higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N350**(E)**(N21)H
NOVEMBER EXAMINATION

NATIONAL CERTIFICATE

ECONOMICS N4

(22020034)

21 November 2016 (X-Paper)
09:00–12:00

This question paper consists of 13 pages.

GENERAL STUDIES

Copyright reserved

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. ALL the questions in SECTION A are COMPULSORY.
2. Answer any THREE of the four 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.

GENERAL STUDIES

Copyright reserved

SECTION A

ALL the questions in SECTION A are 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 (1.1.1–1.1.20) in the ANSWER BOOK.

1.1.1 The basic economic problem is …

A the population explosion.
B too much government wastage.
C the problem of scarcity.
D increasing prices.

1.1.2 The most important determinant of how much a household will consume is …

A interest rates.
B income.
C tastes and preferences.
D availability of products.

1.1.3 The sum of the utility derived from consuming a product is referred to as … utility.

A total
B average
C diminishing
D marginal

1.1.4 The term opportunity costs …

A can be applied to the analysis of any decision making process.
B is relevant only to economics.
C refers only to actual payments and incomes.
D applies to consumers but not firms.

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

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

GENERAL STUDIES

1.1.6 The theory of … states that for each additional unit of variable input employed, total output will rise, reach a maximum and then decline.

A reducing output
B diminishing returns
C diminishing marginal utility
D diminishing average output

1.1.7 Market demand is …

A the total demand for a product in a specific market.
B the sum of all the individual demands.
C where the equilibrium point is reached.
D the sum total of all the quantities demanded by households.

1.1.8 The … of the variable input (labour) is the additional units of output that can be produced by employing an additional unit of labour.

A marginal product
B total product
C average product
D output

1.1.9 The demand for capital is higher in countries with a well-developed … sector.

A public
B secondary
C primary
D tertiary

1.1.10 Factors of production are owned by …

A households.
B firms.
C government.
D the foreign sector.

1.1.11 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 costs.

1.1.12 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 the abovementioned

GENERAL STUDIES

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

A demand
B average revenue
C A and B
D supply

1.1.14 Issues that relate to the labour market include …

A rent.
B wages.
C profit.
D interest.

1.1.15 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.

1.1.16 Macroeconomics studies the …

A economic system as a whole.
B behaviour of the units of the economy.
C human aspects of the world.
D ALL the abovementioned

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

A GNP
B GDE
C GDP
D GNI

1.1.18 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

GENERAL STUDIES

1.1.19 The question 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.

1.1.20 Restoration of the economy to a former or better position …

A peak
B recovery process
C trough
D recession

(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 An increase in the price of goods will result in a decrease in the demand for their substitutes.

1.2.2 There is an inverse relationship between price and quantity of goods supplied.

1.2.3 Losses can be incurred in the long run in a monopolistic market if they are badly managed.

1.2.4 The demand for habit forming products (alcohol and tobacco) is inelastic.

1.2.5 Indifference curves can be used to map consumer choices.

(5 × 2) (10)
[50]

TOTAL SECTION A: 50

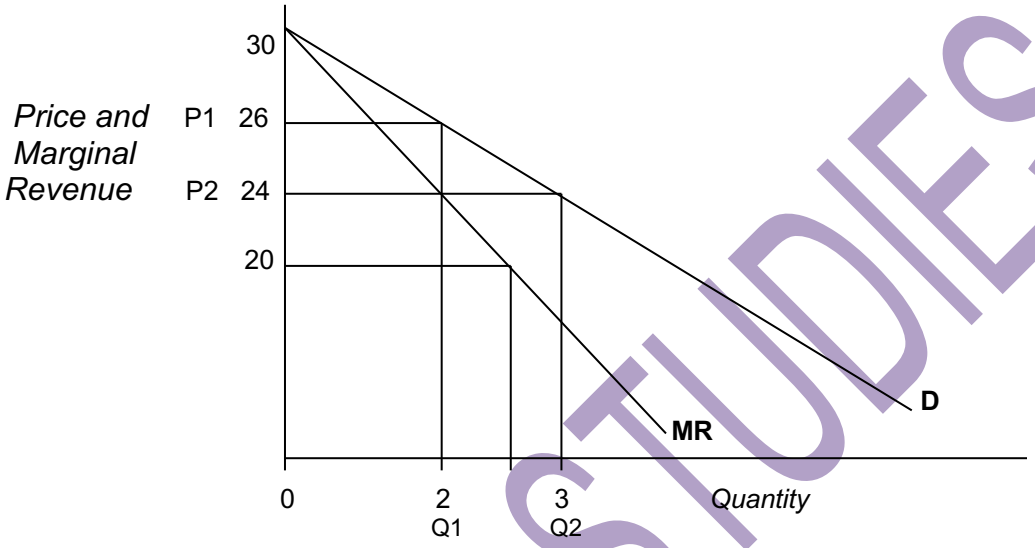
GENERAL STUDIES

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 at Q1? (2)

2.1.2 Calculate the marginal revenue (MR) if four units were sold at R26 per unit. (4)

2.1.3 Calculate the marginal revenue (MR) if four units were sold at R24 per unit. (4)

2.1.4 Calculate the total loss in revenue for the amounts you got in QUESTION 2.1.2 and QUESTION 2.1.3 above. (4)

2.2 The government and financial institutions keep on reminding South Africans to save. Whether people save or not depend on various motives.

Name FOUR motives for saving and provide an example of each. (4 × 3) (12)

GENERAL STUDIES

2.3 Complete the following sentences by filling in the missing words. Write only the words next to the question number (2.3.1–2.3.5) in the ANSWER BOOK.

2.3.1 Someone who organises all factors of production including himself/herself in order to establish or maintain a business, is known as a/an …

2.3.2 There is a/an … relationship between the quantity of goods supplied and the price thereof.

2.3.3 The economic problem is characterised by the unlimited wants against limited …

2.3.4 … studies the behaviour of individual households, firms and industries.

2.3.5 ESKOM is a typical example of a … market.

(5 × 2) (10)

2.4 2.4.1 Differentiate between the *monopolistic* and *oligopolistic* market structures. (4)

2.4.2 State the THREE characteristics of oligopoly. (6)

2.5 State the TWO characteristics of the production possibility curve. (4)

[50]

GENERAL STUDIES

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	Equilibrium point	A	geographical factors make it difficult for other firms to start up
3.1.2	Local monopoly	B	a decline in economic activity over a period of time
3.1.3	Production	C	process resulting in a quantitative long-term change in an economic structure
3.1.4	Target market	D	the income of physical production per unit of the changing factor of production
3.1.5	Diseconomies of scale	E	situation where 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	Economic growth	F	has a negative slope, convex nature and can take any shape
3.1.7	Average income	G	quantity demanded equals quantity supplied
3.1.8	Indifference curve	H	products designed for a particular age
3.1.9	Market-skimming pricing	I	creation of utilities
3.1.10	Recession	J	situation where the firm has reached full capacity in the long run and is unable to grow any larger

(10 × 2) (20)

3.2 Give any THREE types of elasticity of demand. (6)

3.3 Name the FIVE factors which will influence the quantity of goods which the business can supply during a particular period. (10)

GENERAL STUDIES

3.4 Refer to the table below and answer the questions based on the cost of production.

NUMBER OF WORKERS	TOTAL QUANTITY OF PRODUCTION	TOTAL FIXED COST	TOTAL VARIABLE COST	TOTAL COST
0	0	200	**(a)**	200
1	9	200	50	250
2	16	200	100	**(b)**
3	23	200	**(c)**	350
4	29	**(d)**	200	400
5	35	200	250	**(e)**

3.4.1 Calculate the values of (a), (b), (c), (d) and (e). (5 × 2) (10)

3.4.2 What is the average total cost of producing 23 products? (4)
[50]

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 The demand for labour is not an allocated demand.

4.1.2 The government regulates the economy through monetary and fiscal policies.

4.1.3 A shift in demand to the left causes an expansion in supply.

4.1.4 Average cost of production is the total cost of production multiplied by the total quantity of goods produced.

4.1.5 The Gross National Product is the total value of all goods produced within the boundaries of the country.

(5 × 2) (10)

GENERAL STUDIES

4.2 Choose the correct option from those given in brackets. Write only the option next to the question number (4.2.1–4.2.5) in the ANSWER BOOK.

4.2.1 The total utility will (remain the same/decrease) as soon as the marginal utility is below zero.

4.2.2 (Furniture/Mining) is an example of a secondary sector industry.

4.2.3 (Durable/Nondurable) consumer goods are used once only to satisfy your needs.

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

4.2.5 Tax levied on beverages like alcohol is called (direct tax/sin tax).

(5 × 2) (10)

4.3 Briefly describe the following terms:

4.3.1 Demand

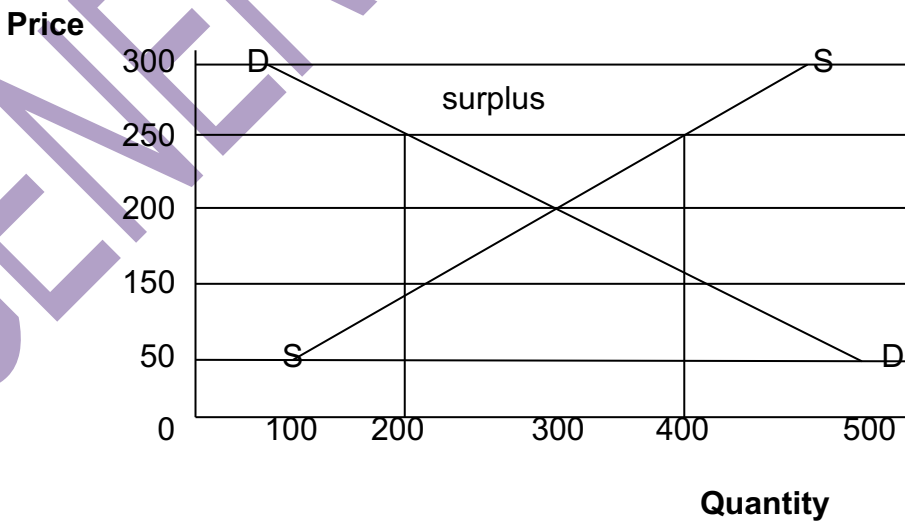
4.3.2 Household sector

4.3.3 Market constraints

4.3.4 Marginal cost

(4 × 3) (12)

4.4 Study the graph below that represents a surplus existing on the market and answer the questions.



4.4.1 DD and SS are the original curves.

Indicate the equilibrium price and the quantity at the original equilibrium position. (2)

4.4.2 At what price and quantity does a surplus exist in the market? (4)

GENERAL STUDIES

4.5 How many units will buyers demand at the price mentioned in QUESTION 4.4.2 above? Show ALL the calculations. (4)

4.6 Name FOUR Acts of legislation which aim at strengthening the labour market in South Africa. (4 × 2) (8)

[50]

QUESTION 5

5.1 Indicate whether the following are characteristics of a perfectly competitive market or monopoly. 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 What may be sold or bought is determined by well-defined property rights.

5.1.2 When exchanging products, neither buyers nor sellers incur additional costs.

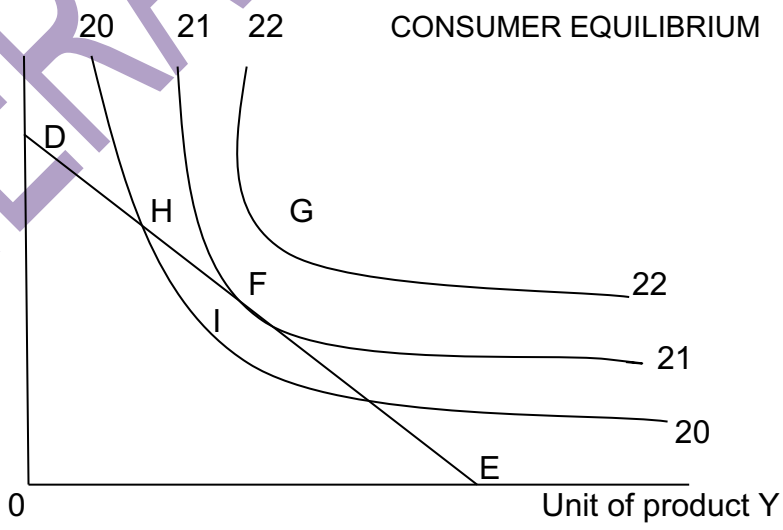
5.1.3 Price is determined by the supplier in order to maximise profit.

5.1.4 Knows everything that is going on in the industry.

5.1.5 There are numerous barriers to entry and exit.

(5 × 2) (10)

5.2 Study the graph below and answer the questions.



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

5.2.2 Line DE is referred to as the … (2)

5.2.3 At which point on the graph will the consumer maximise his/her satisfaction? (2)

GENERAL STUDIES

5.2.4 Which theory is applicable in this instance? (2)

5.2.5 Will the consumer opt for the combination represented by point I? Motivate your answer. (4)

5.3 Use the information provided in the schedule below to construct an indifference curve. Label your graph.

COMBINATION	PRODUCT A	PRODUCT B
A	30	7
B	25	13
C	20	17
D	15	23
E	10	26
F	5	30

(10)

5.4 The following table represents the total revenue of a firm.

Study the table and answer the questions.

QUANTITY (Units)	PRICE (R)	TOTAL REVENUE	MARGINAL REVENUE
15	5	75	
16	5	80	
17	5	85	
18	5	90	
19	5	95	

5.4.1 Calculate the marginal revenue of the quantity of units 15 and 16. (6)

5.4.2 How much is the marginal revenue for every extra additional unit of product sold? (2)

5.4.3 Explain the term *consumer spending.* (2)

5.4.4 Name FOUR factors that determine what and how much households choose to consume. (8)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

GENERAL STUDIES

Copyright reserved