



Province of the
EASTERN CAPE
EDUCATION



NATIONAL SENIOR CERTIFICATE

GRADE 12

JUNE 2024

ECONOMICS P2

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. Number the answers correctly according to the numbering system used in this question paper.
3. Write the number of the question above each answer.
4. Read the questions carefully and start each question on a NEW page.
5. Leave 2–3 lines between subsections of questions.
6. 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.
7. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
8. Use only black or blue ink.
9. You may use a non-programmable pocket calculator.
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 only the letter (A–D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, for example 1.1.9 D.

1.1.1 In a perfect market, normal profit is also known as the ... point.

- A maximum
- B zero
- C break-even
- D minimum

1.1.2 A firm that has no control over prices, and adheres to market prices, is called a ...

- A price war.
- B price-taker.
- C price-maker.
- D monopoly.

1.1.3 The ... promotes and maintains competition in South Africa.

- A Competition Commission
- B Competition Tribunal
- C Competition Appeal Court
- D Competition Act

1.1.4 A market that consists of one seller of a unique product.

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

1.1.5 The price set by the government that is above the market price.

- A Minimum wages
- B Maximum prices
- C Minimum prices
- D Subsidies

1.1.6 CBA is a method used to assess ...

- A externalities.
- B public sector projects.
- C market failure.
- D private sector projects.

1.1.7 When perfect competitive businesses are in the long-run equilibrium they maximise ...

- A profits.
- B marginal cost.
- C variable cost.
- D average cost.

1.1.8 A tax that the government imposes to discourage the consumption of demerit goods.

- A Customs duty
- B VAT
- C Personal income
- D Sin tax

(8 x 2) (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 numbers (1.2.1 to 1.2.8) in the ANSWER BOOK, for example 1.2.9 J.

COLUMN A		COLUMN B	
1.2.1	Explicit cost	A	an institution that investigates restrictive business practices
1.2.2	The Competition Commission	B	a group of producers who form a collective monopoly
1.2.3	Monopolistic Competition	C	goods that are beneficial to the society
1.2.4	Cartel	D	refers to the extra amount of income gained by selling one more unit of production
1.2.5	Private cost	E	actual expenditure of businesses
1.2.6	Black market	F	a market structure in which there are many buyers and sellers
1.2.7	Merit goods	G	cost paid by the consumer when goods are purchased
1.2.8	Marginal revenue	H	an illegal market in which goods are bought and sold
		I	the cost of a good or service which is paid by society

(8 x 1)

(8)

- 1.3 Give ONE term for each 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 Products that are identical in style, design and quality
- 1.3.2 The amount of money received from the sales of a product
- 1.3.3 A situation where one firm fixes a price and others accept it as the market price
- 1.3.4 The period of production where all factors can change
- 1.3.5 It occurs when a business or economy does not produce products at the lowest possible cost
- 1.3.6 Grant or support given to business by government.

(6 x 1)

(6)

TOTAL SECTION A: 30

SECTION B

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

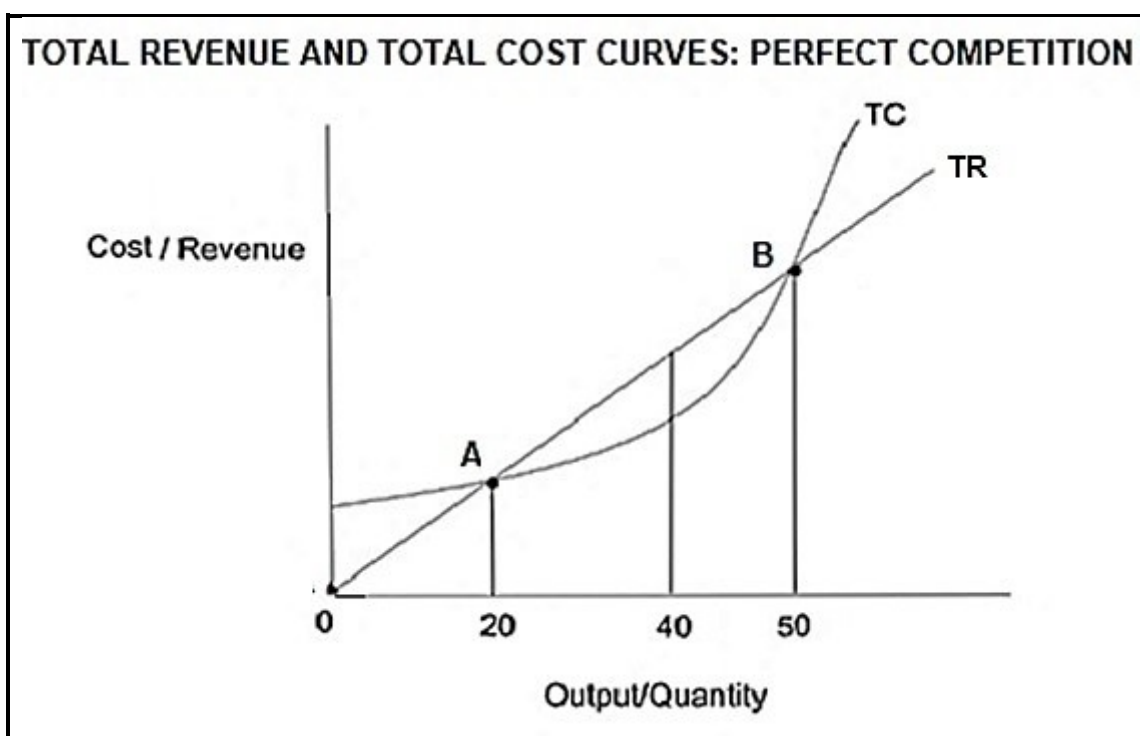
QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name any TWO types of profit in a perfect market. (2 x 1) (2)

2.1.2 Why do firms make an economic loss in the short-run? (1 x 2) (2)

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



2.2.1 Identify a break-even point on the graph above. (1)

2.2.2 Name ONE curve that can be used to illustrate the profit maximisation point of a perfectly competitive firm. (1)

2.2.3 Briefly describe the term *profit maximisation*. (2)

2.2.4 Why is the firm above maximising profit when output produced is 40? (2)

2.2.5 How does the total revenue (TR) curve of a perfectly competitive firm differ from the one of an imperfectly competitive firm. (2 x 2) (4)

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

DECLINE IN LARGE CHAIN STORES

A decrease in space occupied by South African chain stores is noticeable, as these groups are reducing their services in shopping malls. As South Africa moves towards more digital channels (online shopping), established chain stores such as Shoprite, Checkers and Usave have downscaled their branches around the country.

[Source: <https://www.news24.com/news 24>]

- 2.3.1 Identify ONE non-price competition method that chain stores use to compete, from the extract above. (1)
- 2.3.2 Name the market structure associated with chain stores. (1)
- 2.3.3 Briefly describe the term *collusion*. (2)
- 2.3.4 Why would a monopolistic competitor not gain a larger market share if they decrease their prices? (2)
- 2.3.5 What negative consequences could the closing down of chain stores have on employees? (2 x 2) (4)
- 2.4 Briefly describe the objectives of the competition policy in South Africa. (4 x 2) (8)
- 2.5 How would the implementation of minimum wages impact negatively on the economy? (4 x 2) (8)
- [40]**

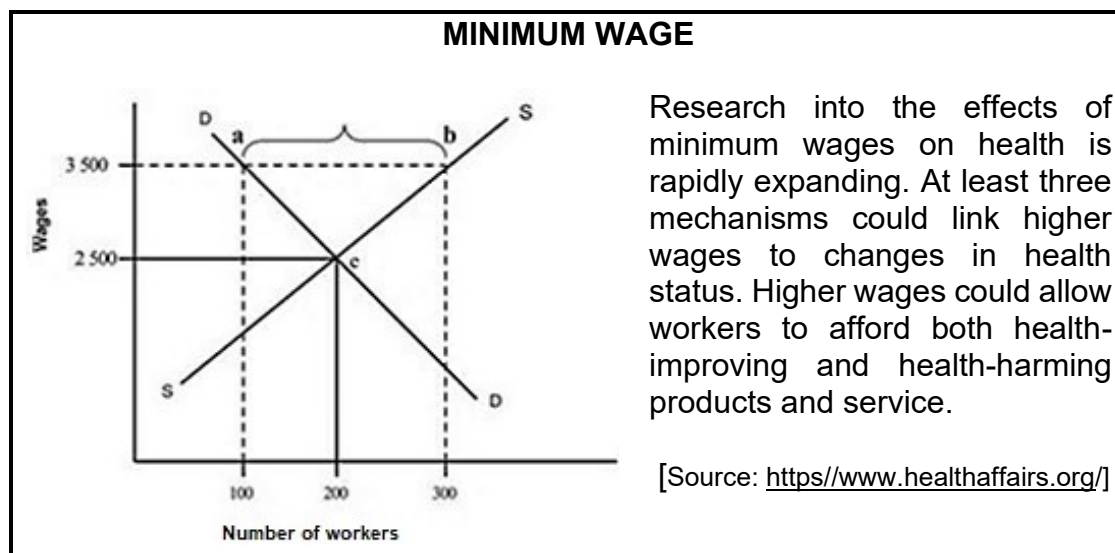
QUESTION 3: MICROECONOMICS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Name any TWO features of public goods. (2 x 1) (2)

3.1.2 How would the reducing of wealth and income gaps affect consumers positively? (2 x 1) (2)

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



3.2.1 Identify the market wage on the graph above. (1)

3.2.2 Name the curve in the graph that represents the employers. (1)

3.2.3 Briefly describe the term *maximum price*. (2)

3.2.4 Why does the government levy indirect taxes on demerit goods? (2)

3.2.5 Why is competition in the market good for the economy? (2 x 2) (4)

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

MARKET FAILURE

In the country of Mali, the government will be able to build 1 800 schools if they spend all their resources on the production of school and 12 000 houses if they spend all their available resources on the production of houses.

The need for houses and schools, however, is 16 000 and 13 000 respectively to optimally satisfy the needs of the people in the country. The roads in the country are also in a poor condition, but the government cannot prioritise this now, due to a shortage of funds.

[Source: <https://www.econlib.org>]

- | | | |
|-------|---|-------------|
| 3.3.1 | Identify the number of houses the market will provide if all resources were spent on houses. | (1) |
| 3.3.2 | How many schools should the government provide to reach the socially optimum allocation? | (1) |
| 3.3.3 | Briefly describe the term <i>market failure</i> . | (2) |
| 3.3.4 | Why are markets reluctant to provide public goods such as roads? | (2) |
| 3.3.5 | How can the government encourage positive externalities? (2 x 2) | (4) |
| 3.4 | Briefly discuss <i>non-price competition</i> and market entry as characteristics of monopolistic competition. (4 x 2) | (8) |
| 3.5 | Why are negative externalities considered a consequence of market failure? (4 x 2) | (8) |
| | | [40] |

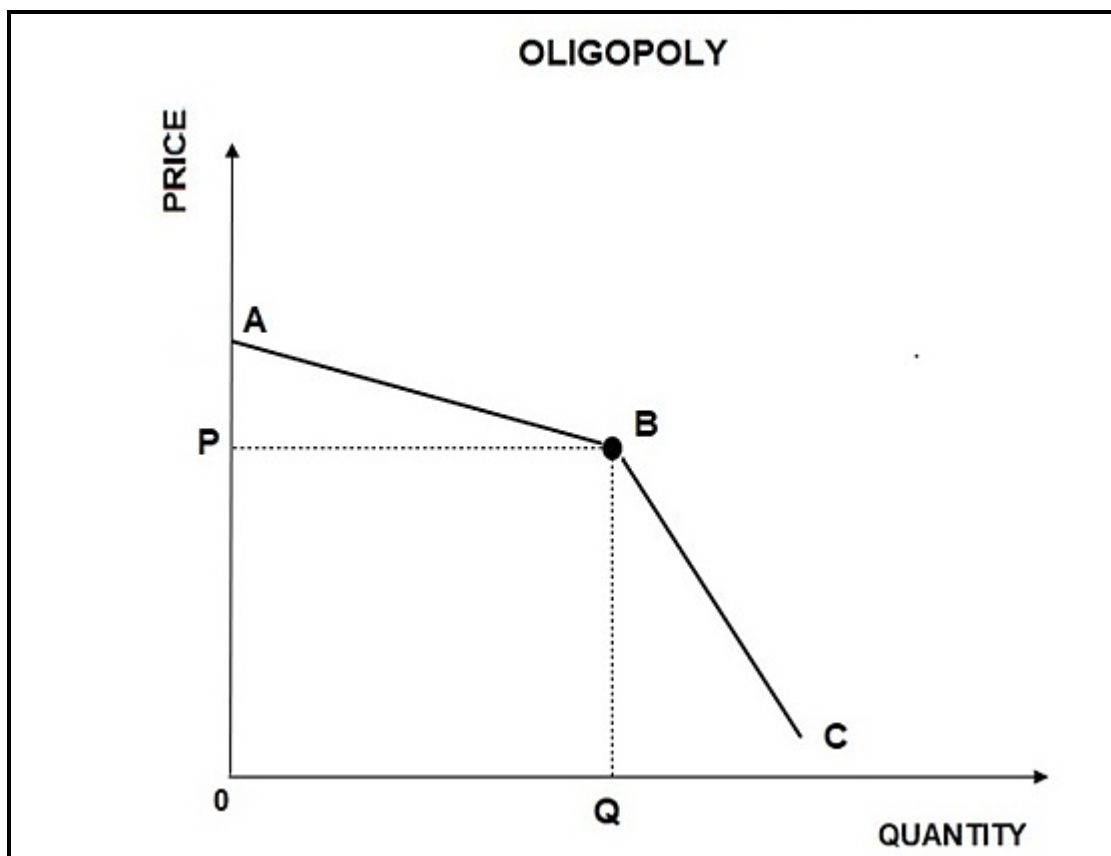
QUESTION 4: MICROECONOMICS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO examples of explicit cost. (2 x 1) (2)

4.1.2 Why is the private sector reluctant to provide community goods? (2 x 1) (2)

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



4.2.1 Identify the market price from the graph above. (1)

4.2.2 Which part of the demand curve is elastic on the graph above? (1)

4.2.3 Briefly describe the term *oligopoly*. (2)

4.2.4 Why is the demand curve of an oligopoly kinked? (2)

4.2.5 How can the government correct allocative distortions caused by oligopolies? (2 x 2) (4)

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

**COMPETITION TRIBUNAL
TRAIL BETWEEN NEW AFRICA TAX-FREE STORES VERSUS DAKAR
(PTY) LTD**

In this matter, New Africa tax-free stores accuses Dakar Ltd of abuse of dominance due to its market power.

The matter arose after Dakar stopped supplying inferior products to New Africa. Dakar alleged that the products supplied to New Africa on a duty-free basis had made its way into the South African duty-paid market, a form of illicit products trading known as 'leakage'. Dakar is denying these claims. They are now asking the Tribunal for an order declaring that Dakar is abusing its dominance, in contravention of the Competition Act.

[Adapted from <https://www.comptrib.co.za>]

- 4.3.1 Identify an institution that is responsible for investigating anti-competitive behaviour in the extract above. (1)
- 4.3.2 Which institution rules on the cases submitted by businesses that are not satisfied with the rulings made by the Competition Tribunal? (1)
- 4.3.3 Briefly describe the term *implicit costs*. (2)
- 4.3.4 Explain the way in which dominant businesses can abuse their market powers. (2)
- 4.3.5 How can small, medium and micro enterprises (SMME) contribute to the goals of the competition policy? (2 x 2) (4)
- 4.4 Briefly discuss *overt collusion* and *tacit collusion*. (4 x 2) (8)
- 4.5 Examine the conditions under which perfect competition successfully operates. (4 x 2) (8)
- [40]**

TOTAL SECTION B: 80

SECTION C

Answer any ONE question of the TWO questions in the 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 mentioning 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/Compare/Evaluate/Distinguish/Differentiate/Explain/Assess/Debate/Draw a graph and explain/Use the graph given and explain/Complete the given graph A maximum of 8 marks may be allocated for headings/examples. Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Deduce/Compare/Distinguish/Interpret/Briefly debate/How?/Suggest/Analyse A maximum of 2 marks may be allocated for mere listing of facts.	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 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: MICROECONOMICS**40 MARKS – 40 MINUTES**

- With the aid of graphs discuss in detail the various equilibrium positions under perfect market conditions. (26 marks)
- Why are South African state monopolies unable to achieve economic profit? (10 marks)

[40]**QUESTION 6: CONTEMPORARY ECONOMIC ISSUES 40 MARKS – 40 MINUTES**

- Discuss in detail the factors that lead to the misallocation of resources in the market under the following subheadings:
 - Missing markets (10 marks)
 - Lack of information (8 marks)
 - Immobility of factors of production (8 marks)
- How effective is the government's intervention strategy on the redistribution of wealth in South Africa? (10 marks)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150