



Province of the  
**EASTERN CAPE**  
EDUCATION

**NATIONAL  
SENIOR CERTIFICATE**

**GRADE 12**

**JUNE 2017**

**ECONOMICS P2**

**MARKS: 150**

**TIME: 2 hours**

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This question paper consists of 13 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 to 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 to D) next to the question number (1.1.1 to 1.1.8) in the ANSWER BOOK, for example 1.1.9 C.
- 1.1.1 The supply curve of the firm under perfect competition is represented by the ...
- A AVC curve above MC.
  - B MC curve above AVC
  - C AVC curve below MC
  - D TVC curve above AC
- 1.1.2 For each additional unit sold by the perfectly competitive firm, total revenue ...
- A decreases.
  - B increases.
  - C increases by the same amount.
  - D stays the same.
- 1.1.3 The cost of a good or service to those who create them is known as ...
- A cost benefits.
  - B economic costs.
  - C social costs.
  - D private costs.
- 1.1.4 Which one of the following will be described as an oligopoly in South Africa?
- A The car industry
  - B The clothing shops in a large city
  - C The maize farmers in a province
  - D Petrol stations in your area
- 1.1.5 Monopolistic competition and monopoly differ with respect to the following:
- A The demand curve of the individual businesses slopes downwards from left to right.
  - B The MR curve runs below the AR curve.
  - C Entry to the market is free.
  - D The demand curve is the same as the AR.

1.1.6 Cost benefit analyses could use... prices.

- A Market
- B Shadow
- C Imputed
- D Derived

1.1.7 The minimum earnings required to prevent the entrepreneur from leaving the market is ... profit.

- A economic
- B normal
- C high
- D low

1.1.8 The government can introduce ... to improve the mobility of labour.

- A subsidies
- B wage increases
- C income tax
- D training schemes

(8 × 2) (16)

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

COLUMN A		COLUMN B	
1.2.1	Free riding	A	consumers like the choice that result from product proliferation
1.2.2	Competition Tribunal	B	two firms dominate the market
1.2.3	Monopolistic competition	C	individuals still benefit from a good even if they do not pay for it
1.2.4	Duopoly	D	cannot be recovered should the firm leave the market
1.2.5	Long run	E	factors of production are completely mobile
1.2.6	Sunk costs	F	accepts or reject investigations and recommendations
1.2.7	Allocative inefficiency	G	two firms join together
1.2.8	Perfect competition	H	all costs are variable
		I	the product mix does not reflect consumer's tastes

(8 × 1) (8)

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

- 1.3.1 A different price is charged for the same product to different groups of people
- 1.3.2 A seller in the market that cannot control the price of the good it sells
- 1.3.3 All businesses that supply the same product in the market
- 1.3.4 The benefit gained by a third party which is not included in the market price
- 1.3.5 A situation where one firm fixes a price and the others accept it as a market price
- 1.3.6 A change in price causes a smaller percentage change in the quantity demanded

(6 × 1) (6)

**TOTAL SECTION A: 30**

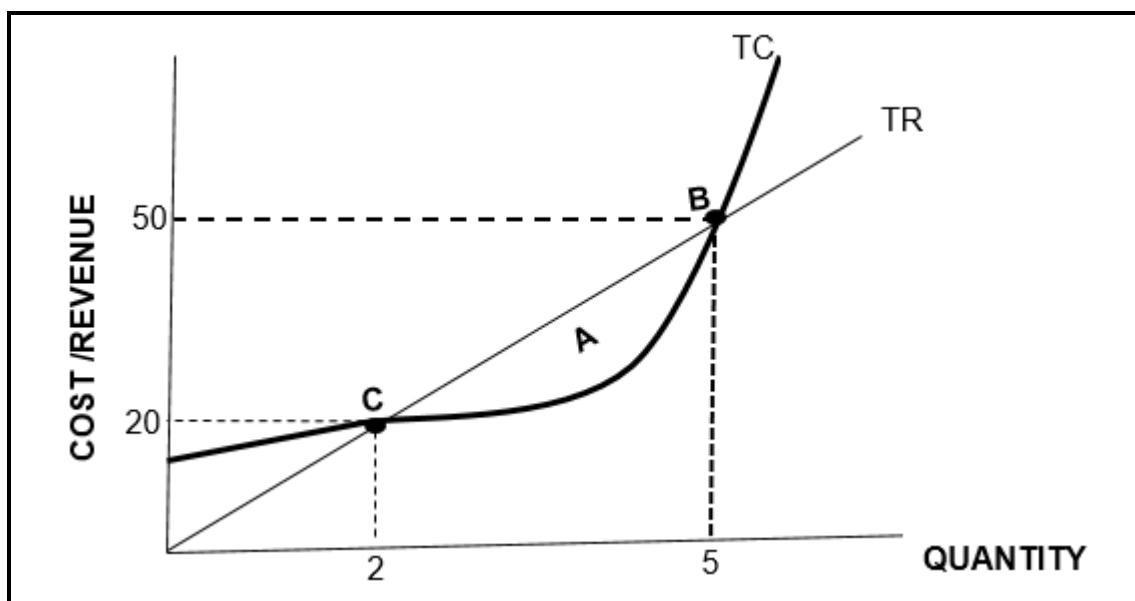
**SECTION B****QUESTION 2****40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 List any TWO aims of the *competition policy* in South Africa. (2)

2.1.2 Why is the short run economic profit of a monopolistically competitive firm not sustainable in the long run? (2)

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



2.2.1 How is profit calculated? (1)

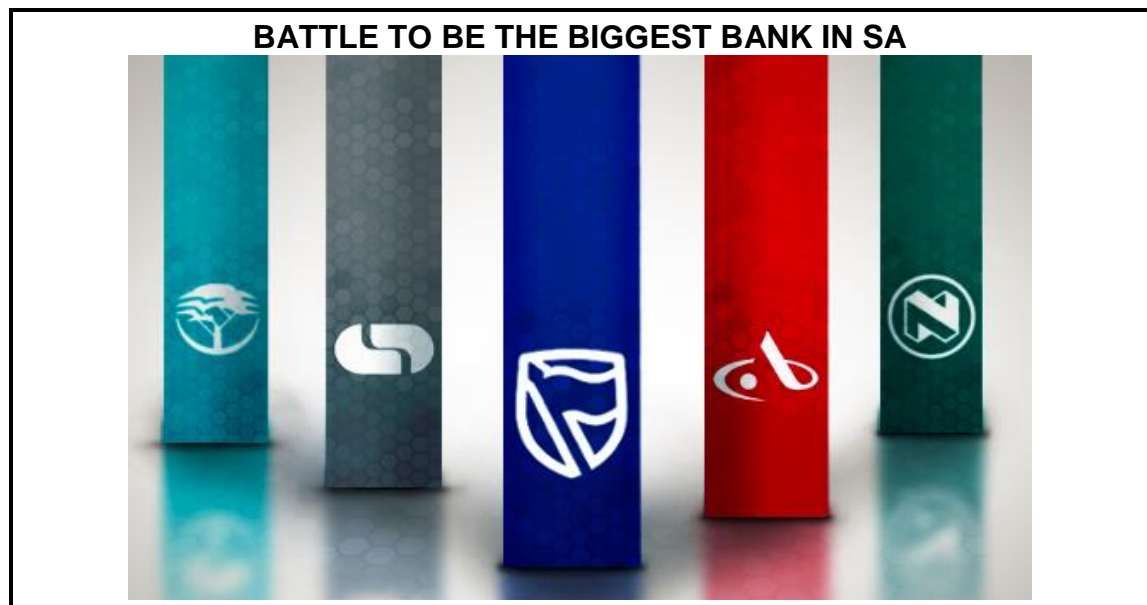
2.2.2 Which profit does the firm earn at point B? (1)

2.2.3 Why is the TR curve starting at zero? (2)

2.2.4 When is profit maximised in the graph above? (2)

2.2.5 What are the implications of producing beyond point B? (4)

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



2.3.1 Give names of TWO banks from those above. (2)

2.3.2 Explain any TWO characteristics that makes a banking sector an oligopoly. (4)

2.3.3 How do banks use *non-price competition* to make their products or services more price inelastic? (4)

2.4 Explain immobility of factors of production as a reason for market failure. (8)

2.5 With the aid of a graph illustrate the long run equilibrium of the individual producer in a perfect market. (8)

**[40]**

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

3.1 Answer the following questions.

3.1.1 Name TWO elements of a *hybrid structure* of monopolistic competition. (2)

3.1.2 How will output be affected when a loss is made in a perfect market? (2)

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

**A LOSS..... TO SHUT DOWN OR NOT?**

	<b>Firm A</b>	<b>Firm B</b>
Total revenue (TR)	R5 000	R5 000
Fixed cost (FC)	R2 000	R2 000
Variable cost (VC)	R4 000	R5 500
Total cost (TC)	R6 000	R7 500
Total loss	-R1 000	-R2 500

3.2.1 In which run are the two firms operating? (1)

3.2.2 Give an example of a *fixed cost*. (1)

3.2.3 With reasons, identify a firm that will shut down. (4)

3.2.4 What, do you think, are the implications of a shutdown? (4)

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

### LIMITING THE IMPACT OF A DEMERIT GOOD

South Africa has been praised by the World Health Organisation for tackling diabetes and obesity.



By implementing a tax on sugary drinks to increase the prices of these beverages, South Africa will be taking a proactive step to reduce intake of sugars, which contribute to unhealthy weight gain, tooth decay and diabetes.

Source: Adapted from [www.economicshelp.org](http://www.economicshelp.org)

- 3.3.1 Identify TWO negative effects of sugar intake from the information above. (2)
- 3.3.2 What effect will *sugar tax* have on the prices of sugary drinks? (2)
- 3.3.3 What do you understand by *demerit goods*? (2)
- 3.3.4 How, do you think, will sugar tax affect the economy? (4)
- 3.4 Distinguish between *artificial* and *natural* monopoly. (2× 4) (8)
- 3.5 Why do governments produce certain *goods and services* themselves? (8)

**[40]**

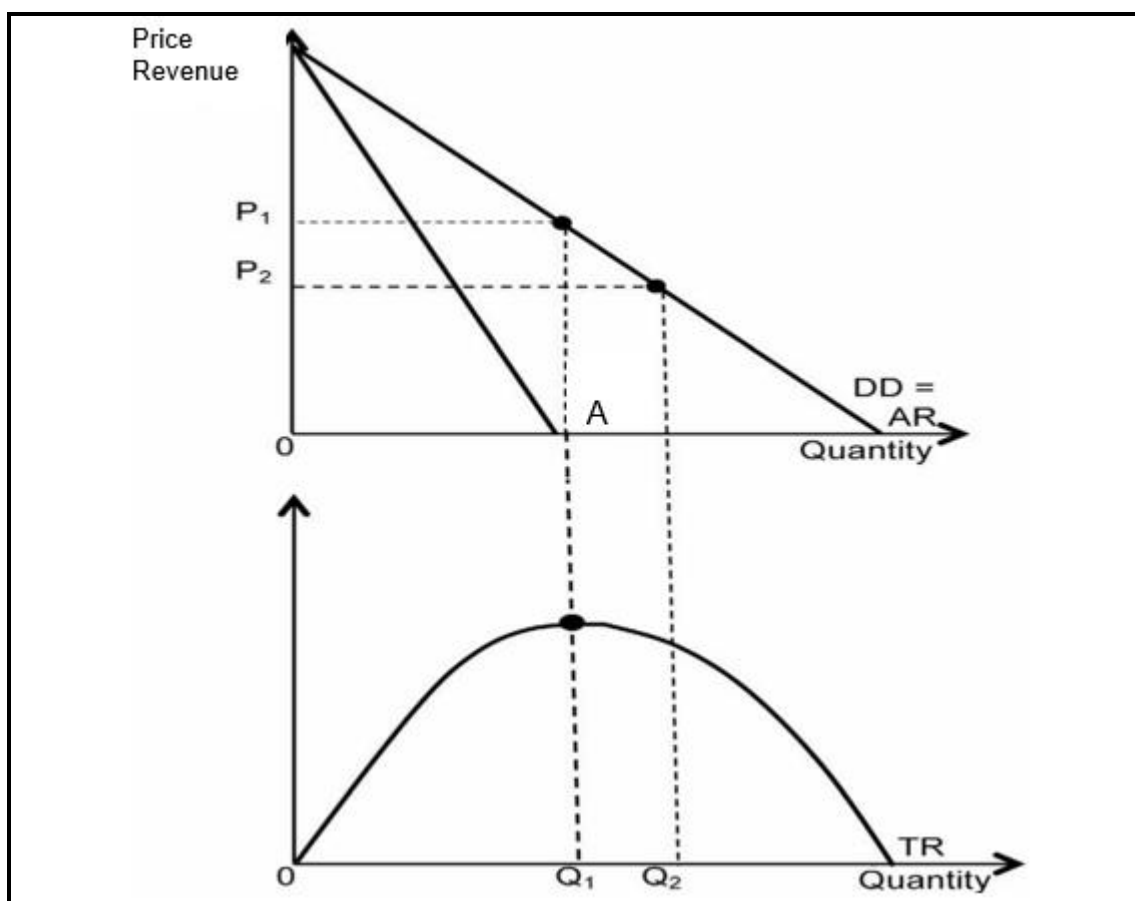
**QUESTION 4****40 MARKS – 30 MINUTES**

4.1 Answer the following questions:

4.1.1 List any TWO characteristics of public goods. (2)

4.1.2 How is lack of information a reason for market failure? (2)

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



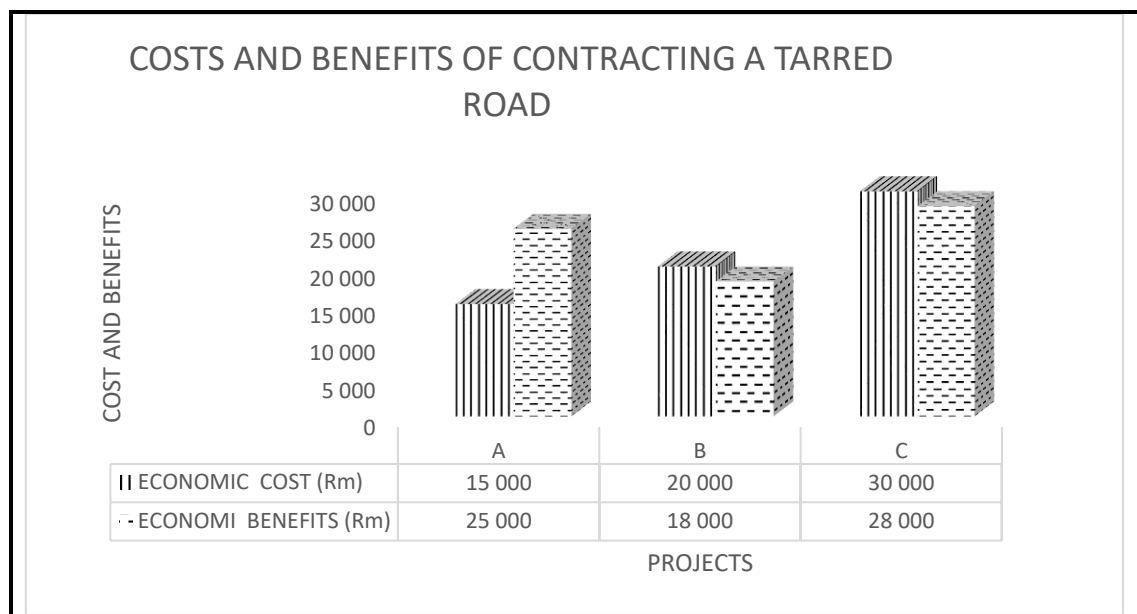
4.2.1 Which market structure do the graphs above represent? (1)

4.2.2 Provide a suitable label for curve A. (1)

4.2.3 Why is the *demand curve* equal to the *average revenue curve*? (4)

4.2.4 Using the information in the graphs, explain how the firm determines the price. (4)

4.3 Study the bar chart below and answer the questions that follow.



4.3.1 What is the economic cost of project B? (1)

4.3.2 Give an example of a social benefit of contracting a tarred road. (1)

4.3.3 Briefly explain *cost benefit analysis*. (2)

4.3.4 What is the purposes of doing *cost benefit analysis*? (2)

4.3.5 Use the formula

$$CBR = \text{Present value of economic benefits} \div \text{Present value of economic costs}$$

to calculate the cost benefit ratio for project C. (4)

4.4 Explain *product differentiation* in monopolistic competition. (8)

4.5 How does a *cartel* negatively affect businesses and consumers? (2 × 4) (8)  
[40]

**TOTAL SECTION B: 80**

**SECTION C**

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

Your answer will be assessed as follows:

STRUCTURE OF THE ESSAY	MARK ALLOCATION
<b>Introduction</b> <ul style="list-style-type: none"> <li>• A good starting point would be to define a concept or key word that appears in the question.</li> <li>• Include other sentences to support the topic.</li> <li>• Do not include in your introduction any part of the question.</li> <li>• Do not repeat any part of the introduction in the body.</li> <li>• Avoid saying in the introduction what you are going to discuss in the body.</li> </ul>	Max. 2
<b>Body</b> <b>Main part:</b> Discuss in detail / In-depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Explain / Assess / Debate	Max. 26
<b>Additional part:</b> 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	Max. 10
<b>Conclusion</b> Any relevant higher order conclusion that should include: <ul style="list-style-type: none"> <li>• A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body</li> <li>• An opinion or valued judgement on the facts discussed</li> <li>• Additional support information to strengthen the discussion / analysis</li> <li>• A contradictory viewpoint with motivation, if so required</li> <li>• Recommendations</li> </ul>	Max. 2
<b>TOTAL</b>	<b>40</b>

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

‘Markets are broadly categorised into perfect and imperfect markets.’

- Compare and contrast in detail the perfect competition and monopoly in terms of the following:
    - number of businesses
    - nature of the product
    - demand curves
    - output and price(26)
  - With the aid of a fully labelled graph illustrate the long run equilibrium position of a monopolist. (10)
- [40]**

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

‘Reliance on markets is not always a best decision.’

- With the aid of graphs, discuss in detail state intervention as a consequence of market failures, under the following headings:
    - minimum wages
    - maximum prices(26)
  - How successful is the South African government in solving income inequality? (10)
- [40]**

**TOTAL SECTION C: 40**

**GRAND TOTAL: 150**





