FACULTY/COLLEGE	College of Business and Economics
SCHOOL	Department of Business Management Continuing Education Programmes
CAMPUS(ES)	APB (Online Assessment)
MODULE NAME	Economics 1B (Advanced Diploma Bridging)
MODULE CODE	ADBE01B
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Supplementary Online Assessment January 2021

ASSESSMENT DATE	January 2021
ASSESSOR(S)	Mr J.G.R. Musakanya
MODERATOR(S)	Mr S. Mashapa
ATTEMPT TOTAL DURATION 3 hours (180 min) **[Two attempts randomised attempts, average weighted marks per attempt]** **ASSESSMENT LINK OPEN**: 24 hours	**TOTAL MARKS** 50 [100%] **[Average Weighted Marks per online attempt]**

Blackboaord Online Final Summative Assessment	

INFORMATION/INSTRUCTIONS:

- This is an online assessment. Combined question paper and answer book.
- Read the questions carefully and answer only what is asked.
- Answer all the questions.
- The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

Section A **[25 Marks]**

1. A peak in the business cycle:
   A. Is a temporary maximum point.
   B. Is a temporary minimum point.
   C. Occurs when the inflation rate is its lowest.
   D. Occurs when the unemployment rate is its greatest.

2. In which phase of the business cycle will the economy most likely experience rising real output and falling unemployment rates?

   A. Trough.
   B. Peak.
   C. Recession.
   D. Expansion.

3. Assume the MPC is 2/3. If investment spending increases by R2 billion, the level of GDP will increase by:
   A. R3 billion.
   B. R6 billion.
   C. R2/3 billion.
   D. R7 billion.

4. If a R50 billion initial increase in spending leads to a R250 billion change in real GDP, how big is the multiplier?
   A. 2.5.
   B. 1.0.
   C. 5.0.
   D. 4.0.

5. If the MPS rises, then the MPC will?
   A. Stay the same.
   B. Rise.
   C. Peak.
   D. Fall.

6. In year one, Adam earns R1, 000 and saves R100. In year 2, Adam gets a R500 raise so that he earns a total of R1, 500. Out of that R1, 500, he saves R200. What is Adam's MPC out of his R500 raise?
   A. 0.60.
   B. 0.80.
   C. 0.75.
   D. 0.65.

7. If the aggregate income of households is R300 billion, consumption is R210 billion, and personal taxes are R60 billion, then personal saving:

A. R70 billion.
B. R40 billion.
C. R60 billion.
D. R30 billion.

8. On the basis of the following consumption schedule: *C* = 20 +. 9*Y*, where *C* is consumption and *Y* is disposable income an R800 level of disposable income, the level of saving is:

A. R60.
B. R180.
C. R740.
D. R12.

9. On the basis of the following consumption schedule: *C* = 20 +. 9*Y*, where *C* is consumption and *Y* is disposable income an R800 level of disposable income, the equilibrium level of consumption is

A. R60.
B. R100.
C. R180.
D. R740.

10. Suppose the total market value of all final goods and services produced in a particular country in 2006 is R500 billion and the total market value of final goods and services sold is R450 billion. We can conclude that:

A. GDP in 2006 is R450 billion.
B. NDP in 2006 is R450 billion.
C. GDP in 2006 is R500 billion.
D. GPP in 2006 is R450 billion.

11. What will be the size of the multiplier if MPS is 0.4?

A. 1.8.
B. 2.0.
C. 2.5.
D. 3.0.

12. If households are spending 60 cents for every R1 increase in its income the possible consumption equation is:

A. C = .6Y.
B. $Y = 60 + .6C$.
C. $C = 60 + .6Y_d$.
D. $C = 60 + .4Y_d$.

13. If households are spending 60 cents for every R1 increase in its income the possible savings equation is:

A. $Yd = -20 + .8S$.
B. $Yd = 20 + .2S$.
C. $S = -60 + .4Yd$.
D. S = 60 + .8Yd.

14. If disposable income changes from R10,000 to R18,000 and household consumption from R12,000 to R18000 calculate MPC:

A. 0.60.
B. 0.75.
C. 0.80.
D. 0.20.

15. The economy's current level of equilibrium GDP is $780 billion. The full-employment level of GDP is $800 billion. The multiplier is 4. Given those facts, we know that the economy faces ____________________ expenditure gap of ____________________ .

A. a recessionary; $20 billion
B. a recessionary; $10 billion
C. an inflationary; $20 billion
D. a recessionary; $5 billion

16. If an economy has an inflationary expenditure gap, the government could attempt to bring the economy back toward the full-employment level of GDP by ________________________ taxes or ________________________ government expenditures:

A. Increasing, increasing.
B. Decreasing, increasing.
C. Increasing, decreasing.
D. Decreasing, decreasing.

17. Which one of the following will increase the size of the multiplier?

A. An increase in government spending.
B. A decrease in government spending.
C. An increase in the tax rate.
D. A decrease in the tax rate.

18. Assume the government purposely incurs a budget deficit that is financed by borrowing. As a result, interest rates rise and the amount of private investment spending declines. This illustrates:

A. The crowding-out effect.
B. The equation-of-exchange effect.
C. The wealth effect.
D. The money effect.

19. A Peak is:

A. At this point the economy experiences a recession or depression, output and employment bottom out at their lowest levels.
B. At this point the economy has gained temporary maximum and it is near\ full employment.
C. A period in which real GDP income and employment rise. At some point the economy again approaches full employment.
D. A period of decline in total output, income and employment.

20. A Recession is:

A. At this point the economy experiences a recession or depression, output And employment bottom out at their lowest levels.
B. At this point the economy has gained temporary maximum and it is near\ full employment.
C. A period in which real GDP income and employment rise. At some point the economy again approaches full employment.
D. A period of decline in total output, income and employment.

21. A Trough is:

A. At this point the economy experiences a recession or depression, output and employment bottom out at their lowest levels.
B. At this point the economy has gained temporary maximum and it is near\ full employment.
C. A period in which real GDP income and employment rise. At some point the economy again approaches full employment.
D. A period of decline in total output, income and employment.

22. The crowding-out effect is:

A. A period of decline in total output, income and employment.
B. Decrease in government expenditure or increases in taxes to reduce demand-pull inflation.
C. Increase in government expenditure or tax cuts to stimulate the economy.
D. The possibility that public borrowing drives up real interest, which reduces private investment spending.

23. A ______________is a period in which real GDP income and employment rise. At some point the economy again approaches full employment.

A. Crowding-Out.
B. Recognition.
C. Demand Pull Inflation.
D. Expansion.

24. All figures in billions; Farmer sells wheat to miller for R5.00, Miller sells flour to baker for R6.00, Baker sells bread to grocer for R10.00 and Grocer sells bread to consumer for R12.00. What is the value used to calculate GDP expenditure method?

A. R7.00.
B. R14.00.
C. R33.00.
D. R12.00.

25. All figures in billions; Farmer sells wheat to miller for R5.00, Miller sells flour to baker for R6.00, Baker sells bread to grocer for R10.00 and Grocer sells bread to consumer for R12.00. What is the total value addition used to calculate GDP production method?

A. R7.00.
B. R14.00.
C. R33.00.
D. R12.00.

Section B **[25 Marks]**

You are an Economic Advisor to the National Economic Advisory Council for the South African Presidency department, the tough economic times has render policy making a challenge with staggering unemployment and a looming recession. During these uncertain times your expertise is required to address the following matters after reading the new excerpts (as well as the full new articles by following the respective links).

With little to no economic growth in SA, investors need diversified portfolios

The reality is that the SA economy is likely to continue to struggle. The country entered the Covid-19 crisis in a precarious fiscal position with an economy that has been in a state of decline for several years. Given the length and severity of the lockdown — one of the harshest globally — it should be no surprise that GDP contracted 51% in the second quarter of 2020 based on annualised, quarter-on-quarter numbers.

This contraction came on the back of three successive quarters of contraction and an average growth rate of well below 1% over the past five years.

The consequences of this contraction will be lower tax collections, a ballooning budget deficit and limited options available to the government for financing this deficit. Despite several announcements that the government will kick-start economic growth with an investment in infrastructure spending, it is unlikely that in this environment it will be able to look to infrastructure spend as a mechanism to revive economic growth — unless it is prepared to implement structural reforms required to attract investment.

These structural reforms require, among other things, that government reduce expenditure. This includes reducing the bloated public sector wage bill, which appears unlikely in the current environment. Other structural reforms it needs to implement include ensuring policy certainty, removing regulatory red-tape, and ensuring SA becomes more competitive globally.

Business confidence is at an all-time low, which has a knock-on effect on investment. In recent months, a number of companies have shelved plans for further investment in SA, including SAB, a division of AB-InBev, which has put a halt to a planned investment of about R5bn, in part as a result of the prolonged ban on alcohol sales. Meanwhile, Consol Glass has indefinitely suspended construction of a new glass manufacturing plant valued at R1.5bn, while Heineken has also shelved its investment plans, valued at just under R1.5bn.

Exacerbating poor business confidence is growing unemployment. In July alone, the Commission for Conciliation, Mediation and Arbitration received 190 large-scale retrenchments referrals, along with 1,307 small-scale retrenchment referrals. The inflexibility of the local labour market means we probably have not yet seen the full extent of unemployment. It is likely that more companies will be retrenching staff in the coming months.

Source: https://www.businesslive.co.za/bd/opinion/2020-09-29-with-little-to-no-economic-growth-in-sa-investors-need-diversified-portfolios/

Using this information answer the following questions. (***Hint: The question data from each previous question should be considered for the next question.***):

1. Define the concept of planned investment. (4 marks)

2. What is the difference between GDP and GNI? (6 marks)

3. How much would Government Expenditure need to increase by to cover the delayed planned investment in the case study. (3 marks)

4. What is the multiplier if fraction of consumption for every R1 of income is 0.8 and the tax rate is 2/10? (3 marks)

5. What is the GDP is total expenditure is R8 billion and fraction of consumption for every R1 of income is 0.8 and the tax rate is 2/10? (3 marks)

6. The National Treasury has projected the target GDP to counter job losses due to the COVID-19 pandemic to be approximately R29 billion to R30 billion. How much should total expenditure increase by to reach the target GDP. (6 marks)