



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

ECONOMICS
PAPER 2
MAY/JUNE 2021

MARKS: 150

TIME: 2 HOUR

This marking guideline consists of 13

INSTRUCTIONS AND INFORMATION

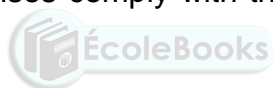
1. Answer FOUR questions as follows in the ANSWER BOOK:

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–C) next to the question number (1.1.1–1.1.8) in the ANSWER BOOK, for example 1.1.9 C
- 1.1.1 The actual expenses of a business on the purchase of inputs required for the production process are ... costs
- A social
 - B explicit
 - C implicit
 - D private
- 1.1.2 The ascending part of the marginal cost curve from the intersection portion of the average variable cost curve (AVC) is also the known as the ... curve.
- A supply
 - B demand
 - C average cost
 - D Phillip's
- 1.1.3 A monopolist in comparison with a perfect competitor will produce ... price.
- A less at a higher
 - B more at a lower
 - C more at a higher
 - D none of the above
- 1.1.4 Spill-over effects in the economy are also known as ...
- A inefficiencies.
 - B taxes.
 - C subsidies.
 - D externalities.
- 1.1.5 Tacit collusion occurs in ...
- A cartels
 - B perfect markets
 - C price leadership
 - D non-price competition

1.1.6 Greater objectivity in decision-making in government projects, is brought about using the ...

- A Consumer Price Index (CPI).
- B Comparative inflation rates
- C Private Sector Performance Index Figures
- D Cost Benefit Analysis (CBA)

1.1.7 Profits are maximised when ...

- A total revenue = total costs.
- B marginal revenue is greater than marginal cost.
- C demand = supply.
- D vertical distance between total revenue and total cost is the greatest.

1.1.8 In a monopoly market, the MR and AR are equal during production of the ... item is produced.

- A first
- B third
- C fifth
- D seventh

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

COLUMN A		COLUMN B	
1.2.1	Normal profit	A	Resources are not appropriately used to produce maximum output at lowest cost
1.2.2	Shut down		
1.2.3	Marginal revenue	B	Amount a firm earns for every unit sold
1.2.4	Average revenue	C	Consumption by one person does not reduce consumption by another individual
1.2.5	Non-rivalry		
1.2.6	Technical inefficiency	D	It also represents the industry
1.2.7	Maximum price	E	It is set below the market price to make the good affordable
1.2.8	Competition tribunal	F	Marginal cost equals to average variable cost
		G	Approves large mergers
		H	Minimum earning required to prevent entrepreneur from leaving industry
		I	Additional income received from the sale of an additional product

(8 x 1)

(8)

- 1.3 Give ONE term for each of the following descriptions. Write only the term next to the question number (1.3.1–1.3.6) in the ANSWER BOOK.

- 1.3.1 Where MC equals to MR
- 1.3.2 Costs that remain the same even if output changes
- 1.3.3 One firm fixes the price and others accept it as market price
- 1.3.4 Goods beneficial to society that every individual should consume irrespective of their incomes
- 1.3.5 High development costs that prevent others from entering the market
- 1.3.6 Buyers and sellers make arrangements to limit competition

(6 x 1)

(6)

TOTAL SECTION A: 30

SECTION B

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

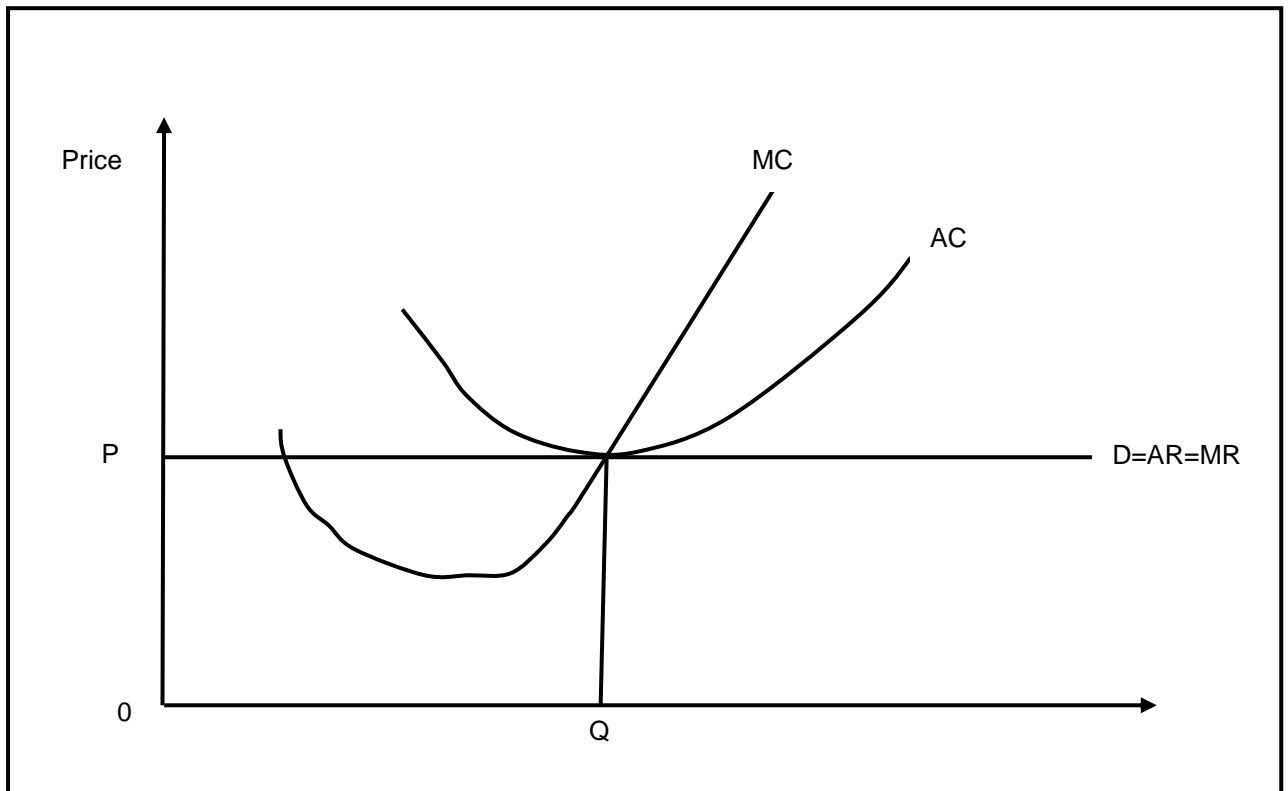
QUESTION 2: MICROECONOMICS**40 MARKS – 30 MINUTES**

2.1 Answer the following questions.

2.1.1 Name **TWO** characteristics of Oligopoly market. (2 x 1) (2)

2.1.2 Why is it difficult for a perfect competitor to make economic profit in the long run? (2)

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



2.2.1 Identify the market structure depicted by the graph above. (1)

2.2.2 What kind / type of profit is made in the depicted graph above. (1)

2.2.3 Briefly describe the term *perfect market*. (2)

2.2.4 Why is the demand curve of an individual business in perfect competition always horizontal? (2)

2.2.5 What positive impact has the competition commission achieved since its establishment? (2 x 2) (4)

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

Fast foods industry



[Adapted from Google Images]

- 2.3.1 Identify the market structure depicted by the graph above. (1)
- 2.3.2 What gives businesses in this market little control over the price of their product? (1)
- 2.3.3 Briefly describe the term *collusion*. (2)
- 2.3.4 Why is the MR curve in monopolistic competition always sloping below the AR curve? (2)
- 2.3.5 Why are cartels generally economically unstable? (2 x 2) (4)
- 2.4 Differentiate between the *nature of the product* and *market entry* as characteristics of perfect competition. (8)
- 2.5 Discuss the challenges that a monopolist would face if excessively high prices are charged for their products. (8)
- [40]**

QUESTION 3: MICROECONOMICS

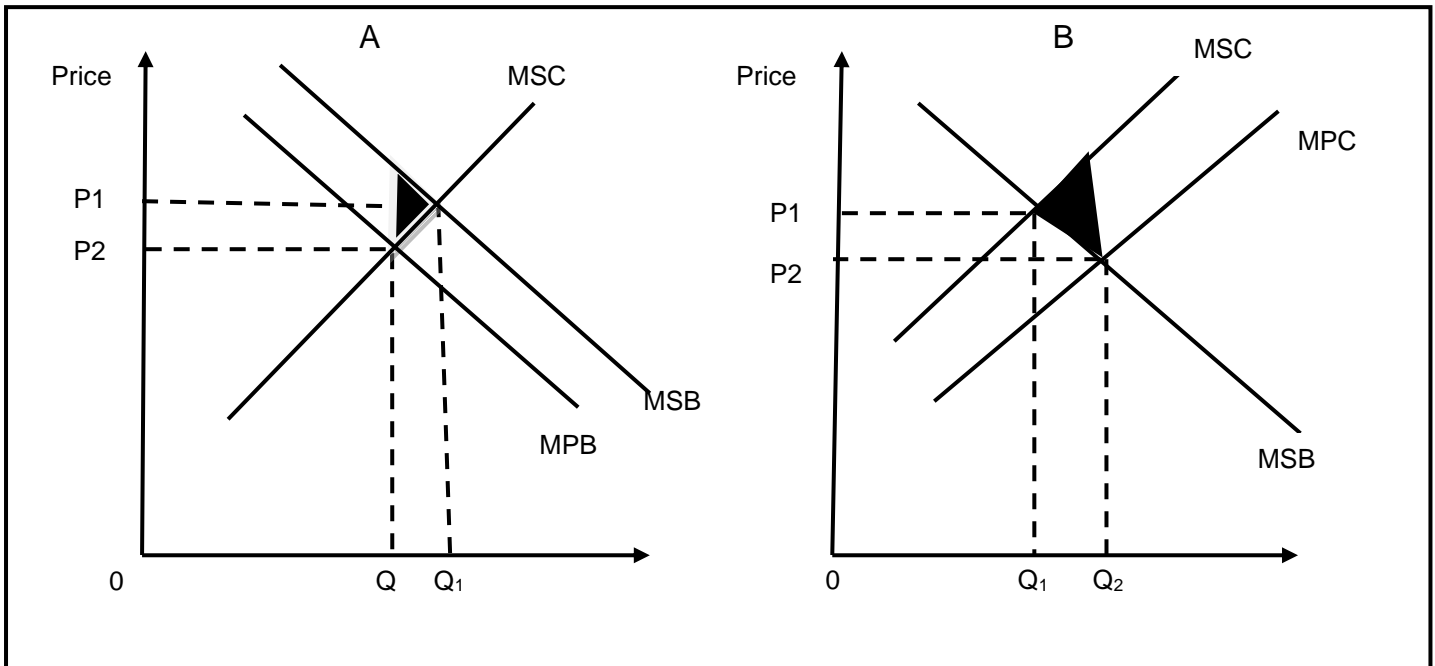
40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Give **TWO** examples of community goods. (2 x 1) (2)

3.1.2 Why are merit goods often not highly rated by the markets? (2)

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



3.2.1 Which of the two graph shows negative externality? (1)

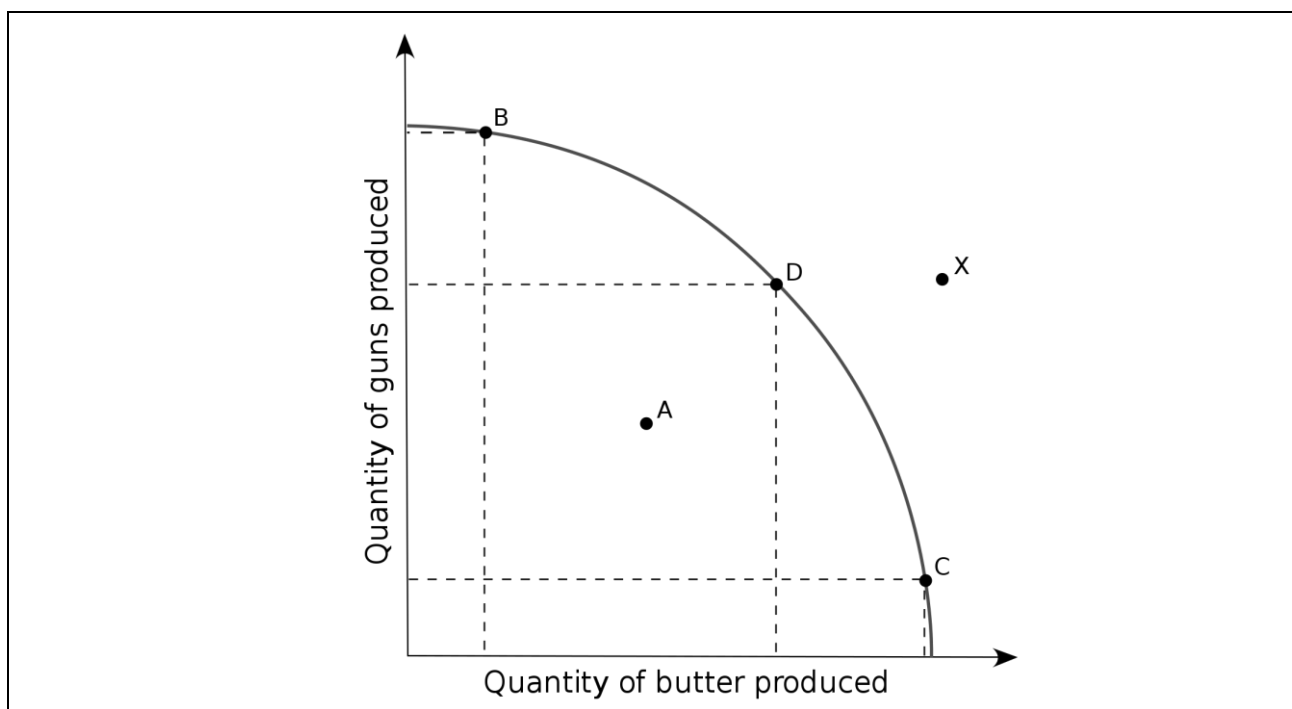
3.2.2 At what price does the market experience an oversupply? (1)

3.2.3 Briefly describe the term *allocative efficiency*. (2)

3.2.4 Why does government provide subsidies on certain goods in the economy? (2)

3.2.5 How can government correct or limit allocative distortions resulting from non-competitive markets? (2 x 2) (4)

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



- 3.3.1 Provide a suitable heading for the graph above (1)
 - 3.3.2 Which letter indicates unattainable combinations of goods from the graph above? (1)
 - 3.3.3 Briefly describe the term *Pareto optimum*. (2)
 - 3.3.4 What role can education play in the shifting the PPC curve to the right? (2)
 - 3.3.5 Why is the outward bending of the production possibility curve regarded as an increase in the opportunity costs? (4)
 - 3.4 With the aid of a graph, discuss profit maximisation using the TR -TC approach. (4 x 2) (8)
 - 3.5 Evaluate the impact of a cost benefit analysis on income redistribution. (8)
- [40]**

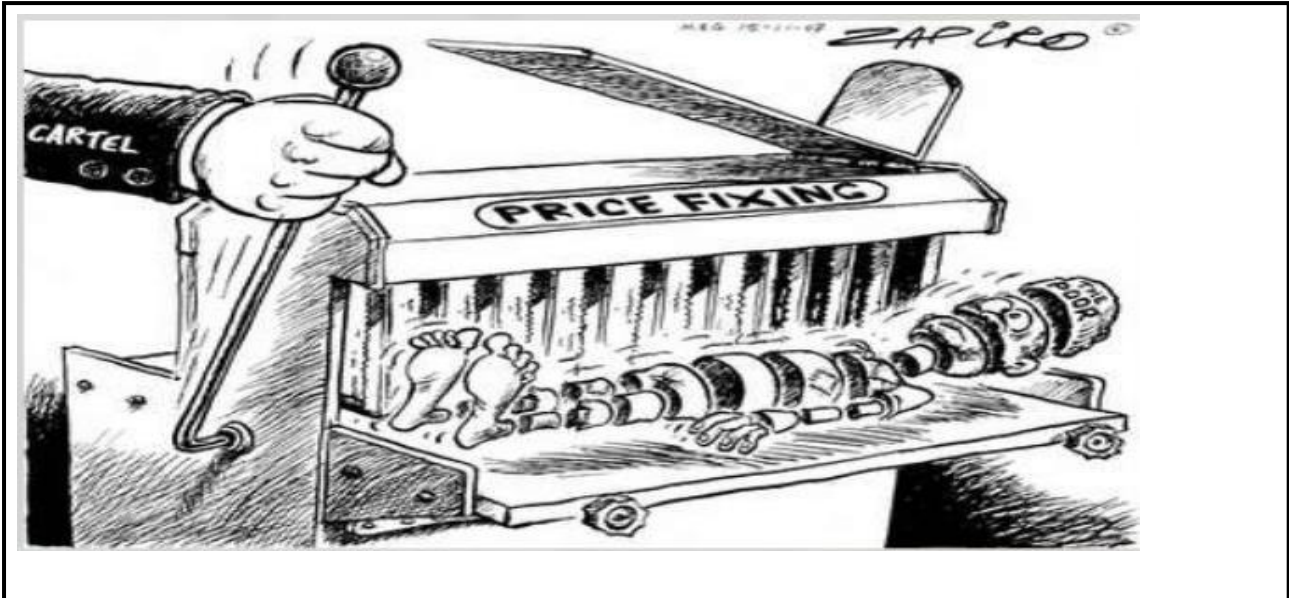
QUESTION 4: MICROECONOMICS**40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Give **TWO** barriers to entry enjoyed by artificial monopolies. (2 x 1) (2)

4.1.2 Why does an oligopolist experience a kinked demand curve? (2)

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



4.2.1 Identify the market structure depicted in the picture above. (1)

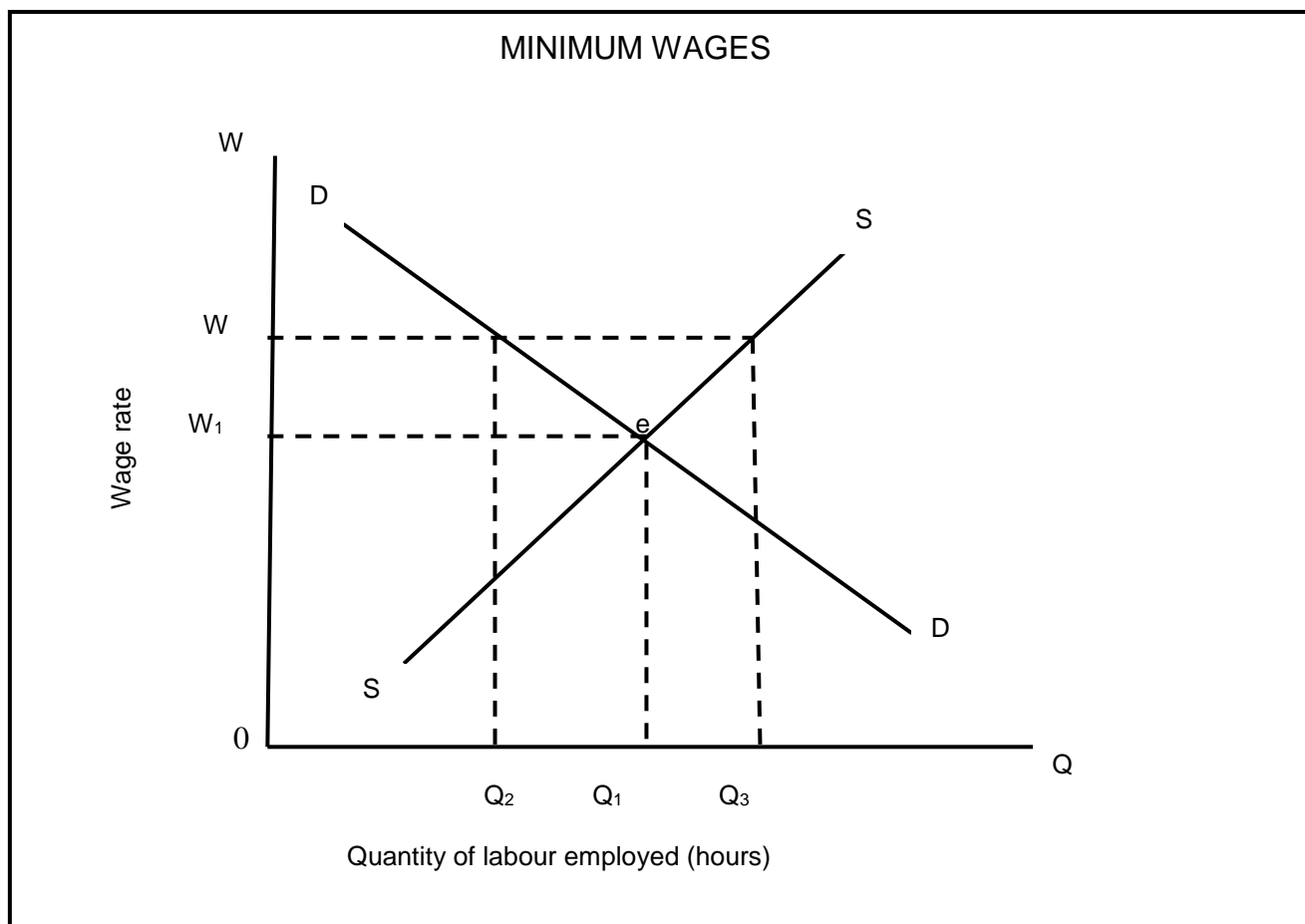
4.2.2 Give One form of collusion found in the above market structure. (1)

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

4.2.4 What impact would an attempt to increase the price by one oligopolist lead to a decline in its market share? (2)

4.2.5 Why does the reduction in the price of one oligopolist not automatically lead to an increase in its sales? (4)

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



- 4.3.1 Give an example of workers targeted for by minimum wages. (1)
- 4.3.2 What is the minimum wage payable from the graph above? (1)
- 4.3.3 Briefly describe the term *minimum wages*. (2)
- 4.3.4 What impact will the setting of minimum wages have on consumption? (2)
- 4.3.5 Why does the government set minimum wages in certain industries? (4)

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- 4.4 With the aid a graph, discuss the derivation of an oligopoly demand curve. (8)
- 4.5 Why are subsidies important on consumer goods and services? (4 x 2) (8)
- [40]**

TOTAL SECTION B: 80



SECTION C

Answer any ONE of the two questions in 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: 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 	Max. 2
TOTAL	40

QUESTION 5: MICROECONOMICS**40 MARKS – 40MINUTES**

- Discuss the causes of market failure in detail. (26)
- How successful is the government in its efforts to improve income redistribution and overcome market failure? (10) **[40]**

QUESTION 6: MICROECONOMICS**40 MARKS – 40 MINUTES**

- With the aid of graphs, discuss the economic profit and economic loss of a monopoly in the short term. (26)
- How can the government assist in the control and management of negative impacts of monopolies in the economy? (10) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150