



Education and Sport Development

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Departement van Onderwys en Sport Ontwikkeling
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NORTH WEST PROVINCE

PROVINCIAL ASSESSMENT

GRADE 12

ECONOMICS P2

JUNE EXAMINATION 2018

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. Non-programmable pocket calculators may be used.
10. 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 the letter [A-D] next to the question number (1.1.1 – 1.1.8) in the ANSWER BOOK, for example 1.1.8. E

1.1.1 The cost per unit of output is called ...

- A marginal cost
- B implicit cost
- C explicit cost
- D average cost

1.1.2 A group of producers forming a collective monopoly is called a ...

- A price leadership.
- B cartel.
- C perfect market.
- D conglomerates.

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

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

1.1.4 A monopolist will maximize his revenue where his marginal revenue is equal to...

- A one.
- B Zero.
- C marginal cost.
- D market price.



1.1.5 The gap between the average cost (AC) curve and the average variable cost (AVC) curve ... as production increases.

- A decreases
- B increases
- C expands
- D stays the same

1.1.6 The products of a monopolistic firm are ...

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

1.1.7 Social costs amount to the sum of private and ...costs.

- A internal
- B external
- C community
- D public

1.1.8 An example of a variable-cost item is ...

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

(8 x 2) (16)

1.2 Choose a description from column B that matches the item in column A. Write only the letter (A-D) next to the question number (1.2.1 - 1.2.8) in the Answer Book.

COLUMN A	COLUMN B
1.2.1 Explicit cost	A the organisational features of the markets
1.2.2 Break-even point	B value of inputs owned by the entrepreneur and used in production
1.2.3 Market structure	C actual costs that a business pays for its operations
1.2.4 Implicit costs	D buyers are charged differently for the same product
1.2.5 Duopoly	E when a perfect competitor is making neither profit nor loss
1.2.6 Price discrimination	F the increase in percentage output is less than the increase in percentage input
1.2.7 Diseconomies of scale	G extra money earned when additional unit is sold
1.2.8 Marginal revenue	H a market controlled by two sellers
	I agreements that set the rules of trade

(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 – 1.3.6) in the ANSWER BOOK.

No abbreviations and acronyms will be accepted.

- 1.3.1 A financial grant from the government to support the production of a particular product
- 1.3.2 Costs that remain the same even if output changes
- 1.3.3 The value of the next best alternative forgone
- 1.3.4 The period of production where only the variable factors of production can change
- 1.3.5 A situation where it is impossible to increase the welfare of one person without making another one worse off
- 1.3.6 The minimum earnings required to prevent an entrepreneur from leaving the market

(6x1)(6)

TOTAL SECTION A: 30



SECTION B

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

QUESTION 2**40 MARKS - 30 MINUTES**

2.1 Answer the following questions

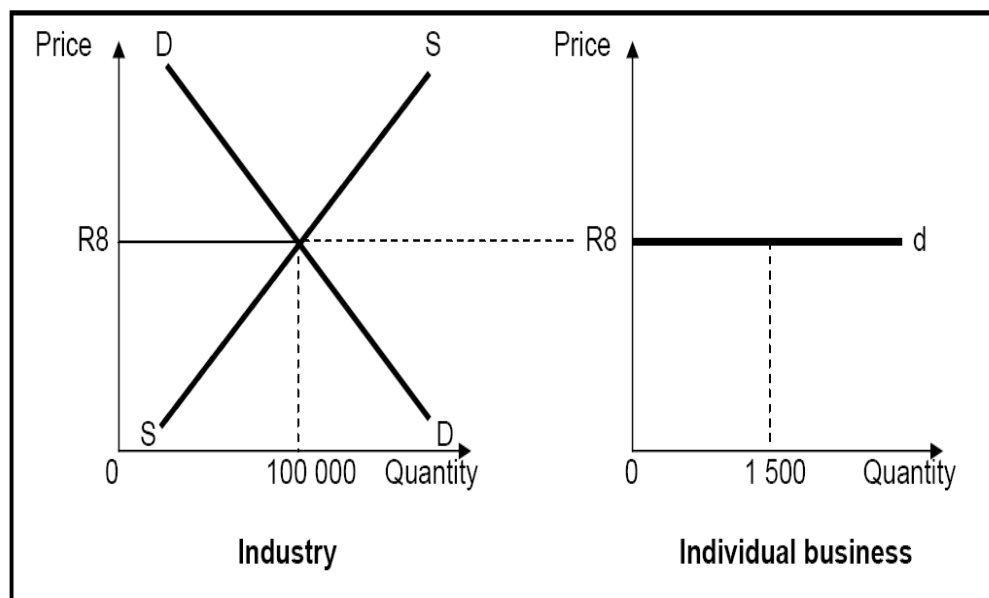
2.1.1 Name any TWO examples of perfectly competitive firms.

(2x1) (2)

2.1.2 Why do perfectly competitive firms make normal profits in the long run?

(1x2) (2)

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



2.2.1 Identify the type of market above. (1)

2.2.2 What is the selling price in the market above. (1)

2.2.3 Briefly describe the concept *industry*. (2)

2.2.4 Why is a perfectly competitive firm having no control over price? (2)

2.2.5 How will price and quantity be affected in the industry if a new firm enters the market? (4)

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



competition commission
south africa

ST GOBAIN AND OTHERS CHARGED WITH CARTEL CONDUCT

Two companies that compete in supplying glass wool insulation material have been referred for prosecution to the Tribunal for price fixing and dividing markets.

This follows an investigation by the commission which uncovered that Saint Gobain Construction (Pty) Ltd and D&D Roof insulations CC was involved in a cartel conduct.

The investigation found the companies had entered into an agreement in terms of which:

- D&D Roof will stop importing base material and source finish glass wool finished products from St Gobain;
- They would not do business with customers that belonged to each other;
- They would not provide competitive quotes to customers not allocated to each of them in order to sustain the customer allocation arrangement; and
- They agreed on the price they will charge when supplying their glass wool products to their respective customers.

Saint Gobain's brand of glass wool is Factorylite and D&D Roof's brand is Starlite.
[Source: CompComSA; 28/02/18]

2.3.1 Identify TWO reasons why saint Gobain (Pty) Ltd and D&D Roof CC are prosecuted for price fixing from the above extract. (2 x 1) (2)

2.3.2 Briefly describe the concept *price fixing*. (2)

2.3.3 What advice will you give to these two companies if they are unhappy with being found guilty for price fixing? (2)

2.3.4 How should the state ensure that the private sector business adhere to ethical business practices? (4)

2.4 Outline any FOUR aims of competition policy under the Competition ACT of 1998. (4 x 2) (8)

2.4 Explain by means of a neatly labelled graph the relationship between the shut-down point and the supply curve (MC) of the individual business in a perfect market. (8) **[40]**



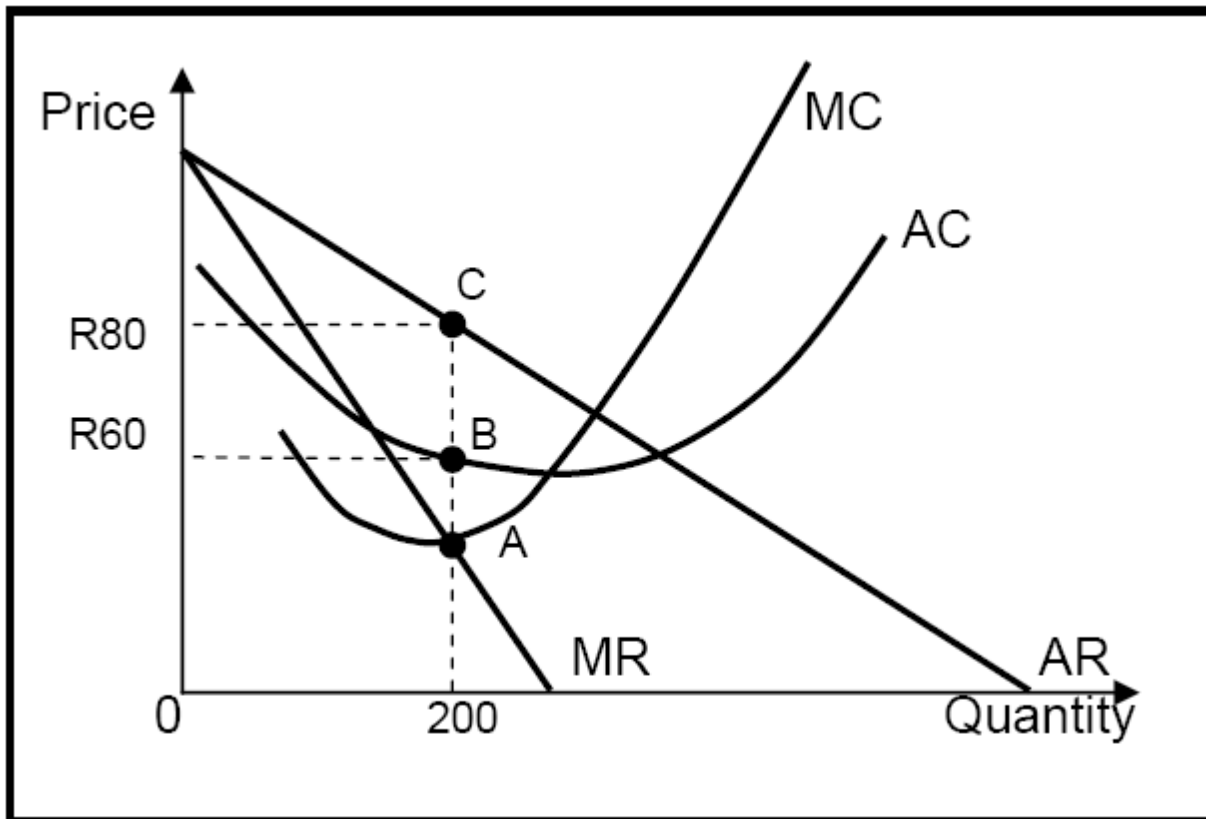
QUESTION 3**40 MARKS - 30 MINUTES**

3.1 Answer the following questions:

3.1.1 Name any TWO market structures that exist under the conditions of an imperfect market. (2x1)
(2)

3.1.2 How will the producer react if the government implements a maximum price on his product? (1 x 2)
(2)

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



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

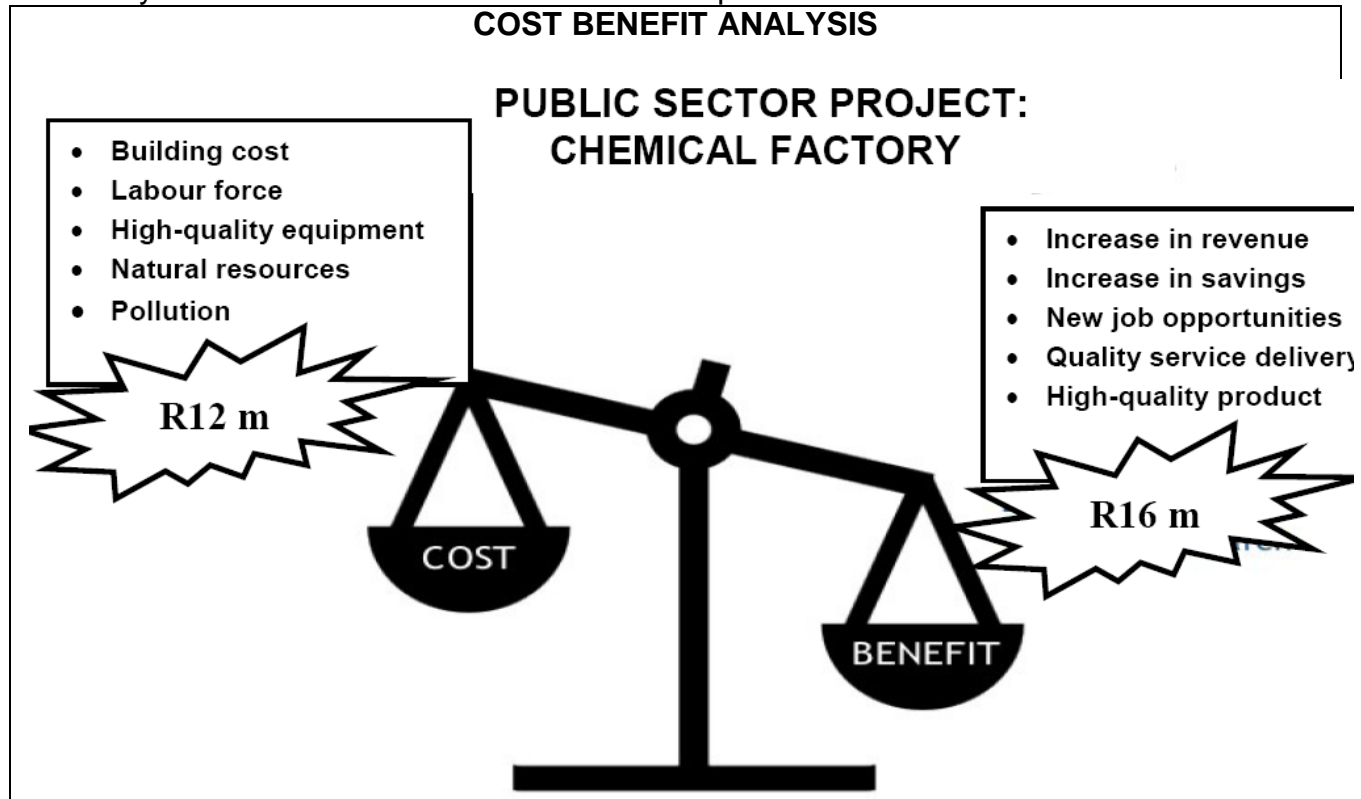
3.2.2 Identify the profit maximization point from the graph above. (1)

3.2.3 Briefly describe the *nature of the product* that is supplied in the market structure above. (2)

3.2.4 Why does the MR curve lie below the AR curve in the graph above? (2)

3.2.5 Calculate the economic profit in the graph above. Show ALL the calculations. (4)

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



3.3.1 Identify TWO social benefits from the project above. (2 x

1) (2)

3.3.2 Why do you think the government should proceed with the project above?

(2)

3.3.3 What will the government benefit from the approval of the project above?

(2)

3.3.4 How can the government reduce the external cost of the project above? (2 x

2) (4)

3.4 Distinguish between a *natural monopoly* and an *artificial monopoly*. (2 x

4) (8)

3.5 Explain why governments sometimes proceed with a project even if the private cost exceed the private benefits?

(8)

[40]



QUESTION 4**40 MARKS - 30 MINUTES**

4.1 Answer the following questions:

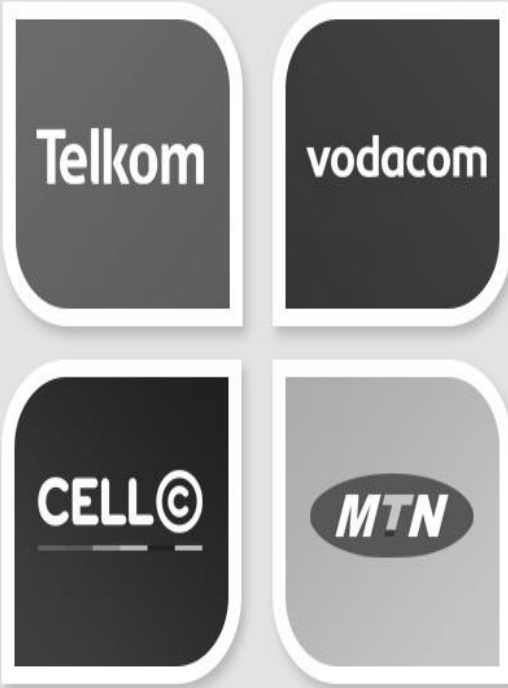
4.1.1 Name any TWO sectors that will be considered for minimum wages in South Africa.

(2x1)(2)

4.1.2 What would happen if firms in an oligopolistic market compete on prices?

(2)

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

THE MOBILE OLIGOPOLY IN SOUTH AFRICA	
	<p>Vodacom & MTN have a collective market share of 90%, i.e. 55% and 35%, respectively.</p> <p>Their market shares are relatively symmetric because of high barriers to entry such as licenses required by the Icasa regulator.</p> <p>The Vodacom & MTN's economies of scales favour them in terms of the large sunk costs as early entrants.</p> <p style="text-align: right;"><i>Source: Econet. www.co.za</i></p>

4.2.1 Which mobile network firm that has the largest market share from the above information? (1)

4.2.2 Name one barrier to entry into the market above. (1)

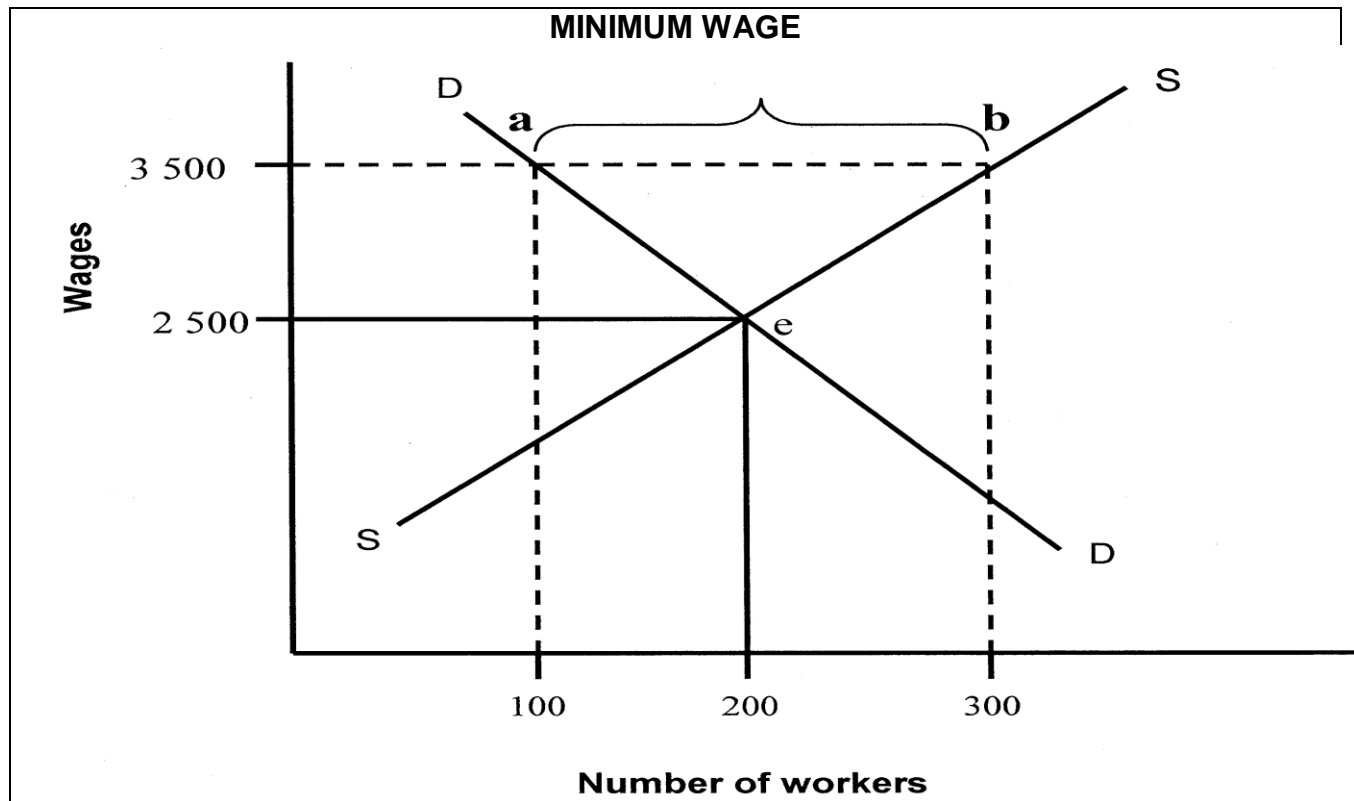
4.2.3 Briefly describe the term *sunk cost*. (2)

4.2.4 Explain the nature of the demand curve that is faced by an oligopolistic firm. (2)

4.2.5 How do mobile firms compete to increase their market share in South Africa?

(2x2) (4)

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



- 4.3.1 Identify the market clearing wage from the graph above. (1)
- 4.3.2 What does point **e** represent in the graph above? (1)
- 4.3.3 Briefly describe the term *minimum wage*. (2)
- 4.3.4 Why is the national minimum wage advantageous than the minimum wage per sector? (2)
- 4.3.5 Use the graph above and explain how the R3 500 minimum wage imposed by the government will impact on South Africa's labour market. (2 x 2) (4)
- 4.4 Explain the roles of the *competition commission* and *competition tribunal* in the competition policy of South Africa. (2 x 4) (8)
- 4.5 How does collusion influence the behavior of oligopolists? (8)

[40]

TOTAL SECTION B: 80



SECTION C

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

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction The introduction is a lower order response: <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 stating in the introduction what you are going to discuss in the body 	Max. 2
Body Main part: Discuss in detail /in-depth discussion / Examine / Critically discuss / Analyze / Compare / Evaluate / Distinguish / Differentiate / Explain Additional part: Give own opinion / critically discuss / 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	Max 26 Max 10
Conclusion Any higher-order conclusion should include: <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

QUESTION 5: MICRO-ECONOMICS**40 MARKS - 40 MINUTES**

- Compare the market structure of a monopolistic competition with that of perfect competition. (26) ain,
- With the aid of a graph, how economic profit is achieved for a perfect competitor. (10)

[40]**QUESTION 6: MICRO-ECONOMICS****40 MARKS - 40 MINUTES**

- Discuss in detail how the following factors lead to the misallocation of resources in the market without using graphs:
 - Externalities (8)
 - Missing markets (10)
 - Lack of information (8) (26)
- With the aid of a graph (Production Possibility Curve) explain how productive efficiency can be achieved in the market. (10)

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