ATTENDANCE FORM

Surname	
Initials	
Student number	
Venue	

GENERAL INSTRUCTIONS

1.   **Do not remove the staple – hand this paper in as a whole.**

2.   **Remove <u>only</u> the top page (this page), and hand it in together with this paper at the end.**

3.   **Check that your paper has <u>11</u> numbered pages.**

ECO11A1 / BED1-1
FINAL ASSESSMENT
3 JUNE 2016

UNIVERSITY OF JOHANNESBURG

DEPARTMENT OF ECONOMICS AND ECONOMETRICS

ECONOMICS 1A (DIPLOMA) ECO11A1/BED1-1

FINAL ASSESSMENT JUNE 2016

BUNTING ROAD CAMPUS

Date: 3 June 2016
Marks: 100
Time: 2 hours
Examiners: Dr B Maphela, Mr T Zwane, Ms P Maphelane Mr M Sekome & Mr JGR Musakanya
Moderator(s): Dr M Maleka

Surname

Initials

Student number

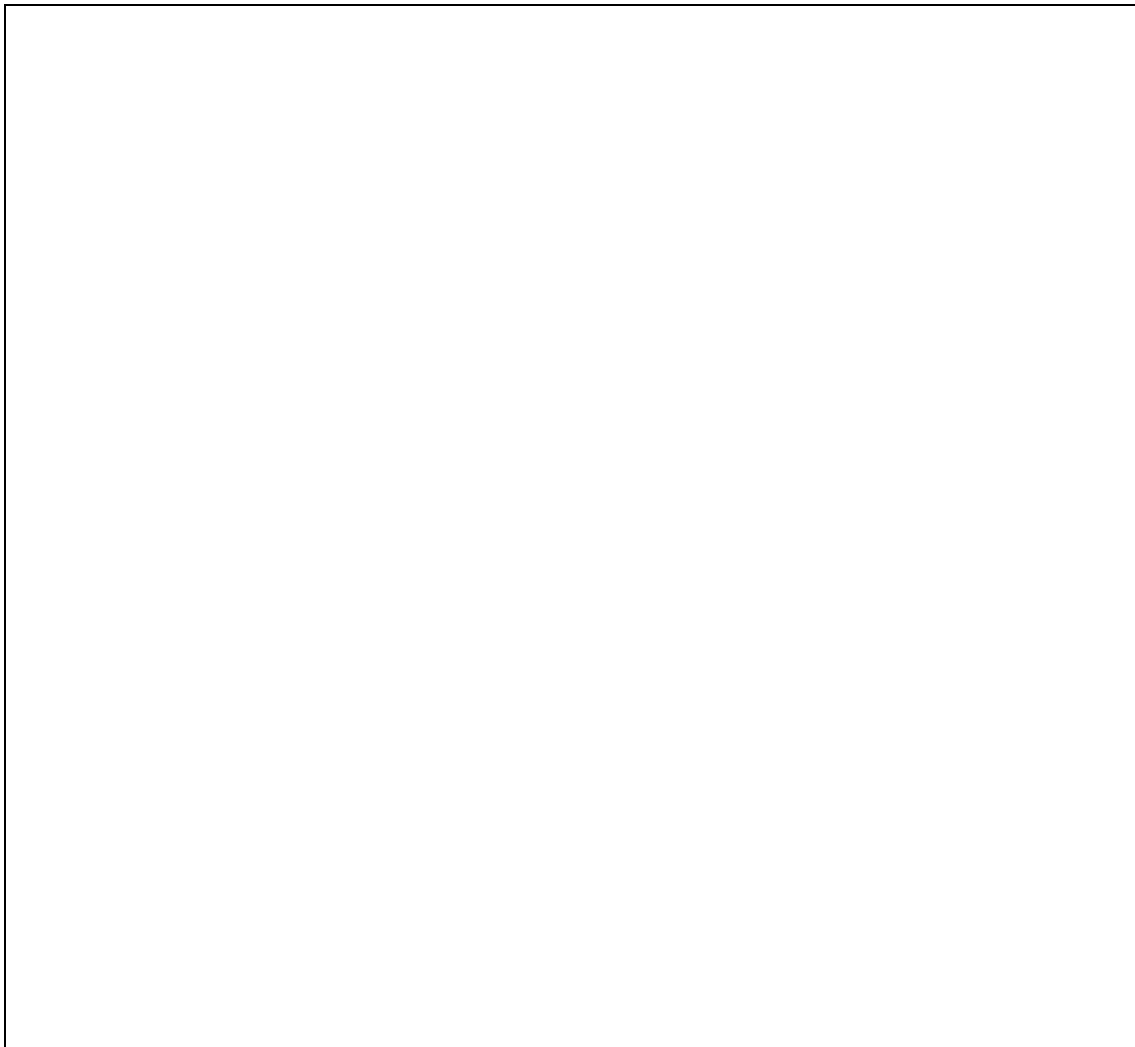| Question	Marks	Total
Section A	20	
B	16	
C	20	
D	24	
E	20	
TOTAL	100	

<u>Section A</u> **[20 Marks]**

Question 1

1. Identify the four role players in the circular flow of a close economy. **(4)**

2. Illustrate how these role players interact in an economic system's circular flow. (16)

SECTION B [16 Marks]

Demand shows the various quantities of a product that will be purchased at various possible prices, other things being equal.

Below is a demand schedule for a household
.

Price	Qd
R50	2
R40	3
R30	4
R20	5
R10	6
R5	7

1. Graphically illustrate how the curve will be derived from the given schedule. (8)

2. As income changes for households the demand for certain good change with income. Complete the table below to demonstrate this understanding. (8)

NB: Circle the correct answer

Change in income	Normal good	Inferior good
1.Decrease in the income tax rate	Increase / Decrease	Increase / Decrease
2.Decrease in the interest rates	Increase / Decrease	Increase / Decrease

SECTION C [20 Marks]

Price elasticity of demand measures the responsiveness of demand to price changes.

1. Give the equation for the price elasticity of demand. (4)

2. Calculate the following elasticities of demand and indicate the impact of your answer on revenues (PXQ).
   Example: if your answer is 5. The demand is elastic and the revenues of the supplier will decrease.
   NB Two marks for calculations
   One mark for the elasticity
   One mark for revenue impact

a) 4%↓ of Qd as a result of 2%↑ in Price (4)

Calculation
Elasticity
Impact on Revenues

b) 1% Increase ↑ of Qd as a result of a 2% Decrease ↓ in Price (4)

Calculations
Elasticity
Impact on Revenues

c) 2% Increase↑ of Qd as a result of a 2% Decrease ↓ in Price (4)

Calculation
Elasticity
Impact on Revenues

d) Decrease ↓ in Qd from 3 to 6 quantities due to Increase ↑ in P from R3 to R6. (4)

Calculations
Elasticity
Impact on Revenues

SECTION D `   **[24 Marks]**

Below is a production schedule for a shirt industry.

Units of land (Sq.M)	Units of labour	Total product	Marginal product	Average product
20	0	0	0	0
20	1	16		
20	2	44		
20	3	78		
20	4	113		
20	5	145		
20	6	171		
20	7	190		
20	8	200		
20	9	200		
20	10	187		

1. Complete the production schedule above   **(20)**

2. State whether this is a short run or lon rung production schedule and why.   **(2)**

3. According to your calculations of the Marginal Product, discuss when this industry should stop employing labour.   **(2)**

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Section E [20 Marks]

Answer the multiple choice questions on the attached answer sheet on **page 11. Mark the correct option clearly with a big cross**. **Do not remove the staple or any of the pages**. The questions are worth 2 marks each.

1. **Marginal utility:**

    A. Is the extra output a firm obtains when it adds another unit of labour.
    B. Explains why product supply curves slope upward.
    C. Typically rises as successive units of a good are consumed.
    D. Is the extra satisfaction from the consumption of one more unit of a good or service.
    E. Is the satisfaction from the study of positive and normative economics.

2. **When marginal utility is positive, but declining, then total utility is positive and:**

    A. Rising at an increasing rate.
    B. Falling at an increasing rate.
    C. Rising at a decreasing rate.
    D. Falling at a decreasing rate.
    E. Rising at a neutral rate.

3. **If the principal concern of economics is the question of how best to use society's resources, then economics would be irrelevant if:**

    A. We had unlimited wants.
    B. Economies were organised around command rather than market principles.
    C. Economies were organised around market rather than command principles.
    D. Resources were available in unlimited quantities.
    E. Incomes were distributed more equally.

4. **Use the data in the following table below to answer this question:**

| Quantity	Total Utility (Coffee per cup)	Total Utility (Red Bull per unit)
0	0	0
1	260	300
2	440	450
3	540	540
4	590	600
5	610	630

    The price of Coffee is R20 per cup, the price of Red Bull is R30 per unit and income is R120. What is the consumer's equilibrium position, assuming that the entire income is spent on coffee and Red Bull?

    A. 1 unit of Coffee and 3 units of Red Bull.
    B. 3 units of Coffee and 2 units of Red Bull.
    C. 6 units of Coffee and 0 units of Red Bull.
    D. 2 units of Coffee and 4 units of Red Bull.
    E. 3 units of Coffee and 4 units of Red Bull.

5. Which one of the following is not a function of the South African Reserve Bank?

   A. To formulate and implement monetary policy.
   B. To maintain financial stability.
   C. To finance government expenditure.
   D. To provide economic and statistical services.
   E. To act as banker to other banks.

.

Questions 6, 7 and 8 refer to the figure below which shows the price, marginal cost, and average cost curves facing a perfectly competitive firm in the short run.
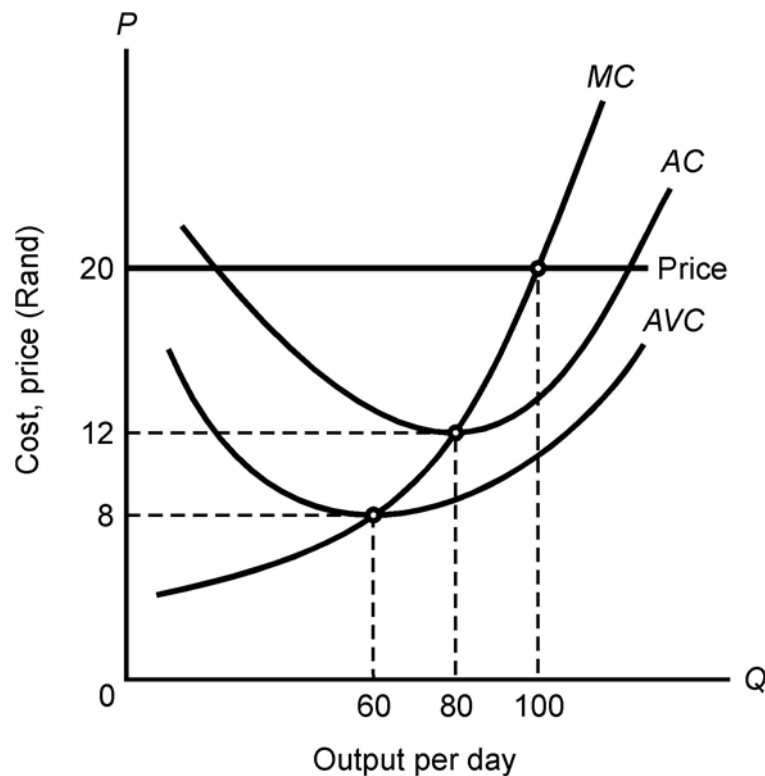
6. What is the firm's profit-maximising output in the short run?

   A. 100 units.
   B. 140 units.
   C. 80 units.
   D. 60 units.
   E. No output should be produced.

7. What is the total revenue of the profit-maximising firm in the short run?

   A.   R800.
   B.   R2 000
   C.   R960.
   D.   R720
   E.   R600.

8. **Total costs to the profit-maximising firm in the short run are:**

    A. R960.
    B. R1200.
    C. Greater than R1200.
    D. R720.
    E. Smaller than R640.

9. **The _____ demand for money arises out of the need to hold money as a medium of exchange.**

    This demand for money is a function of _____. **(Hint: To the correct combination of answers)**

    A. Precautionary; Interest Rates.
    B. Transactions; National Income.
    C. Speculative; Interest Rates.
    D. Precautionary; National Income.
    E. Transactions; Interest Rates.

10. **The supply of labour curve _S_ below slopes upward because:**
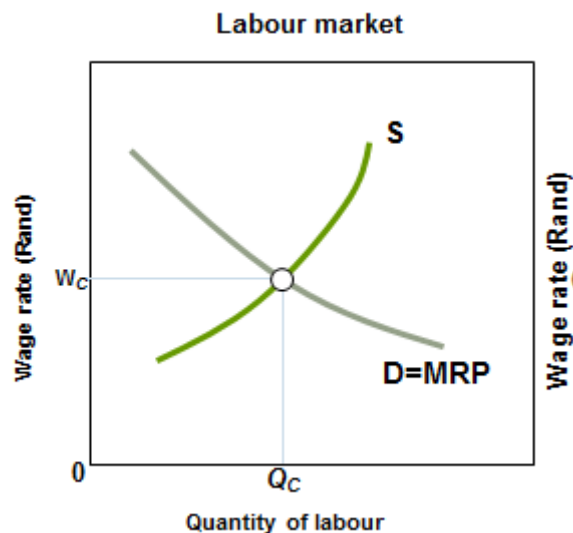
Labour market

A. The law of diminishing marginal utility applies.
B. The law of diminishing returns applies.
C. Workers can afford to 'buy' more leisure when their wage rates rise.
D. Higher wages are needed to attract workers away from other labour markets, household activities and leisure.
E. None of the above.

Question Section E - Answer Sheet
(Remember to write your student number on the bottom of this sheet)

	A	**B**	**C**	**D**	**E**
Question **1**					
Question **2**					
Question **3**					
Question **4**					
Question **5**					
Question **6**					
Question **7**					
Question **8**					
Question **9**					
Question **10**					

END