



ECONOMICS

Grade 12

03 JULY 2014

MICRO-ECONOMICS

Checklist:

Make sure you:

- Know the structure of the exam and plan how you will answer each question
 - Look at the time allocation and make sure that you don't waste time on any question
 - Each paper carries 150 MARKS.
 - The duration of each paper is 1½ HOURS.
 - SECTION A: QUESTION 1 is COMPULSORY.
 - SECTION B: Consists of THREE questions: QUESTIONS 2–4 You must choose only TWO
 - SECTION C: Consists from TWO questions: QUESTIONS 5–6 You must choose only ONE

Summary

Paper 2 consists of the following:

Micro-Economics	Contemporary economic issues
<ul style="list-style-type: none"> • Perfect markets • Imperfect markets • Market failures 	<ul style="list-style-type: none"> • Inflation • Tourism • Environmental sustainability

Plan the writing of the exam paper

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- The duration of each paper is 1½ HOURS.
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- SECTION B: Consists of THREE questions: QUESTIONS 2–4 You must choose only TWO
- SECTION C: Consists from TWO questions: QUESTIONS 5–6 You must choose only ONE

SECTION A (COMPULSORY)

TOTAL: 30

QUESTION 1

1.1	Multiple-choice items (lower order)	
	FOUR per main topic = 8 items (2 marks per item)	(8 x 2) (16)
1.2	Matching COLUMN A and B (lower order)	
	FOUR items per main topic = 8 items (1 mark per item)	(8 x 1) (8)
1.3	Identify the concept (middle/lower order)	
	THREE items per main topic	(6 x 1) (6)





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SECTION B (ANSWER TWO QUESTIONS FROM THIS SECTION)

TOTAL: 80

QUESTIONS 2–4 (THREE QUESTIONS)

ONE question per MAIN TOPIC and ONE combination question (marks not necessarily equally distributed in the combination question) between the 2 MAIN TOPICS

2.1	Short items	
2.1.1	Lower order (2 ITEMS)	(2 x 1) (2)
2.1.2	Middle order (1 ITEM)	(1 x 2) (2)
2.2	Data response (middle order): Study the following graph/cartoon/table/extract, etc. and answer the questions follow.	(10)
2.3	Data response (middle order): Study the following graph/cartoon/table/text, etc. and answer the questions that follow:	(10)
2.4	ONE single question (middle order):	(2 x 4) OR (4 x 2) (8)
2.5	ONE single question (higher order):	(2 x 4) OR (4 x 2) (8)
		[40]

Tips on answering questions in Section B

1. Questions must be answered in point form
2. Questions must be answered in full sentences, unless stated otherwise
3. Each new question should be started on a new page
4. Do not use unacceptable abbreviations
5. Use subject terminology, e.g. economic growth, per capita and refrain from saying e.g. “the economy goes up”.
6. How to answer the different types of questions:
 - Name/list questions require minimum information, but still answer in full sentences/full phrases.
 - Explain/describe/discuss – make clear the characteristics of something, and make clear how something works with examples. Use a heading as well as an explanation to the statement.
 - Identify – give the name of an idea, concept or person and give its essential characteristics
 - Sketch – draw a diagram
 - Illustrate – draw a diagram or give an example
 - Define – give the precise meaning of
 - Show/demonstrate – make clear with examples
 - Outline – Give the major features or general principles of a subject, omitting minor details and emphasising structure
 - Distinguish between/contrast/compare/discuss the difference between – Point out or explain the difference between two or more ideas, objects, concepts or theories
 - Tabulate the differences between – draw a table and show the difference
 - Examine/assess/analyse – Separate into parts or elements and describe or examine each in detail.
7. Pay attention to layout and neatness
8. Draw a single line through incorrect answers
9. No Tip-ex may be used and no erasable ink
10. Do not list/discuss/answer more than the required number – it won’t be marked





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SECTION C (ANSWER ONE QUESTION FROM THIS SECTION) TOTAL: 40

STRUCTURE OF ESSAY	MARK ALLOCATION
Introduction	Max 2
Body: Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Explain/Assess/ Debate 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 26 Max 10
Conclusion	Max 2
Total	40

How to approach the essays

1. The longer response takes different formats. You may have to write e.g. a report, a letter, or an essay.
2. The essay question must be answered in point form; headings have to be underlined with a line open between different headings.
3. Underline key words in the question, to make sure you cover all aspects required.
4. The question has to be divided into three sections:
 - Introduction (Write as a heading)
 - Body (Not necessary to write as a heading)
 - Conclusion (Write as a heading and try to sum up the main point of your answer)

Exam Questions

Question 1

1.1 Various possible options are provided as answers to the following questions.

Write only the letter (A – D) next to the question number

- 1.1.1 The profit-maximising output will always be where
- A. average cost = marginal revenue.
 - B. marginal cost = marginal revenue.
 - C. marginal cost = average revenue.
- 1.1.2 Cost-benefit analysis is a technique for enumerating the total social cost and total social _____ associated with an economic project
- A. benefit
 - B. income
 - C. expense





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- 1.1.3 An example of explicit collusion is _____.
- A. a monopoly
 - B. a cartel
 - C. an oligopoly
- 1.1.4 The rationale for a cost-benefit analysis is ...
- A. efficient resource allocation.
 - B. high prices.
 - C. the redistribution of wealth.
- 1.1.5 "I don't meet competition, I crush it." This statement was probably made by a ...
- A perfect competitor.
 - B monetarist.
 - C monopolist.

1.2 Give ONE word/term for each of the following descriptions by choosing a word/term from the list below. Write only the correct word/term next to the question number.

social cost; market failure; unregulated; private cost; market structures; oligopoly; market

- 1.2.1 Organisational features of perfect and imperfect markets
- 1.2.2 The mechanism that brings together buyers and sellers of goods and services
- 1.2.3 An industry dominated by a small number of large firms
- 1.2.4 A market without any government interference
- 1.2.5 The cost that is incurred when an individual or business either produces or consumes something

1.3 Choose a description from COLUMN B that matches an item in COLUMN A. Write only the letter (A – I) next to the question number.

Column A	Column B
1.3.1 Normal profit	A. communities benefit from this
1.3.2 Monopolistic competition	B. to determine if use of resources is economical
1.3.3 Economic profit	C. an increase in production that results in a decrease in long-term average cost
1.3.4 Cartel	D. some market power through differentiation
1.3.5 Cost benefit analysis	E. average revenue is bigger or above average cost of production
1.3.6 Marginal cost	F. a formal (explicit) agreement among competing firms
1.3.7 Economies of scale	G. the change in total cost when production is increased by one more unit
1.3.8 Merit goods	





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	H. minimum profit necessary to attract and retain suppliers in a perfectly competitive market (8x1=8)
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Question 2

2.1 Choose the correct word from those given in brackets. Write only the word next to the question number.

2.1.1 The demand curve of a perfect competitor is the same as his marginal (revenue/cost) curve. (2)

2.1.2 The greater the differentiation that the producer can create, the (more/less) price elastic the demand for his product will become. (2)

2.2 Read the following text and answer the questions that follow:

All SA construction majors 'involved' in collusion, price-fixing – Patel

By: Natalie Greve

Economic Development Minister Ebrahim Patel has said that all the major South African civil engineering and construction companies currently active in the sector have been involved in infrastructure-related collusion and price-fixing.

“This problem is huge and pervasive in the infrastructure space,” he said at the inaugural Project And Construction Management Professions Conference on Thursday. The State reportedly lost billions of rands through large-scale collusion and price-fixing by private sector companies during several past infrastructure projects, which instigated investigations by the Competition Commission into several completed public build projects.

These enquiries, which included investigations into the Gautrain project and several stadium developments, uncovered substantial evidence of collusion and price fixing by private sector participants, the Minister noted.

In cases involving critical projects, a number of companies came forward to acknowledge their involvement in the unlawful practises, Patel added. “We have received about 400 admissions of incidents of collusion by companies in the sector,” he commented.

South African Council for the Project and Construction Management Professions (SACPCMP) president Professor Raymond Nkado said he was “shocked” that registered individual members of the SACPCMP had been found to have been involved.

“As a council, we have decided that we might take additional disciplinary action against these individuals,” he said.

(extracted from: www.engineeringnews.co.za/article/all-sa-construction-majorsinvolved-in-collusion-price-fixing-patel-2013-04-11)

2.2.1 Indicate the form of competition that exists between major South African civil engineering and construction companies. (2)

2.2.2 Name TWO possible aims of a competition policy. (2x2=4)

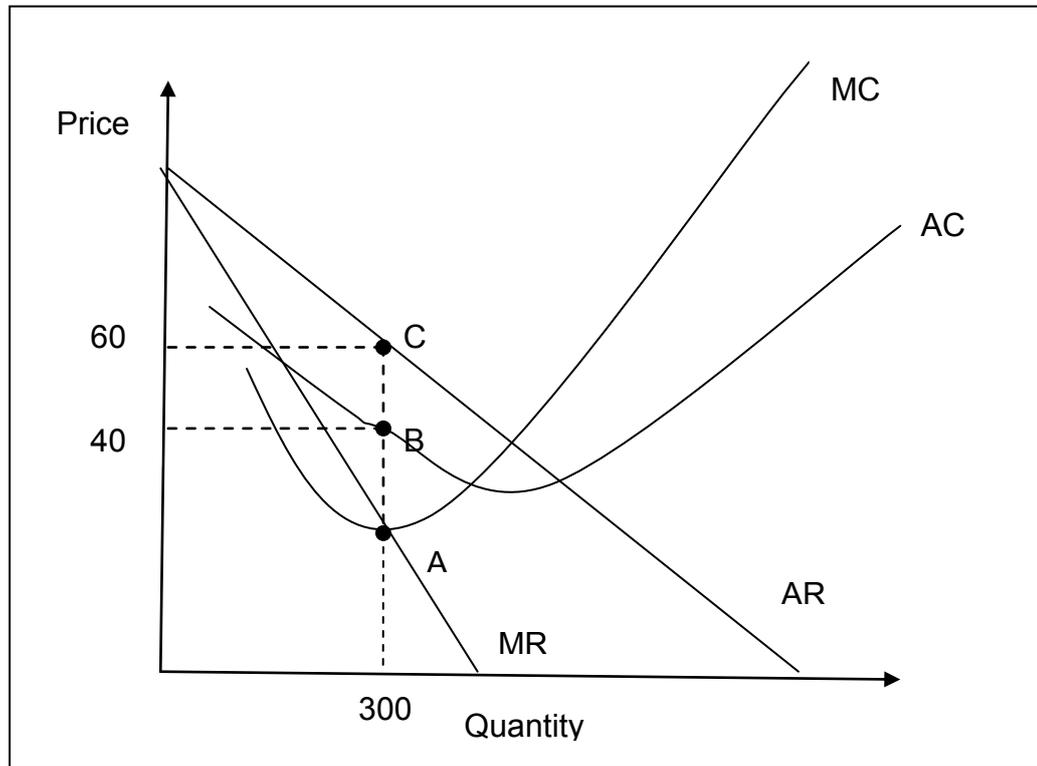




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- 2.2.3 Explain why Professor Raymond Nkado said he was “shocked” that registered individual members of the SACPCMP had been found to have been involved. (2)
- 2.2.4 Identify the negative externalities suffered as a result of this price fixing. (2)
- 2.3 Study the graph below and answer the questions that follow:



- 2.3.1 Identify the point of optimum production. (2)
- 2.3.2 Describe the nature of the product supplied. (2)
- 2.3.3 Indicate whether the firm is making economic profit or economic loss. Show ALL calculations. (6)
- 2.4 Discuss the immobility of the factors of production as one of the causes of market failures. (8)
- 2.5 Discuss the long term equilibrium for the industry and the individual business in a perfect market. (8)

Question 3

Pure monopolies seldom exist, although we often find characteristics of a monopoly present in businesses.

- Discuss the monopoly as a market structure. (26)
- Draw a fully labelled graph to illustrate economic profit for the monopolist. (10)





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Test Yourself

- 1.1 Internal costs are known as ... costs.
- A private
 - B social
 - C public
- 1.2 When a price ceiling is imposed, that price must be ... the market price.
- A the same as
 - B higher than
 - C lower than
- 1.3 The demand curve of a monopolist is the same as the ... curve.
- A average revenue
 - B total cost
 - C marginal revenue
- 1.4 The revenue derived from the sale of an additional unit is ... revenue.
- A marginal
 - B additional
 - C average
- 1.5 The goods of a monopolistic competitor are ...
- A similar.
 - B differentiated.
 - C unique.

