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JUNE EXAMINATION GRADE 12

2025

ECONOMICS

(PAPER 2)

ECONOMICS P2



C2732E

TIME: 2 hours

MARKS: 150

14 pages

X05



**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. 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 answer and write only the letter (A – D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

1.1.1 ... products are perfect substitutes for each other.

- A Unique
- B Heterogeneous
- C Homogeneous
- D Proliferated

1.1.2 What is likely to happen if a previously competitive market becomes a monopoly?

	Barriers to entry	Economies of scale	The size of the firm
A	Decrease	Decrease	Increases
B	Decrease	Increase	Decreases
C	Increase	Decrease	Decreases
D	Increase	Increase	Increases

1.1.3 Why would an economy not rely solely on market forces to distribute resources fairly?

- A Public goods will not be supplied.
- B Demerit goods will not be supplied.
- C Merit goods will be over supplied.
- D Private goods will not be supplied.

1.1.4 ... refers to the characteristics of a market that influence its performance.

- A Market mechanism
- B Market structure
- C Market conduct
- D Market failure





1.1.5. As with monopolies, ... will use their market power to limit production and raise prices.

- A perfect markets
- B monopolistic markets
- C hybrid structures
- D oligopoly markets

1.1.6. ... occurs when the same good is sold at different prices to different consumers.

- A Price leadership
- B Price stability
- C Price discrimination
- D Price ceiling

1.1.7. What is the significance of the demand curve for a firm in a perfectly competitive market?

- A It determines the firm's profit-maximising output level.
- B It determines the firm's market power.
- C It determines the firm's production costs.
- D It determines the firm's advertising budget.

1.1.8. Which assumption is essential to ensure that a market is contestable?

- A The market is supplied by a large number of firms.
- B Firms are free to enter and leave the market.
- C Firms cannot earn abnormal profits in the short run.
- D Firms produce differentiated goods in the market. (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 – 1.2.8) in the ANSWER BOOK, e.g. 1.2.9 J.

COLUMN A	COLUMN B
1.2.1 Industry	A the government can regulate companies that produce negative externalities by enacting new laws or by using the existing legislative framework
1.2.2 Information	
1.2.3 Direct control	B when one firm takes over another firm and that firm then ceases to exist
1.2.4 Acquisition	
1.2.5 Duopoly	C monopolistic competitors use various approaches to communicate with consumers with the primary aim of increasing market share
1.2.6 Sunk costs	
1.2.7 Dumping	D commercial healthcare providers find it unprofitable to provide these services, resulting in a rural population lacking access to affordable healthcare
1.2.8 Missing markets	E expenses that have already been incurred and cannot be recovered, regardless of future decisions
	F a market structure where two firms dominate the market
	G markets where goods and services are sold illegally, often at higher prices
	H all the businesses producing a particular kind of product or service
	I some countries sell their surplus goods in a foreign country at lower prices than it costs them to produce the goods

(8 x 1) (8)





1.3 Give ONE term for each of 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 When a market produces the maximum quantity of goods and services from a given set of resources

1.3.2 An incremental change in total revenue resulting from the sale of one additional unit of output

1.3.3 It is associated with very high start-up costs and will not earn a profit for many years

1.3.4 The overall product and service perception that the business aims to generate with consumers

1.3.5 The costs or benefits affecting third parties that are excluded from the market price of a product or service

1.3.6 A monetary allowance provided to a producer to lower the cost of manufacturing, allowing more goods to be offered at a lower price

(6 x 1) 6

TOTAL SECTION A: 30



SECTION B

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

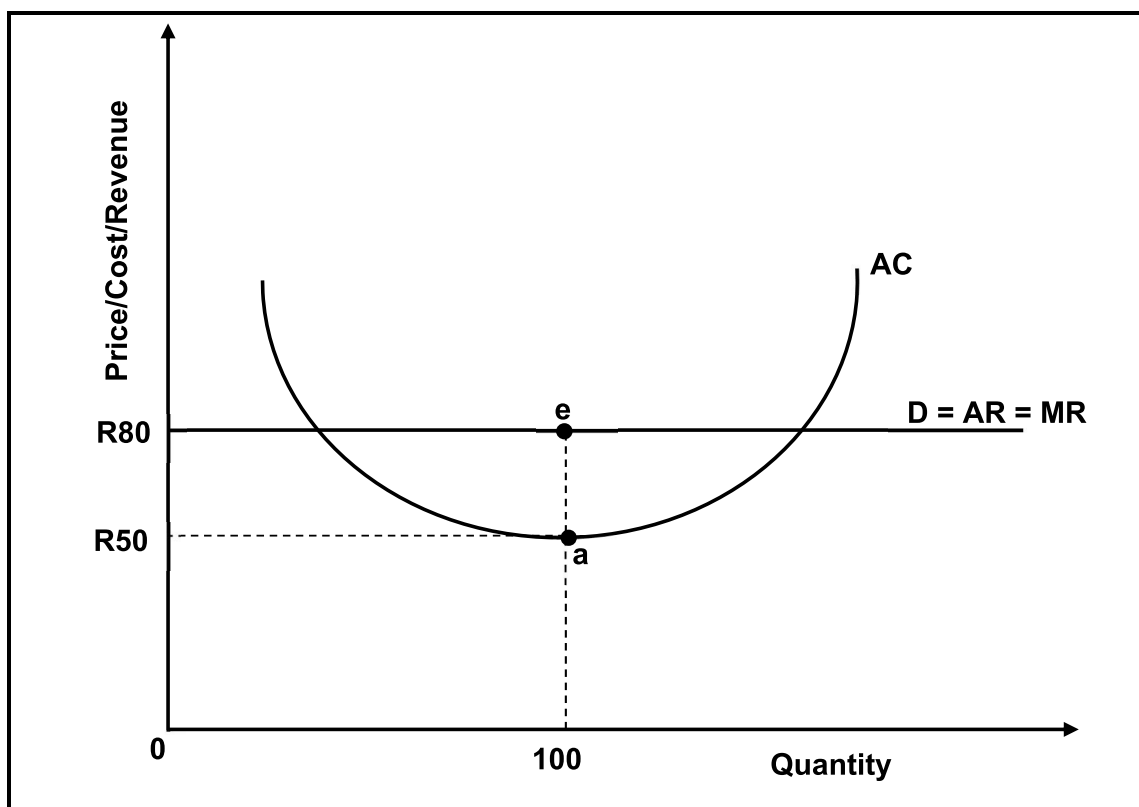
QUESTION 2: MICROECONOMICS
40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO examples of explicit costs. (2 x 1) (2)

2.1.2 Why is it important to adjust future values to their present-day equivalents in a cost-benefit analysis? (1 x 2) (2)

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



2.2.1 Identify the profit maximisation point in the graph above. (1)

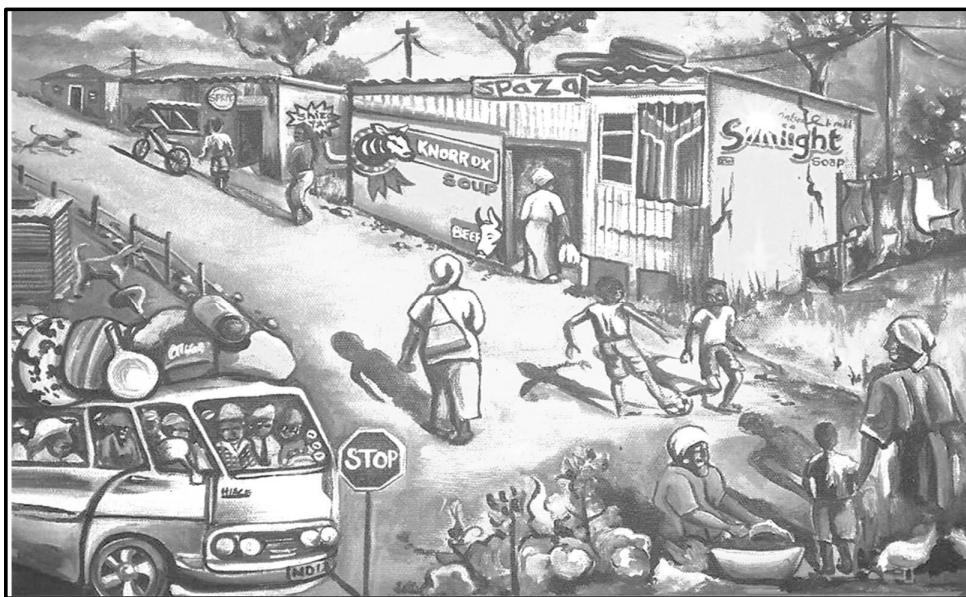
2.2.2 Name the missing curve in the above diagram. (1)

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

2.2.4 Explain how the assumptions of perfect markets differ from the real-world marketplace. (2)

2.2.5 Calculate the equilibrium position of the firm above. Show ALL calculations. (2 x 2) (4)

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



[Source: Facebook images]

- 2.3.1 Identify an example of non-price competition used by monopolistic competitors in the cartoon above. (1)
- 2.3.2 How many markets are combined to form a hybrid market structure? (1)
- 2.3.3 Briefly describe the term *allocative efficiency*. (2)
- 2.3.4 What are the new barriers to entry for new spaza shops in the given market? (2)
- 2.3.5 How does the availability of substitutes influence pricing decisions in imperfect markets? (2 x 2) (4)
- 2.4 Briefly explain South Africa's antimonopolistic policy. (4 x 2) (8)
- 2.5 How can subsidies be used to correct market failures caused by externalities? (8)
- [40]**

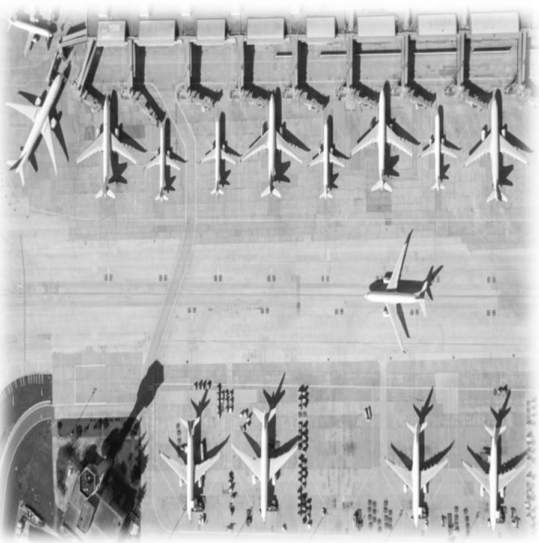
QUESTION 3: MICROECONOMICS
40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 List any TWO characteristics of public goods. (2 x 1) (2)

3.1.2 How could the closure of firms harm consumers? (1 x 2) (2)

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

NEW AIRPORT PLANNED FOR SOUTH AFRICA IN R200 BILLION DEVELOPMENT	
	<p>Gauteng's Finance and Economic Development MEC, has revealed plans for a new airport in the Sedibeng District as part of an estimated infrastructure investment of R200 billion. This initiative aims to stimulate economic growth and development in the region.</p> <p>The proposed airport is expected to enhance connectivity and create numerous job opportunities, contributing to the province's economic revitalisation. The project's potential to attract both local and international investors, positions Sedibeng as a significant economic hub.</p>

[Source: <https://businesstech.co.za/news/government/801609>]

3.2.1 Identify ONE way in which the proposed airport might benefit the economy of South Africa. (1)

3.2.2 Name any ONE type of benefit that is considered during a cost-benefit analysis. (1)

3.2.3 Briefly describe the term *social costs*. (2)

3.2.4 Why would applying the cost-benefit analysis be a challenge to the government? (2)

3.2.5 How could decision-makers of the above project address intangible costs and benefits that are difficult to monetise? (2 x 2) (4)

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

**SOUTH AFRICAN COMPETITION TRIBUNAL BLOCKS VODACOM'S
MERGER WITH MAZIVT**

The Tribunal's ruling came after the Competition Commission recommended the deal be prohibited due to the potential risks to competition in the telecom sector and, consequently referred the matter to the Competition Tribunal. This was after the Independent Communications Authority of South Africa (ICASA) approved the merger in November 2022.

Vodacom argued that the merger would help bridge South Africa's digital divide by expanding fibre connectivity in underserved communities. Per the Tribunal, however, the transaction would consolidate Vodacom's standing as South Africa's largest mobile operator with a dominant position in the fibre infrastructure market, potentially harming competition.

[Source: <https://techpoint.africa/2024/10/29/regulator-blocks-vodacoms-merger-maziv/>]

- 3.3.1 Identify the institution that accepts or rejects the investigation and recommendation of the Competition Commission. (1)
- 3.3.2 What was the primary reason for the Competition Tribunal's decision to block Vodacom's merger with MazivT? (1)
- 3.3.3 Briefly describe the term *merger*. (2)
- 3.3.4 What effect does competition have on prices? (2)
- 3.3.5 How does the Competition Commission promote fair competition between large enterprises and SMMEs in South Africa? (2 x 2) (4)
- 3.4 Explain, with the aid of a well-labelled graph, the levying of taxes as a consequence of market failure. (4 x 2) (8)
- 3.5 How does the assumption of perfect information affect the behaviour of firms and consumers in a perfectly competitive market? (8)

[40]

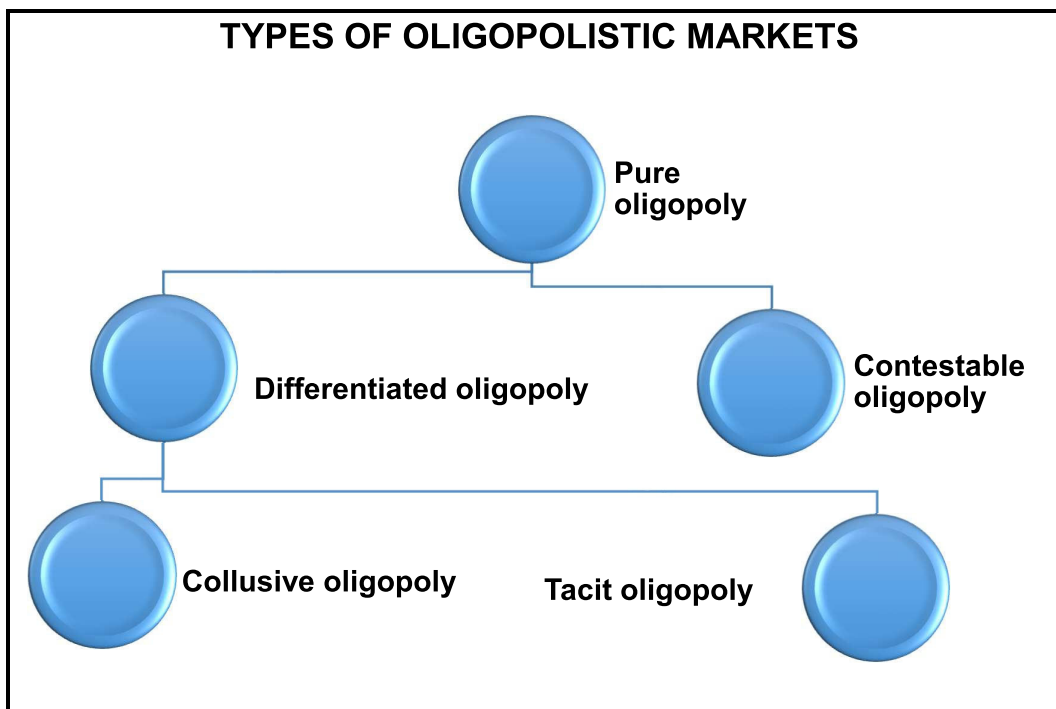
QUESTION 4: MICROECONOMICS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name any TWO disadvantages of imperfect markets. (2 x 1) (2)

4.1.2 Why would it not be beneficial for a perfectly competitive firm to increase its prices? (1 x 2) (2)

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



4.2.1 How many firms are found in an oligopoly market structure? (1)

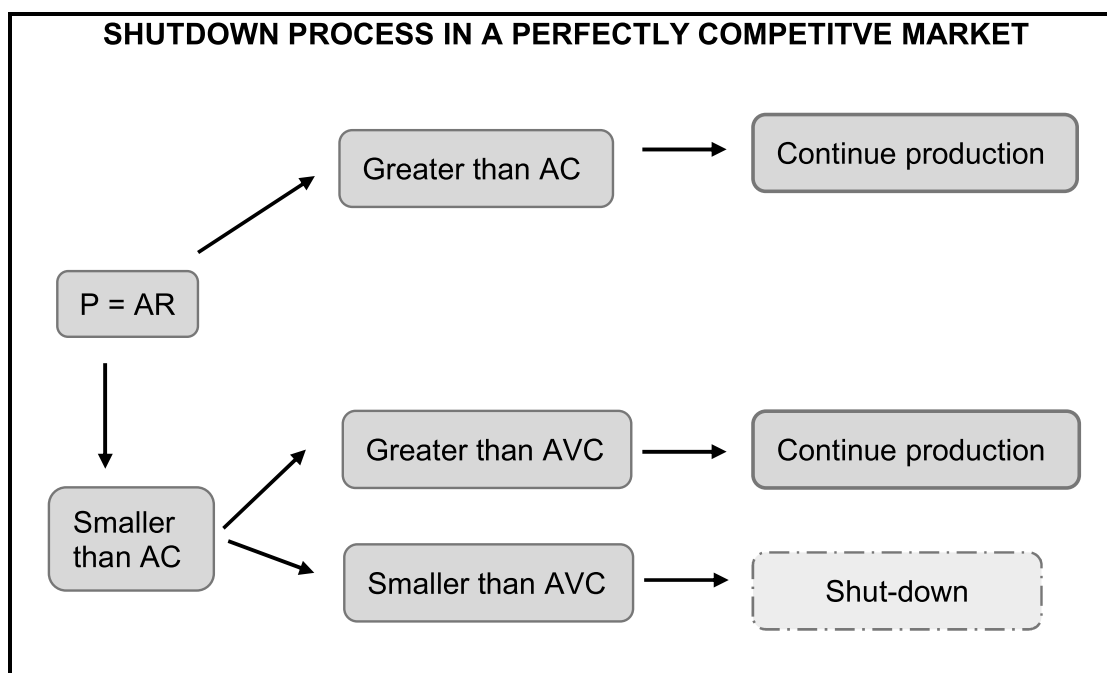
4.2.2 What is the nature of the product sold by a differentiated oligopoly? (1)

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

4.2.4 What impact has TikTok had on the market in South Africa? (2)

4.2.5 How can price leadership lead to tacit collusion? (2 x 2) (4)

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



- 4.3.1 Identify the concept that defines the variable cost incurred per unit produced. (1)
- 4.3.2 In which production period can a perfect competitor make an economic profit? (1)
- 4.3.3 Briefly describe the term *marginal product*. (2)
- 4.3.4 What does "P = AR" signify in this context? (2)
- 4.3.5 Why is the ability to cover variable costs more important for survival in a perfectly competitive market compared to a market with less competition? (2 x 2) (4)
- 4.4 Briefly discuss product differentiation as a characteristic in a monopolistic competition firm. (4 x 2) (8)
- 4.5 Analyse the effect of a perfectly competitive firm being a price taker in the market. (8)
- [40]**

TOTAL SECTION B: 80

**SECTION C**

Answer ONE of the two question from this section 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 the 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/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Assess/Debate A maximum of 8 marks may be allocated for headings/examples. Additional part: Critically discuss/Evaluate/Critically evaluate/Debate/Deduce/Compare/Distinguish/Interpret/How?/Suggest A maximum of 2 marks may be allocated for the 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 judgment 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

- Discuss in detail the following equilibrium positions of a monopoly:
 - Economic profit and economic loss (short run) without a graph
 - Economic profit (long-run) with a graph (26)
 - Evaluate whether supernormal profit is always necessary for the continued existence of firms in perfect competition and monopoly. (10)
- [40]**

QUESTION 6: MICROECONOMICS
40 MARKS – 40 MINUTES

- Discuss in detail how the following factors lead to the misallocation of resources in the market:
 - Immobility of factors of production (10)
 - Lack of information (8)
 - Imperfect competition (8) (26)
 - Assess the effectiveness of the government's involvement in markets for wealth distribution in South Africa. (10)
- [40]**

TOTAL SECTION C: 40
TOTAL: 150
