higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N360**(E)**(J6)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

ECONOMICS N4

(22020034)

6 June 2016 (X-Paper)
09:00–12:00

This question paper consists of 14 pages.

GENERAL STUDIES

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
ECONOMICS N4
TIME: 3 HOURS
MARKS: 200

NOTE: If you answer more than the required number of questions, only the required number of questions will be marked. All work you do not want to be marked must be clearly crossed out.

INSTRUCTIONS AND INFORMATION

1. SECTION A is COMPULSORY.
2. Answer any THREE questions in SECTION B.
3. Read ALL the questions carefully.
4. Number the answers according to the numbering system used in this question paper.
5. ALL graphs must be clearly labelled.
6. Write neatly and legibly.

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SECTION A (COMPULSORY)

QUESTION 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.20) in the ANSWER BOOK.

1.1.1 Refer to TABLE 1 below and answer the question.

TOWER OF TERROR UTILITY

Rides	Total utility (util)
0	0
1	5
2	14
3	20
4	26
5	35
6	48
7	37
8	34

TABLE 1

Based on the information above, the marginal utility for the fourth ride is …

A 1.5.
B 5.
C 7.
D 1.8.

1.1.2 ONE of the factors that influence elasticity of supply:

A Changes in secondary costs of products
B Business and marketing strategy
C Price of related goods
D Number of participants in the particular market

1.1.3 An economic system is usually best described by observing …

A the means of production.
B worker control of government.
C who owns and controls resources.
D A and C.

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1.1.4 The convex shape of the indifference curves can be expressed in terms of the …

A law of diminishing marginal utility.
B law of demand.
C diminishing marginal rate of substitution.
D law of supply.

1.1.5 A firm will stop existing only when ...

A marginal revenue equals average revenue.
B zero economic profits are made.
C marginal revenue equals price.
D marginal revenue equals marginal costs.

1.1.6 An economic system which is characterised by government ownership and control of resources:

A Socialism.
B Capitalism.
C Communism.
D Traditional system.

1.1.7 Return to scale refers to the change in output when all factors are increased in the same proportion in the long run and may be …

A increasing.
B constant.
C decreasing.
D all of the above-mentioned

1.1.8 In a perfectly competitive market, the marginal revenue (MR) curve is also the …

A demand curve.
B average revenue curve.
C A and B.
D supply curve.

1.1.9 Issues that relate to the labour market include …

A rent
B wages
C profit
D interest

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1.1.10 Any point inside the production-possibility curve represents … of resources.

A underemployment
B unemployment
C an insufficient use
D all of the above-mentioned

1.1.11 Opportunity cost refers to the …

A cost with reference to an optional level of production.
B value of the best activity.
C variable cost of production.
D cost of one product obtained expressed in terms of the alternative forfeited.

1.1.12 Macroeconomics studies …

A the economic system as a whole.
B the behavior of the units of the economy.
C the human aspects of the world.
D all of the above.

1.1.13 A tax charged for the use of alcohol and tobacco is called ...

A sin tax.
B value-added tax.
C income tax.
D custom duty.

1.1.14 The most important economic indicator that is constantly measured to assess the health of the economy:

A GNP
B GDE
C GDP
D GNI

1.1.15 A monopolistic market is determined by …

A many suppliers.
B similar or identified products.
C products that are similar but different.
D unrestricted market entry and exit.

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1.1.16 If the consumer demand for peanut butter increases because of an increase in the price of margarine, then the products mentioned are examples of ... products.

A normal
B substitute
C superior
D inferior

1.1.17 The question of what, how and for whom to produce in a perfect competitive market is determined by the …

A producers.
B central government.
C consumers.
D market forces of demand and supply.

1.1.18 Restoration of the economy to a former or better position:

A Peak
B Recovery process
C Trough
D Recession

1.1.19 When there is an increase in the quantity of a product consumed, the…

A total utility decreases.
B margin utility increases.
C margin utility decreases.
D average utility increases.

1.1.20 A horizontal demand curve …

A has an infinite price elasticity.
B has a price elasticity of zero.
C applies to most products.
D has an income elasticity of zero.

(20 × 2) (40)

1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

1.2.1 Consumable goods are not charged for because they are available in abundance and there is no labour required to get them.

1.2.2 When consumers have more disposable income the demand for goods and services usually decreases.

1.2.3 The demand for habit-forming products (tobacco and alcohol) is elastic.

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1.2.4 Consumer choices can be mapped using indifference curves.

1.2.5 The average propensity to consume (APC) is calculated by dividing the average household consumption by the average household income.

(5 × 2) (10)
[50]

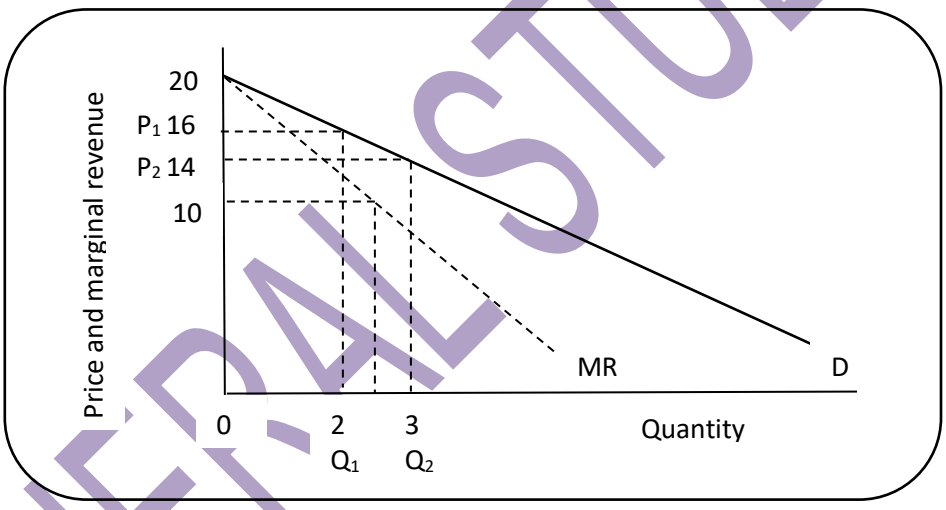
TOTAL SECTION A: 50

SECTION B

Answer any THREE of the four questions in this SECTION.

QUESTION 2

2.1 Study the graph below and answer the questions.



2.1.1 How much does the firm receive per unit? (2)

2.1.2 Calculate the marginal revenue (MR) if three units were sold at R16 per unit. (4)

2.1.3 Calculate the marginal revenue (MR) if three units were sold at R14 per unit. (4)

2.1.4 Calculate the total revenue (TR) (in profit or loss). Show ALL calculations. (4)

2.2 Complete the following sentences/paragraph by filling in the missing word(s). Write only the word(s) next to the question number (2.2.1—2.2.6) in the ANSWER BOOK.

The law of supply states that if all other factors remain 2.2.1 …, but the price of a product 2.2.2 …, the quantity supplied will 2.2.3 … Similarly, if the price of a product 2.2.4 …, the quantity supplied will 2.2.5 … The relationship between quantity supplied and price is 2.2.6 … (6 × 2) (12)

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2.3 Any firm's goals and objectives need to be realistic.

Name and discuss the SEVEN typical constraints likely to have a negative effect on those goals and objectives. (7 × 2) (14)

2.4 We use elasticity to determine with more accuracy how price influences quantities demanded or supplied in economics.

Construct a graph for each of the following types of elasticity. Ensure that you label all graphs correctly.

2.4.1 Completely elastic supply

2.4.2 Unit elastic supply

2.4.3 Completely inelastic supply

(3 × 3) (9)

2.5 Name ONE economic challenge that we are faced with in South Africa. (1)
[50]

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QUESTION 3

3.1 Choose a description from COLUMN B that matches a word/term in COLUMN A. Write only the letter (A–J) next to the question number (3.1.1–3.1.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	Market-skimming pricing	A	economic situation of unlimited wants and limited means to acquire the wants
3.1.2	Monopoly	B	market where dynamics are determined by a few participants who can act collectively and control prices
3.1.3	Indifference curve	C	any process that results in a quantitative long-term change in an economic structure
3.1.4	Human capital	D	a market situation in which the demand is represented by a small number of purchases
3.1.5	Production	E	a relatively high price is charged for a short time for a new, innovative or improved product that is launched in the market
3.1.6	Oligopsony	F	has a negative slope, a convex nature and can take on many different shapes
3..1.7	Economic growth	G	the consumer applies his/her available income in such a way on the purchase of products that he or she obtains maximum satisfaction
3.1.8	Scarcity	H	business that has such a dominant share that it controls price
3.1.9	Consumer equilibrium	I	the transformation of labour, capital, land and entrepreneurship into more valuable goods and services
3.1.10	Oligopoly	J	a person's productive knowledge, experience and training

(10 × 2) (20)

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3.2 Assume you can buy 300 units of oranges for R40 per week. The price of oranges increases to R50 and you can now afford to buy 270 units.

Calculate the following based on the information above: (SHOW ALL CALCULATIONS.)

3.2.1 Percentage change in demand

3.2.2 Percentage change in price

3.2.3 Price elasticity of demand

(3 × 2) (6)

3.3 3.3.1 What type of elasticity is represented in QUESTION 3.2.3 above?

3.3.2 Substantiate your answer in QUESTION 3.3.1 above.

(2 × 2) (4)

3.4 State FIVE factors that influence elasticity of demand. (5 × 2) (10)

3.5 Refer to TABLE 2 below and answer the questions based on the cost of production.

LABOUR (Number of workers)	TOTAL PHYSICAL PRODUCTION	TOTAL FIXED COST	TOTAL VARIABLE COST	TOTAL COST
0	0	65	0	**(a)**
1	8	65	20	85
2	14	65	40	105
3	20	65	**(b)**	125
4	25	65	80	145
5	30	65	100	**(c)**

TABLE 2

3.5.1 Calculate the values of (a) (b) and (c). (3 × 2) (6)

3.5.2 What is the average total cost of producing 25 products per day? (4)

[50]

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QUESTION 4

4.1 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or "false' next to the question number (4.1.1 – 4.1.5) in the ANSWER BOOK.

4.1.1 Autonomous saving is a household matter that is not related to income or production.

4.1.2 The average propensity to save is the proportion of income which is saved rather than spent on household products and services.

4.1.3 The monopolist always makes an abnormal profit.

4.1.4 Opportunity cost refers to the value of the best activity.

4.1.5 The demand for labour is an allocated demand.

(5 × 2) (10)

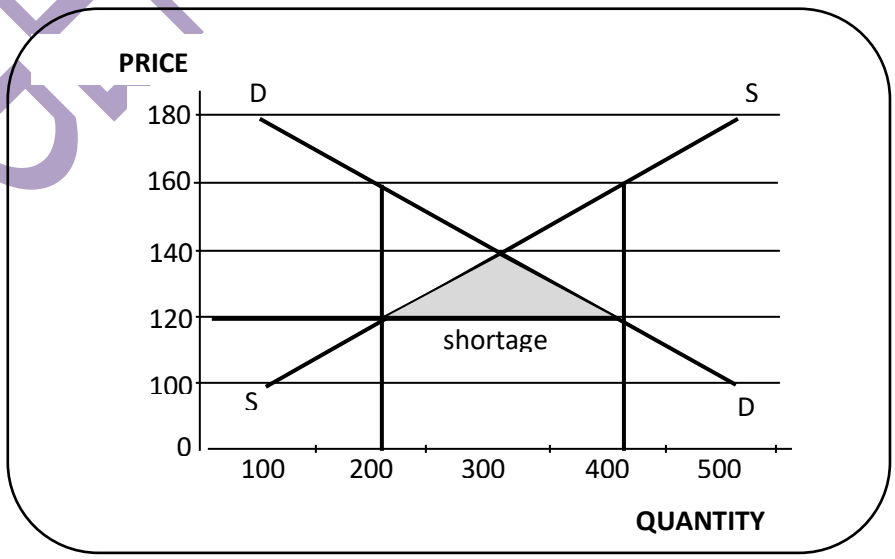
4.2 Use TABLE 3 below to draw up the demand and supply curves and show the equilibrium price and quantity of cold drink.

Price of a can of cold drink (R)	Quantity of cold drink supplied per week	Quantity of cold drink demanded per week
6	14	6
5	12	8
4	10	10
3	8	12
2	6	14
0	0	0

TABLE 3

(10 × 1) (10)

4.3 The following graph represents a shortage of goods that exists on the market. Study the graph and answer the questions.



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4.3.1 At what price would buyers be willing to buy 400 units and at what quantity would buyers be willing to pay R180? (2 × 2) (4)

4.3.2 What is the equilibrium price? (2)

4.3.3 What does the demand curve represent? (2)

4.4 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question number (4.4.1 – 4.4.5) in the ANSWER BOOK.

4.4.1 Sophisticated technology requires high levels of start-up (capital/resources).

4.4.2 The total utility will (increase/decrease) as soon as marginal utility is below zero.

4.4.3 Costs that cannot be retrieved if the business exits the industry are called (marginal costs/sunk costs).

4.4.4 Opinions or value judgments are called (positive statements/normative statements).

4.4.5 Tax levied on all expenditure, for example value-added tax (VAT) and customs duties levied on imported goods, is called (direct tax/indirect tax).

(5 × 2) (10)

4.5 Briefly describe the following concepts:

4.5.1 Price elasticity of supply

4.5.2 Foreign sector

4.5.3 Market constraints

(3 × 2) (6)

4.6 Briefly explain the following THREE subsections of consumer goods:

4.6.1 Non-durable consumer goods

4.6.2 Semi-durable consumer goods

4.6.3 Durable consumer goods

(3 × 2) (6)

[50]

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QUESTION 5

5.1 Indicate whether the following phrases give the characteristics of a PERFECTLY COMPETITIVE MARKET or of a MONOPOLY.

Choose the answer and write only 'perfectly competitive market' or 'monopoly' next to the question number (5.1.1 – 5.1.5) in the ANSWER BOOK.

5.1.1 No entry and exit barriers

5.1.2 Homogeneous products

5.1.3 Knows everything that is going on in the industry

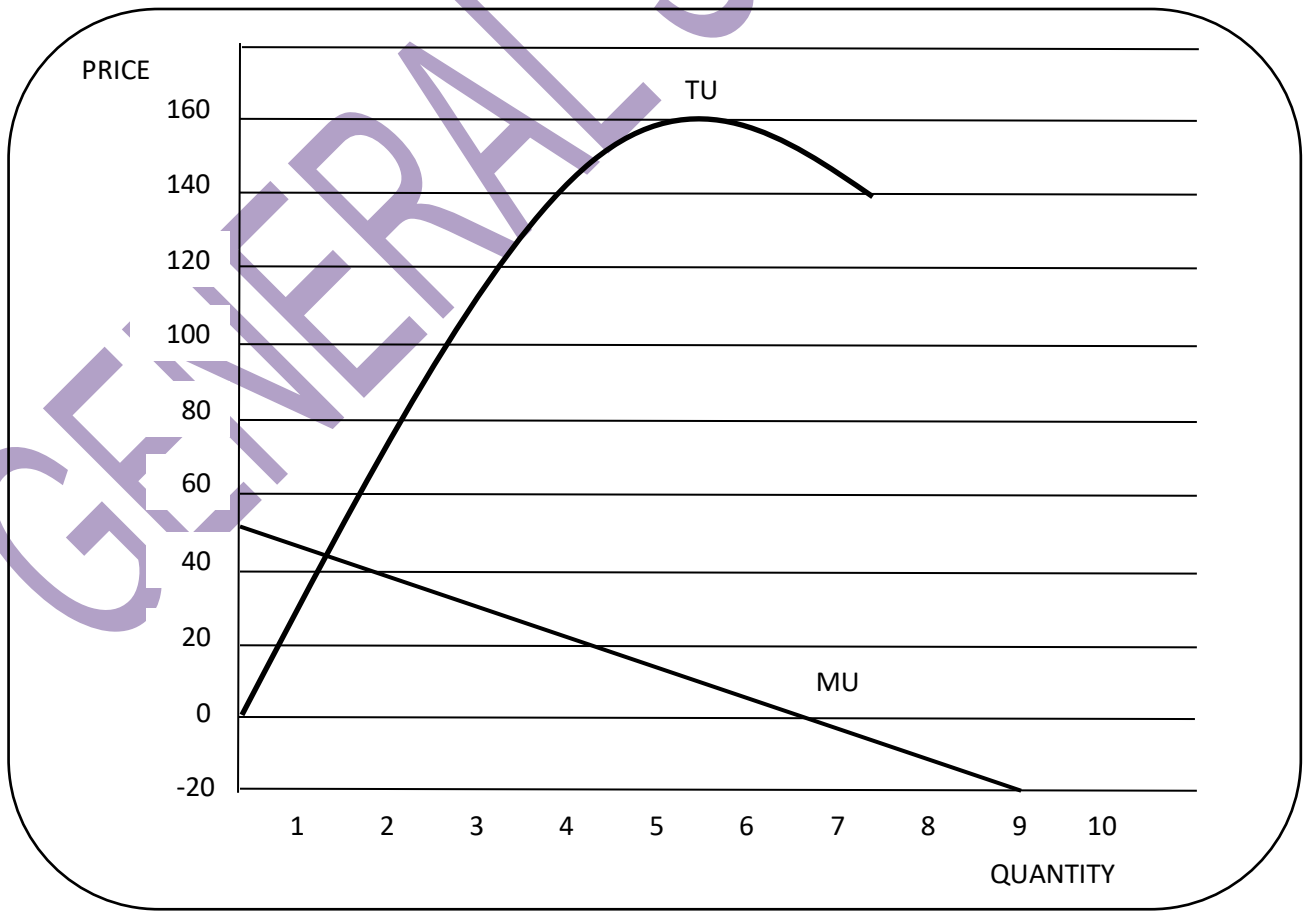
5.1.4 Supplier determines the price and will do so to maximise profit

5.1.5 Well-defined property rights determine what may be bought or sold

(5 × 2) (10)

5.2 Study the graph below and answer the questions.

Koki's marginal utility and total utility for the consumption of oranges during a specific period.



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5.2.1 What would Koki's marginal utility be if she consumes the first orange? (2)

5.2.2 Calculate Koki's marginal utility if she consumes five oranges. (2)

5.2.3 What is the extra or additional utility called which Koki derives from the consumption of one additional unit of orange? (2)

5.2.4 Calculate Koki's total utility. (4)

5.2.5 Choose the correct word from those given in brackets. Write only the word next to the question number (5.2.5) in the ANSWER BOOK.

Koki's total utility starts to decrease when the marginal utility is (positive/negative). (2)

5.3 Within any economy, one can identify a specific flow between goods, services and money.

Use a diagram to illustrate the circular flow of goods, services and money in the economy. (10)

5.4 5.4.1 Study the following schedule and use the information to construct an indifference curve. Ensure that you label the graph.

COMBINATION	PRODUCT A	PRODUCT B
A	60	14
B	50	16
C	40	20
D	30	26
E	20	36
F	10	60

(10)

5.4.2 At which point on the graph drawn in QUESTION 5.4.1 will the consumer maximise his/her satisfaction? (2)

5.4.3 Which indifference curve represents the greatest level of satisfaction? (2)

5.4.4 Will the consumer opt for the combinations represented by point A? Motivate your answer. (4)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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