



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**JUNE 2016**

**ECONOMICS P2**

**MARKS: 150**

**TIME: 2 hours**

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This question paper consists of 11 pages.

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**INSTRUCTIONS AND INFORMATION**

1. Answer FOUR questions as follows:  
SECTION A: COMPULSORY  
SECTION B: Answer any 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. Answer the questions in full sentences and the format, content and the context of your responses must comply with the cognitive requirements of the questions.
4. Number the answers correctly according to the numbering system used in this question paper.
5. Write the question number above each answer.
6. Read ALL the questions carefully.
7. Start EACH question on a NEW page.
8. Leave 2–3 lines between subsections of questions.
9. Use only black or blue 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 correct 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 1.1.7 C.
- 1.1.1 Which ONE of the following can be regarded as a perfect competitor?
- A OPEC, the supplier of crude oil
  - B Telkom, the supplier of a fixed-line telephone service
  - C A maize manufacturer in the Eastern Cape
- 1.1.2 Market structures describe different levels and forms of ...
- A competition.
  - B distribution.
  - C production.
- 1.1.3 Large capital expenditure in the electricity industry makes entry to the ... market difficult.
- A monopoly
  - B monopolistic
  - C oligopoly
- 1.1.4 The demand curve of a monopolistic competitor's product is .... than that of a monopolist.
- A more price inelastic
  - B more price elastic
  - C inelastic
- 1.1.5 The government implements minimum wages for the benefit of ... labour.
- A skilled
  - B unskilled
  - C professional
- 1.1.6 Oligopoly firms are reluctant to change prices because a price .... will drive prices down and profits will be eliminated.
- A price discrimination
  - B price war
  - C price ceiling

1.1.7 Which of the following explains immobility of factors of production?

- A Price negotiations are not allowed.
- B Some people have many goods while others have a few
- C Physical capital cannot be reallocated easily.

1.1.8 The government sets minimum prices in order to ...

- A encourage producers to supply important essential goods.
- B increase the price and decrease production.
- C improve the quality of labour force. (8 x 2) (16)

1.2 Choose a description in COLUMN B that matches an item in COLUMN A. Write only the letter (A–J) next to the question number (1.2.1–1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Long term	A	Quantity supplied drops
1.2.2	Equilibrium	B	Contributes to increased competition in some markets, especially in retail trade
1.2.3	SMMEs	C	One firm fixes the price and other accept it as a market price
1.2.4	Monopoly	D	Two firms dominate
1.2.5	Substitutes	E	All factors of production are variable
1.2.6	Maximum price	F	Funded by taxes
1.2.7	Price leadership	G	The marginal revenue curve runs below the demand curve
1.2.8	Public goods	H	Quantity demanded is exactly equal to the quantity offered at a given price
		I	Can be easily replaced

(8 x 1) (8)

1.3 Give the correct concept for each of the following phrases.

- 1.3.1 An institution or mechanism that brings together buyers and sellers of goods or services
- 1.3.2 The selling of a good or service to different buyers at different prices
- 1.3.3 The legal right whereby the holder obtains the exclusive right to manufacture a product or use a specific technique
- 1.3.4 A market structure where only a few sellers operate
- 1.3.5 Total income received from the sale of goods and services
- 1.3.6 An illegal trading arrangement in which a good is sold at a price higher than the legally imposed price ceiling

(6)

**TOTAL SECTION A: 30**

**SECTION B**

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

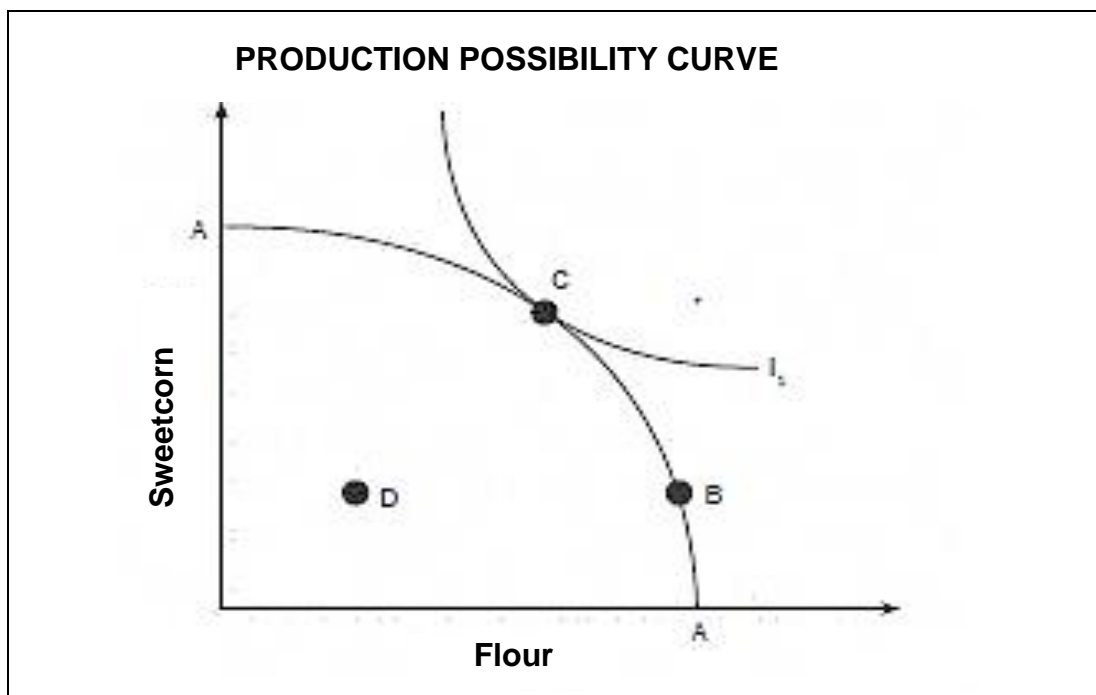
**QUESTION 2****40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 List any TWO decision making criteria used in cost benefit analysis. (2)

2.1.2 What is the purpose of studying a perfect market? (2)

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



2.2.1 For what purpose is the production possibility curve used? (2)

2.2.2 Give descriptions for the following:

(a) Curve  $I_1$  (1)

(b) Point D (1)

(c) Curve AA (1)

2.2.3 Explain the implications of point B and C above. (5)

- 2.3 Read the extract below and answer the questions that follow.

**TRANSNET: MONOPOLY BEST IN ITS HANDS**

Transnet, South Africa's state transport company, defended its monopoly of the country's eight ports and said it would make no sense for private operators such as France's *Boll ore SA* to enter the market.

"We are sitting on natural monopolies as the ports don't compete with each other", Transnet's Chief Executive Officer said. "Is a natural monopoly better in private or state hands?"

Source: [www.iol.co.za/business/companies](http://www.iol.co.za/business/companies)

- 2.3.1 Which service is Transnet offering? (1)
- 2.3.2 A monopoly can either be natural or ... (1)
- 2.3.3 Differentiate between the natural monopoly and the one in QUESTION 2.3.2. (4)
- 2.3.4 How, in your opinion, are consumers affected by a monopoly? (4)
- 2.4 Discuss non-price competition strategies for oligopolies. (8)
- 2.5 Why do firms in monopolistic competition make economic profit in the short run only? (8)
- [40]**

## QUESTION 3

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 List any TWO characteristics of a monopoly. (2)

3.1.2 How do economic costs differ from accounting costs? (2)

3.2 Study the table below answer the questions that follow.

COSTS AND REVENUES							
UNITS	PRICE	TR	AR	TC	MC	AC	PROFIT
0	16	0	16	10	-	-	-10
1	14	14	14	12	2	12	2
2	<b>A</b>	24	12	13	1	6,5	11
3	10	30	10	17	4	5,66	13
4	8	<b>B</b>	8	22	5	5,5	10
5	6	30	6	30	8	6	0
6	4	24	4	39	9	<b>D</b>	<b>E</b>
7	2	14	2	49	10	7	-35

3.2.1 For which market structure are these costs and revenues? (1)

3.2.2 At what level of output is the firm making normal profit? Give a reason for your answer. (4)

3.2.3 Calculate the values of A–E. (5)

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

**CLOTHING STORES**






3.3.1 In which market structure are the clothing stores? (1)

3.3.2 There is a ... number of firms in this market structure. (1)

3.3.3 Describe product differentiation in clothing stores. (4)

3.3.4 Explain how price and output under the above market structure are different to that of perfect competition. (4)

3.4 Explain the rationale behind cost benefit analysis. (8)

3.5 Explain how marginal cost and marginal revenue are used to determine profit maximisation in a perfect market. Use well labelled diagrams. (8)

[40]

#### QUESTION 4

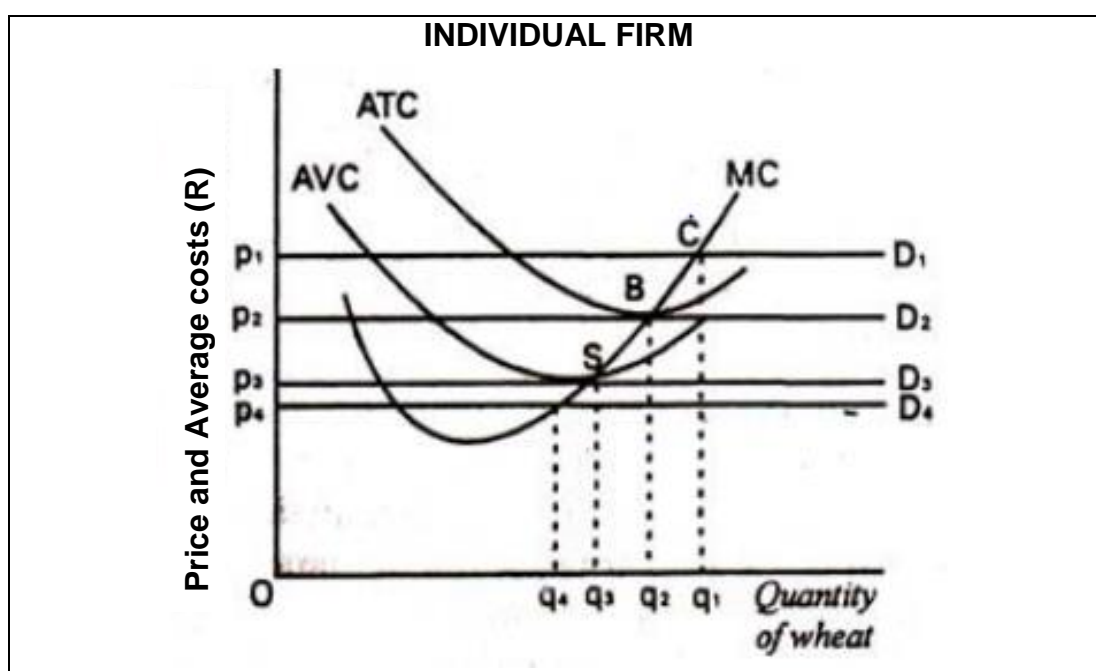
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 List any TWO examples of subsidies on goods. (2)

4.1.2 Why is the supply curve not necessary for determining profit maximising price and quantity in a monopoly? (2)

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



4.2.1 Define the term *marginal cost*. (2)

4.2.2 Identify the point on the graph where the firm will shut down. (2)

4.2.3 Why will the firm shut down at the point identified in QUESTION 4.2.2? (2)

4.2.4 How is the supply curve of a perfectly competitive firm determined? (4)



4.3 Study the below and answer the questions that follow.

**COMPETITION LAW CAN HELP BOOST SA'S GROWTH**

It is clear from the World Bank report that South Africa's competition authorities have been highly proactive in detecting cartels in various industries and imposing sanctions. It is generally accepted across the world that cartel conduct ranks amongst the most harmful of anti-competitive conduct as it results in firms producing less, i.e. output reduction, higher prices for consumers, limited consumer choice and a reduction in incentives for firms to improve efficiencies and innovation.

*Source [business/opinion/10 March 2016 at 07:30](#) by: Ahmore Burger-Smidt*

- 4.3.1 In which market structure are firms likely to form a cartel? (1)
- 4.3.2 Define a cartel. (2)
- 4.3.3 Who are South Africa's Competition authorities? (3 x 1) (3)
- 4.3.4 Why, according the extract, are cartels regarded as being harmful? (2 x 2) (4)
- 4.4 Explain the measures that the government can implement to improve income distribution. (8)
- 4.5 With the aid of a graph explain the kink in the kinked demand curve. (8)

**[40]**

**TOTAL SECTION B: 80**



**QUESTION 5****40 MARKS – 40 MINUTES**

Markets are broadly categorised into perfect and imperfect markets. However, in reality very few examples of perfect markets exist.

- Examine the conditions for the existence of a perfect market in detail. (26)
  - Illustrate by means of graphs the position of the industry and firm in the long term if a loss was incurred in the short term. (10)
- [40]**

**QUESTION 6****40 MARKS – 40 MINUTES**

Sometimes free market fail to produce the quantities of goods and services that people want at the prices that reflect marginal utilities and relative scarcities.

- Discuss the causes of market failure by referring to externalities and missing markets. (26)
  - How does the government discourage or encourage externalities? (10)
- [40]**

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