



Province of the
EASTERN CAPE
EDUCATION

DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)
HOME SCHOOLING SELF-STUDY ANSWER SHEET

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|----------------|-----------------------|------------------------|-----------|-----------------------|-------------------|
| SUBJECT | ECONOMICS | GRADE | 12 | DATE | 02/07/2020 |
| TOPIC | MICROECONOMICS | TERM 1 REVISION | | TERM 2 CONTENT | x |

QUESTION 1

40 MARKS – 30 MINUTES

- 1.1 1.1.1 Name TWO elements of a hybrid structure of monopolistic competition. **(2)**
- Perfect competition ✓
 - Monopoly ✓
- 1.1.2 Why is the short run economic profit of a monopolistically competitive firm not sustainable in the long run? **(2)**
- New firm will enter the market because of freedom of entry, ✓ the supply will increase and the equilibrium price will fall until all the firms are making normal profit in the long run. ✓
- 1.2 **DATA RESPONSE**
- 1.2.1 Name the institution in the extract that investigates anticompetitive behaviour in South Africa. **(1)**
- Competition Commission ✓

1.2.2 Identify ONE aspect that was influenced negatively by ArcelorMittal's anticompetitive behaviour. (1)

- Trade exports ✓
- Industrial sector ✓
- Job creation ✓

1.2.3 **What is the role of the Competition Tribunal?**

- The Competition Tribunal accepts or rejects the investigation and recommendations of the Competition Commission / grant exemptions / prevent or allow mergers / adjudicate any misconduct / issue an order for cost ✓✓
(Accept any other correct relevant response)

(2)

1.2.4 **What is meant by market dominance?**

- Market dominance is when one or more firms has significant control in the market ✓✓
(Accept any other correct relevant response)

(2)

1.2.5 **How will ArcelorMittal's anticompetitive behaviour affect the industrial sector?**

Behaviour would affect the industrial sector by:

- increasing the input costs of all steel-related manufacturers in the industry ✓✓
- causing a decrease in trade exports of related industries ✓✓
- decreasing employment ✓✓
(Accept any other correct relevant response)

(2 x 2)

(4)

1.3 **DATA RESPONSE.**

1.3.1 **Identify the type of monopoly depicted in the cartoon.**

(1)

Artificial ✓

1.3.2 **How many firms usually dominate this type of market?**

(1)

One ✓

1.3.3 **Describe the nature of the product produced by a monopoly.**

The product is unique. There is no close substitute for the product ✓✓ (2)

1.3.4 How are natural monopolies created?

Natural monopolies are created by:

- associating with high development or input cost ✓✓
 - being owned or regulated by the government ✓✓ (2)
- (Accept any other correct relevant response)

1.3.5 Why will this monopolist always make economic profit in the long run?

The monopolist will always make economic profit in the long run because:

- entry of other firms into the market is limited due the barriers of entry. Entry is blocked ✓✓
 - this monopolist has a patent which give him exclusive to manufacture a product ✓✓
 - monopolies normally produce less than the market demand in order to sell their products at higher price ✓✓
 - if the monopolist makes a loss in the short run he can always adjust prices so that he makes an economics profit in the long run ✓✓
- (Accept any other correct relevant response) (2 x 2) (4)

1.4 Explain the aims of South Africa's antimonopolistic policy.

- To promote economic transformation of the economy by making sure that there is no restriction on entry in any industry ✓✓
- To curb the economic power of big businesses in South Africa in order to achieve a more equitable distribution of income and wealth ✓✓
- To help South African businesses to become more competitive / lower prices ✓✓
- To ensure that South African competition law is in line with international standards ✓✓
- To prevent monopolies and other powerful businesses from abusing their power. ✓✓
- To regulate the formation of mergers and acquisitions who wish to exercise market power. ✓✓
- To stop firms from using restrictive practices like fixing prices, dividing markets ✓✓
- Regulates transfer of ownership in keeping with public interest ✓✓
- All South Africans gets equal opportunity to participate fairly in net economy ✓✓
- Provides markets in which consumers have access to freely select quantity and variety ✓✓

- Provides environment to compete effectively in internal markets √√
(Accept any other correct relevant response)
(A maximum of 4 marks may be allocated for the mere listing of facts/examples) (4 x 2)

(8)

1.5 How will a monopolistic competitor, like KFC, compete with other fast-food chicken outlets to increase its market share?

- The monopolistic competitor can increase its market share by competing on non-price factors √√
- KFC might use unique spices (recipe) or new product lines (e.g. mealie pap) to offer a differentiated product √√
- Using unique red/white packaging to promote KFC-branding √√
- Aggressive advertising campaigns can be launched by focusing on the use of bill boards / sponsor ships like mini cricket √√
- Extending shopping hours at more KFC branches, will be more convenient for customers in close vicinity to make use of their services (e.g. 24-hour service) √√
- Providing more free deliveries within a certain range of the business will ensure an edge over other competition √√
- The monopolistic competitor can increase its market share by competing on promotional specials based on price √√
(Accept any other correct relevant response)
(Allocate a maximum of 2 marks for mere listing of facts/examples)

(8)

[40]