are set to be in the near future. Heinz's merger with Kraft last year made it the fifth largest food company in the world, while AB InBev's likely takeover of SABMiller means that a single company will soon supply a third of the world's beer.*

*Many of us are familiar with the presence of oligopoly power in our economy. It is no secret that the energy, banking and supermarket sectors are dominated by a handful of very large firms. The extent of this market concentration seems to be significantly underestimated. From telecoms and radio, through to IT services and accountancy services, oligopolies have taken root in all corners of our economy.*

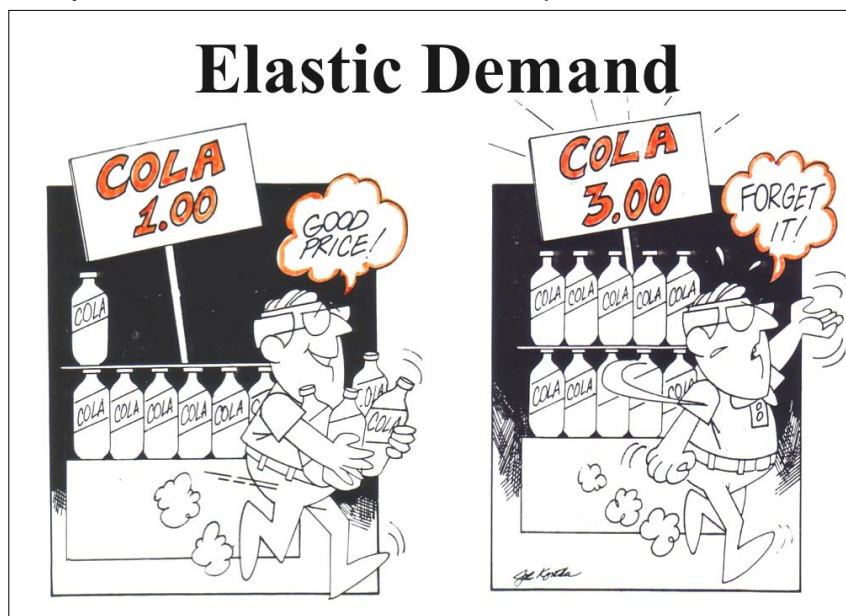
[Source: <https://www.thersa.org/discover/publications-and-articles/rsa-blogs/2016/04/these-new-cartels-why-we-need-to-wake-up-to-the-threat-posed-by-oligopoly-power>]



- 3.3.1. List two example of oligopoly industries mentioned in the article above?  
(2)
- 3.3.2. Briefly describe the term oligopoly. (2)
- 3.3.3. What type of demand curve is associated the market structure mentioned above? (2)
- 3.3.4. Explain why energy, banking, and supermarket sectors are dominated by a handful of very large firms? (4)
- 3.4. Briefly explain FOUR characteristics of monopolistic competition. (4x2) (8)
- 3.5. Explain how habit forming product affect elasticity of demand. (4x2) (8)
- [40]**

#### Question 4

- 4.1. Answer the following questions.
- 4.1.1. Name any two monopoly industries in South Africa. (2x1) (1)
- 4.1.2. Why is monopoly faced with downward sloping curve? (1x2) (2)
- 4.2. Study the cartoon below and answer questions that follow.



[Sources <https://www.economicscartoon.com> 2017]

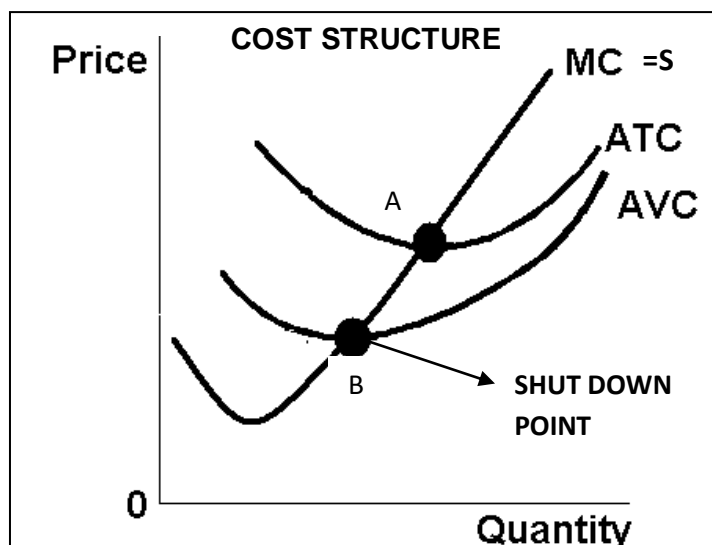
- 4.2.1. Name the source from which the cartoon is extracted (1)
- 4.2.2. At which price will more quantity be purchased? (1)



4.2.3. Give the formula used to calculate elasticity of demand (2)

4.2.4. Explain how consumers respond to price changes in the cartoon. (6)

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



4.3.1 Give the graph the appropriate heading. (1)

4.3.1. What is represented by point B on the graph? (1)

4.3.2. Give alternative name for marginal cost? (2)

4.3.3. Explain why variable cost changes with level of output? (2)

4.3.4. Why is the ATC above the AVC? (4)

4.4. Briefly explain the characteristics of an oligopoly. (4x2) (8)

4.5. In your opinion explain why entrepreneurs only earn normal profit (8)

[40]

**TOTAL SECTION: 80**

**SECTION C**

Answer any ONE of the two from this section in this ANSWER BOOK.

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
Introduction	Max 2
Body: <b>Main part:</b> Discuss in detail/in-depth discussion/examine/Critically Evaluate/Analyse/compare/Distinguish/explain/Assess/Debate <b>Additional part:</b> Give own opinion/ critically Discuss/Evaluate/Draw a graph and Explain/Distinguish/Interpret/Briefly debate	Max 26  Max 10
Conclusion Any higher order conclusion should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed without repeating the facts already mentioned on the body</li> <li>• Any opinion or value judgment on the facts discussed</li> <li>• Additional support information to strengthen the discussion/analysis</li> <li>• A contradictory viewpoint with motivation, if required</li> <li>• Recommendations</li> </ul>	Max 2
<b>TOTAL</b>	<b>40</b>

**QUESTION 5****40 MARKS -30 MINUTES**

- Discuss the following factors influencing price elasticity of supply.
  - Number of suppliers (8)
  - Time (8)
  - Nature of the product (10) (26)
- Explain how cost and revenue data can be used to make a decision on whether to stop production or decrease prices of a product or service offered. (10)

**QUESTION 6****40 MARKS -30 MINUTES**

- Compare in detail the features of a perfect market and with those of monopoly. (26)
- Discuss normal profit and economic profit as well as the conditions under which they are earned by firms. (10)

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

