



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 12

ECONOMICS

**PAPER 2
JUNE EXAMINATION 2019**

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.



NW/JUNE/ECOM/ EMIS/6*****

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. Answer 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 question 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 requirement 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****16 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 number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.8 D
- 1.1.1 The difference between total cost and variable cost is ...
- A average costs
 - B marginal costs
 - C fixed costs
 - D unit costs
- 1.1.2 Equilibrium price of a commodity occurs when
- A. market supply of a commodity is more than market demand
 - B. quantity demanded is equal to quantity supplied
 - C. marginal cost is greater than marginal revenue
 - D. quantity demanded is greater than quantity supplied
- 1.1.3 The demand curve of a monopoly is ... sloped
- A. horizontally
 - B. vertically
 - C. negatively
 - D. positively
- 1.1.4 A group of producers forming a collective monopoly is called...
- A price leadership
 - B cartel
 - C perfect market
 - D conglomerates
- 1.1.5 Social benefits exceeding private benefits are a feature of...
- A public goods
 - B demerit goods
 - C primary sector
 - D secondary sector
- 1.1.6 A situation where the best available production outcome has not been achieved is known as market...
- A power
 - B failure
 - C equilibrium
 - D waste



1.1.7 A study done by a private sector to determine the viability of the project is known as ...

- A cost benefit analysis
- B land survey
- C census
- D feasibility study

1.1.8 An imperfect market where information is complete...

- A. Monopoly
- B. Monopolistic competition
- C. Oligopoly
- D. Duopoly

(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) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 Economic loss	A the time is long enough for variable and fixed factors to change
1.2.2 Implicit cost	B products are similar but slightly different
1.2.3 Allocative inefficiency	C value of inputs owned by entrepreneur and used in the production process
1.2.4 Heterogeneous	D occurs when total costs are greater than total revenue
1.2.5 Long term	E situation in which two suppliers dominate the market for service or a product
1.2.6 Private cost	F When resources are not allocated in the right proportions and product mix does not match consumer's tastes
1.2.7 Duopoly	G the item that is sacrificed when a choice is made
1.2.8 Opportunity cost	H are the costs that consumers pay when they buy goods (price)
	I when resources are not used appropriately to produce the maximum number of goods at the lowest cost and best quality

(8 x 1) (8)

1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

1.3.1 Goods that are seen to be socially harmful

1.3.2 Cost or benefits to third parties which are not included in the market price of a good

1.3.3 A price set below the market price to make goods affordable

1.3.4 An amount a firm earns for every unit sold.

1.3.5 Cost that cannot be retrieved or sold off at a later stage.

1.3.6 An institute that monitors the quality of goods in South Africa (6 x 1) (6)

[30]

TOTAL SECTION A: 30



SECTION B

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

QUESTION 2: MICRO ECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions:

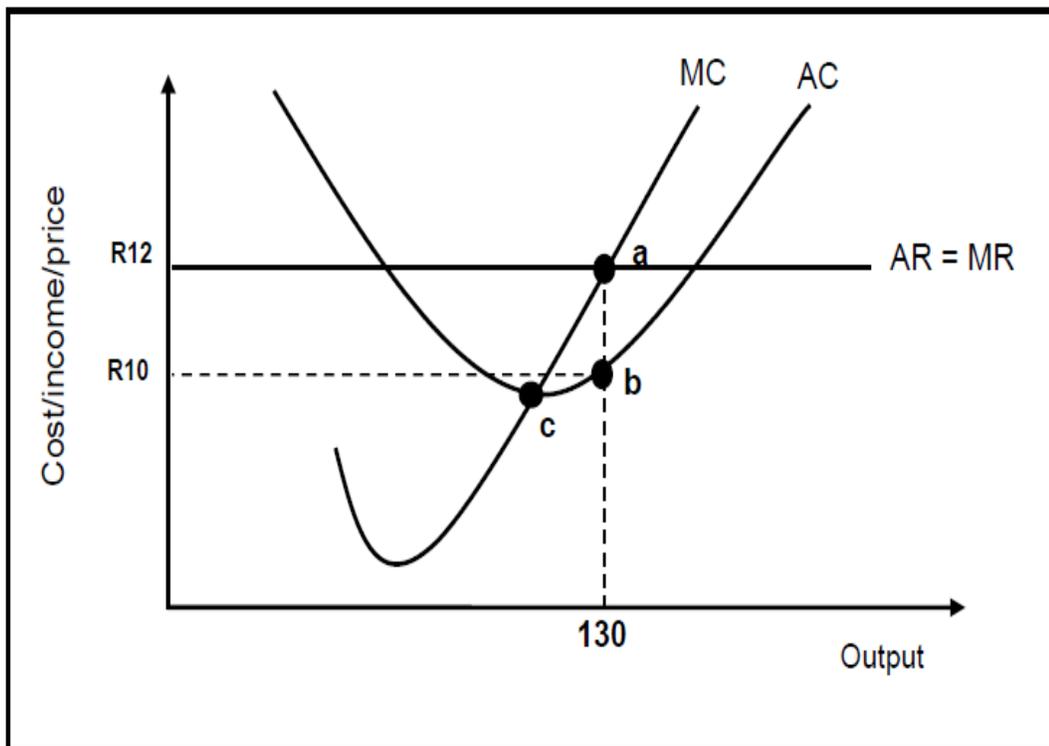
2.1.1 Name any TWO examples of perfect competition.

(2 x 1) (2)

2.1.2 How does the Competition Commission deal with restrictive trade practices ?

(1 x 2) (2)

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



2.2.1 What market structure is depicted above? (1)

2.2.2 Identify the total cost of production in the graph above (1)

2.2.3 Briefly describe the concept *economic profits* (2)

2.2.4 What is the significance of point **a** on the graph? (2)

2.2.5 Argue whether collusion is possible under condition of perfect market. (4)



2.3 Study the extract below and answer 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 a benefit from the above extract. (2 x 1) (2)
- 2.3.2 Explain the concept *cost benefit analysis*. (2)
- 2.3.3 Highlight the challenge for applying CBA (2)
- 2.3.4 How is CBA related to market failure? (2x2) (4)
- 2.4 Distinguish between *price leadership* and *cartels* as forms of collusion (8)
- 2.5 Evaluate measures used by government to encourage and discourage externalities. (8)
- [40]**

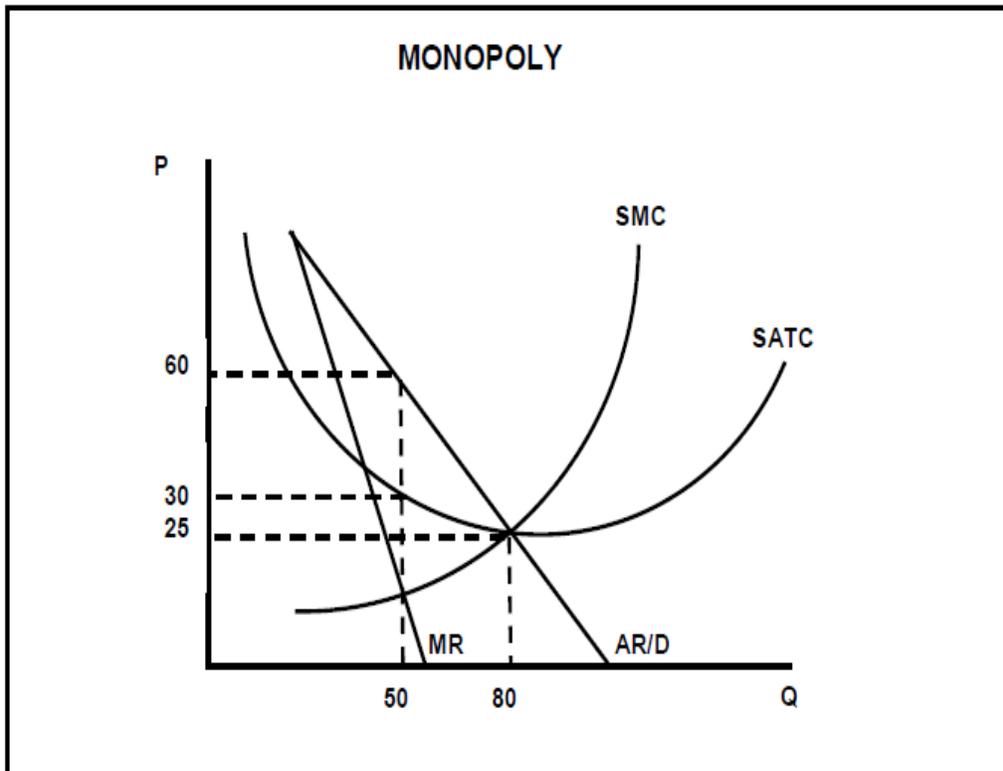
QUESTION 3

40 MARKS – 30 MINUTES

- 3.1 Answer the following questions:
- 3.1.1 Give any TWO benefits of Competition in an economy. (2x1) (2)
- 3.1.2 How would producers benefit from minimum prices? (1x2) (2)



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



- 3.2.1 What is the selling price of the business above? (1)
- 3.2.2 What unit price will the monopolist charge to maximise profit? (1)
- 3.2.3 Briefly describe the term *monopoly* (2)
- 3.2.4 What is required for monopoly to be classified as an artificial monopoly? (2)
- 3.2.5 Calculate the economic profit that this monopolist makes. Show ALL calculations. (4)

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

3 boat operators pay fines for colluding in Robben Island tender

Three companies who ferry passengers between the Robben Island Museum and the V&A Waterfront in Cape Town have entered into settlement agreements on charges of price fixing and collusive tendering, the Competition Tribunal announced on Wednesday evening.

An investigation by the Competition Commission, following a complaint from Robben Island Museum, identified five companies who allegedly colluded on the tender. These companies were Thembekile Maritime Services; Silverbuckle Trade 21 (trading as Yacoob Yacht); Nauticat Charters; Ferry Charters; and Tigger 2 Charters.

[Adapted from : <https://www.fin24.com>, 2018]

- 3.3.1 Mention any TWO institutions which are responsible for the implementation of effective competition policies in South Africa. (2)
- 3.3.2 Which one of these institutions has the highest authority? (2)
- 3.3.3 Analyze whether the above policy has succeeded in relation to its objective in South Africa (2)
- 3.3.4 Evaluate the advantages of vigorous competition. (2 x2) (4)
- 3.4 Explain reasons why cost-benefit analysis is used in practice. (8)
- 3.5 How successful are the market forces in influencing monopolies? (8)

[40]

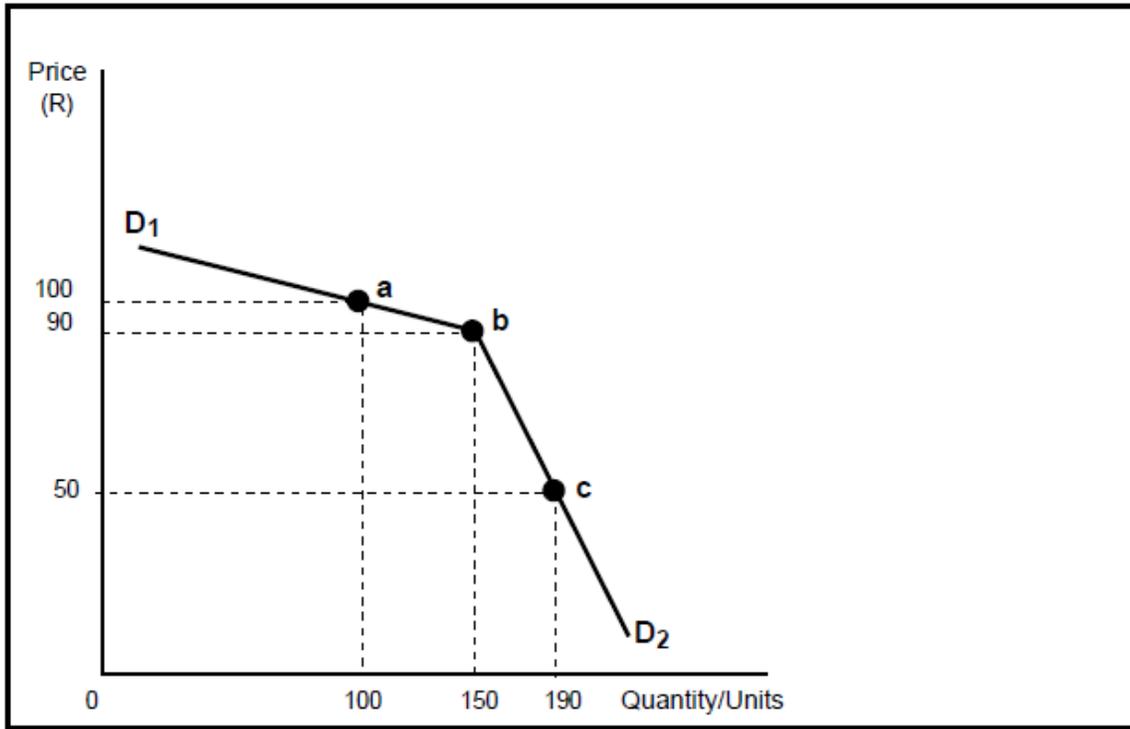
QUESTION 4

4.1. Answer the following questions

- 4.1.1 Name any Two market structures of an imperfect market? (2x1) (2)
- 4.1.2 What is the relationship between MC Curve and AC curve? (1x2) (2)



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



- 4.2.1 Which market structure is illustrated above? (1)
- 4.2.2 Name the downward sloping demand curve above. (1)
- 4.2.3 Explain how price leadership works in this type of market. (4)
- 4.2.4 Assume that the current selling price is R90. Explain why this business will not lower prices to 50 to improve its sales. (4)

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



(Source: Internet images)

- 4.3.1 What type of inefficiency is evident in the illustrations above? (1)
- 4.3.2 What will happen when supply is less than demand? (1)
- 4.3.3 Briefly describe the concept *productive inefficiency*. (2)
- 4.3.4 Explain the effect on price following this situation in the illustration. (2)
- 4.3.5 How can subsidies be use to remedy the situation? (4)
- 4.4 Distinguish between a *natural monopoly* and an *artificial monopoly*. (4x2) (8)
- 4.5 In your opinion, why does the government produce certain goods and services (8)

[40]

TOTAL SECTION B: 80



SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK. Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction</p> <p>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 saying 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/ Assess/Debate</p> <p>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</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion</p> <p>A 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

QUESTION 5

- Examine the characteristics of oligopoly in detail. (26)
- Briefly compare an oligopoly and a perfect competitor in terms of the demand curves, products, prices, output and equilibrium positions.(10) [40]

QUESTION 6

- Draw a clearly labeled graph explaining the consequences of government intervention in the market for each of the following:
 - Maximum prices
 - Taxation (26)
- Explain the supply of undesirable goods in South Africa and how the government can deal with it. (10)[40]

TOTAL SECTION C: 40 GRAND TOTAL: 150



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