



education

Department:
Education
PROVINCE OF KWAZULU-NATAL

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ECONOMICS P2
COMMON TEST
JUNE 2020**

MARKS: 150

TIME: 2 Hours

This question paper consists of 13 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the **ANSWER BOOK**.
 - **SECTION A : COMPULSORY**
 - **SECTION B:** Answer any **TWO** of the three questions.
 - **SECTION C :** Answer any **ONE** of the two questions
2. Write the question number above each answer.
3. Answer only the required numbers of questions. Answers in excess of the required number will not be marked.
4. 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.
5. Number the answers correctly according to the numbering system used in this question paper.
6. Read the questions carefully.
7. Start each question on a new page.
8. Leave 2-3 lines between sub sections of questions.
9. Use only black or blue ink.
10. You may use a non- programmable pocket calculator.
11. Write legible and present your work neatly.

SECTION A: COMPULSORY**QUESTION 1****30 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 1.1.9. D.

1.1.1 An example of a variable cost in a bakery is ...

- A electricity.
- B rent.
- C insurance
- D interest

1.1.2 The business in a perfect competition makes ...profit in the long run.

- A abnormal
- B economic
- C perfect
- D normal

1.1.3 The perfect market will shut down when price is ...

- A equal to AR.
- B equal to MC.
- C equal to demand.
- D below AVC

1.1.4 The market produces merit goods in ... quantities

- A enough
- B insufficient
- C large
- D sufficient

1.1.5 A key feature of public goods is their ...

- A limited consumption.
- B non excludability
- C rivalry
- D rejectability

1.1.6 Price set by the government below market price is called ...

- A equilibrium
- B price floor
- C minimum price
- D price ceiling

1.1.7 The cost and benefits for third parties that are not included in the price are called ...

- A externalities.
- B private cost.
- C social cost.
- D social benefits.

1.1.8 The value of the alternative that is sacrificed when a choice is made when producing two products is called ...

- A profit
- B opportunity cost
- C savings
- D economies of scale

(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.

COLUMN A	COLUMN B
1.2.1 Marginal cost	A Actual expenditure of business e.g. insurance.
1.2.2 Competition tribunal	B Occurs when the gap between TR and TC is the greatest.
1.2.3 Break-even point	C A mechanism that bring together buyers and sellers.
1.2.4 Industry	D Adjudicate in the case of misconduct and issue orders on matters presented by competition commission.
1.2.5 Explicit cost	E A group of businesses which produce similar and related products.
1.2.6 Black market	F Costs incurred for producing an additional unit of a product.
1.2.7 Renewable resources	G A situation where a business does not make profit or loss.
1.2.8 Profit maximization point	H A situation in which illegal goods are bought and sold.
	I That which can be returned to its natural habitat

(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 period of production where all costs of production are variable.
- 1.3.2 A group of producers forming a collective monopoly.
- 1.3.3 When buyers are charged differently for the same product.
- 1.3.4 A point where MC equals MR yet the business is making an economic loss.
- 1.3.5 An instrument used to determine the feasibility of the project.
- 1.3.6 A situation where businesses fail to meet the needs of consumers.

(6 x 1) (6)

TOTAL SECTION A: [30]

SECTION B

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

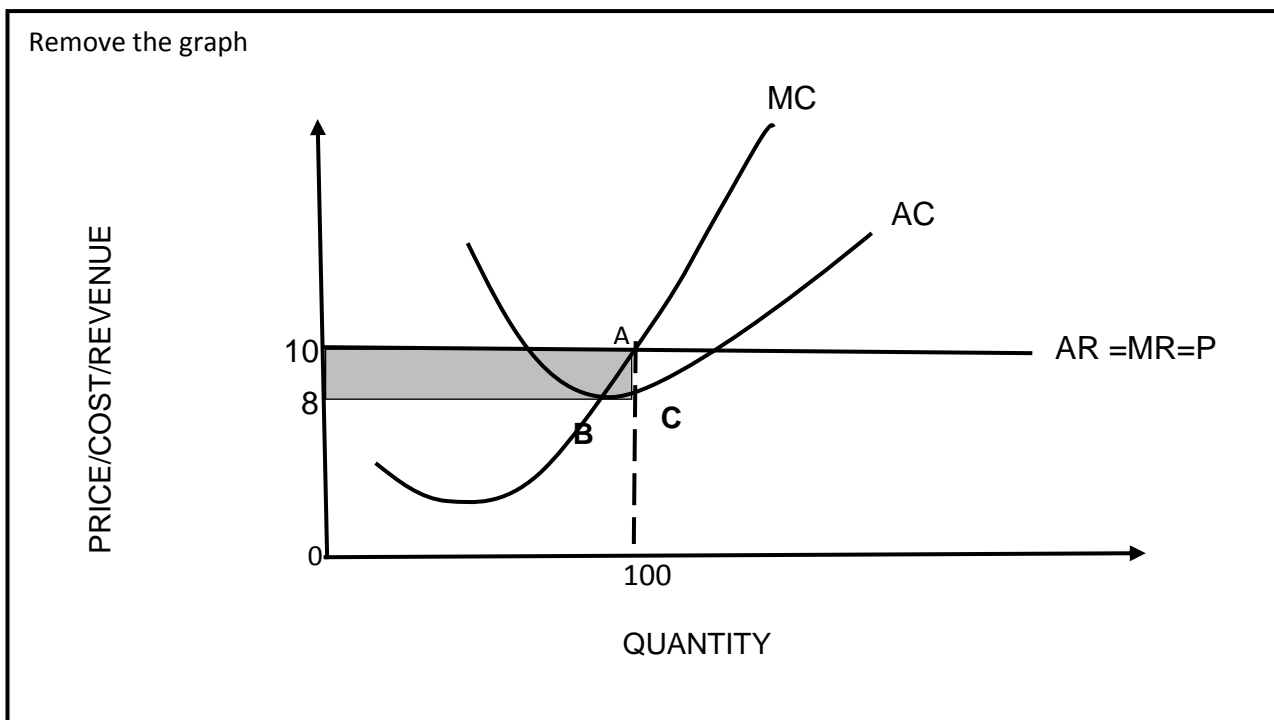
QUESTION 2: MACROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Give TWO types of monopolies. (2x1) (2)

2.1.2 Why are businesses in a monopoly market regarded as price setters? (1x2) (2)

2.2 Study the graph below and answer the questions that follow



2.2.1 What does point A in the graph above represent? (1)

2.2.2 Why would the above graph be regarded as that of a perfect competitor? (1)

2.2.3 Describe the term *long-run*. (2)

2.2.4 Briefly explain how an individual business can increase its profit. (2)

2.2.5 Calculate the total profit made by the above firm. Show all calculations. (4)

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

OLIGOPPOLY MARKET



[Source: www.google.com]

- 2.3.1 In which industry do these firms operate? (1)
- 2.3.2 Give the type of product sold in the oligopoly market. (1)
- 2.3.3 Describe the term *price leadership*. (2)
- 2.3.4 Briefly explain the barriers to enter into an oligopoly market. (2)
- 2.3.5 How does the oligopolist increase its market share without causing price wars? (2 x 2) (4)
- 2.4 With an aid of a well labeled graph discuss negative externality. (8)
- 2.5 How does a monopolist negatively impact consumers? (8)
- [40]**

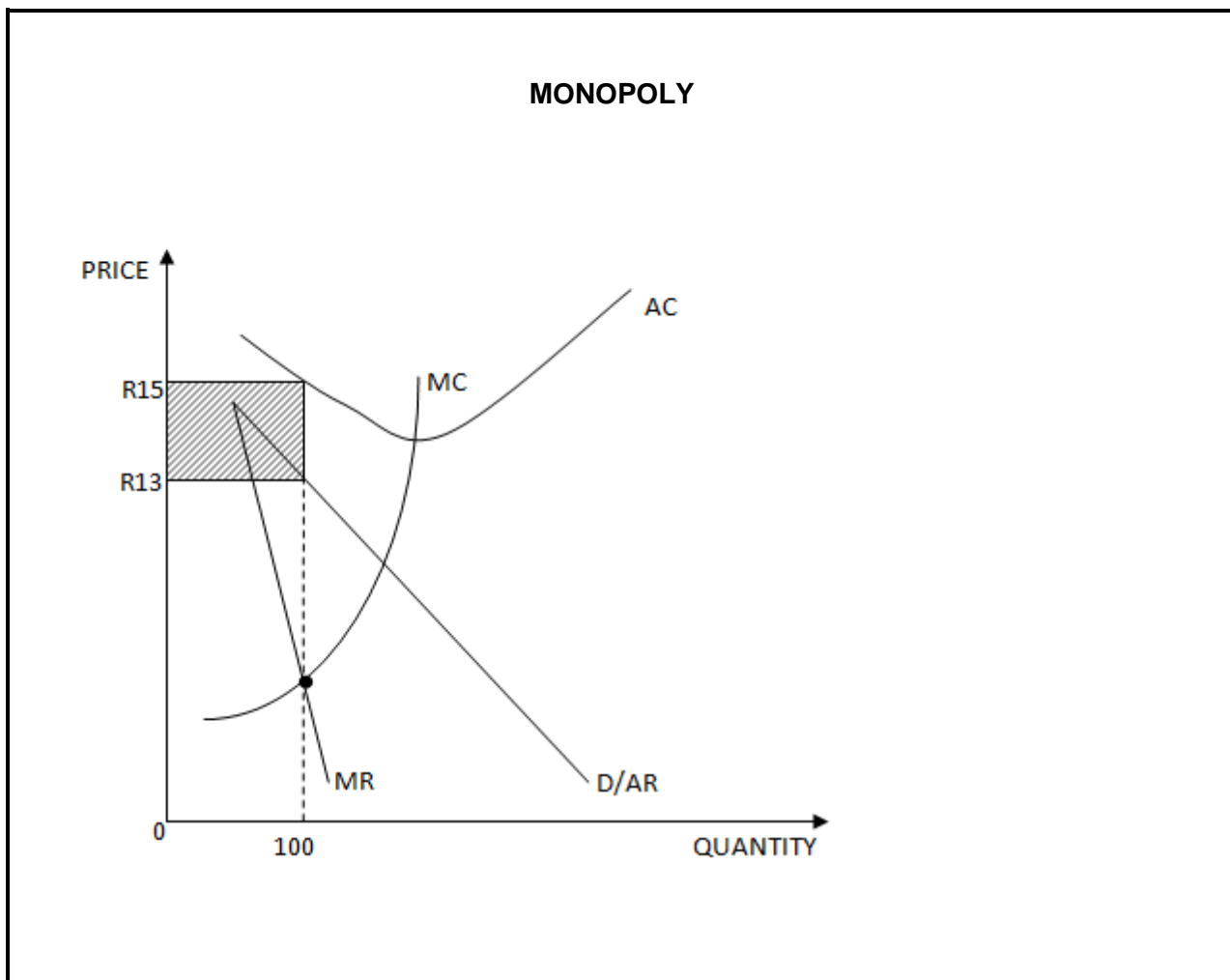
QUESTION 3: MICROECONOMICS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name TWO variables that determine profit. (2 x 1) (2)

3.1.2 Why are markets not willing to supply merit goods? (1 x 2) (2)

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



3.2.1 Give the name of the shaded area in the graph above. (1)

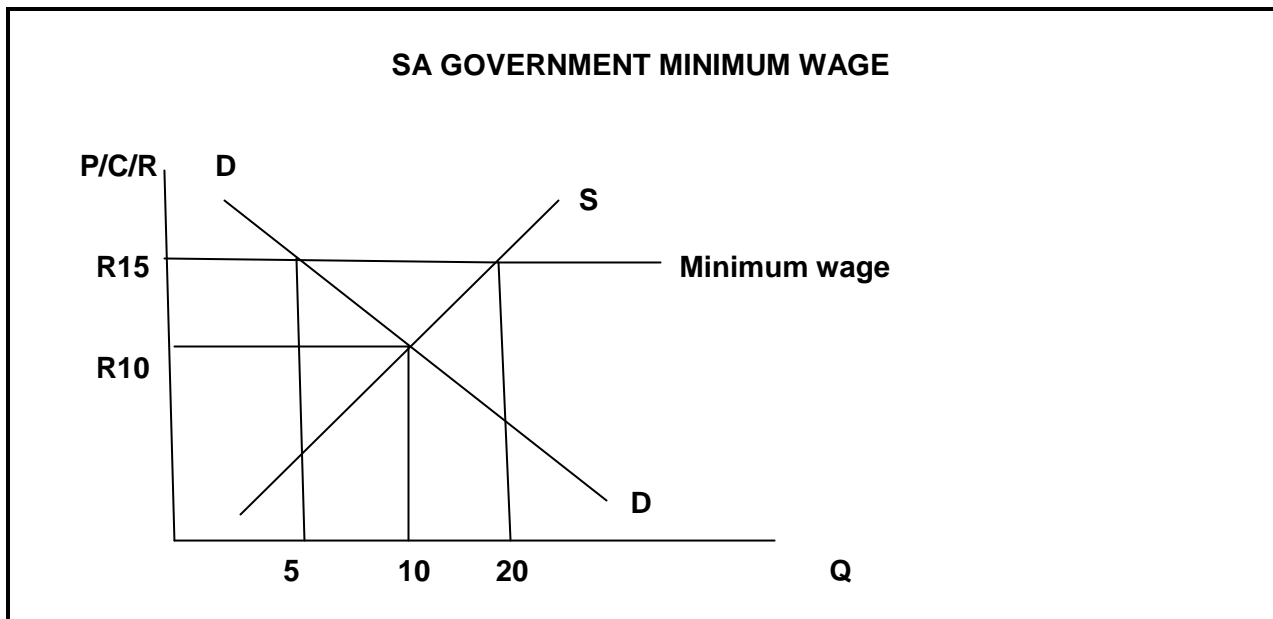
3.2.2 Which curve is the same as the demand curve in the graph above? (1)

3.2.3 Describe the term *monopoly*. (2)

3.2.4 Briefly explain why is the above equilibrium position typical of the short-run? (2)

3.2.5 Calculate the loss made by the firm in the graph above. (4)

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



- 3.3.1 Identify the minimum wage rate in the above graph. (1)
- 3.3.2 Which sector benefit from the imposing minimum wage? (1)
- 3.3.3 Describe the term minimum wage. (2)
- 3.3.4 Briefly explain the reason for the government to provide public goods? (2)
- 3.3.5 What negative impact does the minimum wage have on the economy? (2 x 2) (4)
- 3.4 Briefly discuss the objectives of the Competition Act. (8)
- 3.5 How do firms in the oligopoly industry use collusion maximize their profits? (8)
- [40]**

QUESTION 4 MACROECONOMICS AND ECONOMIC PURSUITS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Give the TWO market forces. (2 x1) (2)

4.1.2 Why is socially optimum output beneficial to society? (1x2) (2)

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

A MONOPOLY AS AN IMPERFECT MARKET

A monopoly is a good example of a market where profit is maximized to the detriment of the consumers. This type of market is often unregulated which causes failure to produce an ideal state of affairs. Lack of direct competition, due to the nature of their products, causes pure monopolies not to exist, resulting in inefficiencies and customer exploitation.

A monopoly contrasts with a monoposony. It is characterized by profit maximization, high barriers to entry and price discrimination. It is a business entity that has a significant market power.

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4.2.1 How many businesses are found in a monopoly? (1)

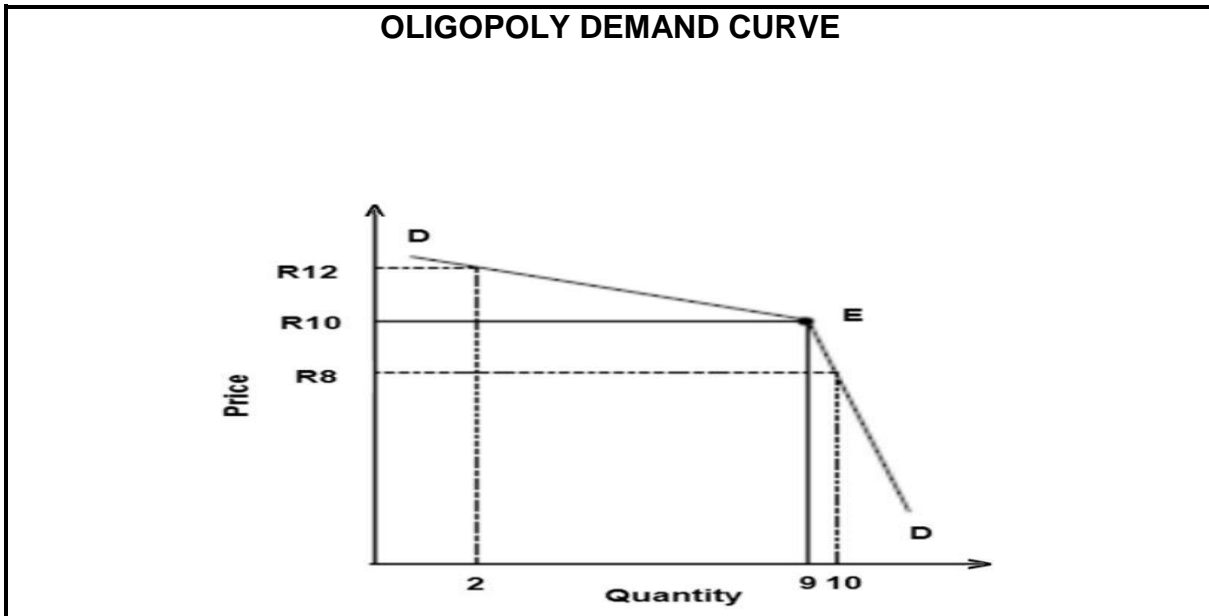
4.2.2 Give an example of a monopoly in South Africa. (1)

4.2.3 Describe the term *artificial monopoly*. (2)

4.2.4 Briefly explain the shape of the demand curve of a monopoly market. (2)

4.2.5 How can legal requirements cause monopolies in the market? (2x2) (4)

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



[Source: *google.com*]

- 4.3.1 Which market structure is depicted on the graph above? (1)
- 4.3.2 Identify the shape of the demand curve. (1)
- 4.3.3 Describe the term duopoly. (2)
- 4.3.4 Briefly explain the interdependence of decision making in the above market structure. (2)
- 4.3.5 Why is it preferable for the firm in this market structure to sell at the market price? (2x2) (4)
- 4.4 Briefly discuss the rationale behind cost benefit analysis without using a graph. (8)
- 4.5 How can the government discourage the production of demerit goods (8)

[40]

TOTAL SECTION B: [80]

SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.
Ensure that your answer follows the structure indicated below in order to obtain maximum marks:

STRUCTUTURE 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 include any part of the introduction in your body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body Main part: Discuss in detail/ In depth discussion/ Examine/ Critically discuss/ Analyse/ Compare/ Evaluate/ Distinguish/Differentiate/ Explain.</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/ How/ Suggest</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion Any high-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 judgment 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: MICROECONOMICS**40 MARKS – 40 MINUTES**

Compare the characteristics of the perfect market and the monopolistic competition.
(26 marks)

How has the Competition Act of South Africa succeeded in promoting fair competition?
(10 marks)

[40]

QUESTION 6:**40 MARKS – 40 MINUTES**

- Examine in detail the causes of market failure. (26 marks)
- How does the South African government intervene in the economy to limit market failure? (10 marks)

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