GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

# GAUTENG DEPARTMENT OF EDUCATION

## PROVINCIAL EXAMINATION

## JUNE 2019

## GRADE 11

## ECONOMICS
## PAPER 2

**TIME: 2 hours**

**MARKS: 150**

**14 pages**

**GAUTENG DEPARTMENT OF EDUCATION**

**PROVINCIAL EXAMINATION**

**ECONOMICS**
**(Paper 2)**

**TIME: 2 hours**

**MARKS: 150**

## INSTRUCTIONS AND INFORMATION

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

   SECTION A: COMPULSORY.
   SECTION B: Answer any TWO of the THREE questions.
   SECTION C: Answer any ONE of the TWO questions.

2. Answer only the required number of questions. Additional answers will NOT be marked. In SECTION B, only the first TWO questions will be marked and in SECTION C only the first ONE.

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 ALL the questions carefully.

6. Start the answer to each question on a NEW page.

7. Leave 2 – 3 lines open between sub-sections of questions.

8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the requirements of the questions.

9. Use only black or blue ink.

10. Non-programmable calculators may be used.

11. Write neatly and legibly.

## SECTION A: (COMPULSORY)

**QUESTION 1** **30 MARKS – 20 MINUTES**

1.1 **MULTIPLE-CHOICE QUESTIONS**

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 number (1.1.1 – 1.1.8) in the ANSWER BOOK.

1.1.1 A change in income that will result in a change in demand is known as ...

A cross elasticity.
B price elasticity.
C income elasticity.
D demand elasticity.

1.1.2 A perfect market firm should consider shutting down when ...

A MR = MC.
B TR = TC.
C MR = ATC.
D MR = AVC.

1.1.3 Monopolies produce goods that are ... in nature.

A homogenous
B unique
C differentiated
D similar

1.1.4 A market structure that earns a normal profit in the long run is known as a/an …

A oligopoly.
B monopoly.
C perfect market.
D duopoly.

1.1.5 The additional cost paid by the firm for every additional unit produced.

A Marginal profit
B Marginal revenue
C Average cost
D Marginal cost

1.1.6 An ice cream costs R5 and a cold drink costs R10. If a consumer chooses to buy the cold drink, what will his / her opportunity cost be?

A 2 ice-creams
B 1 ice-cream
C 2 cold-drinks
D 1 cold-drink and 1 ice-cream

1.1.7 If the bank charges of Capitec Bank increases, the demand for FNB products will ...

A increase.
B decrease.
C stay the same.
D stop.

1.1.8 Profit maximisation is where the vertical distance between ... and TC is the largest.

A TFC (Total Fixed Costs)
B TR (Total Revenue)
C TVC (Total Variable Costs)
D MC (Marginal Costs)

(8 x 2) **(16)**

1.2 **MATCHING ITEMS**

Choose a DESCRIPTION from **Column B** that matches the CONCEPT in **Column A**. Write only the **letter** (A – K) next to the **question number** (1.2.1 – 1.2.8) in the ANSWER BOOK.

| | **COLUMN A** | | **COLUMN B** |
|---|---|---|---|
| | | | |
| 1.2.1 | Economies of scale | A | Hybrid market structure that is a combination of a monopoly and a perfect market. |
| 1.2.2 | Marginal Revenue | B | Market structure that sells unique products. |
| 1.2.3 | Duopoly | C | Determines the prices of goods through demand and supply. |
| 1.2.4 | Relative price | D | Products that function together. |
| 1.2.5 | Implicit cost | E | Additional revenue earned for every additional unit sold. |
| 1.2.6 | Collusion | F | Market structure dominated by two firms. |
| 1.2.7 | Monopolistic Competition | G | Price of one good compared to another good that indicates opportunity cost. |
| 1.2.8 | Market Forces | H | When sellers enter into an agreement to limit competition and fix prices. |
| | | I | The opportunity cost of using self-owned resources for production. |
| | | J | Actual cost of producing a good. |
| | | K | As a firm produces more output, it becomes more efficient and the production cost per unit decreases. |

(8 x 1) **(8)**

1.3 **CONCEPTS**

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. (NO ABBREVIATIONS, ACRONYMS OR EXAMPLES WILL BE ACCEPTED)

1.3.1 An increase in the price of one good will increase the demand for another good.

1.3.2 A cost that will change according to the level of production.

1.3.3 This cost is determined by adding fixed costs and variable costs together.

1.3.4 The change in quantity demanded when there is a specific change in price.

1.3.5 The amount of satisfaction that a consumer receives from the use of a good or a service.

1.3.6 The change in demand is equal to the change in price.

(6 x 1) **(6)**

**TOTAL SECTION A: 30**

## SECTION B

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

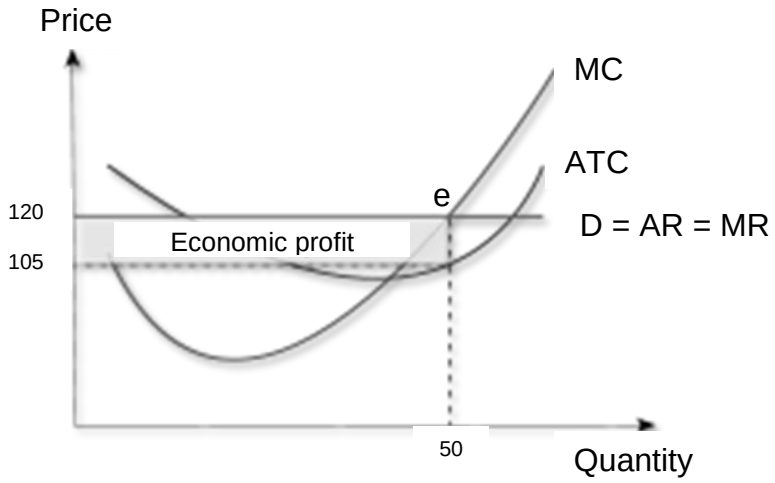
**QUESTION 2** **40 MARKS – 30 MINUTES**

2.1 Answer the following questions

2.1.1 List any TWO methods of non-price competition. (2 x 1) (2)

2.1.2 Why would a change in the price of a good influence consumers' demand for that specific good? (1 x 2) (2)
**(4)**

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




2.2.1 Which market structure is represented by the graph? (1)

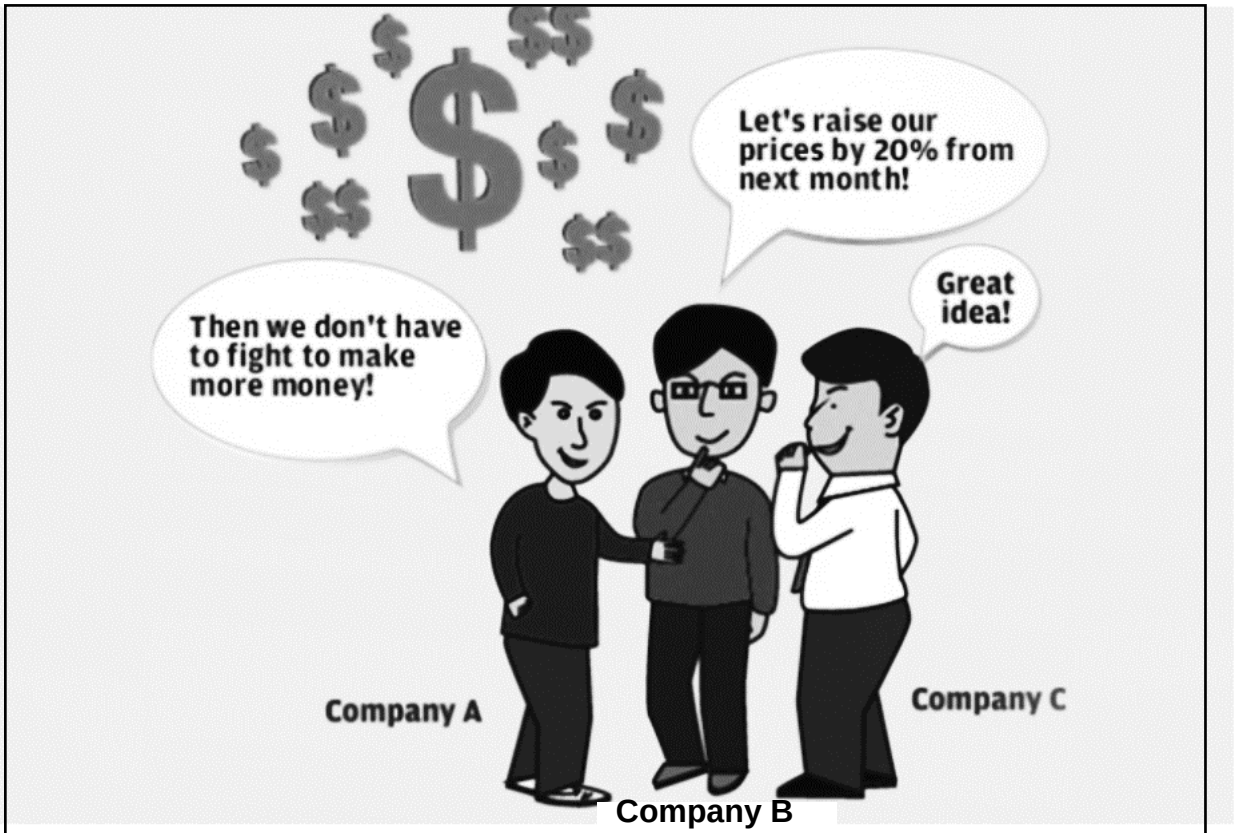
2.2.2 What does point **e** on the graph represent? (1)

2.2.3 Briefly explain the concept *price taker*. (2)

2.2.4 Why is the demand curve of this market structure a horizontal line? (2)

2.2.5 Determine the economic profit made by the firm. Show ALL calculations. (4)
**(10)**

2.3 Study the cartoon and answer the questions that follow:




**[https://yp.scmp.com/presented-channel/yp-exclusive/article/105732/consumers-bear-brunt-when-businesses-collude-fix]**

2.3.1 Which illegal activity is depicted in the cartoon above? (1)

2.3.2 In which market structure is this activity possible? (1)

2.3.3 Briefly describe the concept *cartel*. (2)

2.3.4 Why is it more beneficial for firms to collude instead of engaging in competition? (2)

2.3.5 Evaluate what impact the price fixing of the three companies will have on the poor. (4)
**(10)**

2.4 Explain, with the aid of a fully labelled graph, the kinked demand curve. **(8)**

2.5 Evaluate the nature of a product and the entry / exit into the market as characteristics of the Monopolistic Competitive Market and the Oligopoly. (2 x 4) **(8)**
**[40]**

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

3.1 Answer the following questions.

3.1.1 List any TWO types of supply elasticities. (2 x 1) (2)

3.1.2 How would a firm benefit from considering the price elasticity of demand before changing prices? (1 x 2) (2)
**(4)**

3.2 Study the table and answer the questions that follow.

| Candy bars consumed | TU | MU |
|---|---|---|
| | | |
| **0** | - | - |
| **1** | 31 | 31 |
| **2** | 56 | 25 |
| **3** | **A** | 20 |
| **4** | 76 | **B** |
| **5** | 71 | - 5 |

3.2.1 What does the abbreviation **TU** stand for? (1)

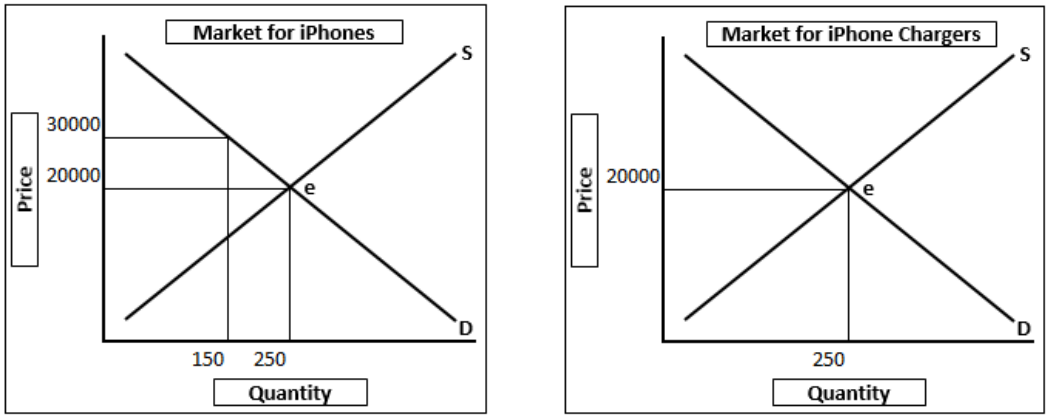
3.2.2 Why do people spend money on goods and services? (1)

3.2.3 Briefly describe the concept *diminishing marginal utility*. (2)

3.2.4 Why would a consumer become dissatisfied with the over usage of a good or service? (2)

3.2.5 Determine the missing values **A** and **B** in the table above. Show ALL calculations. (2 x 2) (4)
**(10)**

3.3 Study the graphs and answer the questions that follow.




3.3.1 What kind of goods are represented by the graphs above? (1)

3.3.2 Why will the i-Phone be classified as a luxury good? (1)

3.3.3 How has the development of technology influenced consumers' needs and / or demands? (2)

3.3.4 What will happen to the demand for i-Phone chargers if the price of i-Phones decrease? (2)

3.3.5 Explain the type of elasticity the i-Phone has if the price elasticity of demand co-efficient is 0,8. (2 x 2) (4)
**(10)**

3.4 Examine in detail the relationship between product and factor markets. (2 x 4) **(8)**

3.5 With the aid of neatly labelled graphs evaluate the impact of land shortage on the production of food. **(8)**
**[40]**

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

4.1 Answer the following questions

4.1.1 List any TWO factors that influence the elasticity of demand. (2 x 1) (2)

4.1.2 Why will consumers benefit more under perfect competition than under a monopoly? (1 x 2) (2)
**(4)**

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

**High risk of load shedding**

Power utility Eskom says there is a "high risk" of load shedding, in particular during the evening peak between 17:00 and 21:00.

This is due to a number of power generating units being offline for maintenance. There is also a possibility that they will not be producing electricity in time to meet the evening demand.

"We encourage residents and businesses to please use electricity sparingly to ease the demand of electricity." Eskom said in a media statement. Customers are advised to keep checking load shedding schedules on the Eskom or municipal websites, and plan on the assumption that load shedding will take place.

**[Adapted from News 24 (www.fin24.com/Economy/Eskom) Accessed 27 September 2018]**

4.2.1 In which type of market does Eskom function? (1)

4.2.2 What strategy can Eskom use to prevent load shedding? (1)

4.2.3 Briefly describe the concept *price maker*. (2)

4.2.4 How will load shedding influence productivity? (2)

4.2.5 How is it possible for Eskom to implement load shedding and not lose its customers? (2 x2) (4)
**(10)**

4.3 Study the table and answer the questions that follow:

| Price | Quantity | TR | TC | Profit |
|---|---|---|---|---|
| | | | | |
| **10** | 0 | 0 | 25 | -25 |
| **10** | 5 | **A** | 30 | 20 |
| **10** | 10 | 100 | 35 | 65 |
| **10** | 15 | 150 | 40 | **B** |
| **10** | 20 | 200 | 45 | 155 |

4.3.1 Identify the market structure represented by the table. (1)

4.3.2 What is represented by the -25 in the profit column? (1)

4.3.3 Determine the values of **A** and **B**. (2)

4.3.4 Why is there a value for **TC** when production (quantity) is **0** (zero)? (2)

4.3.5 With the aid of a well labelled graph represent **TR** and **TC** on the same axis system. (4) **(10)**

4.4 Differentiate between productive (technical) efficiency and allocative efficiency as characteristics of a perfect market. (2 x 4) **(8)**

4.5 Evaluate the impact of the law of diminishing returns on the producer. (4 x 2) **(8)** **[40]**

**TOTAL SECTION B: 80**

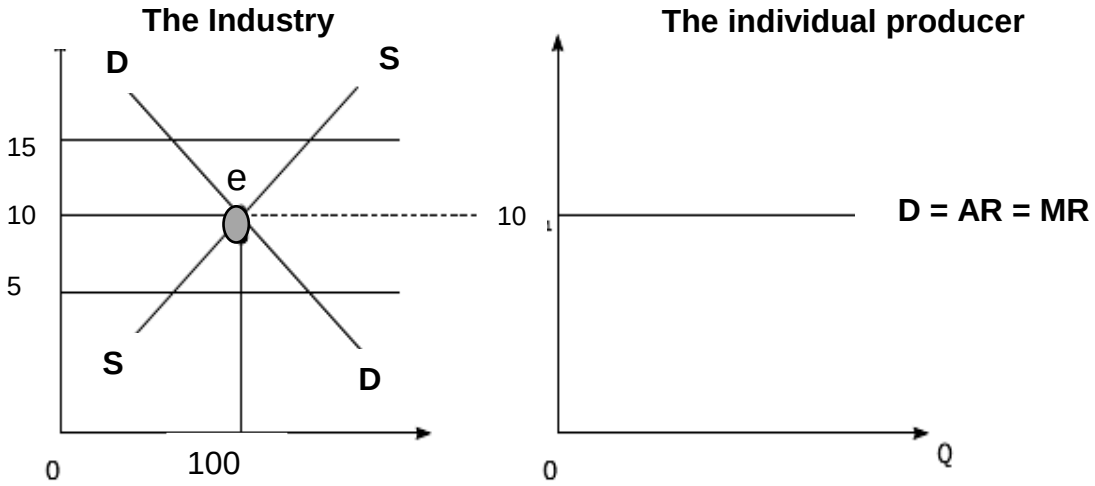
## SECTION C

Answer ONE of the two questions in the ANSWER BOOK.

| STRUCTURE OF THE ESSAY | MARK ALLOCATION |
|---|---|
| **Introduction**<br>The introduction is a lower-order response.<br>➢ A good starting point would be to define the main concept related to the question topic.<br>➢ Do not include any part of the question in your introduction.<br>➢ Do not repeat any part of the introduction in the body.<br>➢ Avoid saying in the introduction what you are going to discuss in the body. | Max. 2 |
| **Body**<br>**Main part**: Discuss in detail / In depth discussion / Examine / Critically discuss / Analyse / Compare / Evaluate / Distinguish / Explain / Assess / Debate<br><br>**Additional part**: Give own opinion / Critically discuss / Evaluate / Critically evaluate / Draw a graph and explain / Use the graph given and explain / Calculate / Deduce / Compare / Explain / Distinguish / Interpret / Briefly debate / How / Suggest / Use the information and argue, debate, evaluate | Max. 26<br><br>Max. 10 |
| **Conclusion**<br>Any relevant higher order conclusion that should include:<br>➢ A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body<br>➢ An opinion or value judgement on the facts discussed<br>➢ Additional support information to strengthen the discussion / analysis<br>➢ A contradictory viewpoint with motivation, if so required<br>➢ Recommendations | Max. 2 |
| **TOTAL** | **40** |

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

- Compare, in full, the market structure of a *perfect market* with that of a *monopoly,* using the characteristics. (No graphs required) (26)
- With reference to the graphs below, explain how the price formation process takes place in the perfect market.




(10)
[40]

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

- Explain in detail the price elasticity of demand with the aid of graphs. (26)
- Evaluate how a monopolist like Eskom can benefit from using the price elasticity of demand for their product. (10)
[40]

**TOTAL SECTION C: 40**

**TOTAL: 150**

**END**