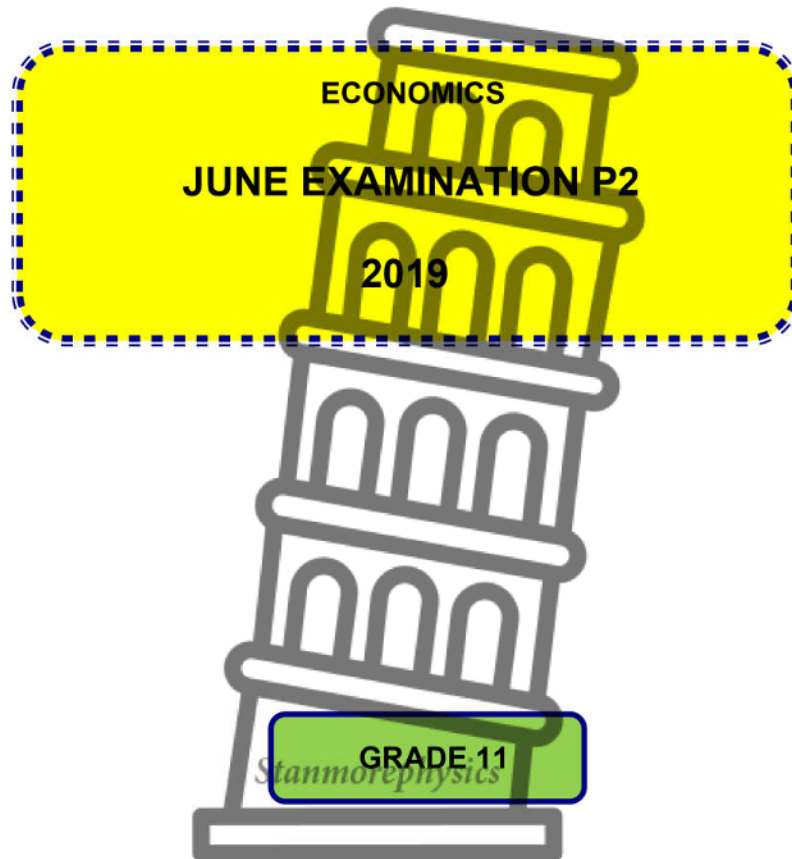




Basic Education
Department of Education
PROVINCE OF KWA-ZULU NATAL



Duration : 2 Hours
Marks : 150
Date : June 2019

14 pages

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 EACH question on a NEW page.
7. Leave 2 – 3 lines 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 pocket calculators may be used.
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 number (1.1.1 – 1.1.8) in the ANSWER BOOK, for example 1.1.9 B.

1.1.1 One of the following is amongst the factors that determine price elasticity of demand.

- A Availability of natural resources
- B Capital goods
- C Time
- D Increase in risk

1.1.2 The satisfaction that we get from consuming goods and services is known as ...

- A scarcity.
- B utility.
- C opportunity cost.
- D necessity.

1.1.3 The greater the proportion of the consumer's income spent on the product, the more price ... the demand for it is.

- A elastic
- B inelastic
- C unit elastic
- D perfectly inelastic

1.1.4 ... price is the ratio between the price of a product and the prices of other products.

- A Market
- B Absolute
- C Basic
- D Relative

1.1.5 The demand curve for a monopolistic competition is ...

- A horizontal.
- B vertical.
- C downward-sloping.
- D upward-sloping.



1.1.6 The revenue per unit sold is known as ...

- A average cost.
- B marginal revenue.

- C marginal cost.
- D average revenue.

1.1.7 A firm uses fewer inputs to produce the same level of output and this is called ...

- A economies of scale.
- B comparative advantage.
- C opportunity cost.
- D global opportunity.



1.1.8 The market where final goods and services that are locally produced are sold to consumers is the...

- A money market
- B goods market
- C international market
- D financial 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 number (1.2.1 – 1.2.8) in the ANSWER BOOK.

| Column A | COLUMN B |
|----------------------------------|--|
| 1.2.1 scarcity | A Fixed cost plus variable cost |
| 1.2.2 cross-elasticity of demand | B Powerful competitors try to take over each other's market share by progressively reducing prices |
| 1.2.3 imperfect market | C Barriers to enter the market |
| 1.2.4 price war | D Any market that does not meet the conditions of competition |
| 1.2.5 patent | E Increasing average costs as the of the variable inputs become more expensive |
| 1.2.6 overhead cost | F The responsiveness of demand as a result of a change in price |
| 1.2.7 total cost | G General business expenses that are not a part of what is produced |
| 1.2.8 diseconomies of scale | H When something is in short supply or not readily available |
| | |

(1x8)(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 The type of elasticity where a change in price is exactly the same as the change in quantity demanded

1.3.2 Measurement of consumers' responses to a change in income

1.3.3 An organisation where oligopolistic firms formally fix prices and supply to control market share

1.3.4 A place where buyers and seller s meet for the exchange of goods and services

1.3.5 The change in total revenue when an additional unit of a product is sold

1.3.6 Costs or benefits of a good or a service that ignores the price charged by a third party

(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: MICRO-ECONOMICS

40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Give **TWO** examples of complementary goods. (2 x 1) (2)

2.1.2 How would decreasing relative prices influence people's standard of living? (1 x 2) (2)

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

THESE NEW CARTELS: WHY WE NEED TO WAKE UP TO THE THREAT POSED BY OLIGOPOLIES

Last week, Barack Obama unexpectedly issued an executive order directing US agencies to shake up uncompetitive industries, tacitly confirming that the American economy has a problem with oligopoly power.

Kraft Food Group, SABMiller, 99p stores, BetFair and O2. What do these companies have in common? They were all recently involved in corporate mergers or takeovers, or are set to be in the near future. Heinz's merger with Kraft last year made it the fifth largest food company in the world, while AB InBev's likely takeover of SABMiller means that a single company will soon supply a third of the world's beer.

Many of us are familiar with the presence of oligopoly power in our economy. It is no secret that the energy, banking and supermarket sectors are dominated by a handful of very large firms. The extent of this market concentration seems to be significantly underestimated. From telecoms and radio, through to IT services and accountancy services, oligopolies have taken root in all corners of our economy.

[Source: <https://www.thersa.org/discover/publications-and-articles/rsa-blogs/2016/04/these-new-cartels-why-we-need-to-wake-up-to-the-threat-posed-by-oligopoly-power>]

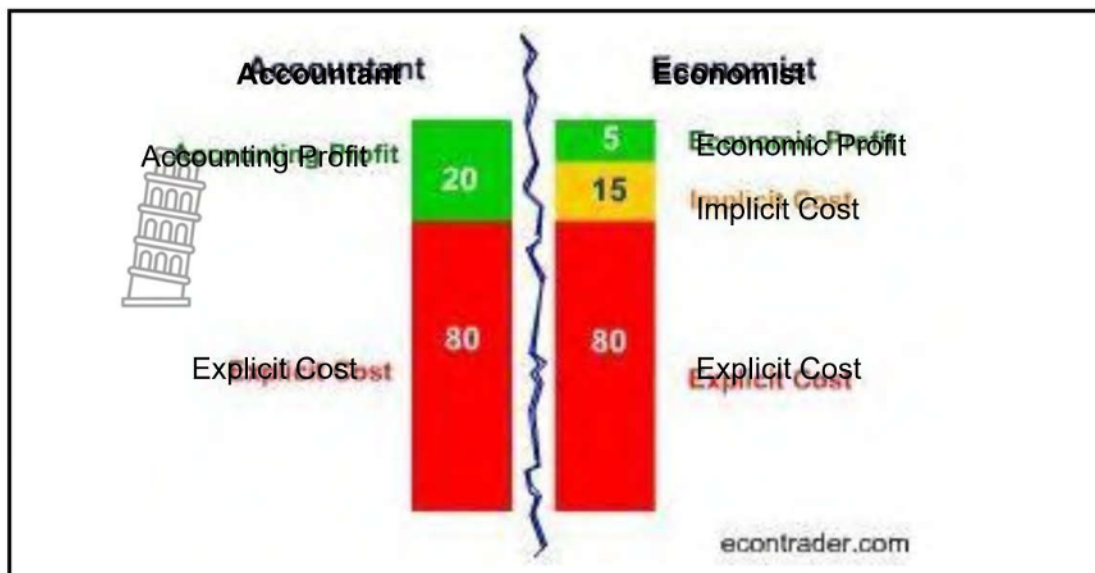
2.2.1 Which company involved in a takeover mentioned above is a South African company? What does the company produce? (2)

2.2.2 Name **TWO** examples of oligopoly industries mentioned in the article above. (2)

2.2.3 Briefly describe *cartels*. (2)

2.2.4 What effect does "uncompetitive industries" have on the economy? Substantiate your answer. (4)

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



[Source: http://www.econtrader.com/economics/opportunity_cost/]

- 2.3.1 According to the diagram which profit is the highest? (2)
- 2.3.2 Give TWO examples of implicit costs. (2)
- 2.3.3 Explain explicit costs. (2)
- 2.3.4 Why is the implicit cost only calculated by Economists and not the Accountants? (2 x 2) (4)
- 2.4 Distinguish between *long-run costs* and *short-run costs*. (2 x 4) (8)
- 2.5 Why is the price elasticity of demand important to producers? (8)

[39]



QUESTION 3

40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1 Give TWO characteristics of a perfect market. (2 x 1) (2)

3.1.2 Why would a producer of a product with a unitary price elastic demand not use price to increase profits? (1 x 2) (2)



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

| OUTPUT | TC | TFC | TVC | AVC | MC |
|--------|----|----------|-----|-----|----------|
| 0 | 20 | 20 | 0 | 0 | - |
| 1 | 25 | 20 | 5 | 5 | 5 |
| 2 | 28 | A | 8 | 4 | B |
| 3 | 30 | 20 | 10 | 3.3 | 2 |
| 4 | 36 | 20 | 16 | 4 | 6 |

3.2.1 Give the value for **A** and explain your answer. (2)

3.2.2 Give any TWO examples of fixed costs. (2x1) (2)

3.2.3 Why do variable costs change? (2)

3.2.4 Calculate the value of **B**. Show all calculations. (4)



3.3 Study the picture below and answer the questions that follow



[Source: <http://www.dailymail.co.uk/news/article-2202189/McDonalds-start-postingcalorie-counts-menus-restaurants-country-week.html>]

- 3.3.1 What relationship does the McDonald's Big Mac have with the fries and the soda drink? (1)
- 3.3.2 Explain what complement or complementary goods are. (2)
- 3.3.3 What will happen to the demand for fries if the price of the Big Mac burger decreases? Substantiate your answer. (3)
- 3.3.4 The price of a Big Mac burger is R23.00 and the price of a Burger King Whopper burger is R25.00. Explain the relative prices of the burgers and if I choose the Big Mac burger what will the Burger King Whopper burger be? (2 x 2) (4)
- 3.4 Discuss the objectives of a business. (8)
- 3.5 Draw a fully-labelled graph to explain how the concept MR and MC can be used to determine profit maximisation (8)



QUESTION 4

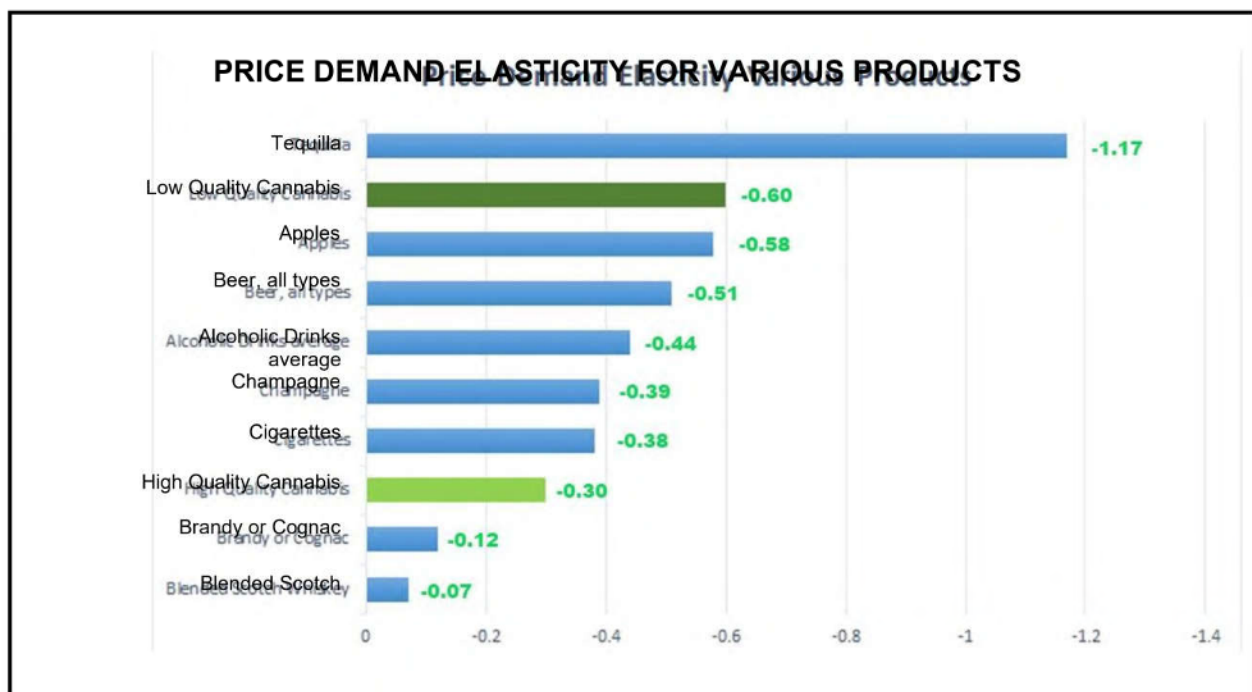
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

4.1.1 Name any TWO types of profits that a business can make. (2 x 1) (2)

4.1.2 How do product and factor markets relate to one another? (1 x 2) (2)

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



[Source: <http://www.marijuanapublicmedia.org/cannabis-economics-milestone-nationwide-pricedemand-elasticity/>]

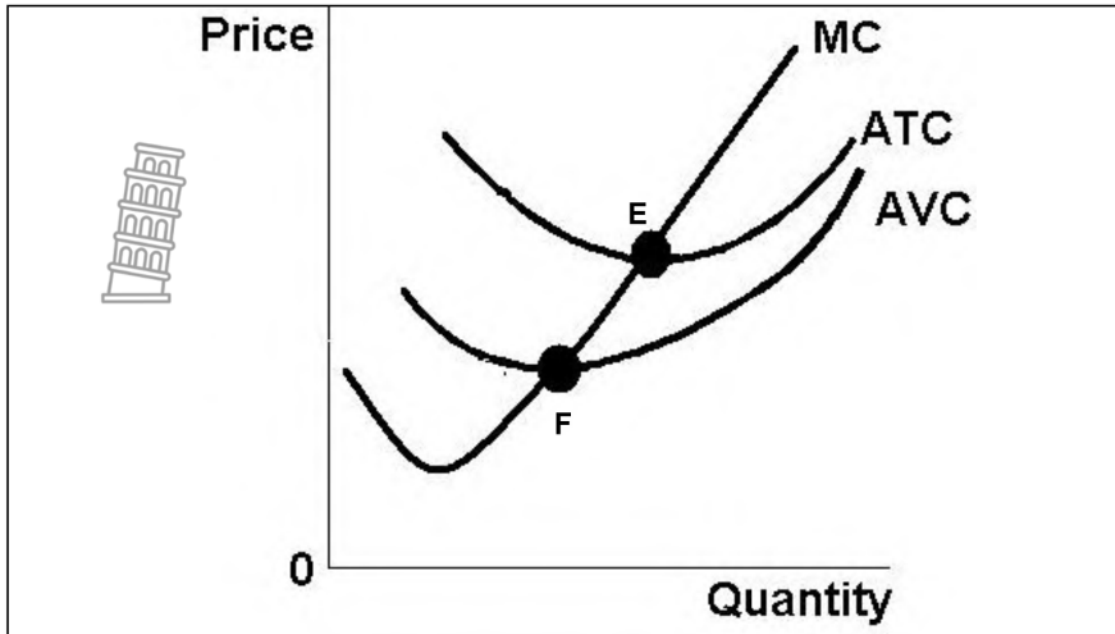
4.2.1 Name the product with the highest price inelasticity of demand. (1)

4.2.2 Explain perfectly inelastic demand. (2)

4.2.3 Apples have a price elasticity of - 0.58. What elasticity does this indicate? Substantiate your answer. (3)

4.2.4 Explain the price elasticity of the demand for cigarettes. (2 x 2) (4)

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



- 4.3.1 Give the formula for ATC. (2)
- 4.3.2 Why is the AVC always below the ATC? (2)
- 4.3.3 What is indicated by point F on the graph? (2)
- 4.3.4 Explain the shapes of the ATC, AVC and MC. (4)
- 4.4 Briefly explain how oligopolies can increase their market share? (4 x 2) (8)
- 4.5 Use a graph to illustrate the effect of an increase in the price of beef when Consumers can substitute beef with chicken. (2 x 4) (8)

[40]

TOTAL SECTION B: 80



QUESTION 5

40 MARKS – 40 MINUTES

“Price elasticity of supply will always be positive because of the law of supply.”

- With the aid of graphs, describe the various categories of price elasticity of supply. (26 Marks)
- Explain the price elasticity of supply for maize in the short and long term. (10 Marks)

[40]

QUESTION 6

40 MARKS – 40 MINUTES

“The behaviour of economic participants can be well explained through market structures.”

- Compare in detail the features of a monopoly with those of monopolistic competition. (26 Marks)
- Why would government support or license monopolies? (10 Marks)

[40]

TOTAL SECTION C: 40

TOTAL: 150

END

