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higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N340(**E**)(M24)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

ECONOMICS N4

(2020034)

24 May 2013 (X-Paper)
09:00–12:00

REQUIREMENTS: Graph paper

Calculators may be used.

This question paper consists of 13 pages.

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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 and must be answered by ALL the candidates.
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 given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.15) in the ANSWER BOOK.

1.1.1 A drop in the market demand for a product causes a/an ....

A drop in both the equilibrium price and quantity.
B increase in the equilibrium price and a drop in the equilibrium quantity.
C drop in the equilibrium price and an increase in the equilibrium quantity.
D rise in both the equilibrium price and quantity.

1.1.2 The market supply curve will be displaced only if there is a change in the ...

A preferences of consumers.
B production methods.
C durability of a product.
D level of employment.

1.1.3 Rational consumer behaviour implies that people ...

A always strive to buy things they cannot afford.
B buy luxury goods all the time.
C are not aware of what they need.
D always strive to improve their welfare.

1.1.4 Refer to TABLE 1 below which represents Ben's short-run total cost schedule. The average fixed cost of producing 70 products per day is ...

A R6,14
B R8,14
C R2,00
D R3,50

LABOURERS PER DAY	TOTAL PRODUCTION	TOTAL FIXED COST	TOTAL VARIABLE COST	TOTAL COST
0	0	140	0	140
10	20	140	180	320
20	70	140	430	570
30	110	140	690	830
40	130	140	940	1 080
50	150	140	1 190	1 330

TABLE 1

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1.1.5 Still referring to TABLE 1, the average total cost of producing 130 products per day is …

A R3,25.
B R8,31.
C R7,23.
D R6,79.

1.1.6 Based on the information provided in TABLE 1, when the output increases from 70 to 110, the marginal cost of ONE of those 40 products is …

A R14,25.
B R20,75.
C R17,25.
D R 6,50.

1.1.7 From the information provided in TABLE 1 the entrepreneur will reach the highest marginal physical output with … labourers per day.

A 20
B 10
C 30
D 40

1.1.8 Scarcity is a result of …

A an uneven distribution of income.
B increasing prices of goods and services.
C unlimited needs and limited means.
D too much money in circulation.

1.1.9 Economic growth only occurs when a society …

A imports more products for local consumption.
B begins to produce the combinations of goods society wants most.
C learns to produce more using existing resources.
D acquires new resources.

1.1.10 Marginal utility is associated with the extra satisfaction of …

A goods and services that one must purchase.
B all units consumed.
C the last unit consumed.
D goods people usually buy.

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1.1.11 In the short term a competitive firm should shut down operations when prices fall below minimum …

A marginal cost.
B average total cost.
C average variable costs.
D average fixed cost.

1.1.12 If there is a shortage on the market, we can conclude that the …

A price is higher than the equilibrium position.
B price is lower than the equilibrium position.
C quantity demanded has decreased.
D None of the above.

1.1.13 Refer to the production possibility curve in FIGURE 1. If a country is operating at point A, its current production is …

A 20 thousand units of equipment and 80 thousand units of machinery.
B 60 thousand units of equipment and 30 thousand units of machinery.
C 30 thousand units of equipment and 60 thousand units of machinery.
D 80 thousand units of equipment and 20 thousand units of machinery.

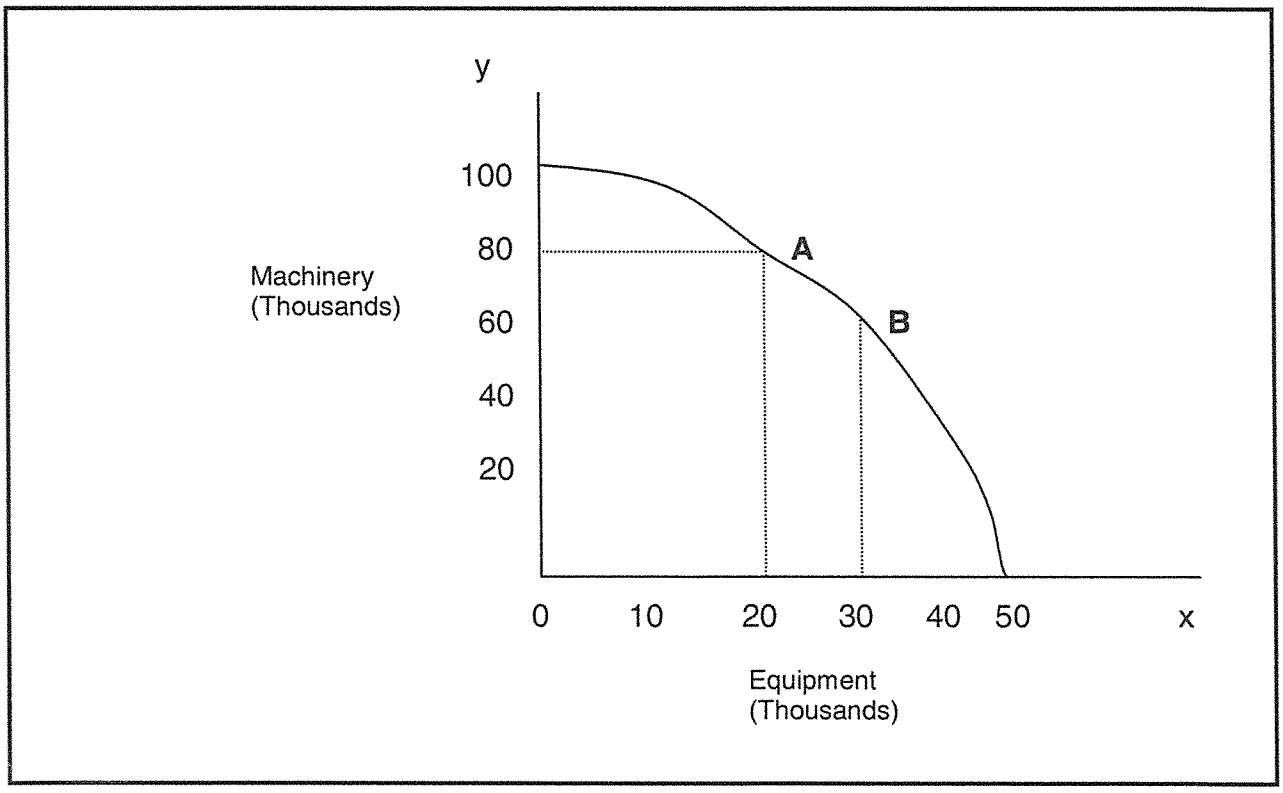


FIGURE 1

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1.1.14 Still referring to the production possibility curve in FIGURE 1, the opportunity cost for moving from point A to point B on the production possibility curve is ...

A 20 thousand units of machinery.
B 10 thousand units of machinery.
C 60 thousand units of machinery.
D 10 thousand units of equipment.

1.1.15 If the price of a piece of land is R400 000 if the buyer wants to build townhouses on it, or R250 000 if it is used for the cultivation of fresh produce, the economic rent will be ...

A R250 000.
B R150 000.
C R400 000.
D R650 000.

(15 × 2) (30)

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 An increase in the marginal rate of product transformation implies that the price/cost of product A expressed in terms of product B has increased.

1.2.2 A monopolist always makes an abnormal profit.

1.2.3 The supply curve of the individual firm is derived from the rising section of its marginal cost curve.

1.2.4 Spiritual needs refer to those needs that cause us to look for something that promises us meaning to life.

1.2.5 The scarcity of labour does not have an effect on the price of labour.

(2 x 5) (10)

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1.3 Give ONE word/term for each of the following descriptions. Write only the word/term next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

1.3.1 A study of how the community as a whole solves their economic problems

1.3.2 The process of increase in the production capacity of the economy over time so that there is an increase in the level of national income

1.3.3 The ratio between a drop in the quantity of one product to a rise in the quantity of another product on the same indifference curve.

1.3.4 A process where market participants, in striving to attain their goals, try to do better than all other market participants.

1.3.5 All durable goods or capacity an entrepreneur has at his/her disposal to produce other goods and services

(5 × 2) (10)
[50]

TOTAL SECTION A: 50

SECTION B

Answer any THREE questions in this section.

QUESTION 2

2.1 Which production factors are regarded as the primary production factors? (2)

2.2 What does a production possibility curve indicate? (2)

2.3 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (2.3.1–2.3.5) in the ANSWER BOOK.

2.3.1 The size and range of savings in any economy depends on the constancy and stability of the economy.

2.3.2 The quantity of production factors cannot change over the long term.

2.3.3 Decreasing returns of scale refers to a situation where the firm doubles its inputs in order to double its outputs.

2.3.4 One of the advantages of perfect competition is the fact that the consumer is protected against exploitation.

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2.3.5 The market price of a product is only be stable when normal profits are made and sufficient quantities of the product are produced.
(5 x 2) (10)

2.4 Briefly explain what an *essential product* is and provide a suitable example of such a product. (4)

2.5 A free-market system awards the opportunity for the creation of monopolies.

Briefly state FIVE characteristics of a monopoly. (5 x 2) (10)

2.6 Suppose you spend your income on two products. Your total utility from the use of different quantities of product A and product B per month are indicated in TABLE 2 below.

Study the TABLE and answer the questions.

UNITS PER MONTH	TOTAL UTILITY PRODUCT A	TOTAL UTILITY PRODUCT B
0	0	0
1	20	34
2	36	64
3	50	92
4	62	118
5	70	136
6	74	142

TABLE 2

2.6.1 You have R600 available per month. You use R150 each time for product A and R25 for product B.

What will your total utility be if the R600 is used for 4 units of product B and 2 units of product A for the month? (2)

2.6.2 Are there other combinations on which you can spend your R600 to receive a higher total utility than the above combination? Motivate your answer. (4)

2.6.3 Use the information in QUESTION 2.6.1 above and construct a budget line for yourself. (10)

2.6.4 Calculate the marginal utility for the 5th unit of product A and product B respectively. (6)
[50]

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QUESTION 3

3.1 Give ONE word/term for each of the following descriptions. Write only the word/term next to the question number (3.1.1–3.1.5) in the ANSWER BOOK.

3.1.1 Products that are simultaneously used for the satisfaction of needs

3.1.2 The conditions under which a firm can buy its inputs and sell its outputs

3.1.3 The concept that refers to the income of physical production per unit of changing production factor

3.1.4 A study of how single economic subjects apply methods to solve the basic economic problem

3.1.5 The flow of transactions between participants within a specific economic system

(5 x 2) (10)

3.2 Capital is regarded as important to an entrepreneur to start his/her business.

Briefly list FOUR characteristics of capital. (4 x 2) (8)

3.3 Suppose you are a supplier of laptops. Due to extreme competition between laptop suppliers, you decrease the price of your laptops as a promotion technique to draw more customers. You decrease the price of one specific model from R4 990 to R3 500. This decrease in the price leads to an increase in the sales from 800 units to 1 200 units.

3.3.1 Use the above information and calculate the supply elasticity for these laptops. (Show ALL calculations). (8)

3.3.2 What type of elasticity do these laptops have? Motivate your answer. (4)

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3.4 An entrepreneur needs to be able to forecast how economic conditions will affect his/her short-run equilibrium.

Study the following graph in FIGURE 2 representing the short-run equilibrium of the individual entrepreneur and answer the questions.

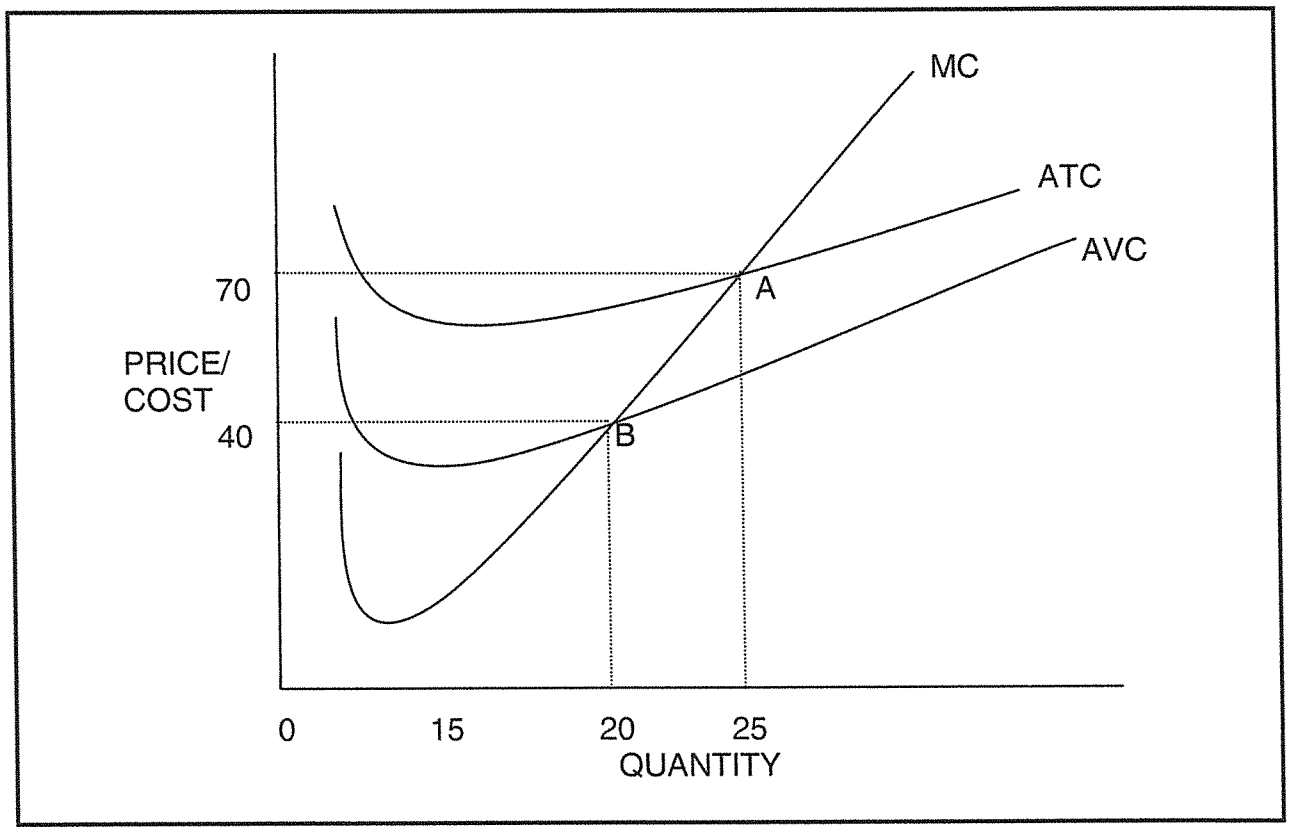


FIGURE 2

3.4.1 At which point will the entrepreneur maximise his/her profits? (2)

3.4.2 Calculate the total income at the profit-maximising point. (Show ALL calculations). (4)

3.4.3 Suppose the cost to produce one product amounts to R40,00.

Calculate the total profit of the firm at the profit maximising level. (Show ALL calculations). (6)

3.4.4 What is the lowest price that the entrepreneur can charge for his/her product? Motivate your answer. (4)

3.4.5 What will happen if the entrepreneur operates below his AVC curve? Motivate your answer. (4)

[50]

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QUESTION 4

4.1 TABLE 3 represents the quantities demanded and supplied for passenger vehicles.

Study the TABLE and answer the questions.

PRICE (R)	QUANTITY DEMANDED	QUANTITY SUPPLIED
R 90 000	100 000	15 000
R100 000	80 000	30 000
R110 000	60 000	45 000
R120 000	40 000	60 000
R130 000	20 000	75 000

TABLE 3

4.1.1 Construct the demand and supply curves for passenger vehicles on the same axis. (12)

4.1.2 What is the equilibrium price and quantity for passenger vehicles on the market? (4)

4.1.3 Indicate whether a market surplus or shortage will exist at a market price of R110 000. (2)

4.1.4 Calculate the market surplus/shortage at a market price of R110 000. (Show ALL calculations). (2)

4.1.5 ALL other factors remain constant, but due to an increase in the petrol price the demand for cars decreases with 10 000 units at each price level.

Calculate the new quantities demanded. (5)

4.1.6 Construct the new demand curve on the same axis as QUESTION 2.1.1. (5)

4.1.7 What is the new equilibrium price and quantity for these passenger vehicles? (4)

4.2 Briefly explain the following concepts:

4.2.1 Economic rent

4.2.2 Transfer earnings

(2 x 2) (4)

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4.3 Complete the following sentences by filling in the missing word(s). Write only the word(s) next to the question number (4.3.1–4.3.4) in the ANSWER BOOK.

4.3.1 ... is the basic economic problem.

4.3.2 ... must take place in order to satisfy the multiple needs of the community.

4.3.3 The ... theory allows the consumer to decide which quantity of a particular product will give him/her the greatest satisfaction.

4.3.4 In the ... economic system, there is limited competition as a result of state industries.

(4 x 2) (8)

[50]

QUESTION 5

5.1 Labour is regarded as one of the basic factors of production.

Briefly name FIVE factors that influence the supply of labour. (5 x 2) (10)

5.2 Esther owns a small clothing boutique. She has done her basic calculations with regard to the different levels of output per week that she will obtain using varying numbers of seamstresses to sew the garments for her.

Study TABLE 4 that represents her production schedule and answer the questions.

NUMBER OF LABOURERS	TOTAL PHYSICAL OUTPUT	MARGINAL PHYSICAL OUTPUT	AVERAGE PHYSICAL OUTPUT
0	0	0	0
1	3	(a)	3
2	14	11	7
3	22	8	(b)
4	27	5	6.75
5	(c)	2	5.8

TABLE 4

5.2.1 Calculate the values of (a), (b) and (c). (6)

5.2.2 What do you notice about Esther's MPO as she employs more labourers? (2)

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5.2.3 What law is represented by the marginal physical output column? (2)

5.2.4 At which production level does Esther maximise her output per labourer? Motivate your answer. (4)

5.2.5 What advice will you provide to Esther in respect of the number of labourers that she should employ? Motivate your answer. (4)

5.2.6 Use the information provided in TABLE 4 to construct Esther's marginal and average physical output curves on the same axis. (10)

5.3 The needs of consumers change as their taste and habits change.

Briefly explain how a change in the taste and habits of consumers will affect the demand for a specific product. (4)

5.4 Markets can be divided into two groups, that is perfect and imperfect markets.

Briefly list FOUR characteristics of a perfect competitive market. (4 x 2) (8)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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