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GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PROVINCIAL EXAMINATION

JUNE 2016

GRADE 11

ECONOMICS

(PAPER 2)

NAME OF LEARNER: _____

GRADE: _____

TIME: 2 hours

MARKS: 150

13 pages

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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 pocket calculators may be used.

11. Write neatly and legibly.

SECTION A (COMPULSORY) **30 MARKS – 20 MINUTES**

QUESTION 1

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

1.1.1 Freedom of entry is a characteristic of … markets.

A perfect
B perfect and monopolistic
C monopolistic

1.1.2 The minimum earnings that will prevent the entrepreneur from leaving the business.

A Economic profit
B Normal profit
C Economic loss

1.1.3 These outputs are used by other enterprises.

A Consumer goods
B Final goods
C Intermediate goods

1.1.4 Price wars are characteristic of this type of market.

A Oligopoly
B Monopoly
C Monopolistic competition

1.1.5 Profit maximising occurs when marginal revenue is equal to ... cost.

A marginal
B average
C total

1.1.6 Costs that change as production changes, are called …

A Fixed costs.
B Variable costs.
C Average costs.

1.1.7 Which of the following illustrates the concept of external costs?

A Poor weather decreases the size of the maize crop.
B Smoking harms the health of the smoker.
C Smoking harms the health of passive smokers.

1.1.8 The sacrifice that must be made of one item in favour of another, because of scarcity, is known as …

A opportunity cost.
B scarcity cost.
C cost of living. (8x2) (16)

1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A – H) next to the question number (1.2.1 – 1.2.8) in the ANSWER BOOK.

COLUMN A	COLUMN B
1.2.1 The firm aims to generate as much turnover as possible	A The changes in the price of one product and the resulting change in the demand for another product
1.2.2 Cross elasticity of demand	B TFC + TVC
1.2.3 The point where the firm breaks even	C Price
1.2.4 Calculated by dividing TR by quantity	D Change in price has no effect on supply
1.2.5 Total Cost	E The only supplier of a product
1.2.6 Perfectly inelastic supply	F Sales maximisation
1.2.7 Negotiations in the market	G $\frac{TR}{Q} = AR$
1.2.8 Monopolist	H Normal Profit

(8x1) (8)

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

1.3.1 A period during which all the factors of production are variable

1.3.2 Payments by a business to buy the services of productive resources

1.3.3 A market structure in which one business has market power

1.3.4 A group of producers that co-ordinate their prices and production levels

1.3.5 Burger King is an example of this market structure.

1.3.6 A market without government intervention (6x1) (6)

TOTAL SECTION A: 30

SECTION B

Answer 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 Give any TWO examples of monopolistic markets. (2x1) (2)

2.1.2 What do you understand by the *law of diminishing returns*? (1x2) (2)

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

AIRPORTS COMPANY SOUTH AFRICA (ACSA)

ACSA talks a great deal about customer-focused services, but its actions demonstrate its contempt for its customers. One needs to look no further than the airline industry to see the benefits of introducing competition into the market. Not everybody may like low cost carriers like *Kulula* and *Airfreight*, but they give people options and together with price comparison sites like *southafricato*, have dramatically driven down airline prices. Competition has transformed the airline industry, yet a regulated monopoly continues to deliver a service with endless waits for baggage, high levels of theft and airport security lapses.

[Source: http://southafricato/airports/ACSA]

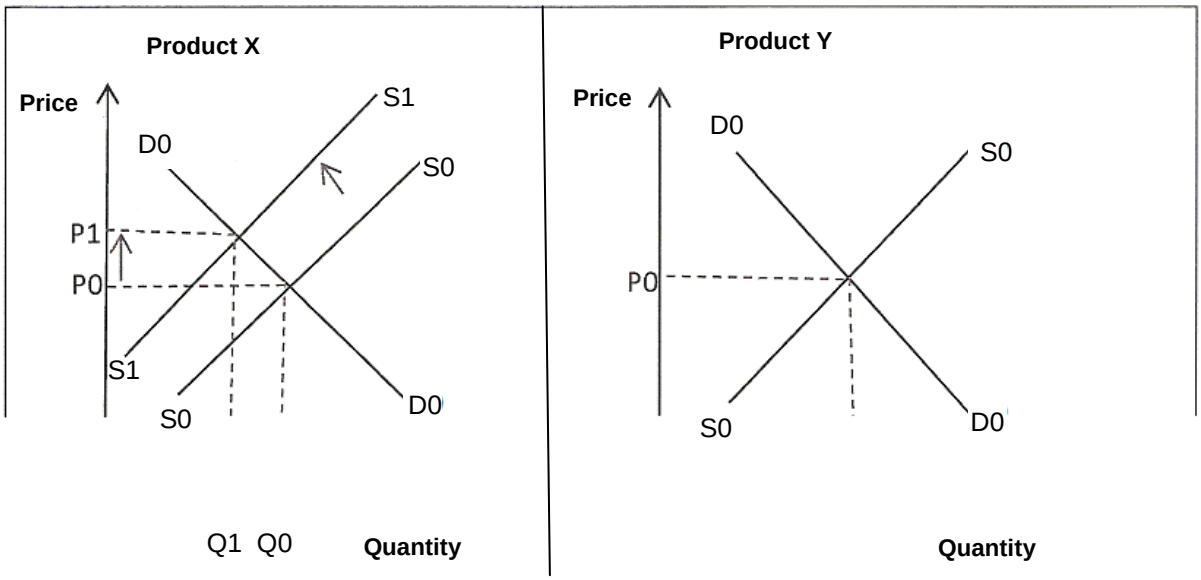
2.2.1 List any TWO advantages of competition as mentioned in the article. (2x2) (4)

2.2.2 Define a *monopoly*. (2)

2.2.3 Why would you describe the taxi industry in South Africa as a monopoly? Explain your answer. (2x2) (4)

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

MARKETS: DEMAND RELATIONSHIPS – COMPLEMENTARY GOODS



2.3.1 Define *complementary products*. (2)

2.3.2 Why is it important for the producer to understand the relationship between complementary goods? (2x2) (4)

2.3.3 What is the effect on Product X if the price of Product Y decreases? (2x2) (4)

2.4 Briefly discuss the characteristics of *utility*. (4x2) (8)

2.5 Explain how the price mechanism works in conditions of perfect markets. (4x2) (8)

[40]

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

Output	Price	Total Revenue	Average Revenue	Marginal Revenue	Total Cost	Marginal Cost	Average Cost	Profit
0	32	0	-	0	20	-	-	0
1	28	28	28	28	29	9	30	1
2	24	**(A)**	24	20	38	9	19	10
3	20	60	20	12	48	10	16	12
4	16	64	16	**(B)**	60	**(C)**	15	4
5	8	40	8	-24	75	15	15	-35
6	4	24	4	-16	108	33	18	-84

3.3.1 What is meant by MC = MR? (2)

3.3.2 Define the term *marginal cost*. (2)

3.3.3 Calculate the values of **A**, **B** and **C**. (6)

3.4 Differentiate between the concepts *absolute advantage* and *comparative advantage*. (2x4) (8)

3.5 Compare the characteristics of monopolistic competition and oligopolies. (2x4) (8)

[40]

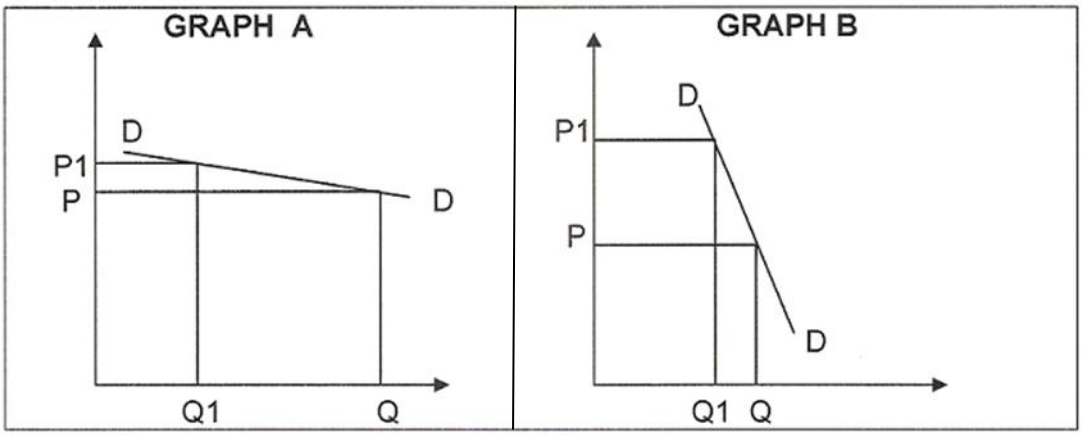
QUESTION 4 **40 MARKS – 30 MINUTES**

4.1 Answer the following questions.

4.1.1 Name TWO types of monopolies. (2x1) (2)

4.1.2 What will the producer do if total cost exceeds total revenue? (1x2) (2)

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



4.2.1 Define the concept of *elasticity of demand*. (2)

4.2.2 Why is the price elasticity of demand important to producers? (2x2) (4)

4.2.3 Distinguish between the types of elasticity of demand in the above graphs. Explain your answer. (2x2) (4)

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

Units of milk	Total Utility	Marginal Utility
1	**(A)**	15
2	27	**(B)**
3	34	7
4	34	**(C)**
5	**(D)**	-3

4.3.1 Define *marginal utility*. (2)

4.3.2 Identify the point at which the consumer reaches maximum utility. (2)

4.3.3 Explain what happens to total utility when marginal utility becomes negative. (2)

4.3.4 Give the values of **A** to **D**. (Write only the letter and the value.) (4)

4.4 Explain FOUR reasons for economies of scale. (4x2) (8)

4.5 The price of apples increases by 20 % and the quantity of pears demanded increases by 10 %.

Calculate the cross price elasticity of demand and indicate whether the goods are complementary goods or substitute goods.
Show all calculations. (8)
[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions from 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 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 / How? / Suggest	Max. 26 Max. 10
Conclusion: Any relevant higher order conclusion that should include: * A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body. * An opinion or valued judgement on the facts discussed. * Additional support information to strengthen the discussion / analysis. * A contradictory viewpoint with motivation, if so required. * Recommendations	Max. 2
TOTAL	**40**

QUESTION 5 **40 MARKS – 40 MINUTES**

A market is any organisation or mechanism that brings buyers and sellers together to negotiate prices and quantities and exchange goods and services.

- Discuss in detail the characteristics of perfect markets. (26 marks)
- Analyse and explain any TWO types of profit. (10 marks) **[40]**

QUESTION 6 **40 MARKS – 40 MINUTES**

"*Price elasticity of supply will always be positive because of the law of supply.*"

- Use graphs to explain the following price elasticities of supply:
  - Perfectly inelastic supply
  - Unit elasticity of supply
  - Perfect elastic supply (26 marks)
- Which factors influence the price elasticity of supply? (10 marks) **[40]**

TOTAL SECTION C: 40

TOTAL: 150

END