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UNISA university of south africa

ECS1501

OCTOBER/NOVEMBER 2018

ECONOMICS 1A

STUDENT NUMBER									

IDENTITY NUMBER												

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Question	Marks					
	Examiners					
	1			2		
1						
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Total						

Subject

Number of paper

Date of examination

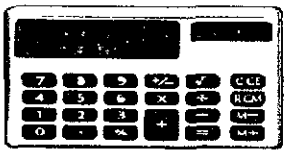
Examination centre

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UNIVERSITY EXAMINATIONS



UNIVERSITEITSEKSAMENS

UNISA university of south africa

ECS1501 (476400) October/November 2018

Economics IA

Duration 2 Hours 100 Marks

EXAMINERS
FIRST MR WJ LE ROUX
SECOND MR FHB SERFONTEIN

Use of a non-programmable pocket calculator is permissible

Closed book examination

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This paper consists of 18 pages, including one page for rough work, a special front page, plus instructions for the completion of a mark-reading sheet

STUDENT NUMBER									

Read all the instructions carefully before answering the questions.

This paper consists of two compulsory sections

Section A consists of seven questions Answer all the questions in section A in the space provided for answering them The questions and space for answering section A start on page 2

Section B consists of 35 multiple-choice questions Answer all the questions in section B on the mark-reading sheet Write the unique number on your mark-reading sheet Place the completed mark-reading sheet in your answer book Do not staple it to the answer book The instructions for completing section B are on page 7 and the questions for section B start on page 8

Ensure that the page numbers of this examination paper follow each other correctly Please report to the invigilator if your paper has any blank pages or if pages have not been printed clearly

Fill in the attendance register on the back page, tear it off and hand it to the invigilator

SECTION A

Answer all the questions in this section Write your answers in the space provided.

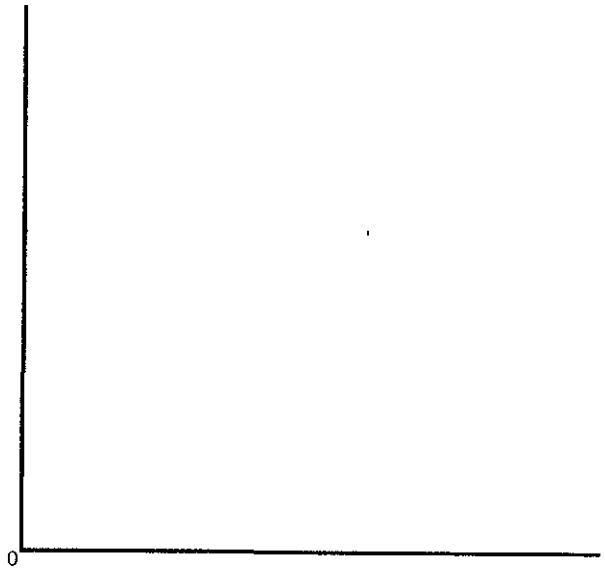
QUESTION 1 [3]

Explain the concept of opportunity cost, making use of an example to illustrate your answer

QUESTION 2 [5]

(i) Name two factors that will decrease the supply of a good or service (2)

(ii) On the diagram below, illustrate the impact of this decrease in supply on the equilibrium price and equilibrium quantity Remember to label your diagram (3)



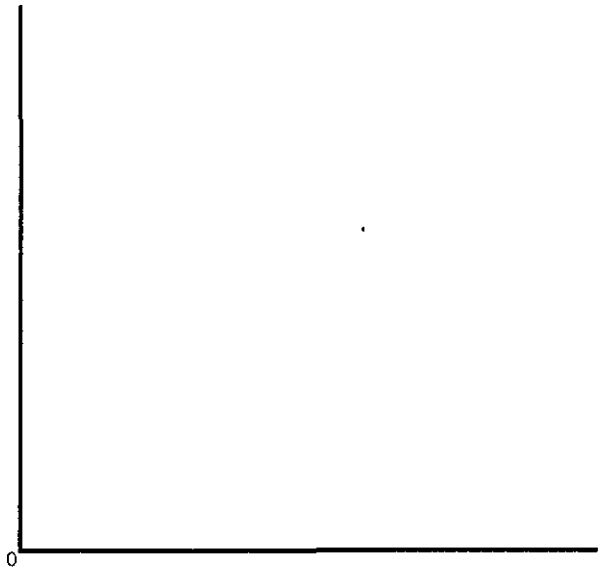
QUESTION 3 **[4]**

Excess demand exists in the market for tomatoes Explain the adjustment process to the new equilibrium position in the market for tomatoes

QUESTION 4 **[5]**

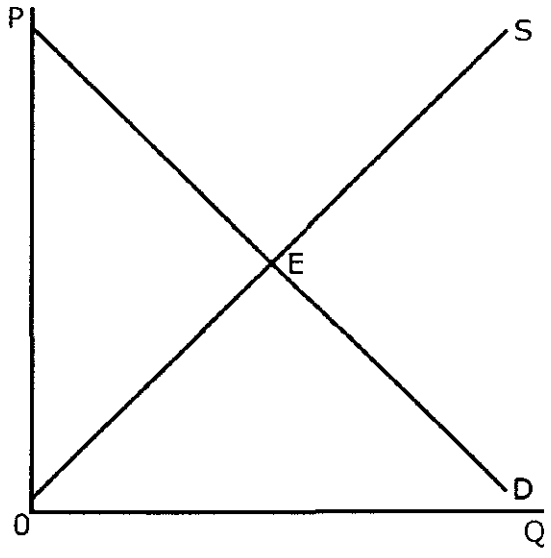
Suppose we observe that the equilibrium price of a particular good has increased significantly over the past five years, with virtually no change in the equilibrium quantity

On the diagram below, illustrate the possible changes in demand and/or supply that could have led to the above outcome Remember to label your diagram



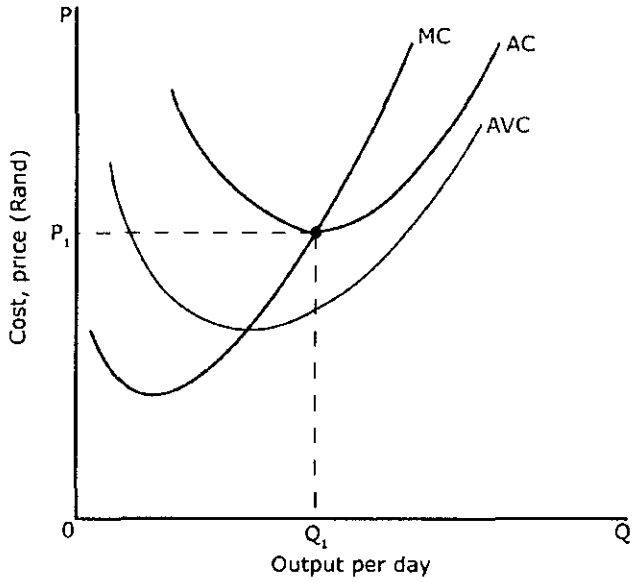
QUESTION 5 **[2]**

Use the following diagram to distinguish between consumer and producer surplus



QUESTION 6 **[5]**

Use the following diagram to explain the concept of economic profit



QUESTION 7 **[6]**

(i) Use your knowledge of price elasticity of demand to explain why a decrease in price does not necessarily lead to a decrease in total revenue (3)

(ii) Suppose the cross elasticity of demand for product A and product B is -0,25
Explain the type of goods that product A and product B are, based on the cross elasticity of demand (3)

*** ********* ***

SECTION B

INSTRUCTIONS

In this section, answer all the questions on the **mark-reading sheet** supplied **Follow the instructions for the completion of a mark-reading sheet given below.**

Suppose a question reads as follows

1 What currency is used in South Africa?

[1] dollar
[2] pula
[3] cedi
[4] rand

In this case, the correct answer is 4 You must therefore mark 4 on your mark-reading sheet

(i) Only one of the alternatives given for each question – listed as [1], [2], etc – is correct Therefore, mark only one alternative per question
(ii) For a correct answer, you will receive 2 marks No marks will be deducted for incorrect answers
(iii) Section B consists of 35 questions, and thus counts 70 marks out of a total of 100

Your mark-reading sheet may get lost. As a precaution, you must therefore also write your answers to the questions in this section on page 16 of your examination answer book, in the space provided.

1. Economics is

[1] the study of the ethics of making money
[2] the study of how scarce resources are allocated in an attempt to satisfy unlimited needs and wants
[3] the study of direct and indirect relationships between inputs and outputs in various production methods
[4] a subdiscipline of business management

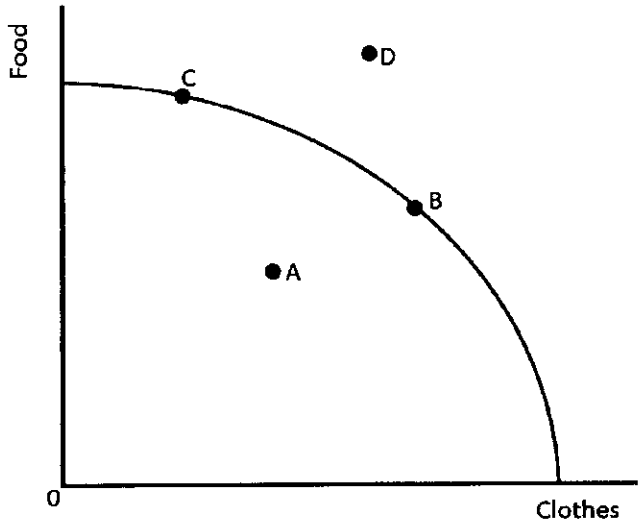
2 Unemployment would cause an economy to

[1] produce inside its production possibilities frontier
[2] produce on its production possibilities frontier
[3] produce outside its production possibilities frontier
[4] experience an inward shift of its production possibilities frontier

3 A production possibilities frontier shifts outward when

[1] the economy experiences economic growth.
[2] the desires of the economy's citizens change
[3] at least one of the basic principles of economics is violated
[4] opportunity costs are lessened

Question 4 is based on the following diagram



4 Celia is a potato peeler for CanCan Foods She decides to leave her job and instead work as a seamstress at CoverUp Clothing This would cause

[1] an outward shift of the production possibilities curve
[2] an inward shift of the production possibilities curve
[3] a movement towards point D
[4] a movement along the production possibilities curve

5 Microeconomics is the study of

[1] the behaviour of consumers
[2] how individual households and firms make decisions
[3] markets for small products
[4] markets for large products

6 Positive statements are

[1] prescriptive
[2] claims about how the world should be
[3] claims about how the world is
[4] made by economists speaking as policy advisers

7 Market economies are distinguished from other types of economies largely on the basis of

[1] the political affiliations of government officials
[2] the process by which government officials are elected or appointed
[3] the ways in which scarce resources are allocated
[4] the number of retail outlets available to consumers

8 When economists attempt to simplify the real world and make it easier to understand they make

[1] assumptions
[2] mistakes in judgement
[3] predictions
[4] evaluations

9 In economics, capital refers to

[1] the finances necessary for firms to produce their products
[2] buildings and machines used in the production process
[3] the money households use to purchase firms' output
[4] the finances necessary for firms to set up production facilities

10 In the circular flow model, _____ represent/s a nominal flow

[1] goods consumed by government
[2] labour employed by firms
[3] goods exported to other countries
[4] income received by households

11 Which of the statements below best represents the law of demand?

[1] When buyers' tastes for a good increase, they purchase more of the good
[2] When income levels increase, buyers purchase more of most goods
[3] When the price of a good decreases, buyers purchase more of the good
[4] When buyers' demands for a good increase, the price of the good increases

12 The Latin phrase *ceteris paribus* means

[1] "scarcity is a fact of life"
[2] "all else equal"
[3] "there is no such thing as a free lunch"
[4] "everything affects everything else"

13 Suppose you make gold jewellery If the price of gold falls, we would expect you to

[1] be willing and able to produce less jewellery than before at each possible price
[2] be willing and able to produce more jewellery than before at each possible price
[3] face a greater demand for your jewellery
[4] face a weaker demand for your jewellery

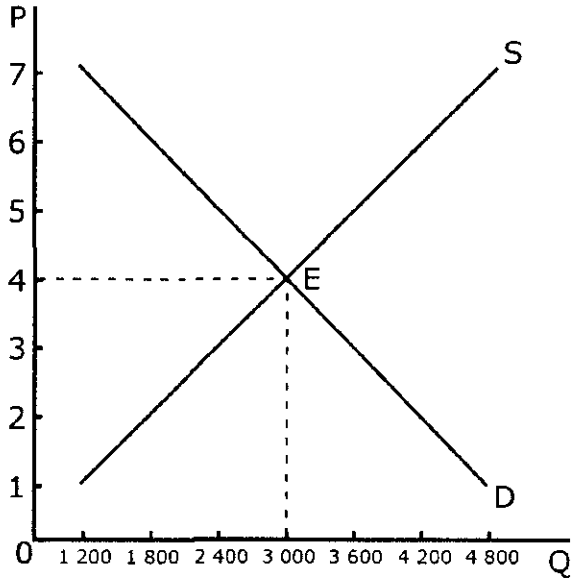
14 A higher price for torches would result in a(n)

[1] increase in the demand for torches
[2] decrease in the demand for torches
[3] increase in the demand for batteries
[4] decrease in the demand for batteries

15 Rebecca loses her job and, as a result, she buys fewer iTunes music downloads This shows that Rebecca considers iTunes music downloads to be a(n)

[1] supplementary good
[2] inferior good
[3] normal good
[4] complementary good

Question 16 is based on the diagram below



16 For a price ceiling to be binding, it would have to be set at

[1] any price below R4,00
[2] a price between R4,00 and R6,00
[3] any price above R7,00
[4] any price above R4,00

17 At the same time that a decrease in demand for ice cream occurs during winter, a new supplier enters the market, which increases the supply of ice cream From these events we can predict that

[1] the equilibrium price and equilibrium quantity will definitely be higher
[2] the equilibrium price will definitely be lower while the change in equilibrium quantity is uncertain
[3] the equilibrium quantity will definitely be higher while the change in equilibrium price is uncertain
[4] the equilibrium price will definitely be higher while the change in equilibrium quantity is uncertain

18 The demand for a product is given as Qd = 100 - 5P and the supply is given as Qs = -20 + 3p The equilibrium price for the product is

[1] R5
[2] R6,67
[3] R15
[4] R20

19 Suppose the demand for peanuts increases What will happen to producer surplus in the market for peanuts?

[1] It will increase
[2] It will decrease
[3] It will remain unchanged
[4] It may either increase, decrease, or remain unchanged

20 If a 6% decrease in price for a good results in a 2% increase in quantity demanded, the price elasticity of demand is

[1] 0,02
[2] 0,33
[3] 3
[4] 4

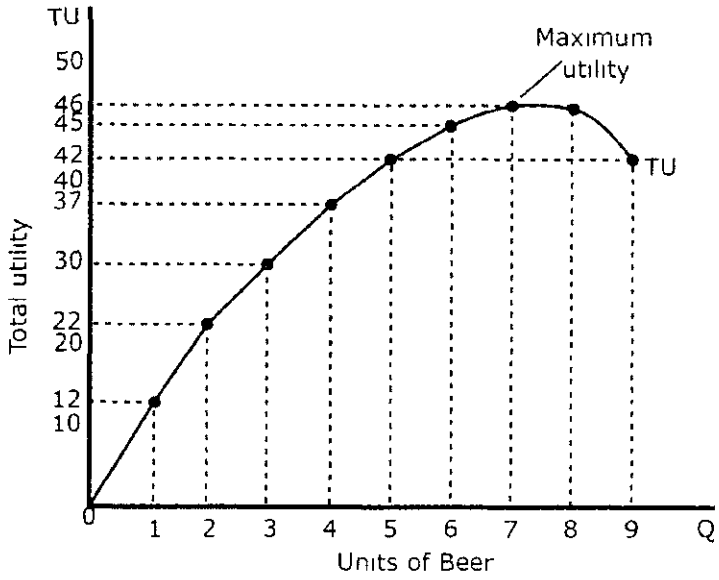
21 Busani Bakery makes such great cinnamon rolls that consumers do not respond much at all to a change in the price If the owner is only interested in increasing revenue, he should

[1] lower the price of the cinnamon rolls
[2] leave the price of the cinnamon rolls unchanged
[3] raise the price of the cinnamon rolls
[4] reduce costs

22 Utility is best defined as

[1] usefulness of a good or service
[2] satisfaction obtained from consuming the good or service.
[3] the price a consumer is willing to pay for a good or service
[4] the additional satisfaction derived from consuming a good or service

Question 23 is based on the following diagram of the total utility of the consumption of beer by Peter



23 As the number of units of beer consumed by Peter increases from 1 unit to 7 units, his total utility _____ and his marginal utility _____

[1] increases, increases
[2] decreases, decreases
[3] increases; decreases
[4] decreases, increases

24 Given the prices of goods and services, which of the following indicates consumer equilibrium?

[1] The consumer spends his or her income in such a way that he or she attains the highest possible marginal utility
[2] The consumer spends his or her income in such a way that the weighted marginal utility (marginal utility per rand) is the same for the goods
[3] The consumer spends his or her income in such a way that he or she attains the lowest possible total utility
[4] The consumer spends his or her income in such a way that the weighted marginal utility (marginal utility per rand) is at its lowest

Question 25 is based on the following data about Eric's consumption of coffee and tea

Quantity	Coffee			Tea	
	MU	MU–P (R3)	MU–P (R6)	MU	MU–P (R4)
1	30	10	5	48	12
2	24	8	4	40	10
3	18	6	3	32	8
4	12	4	2	16	4
5	6	2	1	12	3

25 If his income is R28 and the price of coffee is R6 and the price of tea R4, how many cups of coffee must he buy to reach maximum satisfaction?

[1] 4
[2] 3
[3] 2
[4] 1

Questions 26 and 27 are based on the table below

Units of labour (N)	**Total product (TP)**	**Average product (AP)**	**Marginal product (MP)**
1			20
2	45		
3	66		
4		21	
5	100		
6			14

26 The total product of 4 units is

[1] 20
[2] 80
[3] 84
[4] 114

27 The marginal product of the fifth unit is

[1] 14
[2] 16
[3] 21
[4] 25

28 If a firm in a perfectly competitive market doubles the number of units of output sold, then total revenue will

[1] more than double
[2] less than double
[3] exactly double
[4] remain constant

Use the table below to answer questions 29 and 30 that follow

Q	Average fixed cost AFC	Average variable cost AVC	Average cost AC	Total fixed cost TFC	Total variable cost TVC	Total cost TC
1	50		110		60	
2	25	95			190	240
3	16,67		146,67			440,01
4		156	170		630	

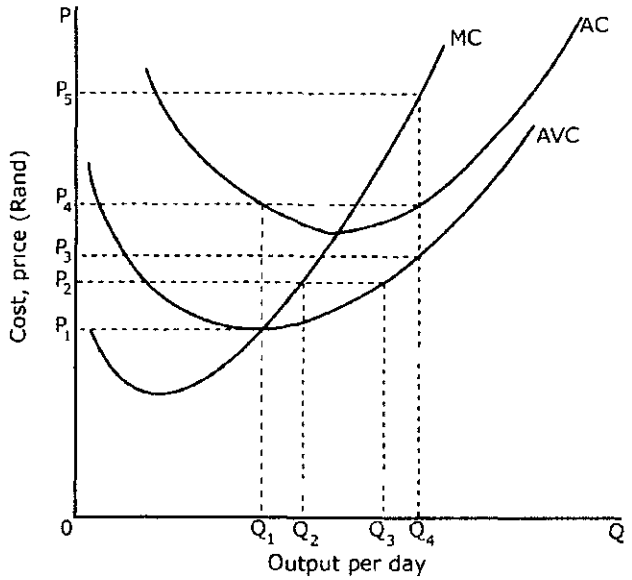
29 What is the TFC at each level of output?

[1] 10
[2] 25
[3] 50
[4] 60

30 What is the AVC for the third level of output?

[1] 61
[2] 130
[3] 160
[4] 300

Questions 31 and 32 are based on the diagram below.



31 When market price is P_2, a profit-maximising firm's total revenue can be represented by

[1] $P_1 \times Q_2$
[2] $P_2 \times Q_2$
[3] $P_2 \times Q_3$
[4] $P_3 \times Q_4$

32 When market price is P_2, a profit-maximising firm's total fixed cost can be represented by the area

[1] $(P_2 \times Q_2) - (P_2 \times Q_3)$
[2] $(P_1 + P_4) \times Q_1$
[3] $(P_4 - P_3) \times Q_4$
[4] Total fixed costs cannot be determined from the information in the figure

33 A competitive firm's short-run supply curve is part of which of the following curves?

[1] Marginal revenue
[2] Average variable cost
[3] Average total cost
[4] Marginal cost

34 Workers at a bicycle assembly plant currently earn a mandatory minimum wage If the government increases the minimum wage by R1 00 an hour, it is likely that the

[1] demand for bicycle assembly workers will increase
[2] supply of bicycles will shift to the right
[3] supply of bicycles will shift to the left
[4] firm must increase output to maintain profit levels

35 If Donald earns a nominal wage of R25 000 and he receives an increase in salary of R2 000, which of the following is true if the inflation rate is 9%?

[1] Donald receives an increase in both nominal and real wage
[2] Donald receives an increase in nominal wage and a decrease in his real wage
[3] Donald receives a decrease in nominal wage and an increase in his real wage
[4] Donald receives a decrease in both nominal and real wage

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Your mark-reading sheet may get lost, and so as a precaution, please also write down your answers to the questions in section B in the space provided below.			
1	11	21	31
2	12	22	32
3	13	23	33
4	14	24	34
5	15	25	35
6	16	26	
7	17	27	
8	18	28	
9	19	29	
10	20	30	

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EXAMINATION MARK READING SHEET EKSAMEN-MERKLEESBLAD

PART 1 (GENERAL/ALGEMEEN) DEEL 1

STUDY UNIT e.g. PSY100-X
STUDIE EENHEID bv. PSY100-X

1

PAPER NUMBER
VRAESTELNOMMER

2

INITIALS AND SURNAME
VOORLETTERS EN VAN

3

DATE OF EXAMINATION
DATUM VAN EKSAMEN

4

EXAMINATION CENTRE (E.G. PRETORIA)
EKSAMENSENTRUM (BV. PRETORIA)

5

STUDENT NUMBER
STUDENTENOMMER

6

UNIQUE PAPER NO
UNIEKE VRAESTEL NR

8

7

9

For use by examination invigilator

Vir gebruik deur eksamenopsiener

IMPORTANT

1. USE ONLY AN HB PENCIL TO COMPLETE THIS SHEET
2. MARK LIKE THIS ●
3. CHECK THAT YOUR INITIALS AND SURNAME HAS BEEN FILLED IN CORRECTLY
4. ENTER YOUR STUDENT NUMBER FROM LEFT TO RIGHT
5. CHECK THAT YOUR STUDENT NUMBER HAS BEEN FILLED IN CORRECTLY
6. CHECK THAT THE UNIQUE NUMBER HAS BEEN FILLED IN CORRECTLY
7. CHECK THAT ONLY ONE ANSWER PER QUESTION HAS BEEN MARKED
8. DO NOT FOLD

BELANGRIK

1. GEBRUIK SLEGS 'N HB POTLOOD OM HIERDIE BLAD TE VOLTOOI
2. MERK AS VOLG ●
3. KONTROLEER DAT U VOORLETTERS EN VAN REG INGEVUL IS
4. VUL U STUDENTENOMMER VAN LINKS NA REGS IN
5. KONTROLEER DAT U DIE KORREKTE STUDENTENOMMER VERSTREK HET
6. KONTROLEER DAT DIE UNIEKE NOMMER REG INGEVUL IS
7. MAAK SEKER DAT NET EEN ALTERNATIEF PER VRAAG GEMERK IS
8. MOENIE VOU NIE

PART 2 (ANSWERS/ANTWOORDE) DEEL 2

10

1	c1 c2 c3 c4 c5	36	c1 c2 c3 c4 c5	71	c1 c2 c3 c4 c5	106	c1 c2 c3 c4 c5
2	c1 c2 c3 c4 c5	37	c1 c2 c3 c4 c5	72	c1 c2 c3 c4 c5	107	c1 c2 c3 c4 c5
3	c1 c2 c3 c4 c5	38	c1 c2 c3 c4 c5	73	c1 c2 c3 c4 c5	108	c1 c2 c3 c4 c5
4	c1 c2 c3 c4 c5	39	c1 c2 c3 c4 c5	74	c1 c2 c3 c4 c5	109	c1 c2 c3 c4 c5
5	c1 c2 c3 c4 c5	40	c1 c2 c3 c4 c5	75	c1 c2 c3 c4 c5	110	c1 c2 c3 c4 c5
6	c1 c2 c3 c4 c5	41	c1 c2 c3 c4 c5	76	c1 c2 c3 c4 c5	111	c1 c2 c3 c4 c5
7	c1 c2 c3 c4 c5	42	c1 c2 c3 c4 c5	77	c1 c2 c3 c4 c5	112	c1 c2 c3 c4 c5
8	c1 c2 c3 c4 c5	43	c1 c2 c3 c4 c5	78	c1 c2 c3 c4 c5	113	c1 c2 c3 c4 c5
9	c1 c2 c3 c4 c5	44	c1 c2 c3 c4 c5	79	c1 c2 c3 c4 c5	114	c1 c2 c3 c4 c5
10	c1 c2 c3 c4 c5	45	c1 c2 c3 c4 c5	80	c1 c2 c3 c4 c5	115	c1 c2 c3 c4 c5
11	c1 c2 c3 c4 c5	46	c1 c2 c3 c4 c5	81	c1 c2 c3 c4 c5	116	c1 c2 c3 c4 c5
12	c1 c2 c3 c4 c5	47	c1 c2 c3 c4 c5	82	c1 c2 c3 c4 c5	117	c1 c2 c3 c4 c5
13	c1 c2 c3 c4 c5	48	c1 c2 c3 c4 c5	83	c1 c2 c3 c4 c5	118	c1 c2 c3 c4 c5
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15	c1 c2 c3 c4 c5	50	c1 c2 c3 c4 c5	85	c1 c2 c3 c4 c5	120	c1 c2 c3 c4 c5
16	c1 c2 c3 c4 c5	51	c1 c2 c3 c4 c5	86	c1 c2 c3 c4 c5	121	c1 c2 c3 c4 c5
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19	c1 c2 c3 c4 c5	54	c1 c2 c3 c4 c5	89	c1 c2 c3 c4 c5	124	c1 c2 c3 c4 c5
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21	c1 c2 c3 c4 c5	56	c1 c2 c3 c4 c5	91	c1 c2 c3 c4 c5	126	c1 c2 c3 c4 c5
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24	c1 c2 c3 c4 c5	59	c1 c2 c3 c4 c5	94	c1 c2 c3 c4 c5	129	c1 c2 c3 c4 c5
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26	c1 c2 c3 c4 c5	61	c1 c2 c3 c4 c5	96	c1 c2 c3 c4 c5	131	c1 c2 c3 c4 c5
27	c1 c2 c3 c4 c5	62	c1 c2 c3 c4 c5	97	c1 c2 c3 c4 c5	132	c1 c2 c3 c4 c5
28	c1 c2 c3 c4 c5	63	c1 c2 c3 c4 c5	98	c1 c2 c3 c4 c5	133	c1 c2 c3 c4 c5
29	c1 c2 c3 c4 c5	64	c1 c2 c3 c4 c5	99	c1 c2 c3 c4 c5	134	c1 c2 c3 c4 c5
30	c1 c2 c3 c4 c5	65	c1 c2 c3 c4 c5	100	c1 c2 c3 c4 c5	135	c1 c2 c3 c4 c5
31	c1 c2 c3 c4 c5	66	c1 c2 c3 c4 c5	101	c1 c2 c3 c4 c5	136	c1 c2 c3 c4 c5
32	c1 c2 c3 c4 c5	67	c1 c2 c3 c4 c5	102	c1 c2 c3 c4 c5	137	c1 c2 c3 c4 c5
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34	c1 c2 c3 c4 c5	69	c1 c2 c3 c4 c5	104	c1 c2 c3 c4 c5	139	c1 c2 c3 c4 c5
35	c1 c2 c3 c4 c5	70	c1 c2 c3 c4 c5	105	c1 c2 c3 c4 c5	140	c1 c2 c3 c4 c5

Specimen only

MARK READING SHEET INSTRUCTIONS

Your mark reading sheet is marked by computer and should therefore be filled in thoroughly and correctly

USE ONLY AN HB PENCIL TO COMPLETE YOUR MARK READING SHEET

PLEASE DO NOT FOLD OR DAMAGE YOUR MARK READING SHEET

Consult the illustration of a mark reading sheet on the reverse of this page and follow the instructions step by step when working on your sheet

Instruction numbers ❶ to ❿ refer to spaces on your mark reading sheet which you should fill in as follows

❶ Write your paper code in these eight squares, for instance

P	S	Y	1	0	0	-	X

❷ The paper number pertains only to first-level courses consisting of two papers

WRITE | 0 | 1 | for the first paper and | 0 | 2 | for the second If only one paper, then leave blank

❸ Fill in your initials and surname

❹ Fill in the date of the examination

❺ Fill in the name of the examination centre

❻ WRITE the digits of your student number HORIZONTALLY (from left to right) Begin by filling in the first digit of your student number in the first square on the left, then fill in the other digits, each one in a separate square

❼ In each vertical column mark the digit that corresponds to the digit in your student number as follows [-]

❽ WRITE your unique paper number HORIZONTALLY

NB Your unique paper number appears at the top of your examination paper and consists only of digits (e g 403326)

❾ In each vertical column mark the digit that corresponds to the digit number in your unique paper number as follows [-]

❿ Question numbers 1 to 140 indicate corresponding question numbers in your examination paper The five spaces with digits 1 to 5 next to each question number indicate an alternative answer to each question The spaces of which the number correspond to the answer you have chosen for each question and should be marked as follows [-]

♦ For official use by the invigilator Do not fill in any information here