



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Economics
CAMPUS(ES)	SWC
MODULE NAME	Economics 1A/ Financial Services Economics 1A (Diploma)
MODULE CODE	ECO11A1/ FSE11A1
SEMESTER	First
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Written Assessment May 2019

ASSESSMENT DATE	25 May 2019	SESSION	12:30 – 14:30
ASSESSOR(S)	Mr J.G.R. Musakanya		
MODERATOR(S)	Dr T.T. Zwane		
DURATION	2 hours (120 min)	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	19
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INFORMATION/INSTRUCTIONS:

-
- This is a closed-book assessment. Combined question paper and answer book.
 - Read the questions carefully and answer only what is asked.
 - Answer all the questions.
 - Only approved calculators allowed.
 - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
 - The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.
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Student number

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Question	Marks	Total
Section A	50	
B	50	
TOTAL	100	

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Section A**[50 Marks]**

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

1. Which The economic problem arises from the coexistence of:

- A. limited wants and unlimited resources.
- B. unlimited wants and limited money in circulation.
- C. limited wants and limited resources.
- D. unlimited wants and unlimited resources.
- E. unlimited wants and limited resources.

2. Microeconomics is a branch of economics that studies:

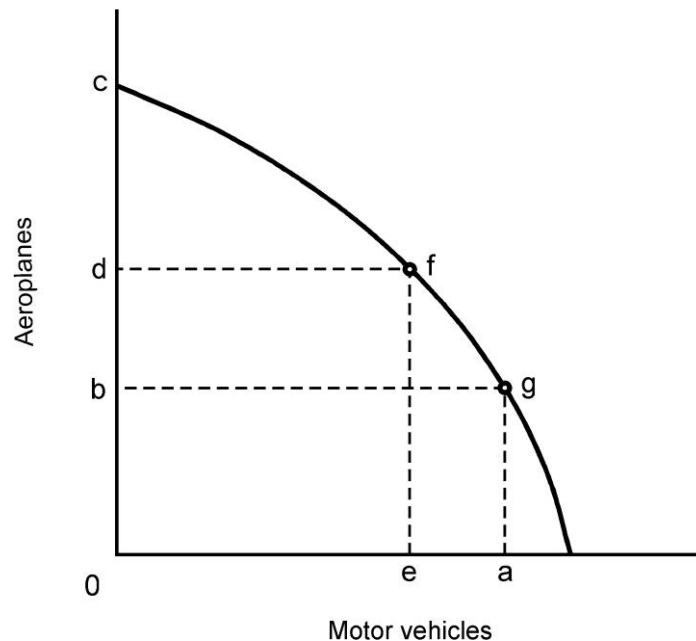
- A. the determination of the gross domestic product.
- B. the behaviour of individual decision-making units in the economy.
- C. the impact of inflation in South Africa.
- D. the effects and consequences of the aggregate behaviour of all decision-making units.
- E. both B and D above.

3. Macroeconomics is a branch of economics that studies:

- A. the determination of the price of a specific product.
- B. the behaviour of individual decision-making units in the economy.
- C. decisions by households regarding the most efficient use of resources.
- D. the effects and consequences of the aggregate behaviour of all decision-making units.
- E. both A and D above.

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4. The diagram below shows an economy's production possibilities for two goods: aeroplanes and motor vehicles. Use this diagram to answer the question below.

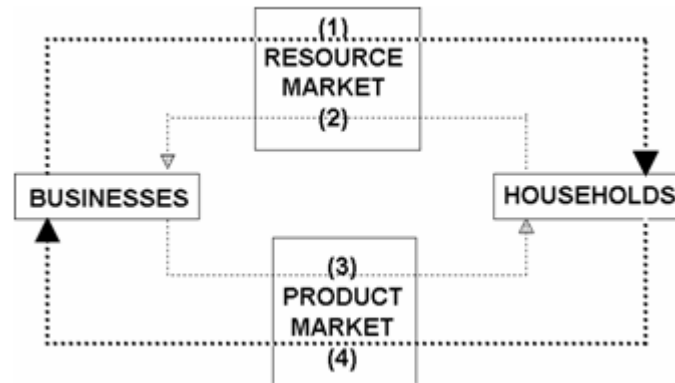


With reference to the above production possibilities frontier, we can say that:

- A. the opportunity cost of producing 0a motor vehicles is 0b aeroplanes.
- B. the production of both motor vehicles and aeroplanes appears to require similar resources in similar proportions.
- C. the opportunity cost of producing one more motor vehicle is higher at f than at g.
- D. the opportunity cost of producing one more aeroplane is higher at g than at f.
- E. the opportunity cost of producing 0a motor vehicles is cb aeroplanes.

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5 Refer to the below diagram to answer question 5, 6, 7 and 8:



Flow (1) represents:

- A. Wage, rent, interest and profit income.
- B. Land, labour, capital and entrepreneurial ability.
- C. Goods and Services.
- D. Consumer expenditures.
- E. Cannot be determined from the information given.

6. Flow (2) represents:

- A. Wages, rent, interest and profit income.
- B. Land, labour, capital and entrepreneurial ability.
- C. Goods and Services.
- D. Consumer expenditures.
- E. Cannot be determined from the information given.

7. Flow (3) represents:

- A. Wages rent, interest and profit income.
- B. Land, labour, capital and entrepreneurial ability.
- C. Goods and Services.
- D. Consumer expenditures.
- E. Cannot be determined from the information given.

8. Flow (4) represents:

- A. Wages rent, interest and profit income.
- B. Land, labour, capital and entrepreneurial ability.
- C. Goods and Services.
- D. Consumer expenditures.
- E. Cannot be determined from the information given.

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9. In the circular flow of economic activity, _____ households in _____ markets represents _____ firms. Taxes and imports represent _____ the circular flow.

- A. expenditure by; goods; income to; injections into
- B. expenditure by; factor; income to; withdrawals from
- C. income to; factor; expenditure by; withdrawals from
- D. income to; goods; expenditure by; injections into
- E. expenditure by; factor; income to; injections into

10. In the circular flow of income and spending, ie the basic flow of income and spending between households and firms supplemented by the foreign, financial and government sectors:

- A. exports are leakages from the circular flow.
- B. investment is a leakage from the circular flow.
- C. savings are injections into the circular flow.
- D. imports are injections into the circular flow.
- E. taxes are leakages from the circular flow.

11. Which of the following is a leakage from the circular flow of income and expenditure in South Africa?

- A. Defence expenditure by the South African government, via contracts with local military suppliers.
- B. Government purchases of textbooks for state-run schools.
- C. The sale of export fruit to the European Union.
- D. Investment by South African Breweries in a new brewery.
- E. A decision by a major supermarket chain to sell Danish beer.

12. South African imports largely comprise _____ goods. As a result, when manufacturing expansion occurs in South Africa imports tend to _____. This tends to lead to a current account _____ and foreign exchange shortages then require the use of _____ policies.

- A. capital; fall; deficit; restrictive
- B. intermediate; fall; deficit; expansionary
- C. intermediate; rise; surplus; restrictive
- D. mining; rise; surplus; expansionary

E. capital; rise; deficit; restrictive

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13. If there is a technological breakthrough in the beer manufacturing process then, *ceteris paribus*

- A. the supply of beer will increase.
- B. the supply of beer will decrease.
- C. the demand for beer will increase.
- D. the demand for beer will decrease.
- E. there will be no effect on the supply or demand of beer.

14. If the equation for a market demand curve is $Q_d = 100 - 0,5P$ and the equation for a market supply curve is $Q_s = -20 + P$, the market equilibrium price and quantity are:

- A. $P = 0,5$; $Q = -20$
- B. $P = 60$; $Q = 80$
- C. $P = 0,5$; $Q = 80$
- D. $P = 80$; $Q = 60$
- E. $P = 60$; $Q = 100$

15. If the equation for the demand curve is $Q = 45 - 2P$ and the equation for the supply curve is $Q = -21 + 4P$, then the equilibrium values for price and quantity are:

- A. $P = 23$ and $Q = 11$.
- B. $P = 11$ and $Q = 23$.
- C. $P = 11$ and $Q = 45$.
- D. $P = -21$ and $Q = 23$.
- E. $P = 12$ and $Q = 15$.

16. If the equation for a market demand curve is $Q_d = 15 - 0,2P$ and the equation for a market supply curve is $Q_s = -1 + 0,6P$, the market equilibrium price and quantity are

- A. $P = 25$; $Q = 10$.
- B. $P = 20$; $Q = 11$.
- C. $P = 15$; $Q = 12$.
- D. $P = 10$; $Q = 13$.
- E. $P = 5$; $Q = 14$.

17. If the equation for the demand curve is $Q = 450 - 25P$ and the equation for the supply curve is $Q =$

$-175 + 37,5P$, then the equilibrium values for price and quantity are

- A. $P = 4,4$ and $Q = 340$.
- B. $P = 5$ and $Q = 325$.
- C. $P = 10$ and $Q = 200$.
- D. $P = 11$ and $Q = 175$.
- E. $P = 12$ and $Q = 150$.

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18. When the price of commodity C rises by 10%, the quantity demanded falls by 18%. This is an example of:

- A. perfectly elastic demand.
- B. elastic demand.
- C. unitary elasticity of demand.
- D. inelastic demand.
- E. perfectly inelastic demand.

19. A university increases its fees, but finds that just as many students enrol as previously. This is an example of:

- A. perfectly elastic demand.
- B. elastic demand.
- C. unitary elasticity of demand.
- D. inelastic demand.
- E. perfectly inelastic demand.

20. When the price of café lattes rises from R15 to R20, the quantity demanded decreases from 2000 to 1200 café lattes per day. Use this information to answer Questions 11 and 12.

What is the price elasticity of demand for café lattes (using the arc formula)?

- A. (+) 1
- B. (–) 1.75
- C. (–) 0.5
- D. (+) 0.29
- E. (–) 1.25

21. Total revenue from the sale of biltong will increase if:

- A. income decreases and biltong is a normal good.
- B. its price rises and demand is unitary price elastic.
- C. income increases and biltong is viewed as an inferior good.
- D. its price falls and demand is price elastic.
- E. its price rises and demand is price elastic.

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22. If the cross elasticity of demand between tablets and smart phones is 3,0, this implies that these goods are:

- A. luxuries.
- B. complements.
- C. necessities.
- D. substitutes.
- E. inferior goods.

23. Using the table below answer the following question.

Item	Income elasticity of demand	
	High-income households	Low-income households
Furniture	1,40	1,30
Ordinary radios	0,88	-0,56

For high-income households, ordinary radios are:

- A. a necessity.
- B. a substitute for furniture.
- C. a luxury
- D. a complement to furniture.
- E. an inferior good.

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24. Use the data in the table below to answer Questions 19 and 20.

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 marginal utility for coffee and Red Bull at 2 units for each good is:

- A. 440 for coffee and 450 for Red Bull.
- B. 180 for coffee and 150 for Red Bull.
- C. 440 for coffee and 150 for Red Bull.
- D. 180 for coffee and 300 for Red Bull.
- E. None of the above.

25. 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.

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Section A

Multiple Choice Questions - Answer 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					
Question 11					
Question 12					
Question 13					
Question 14					
Question 15					
Question 16					
Question 17					
Question 18					
Question 19					
Question 20					
Question 21					
Question 22					

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Question 23					
Question 24					
Question 25					

Section B**[50 Marks]****Topic:****(26 Marks)**

1. State the standard Main Economic Objectives and their respective measures

(10 Marks)

Economic Objective	Measure
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

2. Assume that Jane is currently earning a salary of R420 000 per annum. She has a R200 000 fixed deposit at ABSA on which she earns an interest of 10% per annum. To start her own business, she needs to withdraw the fixed deposit and use it as start-up capital. The projected present values of the operating annual costs are: R120 000 for material and R150 000 for operating costs. Jane is expecting a present value annual sales revenue of R900 000.

(6 Marks)

Calculate or determine the following:

Question	Answer
Opportunity costs (in Rand).	
Economic costs (in Rand).	
Economic profit/loss (in Rand).	

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3. Considering the following scenario or statement:

“If you drink beer, you’d better hope your pants have some elasticity. But how about demand elasticity? InBev (brewers of Budweiser, Stella Artois and Beck’s) announced that due to unemployment in location X, quantity demanded of their products fell by 0.4%, while prices rose by 5.6%. In the same period they also reported that total revenue rose significantly. **N.B. – Show your working.** (2 Marks)

3. **Depict and state in the space provided below** a decrease in the demand for pies on a campus. If at the same time there was a rent increase for food outlets on campus, then in comparison with the original equilibrium E_0 , there would be:

N.B. – Clearly Label your diagrams.

(4 Marks)

Diagram:

Explanation:

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4. **Depict and state in the space provided below** an increase in the demand for wine, following research reports highlighting the benefits of its consumption to one's health. If at the same time there was a strike by workers on wine farms, then in comparison with the original equilibrium E_0 , there would be:

N.B. – Clearly Label your diagrams.**(4 Marks)****Diagram:****Explanation:**

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Topic**(12 Marks)**

2. The following are Total Utilities of consumer products Avocados (A) and Bananas (B) at different consumption levels. Assume the price of product A and B is R1 per unit. The income of the consumer is R14.

(12 Marks)

Units	TU A	TU B
1	8	14
2	15	26
3	21	36
4	26	44
5	30	50
6	33	55
7	35	59
8	36	62
9	36	64
10	35	65

2.1 Complete the following table

(4)

Units	MU A	Weighted MU A @ R1 ea.	MU B	Weighted MU B @ R1 ea.
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

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2.2 Determine all the possible consumption combinations that will satisfy the first equilibrium condition of having equal weighted marginal utilities for both products (MU/P for Avocados = MU/P for Bananas). (3)

Possibilities	Units of A	Units of B	Total Utility
1			
2			
3			
4			
5			
6			
7			

2.3 Determine the second order equilibrium condition $\text{Income} = \text{Price of Avocados} \times \text{Quantity of Avocados} + \text{Price of Bananas} \times \text{Quantity of Bananas}$ for the consumption combinations that satisfy the first condition in sub-questions 2.2. (3)

Possibilities	Units of A	Units of B	Total Amount (R)
1			
2			
3			
4			
5			
6			
7			

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2.4 After determining the second order combination of the two products that will give the consumer the highest possible utility level given their means. (2)

Units of A	Units of B

Topic**(12 Marks)**

1. Assume a demand curve $P = 140 - 0.1Q$ and a supply curve $P = 100 + 0.4Q$.

(2 Marks)

Work out the following

Task	Answer
Market-clearing price (in Rand).	
Market-clearing quantity.	

2. Given the following data below:

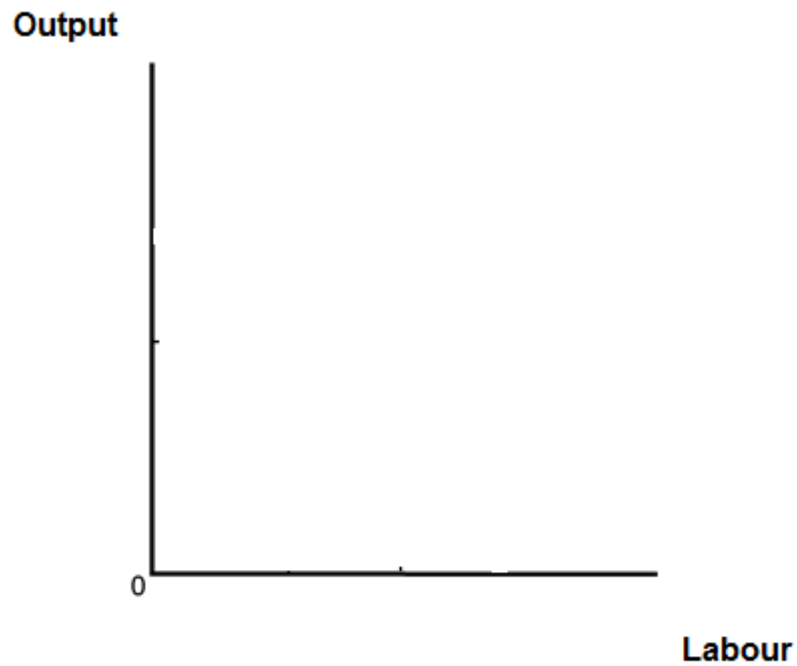
2.1 Complete the following table:

(4 marks)

Units of Labour (N)	Total output (TO)	Average output (AO)	Marginal output (MO)
0	0	-	-
1	15		
2	34		
3	51		
4	65		
5	74		
6	80		
7	83		
8	82		

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2.2 Using data from the completed table plot the points into the diagram below:
(2 marks)



3. Complete the table below relating to market structures

(4 Marks)

Characteristics	Perfect Competition	Monopoly
Control over price		
Conditions of Entry		