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KWAZULU-NATAL PROVINCE

EDUCATION
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS P2

COMMON TEST

JUNE 2024

MARKS: 150

TIME: 2 hours

This question paper consists of 12 pages.



INSTRUCTIONS AND INFORMATION

1. Answer THREE questions as follows:
 - SECTION A: COMPULSORY
 - SECTION B: Answer any TWO questions from this section.
 - SECTION C: Answer any 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 each question above each answer.
4. Read the questions carefully and start EACH question on a new page.
5. Leave at least ONE line between subsections of each question.
6. Start each question on a new page.
7. Answer questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
8. Answer ONLY the required number of questions. Answers in excess of the required number will NOT be marked.
9. Use ONLY blue or black ink.
10. Non-programmable pocket calculators may be used.
11. Write legibly 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 – C) next to the question number (1.1.1 – 1.1.5) in the ANSWER BOOK. e.g. 1.1.6 D.

1.1.1. A group of firms selling similar products is called a/an ...

- A. economy.
- B. market.
- C. industry.
- D. supply.

1.1.2. In a perfect market, entry is ...

- A. blocked.
- B. free.
- C. limited.
- D. minimum.

1.1.3. Social costs are sum of private and ... costs.

- A. internal
- B. external
- C. variable
- D. public

1.1.4. Goods that are highly desirable for the populations general welfare are called ... goods

- A. merit
- B. community
- C. collective
- D. demerit

1.1.5. The nature of a product sold by a monopoly is ...

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

1.1.6. An oligopolist makes ... profit in a short-run.

- A. economic
- B. business
- C. normal
- D. maximum



1.1.7. The value of inputs owned by an entrepreneur and are used in the production process are called ... costs.

- A. total
- B. production
- C. explicit
- D. implicit

1.1.8. The benefit gained by the community for the use of goods and services is called ... benefit.

- A. private
- B. internal
- C. social
- D. individual

(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 number (1.2.1.-1.2.8.) in the ANSWER BOOK.

Column	Column B
1.2.1 Marginal revenue	A. A spill-over effects to third parties which are not included in the price
1.2.2 Black market	B. Expenses that cannot be recovered by the businesses e.g. advertising
1.2.3 Externalities	C. Dominated by few large sellers
1.2.4 Variable costs	D. Income received for an additional unit sold
1.2.5 Missing markets	E. An illegal market in which illegal goods are bought and sold
1.2.6 Oligopoly	F. Removal of rules and laws to facilitate optimal production
1.2.7 Sunk costs	G. Change as the level of output changes
1.2.8 Deregulation	H. A large number of sellers operate
	I. A condition where the private sector fail to provide certain goods and services

(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.-1.3.4.) in the ANSWER BOOK. Acronyms and abbreviations will NOT be accepted.

1.3.1. Supernormal profits made by the business in addition to normal profit.

1.3.2. Costs incurred for every extra unit produced.

1.3.3. Prices that are controlled by the government.

1.3.4. A group of firms entering into formal agreement to limit competition.

1.3.5. An exclusive right given to a firm to manufacture a product.

1.3.6 A situation where it is impossible to make someone better off without making someone worse off.

(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 TWO**MICRO-ECONOMICS****40 MARKS-30 MINUTES**

2.1 Answer the following questions.

2.1.1. Give any TWO examples of positive externalities. (2x1) (2)

2.1.2. What is the benefit of being in the monopoly business? (1 x 2) (2)

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

MARKET A			MARKET B		
Quantity	Price	TR	Quantity	Price	TR
0	R15	-	0	30	-
1	R15	15	1	25	25
2	R15	30	2	20	40
3	R15	45	3	15	30
4	R15	60	4	10	40
5	R15	75	5	5	25

2.2.1. Identify the market structure in which the demand curve would be downwards sloping from the above information. (1)

2.2.2. What is the nature of the product sold in a monopolistic competitive firm? (1)

2.2.3. Briefly describe the term *average revenue*. (2)

2.2.4. Why do firms find it easy to enter the monopolistic competitive market? (4)

2.2.5. Calculate the marginal revenue for unit 2 in market B. Show all calculations. (4)

[10]

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

NEW BILL BRINGS SA CLOSER TO MORE COMPETITIVE ELECTRICITY MARKET

SAs power market is set for transformation with the passing of the Electricity Regulation Amendment Bill by the National Assembly.

The bill's approval received overwhelming support with 234 votes in favour and only 25 against. However, its prospects of being signed into law before the general elections in May seem doubtful.

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- 2.3.1 Identify the market structure under which ESKOM operate in the extract above. (1)
- 2.3.2. What is the nature of a product such as electricity? (1)
- 2.3.3. Briefly describe the term *market*. (2)
- 2.3.4. How can Eskom improve electricity supply in South Africa? (2)
- 2.3.5. How would competition against ESKOM benefit the economy of South Africa? (4)
- 2.4. With an aid of a well labelled graph briefly discuss profit maximisation using the TR and TC curves. (8)
- 2.5 How do firms in an oligopoly market increase profits without causing price wars? (8)
- [40]**

QUESTION 3 MICRO-ECONOMICS**40 MARKS-30 MINUTES**

3.1 Answer the following questions.

3.1.1. Name any TWO institutions that promote competition in South Africa. (2x1) (2)

3.1.2. Why is the MR curve the same as the demand curve in a perfect market? (1x2) (2)

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



3.2.1. Name the market structure on the picture above. (1)

3.2.2. What type of profits are made in a monopolistic competitive firm in a short run? (1)

3.2.3. Briefly describe the term *long-run*. (2)

3.2.4. Why is the monopolistic competition considered to be a hybrid structure? (2)

3.2.5. Why is product differentiation beneficial to the monopolistic competitor? (2x2) (4)

[10]

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

THE COMPETITION POLICY

The Competition Commission has reasonable grounds to suspect that eight insurance companies have participated in collusive practises to fix prices and trading in South Africa. The companies are said to share information on premium rates which enables them to adjust prices of their insurance products.

Source: The Citizen

- 3.3.1. Give the market structure discussed in the extract above. (1)
- 3.3.2. What type of collusion are these insurance companies involved in? (1)
- 3.3.3 Briefly explain the term *duopoly*. (2)
- 3.3.4 How could the government limit collusion? (2)
- 3.3.5 What negative effect would limited competition of firms have on consumers? (2x2) (4)
- [10]**
- 3.4 Discuss immobility of the factors of production as a cause of market failure. (8)
- 3.5 How beneficial is the cost benefit analysis to the government? (8)
- [40]**



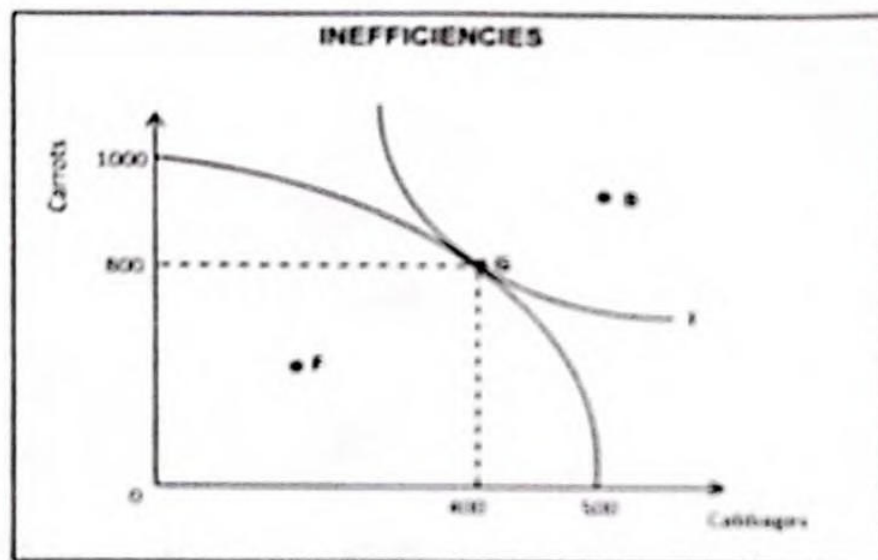
QUESTION 4 MICRO-ECONOMICS**40 MARKS-30 MINUTES**

4.1. Answer the following questions

4.1.1. Give any TWO features of the public goods. (1x2) (2)

4.1.2. How does the decrease in producer tax affect consumers? (2 x 1) (2)

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



4.2.1. Identify the curve that relates to allocative efficiency (1)

4.2.2. What quantity of cabbages will be supplied if 800 units of carrots are produced? (1)

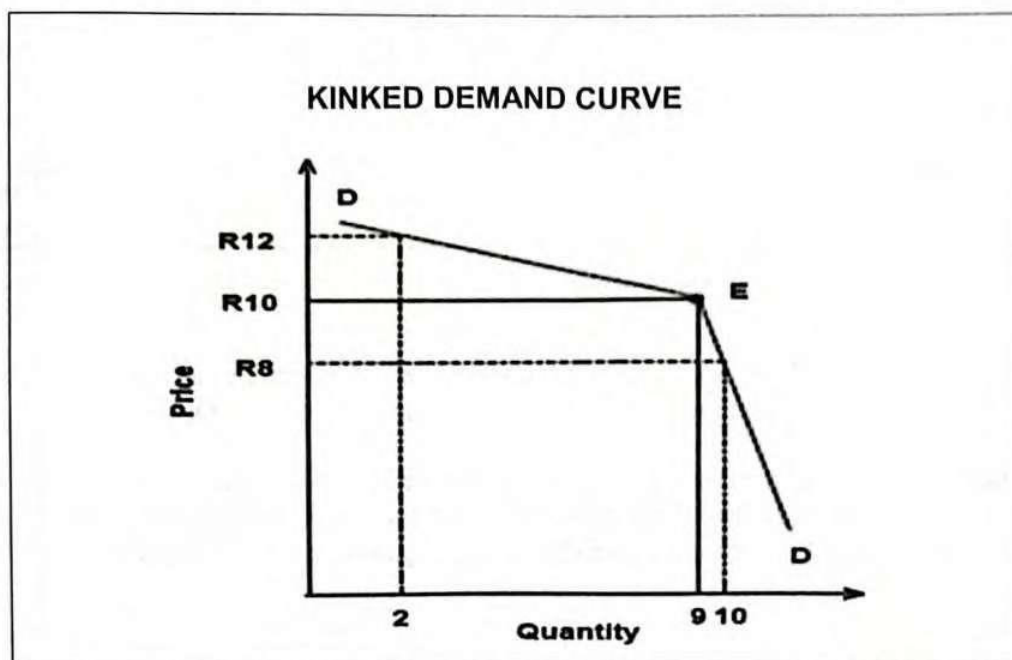
4.2.3 Briefly describe the term *productive inefficiency* (2)

4.2.4 Why would production at point F be regarded as inefficient? (2)

4.2.5 How can the government discourage the consumption of demerit goods? (2x2) (4)



4.3 Study the graph below and answer questions that follow.



4.3.1. Identify the market price on the graph above. (1)

4.3.2. Which part of the demand curve is elastic? (1)

4.3.3. Briefly describe the term *pure oligopoly* (2)

4.3.4. Why would firms be reluctant to increase price in this market? (2)

4.3.5 Calculate the total revenue earned by this firm.
Show all calculations. (2 x 2) (4)

[10]

4.4 With an aid of a well labelled graph explain how a firm in a monopoly market make an economic loss. (8)

4.5 Evaluate competition policy on South African economy. (8)

[40]



SECTION C

Answer **ONE** question from this section in the ANSWER BOOK

Your answer will be assessed as follows:

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max. 2
Body:	
Main part: Discuss in detail/In-depth discussion/Examine/ Critically discuss/ Analyse/Compare/ Evaluate/Distinguish/ Differentiate/Explain/Assess/Debate	Max. 26
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	Max. 10
Conclusion:	Max. 2
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 in the body • Any opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations 	
TOTAL	40

QUESTION 5

- Discuss in detail various equilibrium positions with an aid of graphs in a perfect market. (26)
 - Why is a perfect market considered to be more efficient when compared to other market structures? (10)
- [40]**

QUESTION 6

- Discuss in detail government intervention as a consequence of market failures, with an aid of relevant graphs.
 - Maximum prices (13)
 - Providing producer subsidy (13)
 - Why is it necessary to implement a national minimum wage in South Africa? (10)
- [40]**

