INSTRUCTIONS

ANSWER ALL THE SECTIONS

SECTION A (*Multiple choice*) [21]

Question 1 (1½)

Which of the following statements are correct?

i) An increase in the price of a product will cause the demand curve of a substitute product to shift to the left.
ii) If a producer manufactures a unit elastic product, he/she cannot influence total revenue by changing the price.
iii) Frictional unemployment occurs when people are between jobs.
iv) The elasticity of products changes over time.
v) If products X and Y are complimentary, an increase in X's price will lead to an increase in demand for Y.

A) i, ii, iii & v **B) i, iii & v**
C) ii, iii & iv **D) ii, iv & v**
E) i & iii

Question 2 (1½)

Which of the following statements are correct?

i) The production possibility frontier is steeper at the right end than the left because some resources are better suited to make some products than others.
ii) Perfectly inelastic demand is a horizontal line.
iii) The production possibility frontier illustrates how much of each product is manufactured in the economy.
iv) Inflation causes higher interest rates.
v) The production of consumer goods and capital goods will always occur on the production possibility curve.

A) i, ii, iii & v **B) i, iii & v**
C) ii, iii & iv **D) ii, iv & v**
E) i & iii

Question 3 (1½)

Which of the following statements are correct?

i) The 4 production factors are Capital, Labour, Land & Entrepreneurship.
ii) Lower interest rates lead to higher inflation.
iii) A price floor leads to surplus production.
iv) If products X & Y are complimentary, an increase in X's price will lead to an increase in demand for Y.
v) The elasticity of products changes over time.

A) i, ii, iii & v **B) i, iii & v**
C) ii, iii & iv **D) ii, iv & v**
E) i & iii

Question 4 (1½)

Which of the following statements are correct?

i) The number of buyers who gain from the price ceiling is greater than the original number of buyers.

ii) A price ceiling creates an excess demand.

iii) A price ceiling generates winners as well as losers.

iv) To have an effect, the price ceiling must be set at a lower level than the original market price.

v) A price ceiling is an example of government intervention to assist the producer.

A) i, ii, iii & v **B) i, iii & v**

C) ii, iii & iv **D) ii, iv & v**

E) i & iii

Question 5 (1½)

Which of the following statements are correct?

i) If a producer manufactures a unit elastic product, he/she can influence total revenue by changing the price.

ii) The Reserve Bank can limit inflation by decreasing the supply of money.

iii) Public goods are excludable in nature.

iv) Perfectly inelastic supply is a vertical line.

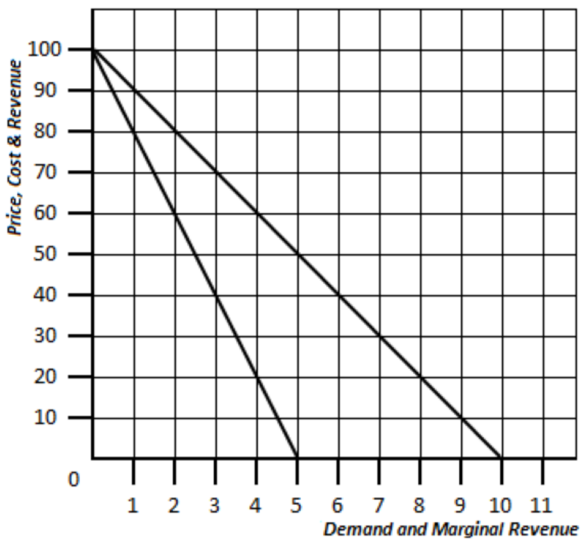
v) The elasticity of products changes over time.

A) i, ii, iii & v **B) i, iii & v**

C) ii, iii & iv **D) ii, iv & v**

E) i & iii

Question 6 (1½)



If a profit maximising monopolist with a constant unit cost equal to R40 faces the demand curve plotted in the graph, then the monopolist's total revenue will be equal to:

A. R120.

B. R220.

C. R240.

D. R400.

E) None of the above.

Question 7 (1½)

A decrease in price from R45 to R40 per bottle water leads to an increase in demand of 1500 to 2000 bottles. The elasticity of demand of bottled water is?

A) 0.149 **B) 4.444**

C) -0.149 **D) -4.262**

E) None of the above.

Question 8 (1½)

What could be said about equilibrium prices and equilibrium quantities if demand should increase and supply should decrease?

A) Price will increase and quantity will decrease.

B) Price will increase and quantity's movement is uncertain.

C) Price will increase and quantity will increase.

D) Price will decrease and quantity will increase.

E) Price's movement is uncertain and quantity will decrease.

Question 9 (1½)

Consider the following demand and supply equations:

$Q_d = 250 – 8P$ $Q_s = 12P$

The values of P and Q at equilibrium are?

A) P = 150 & Q = 12.50 **B) P = 1.25 & Q = 15**

C) P = 15 & Q = 1.25 **D) P = 50 & Q = 15**

E) None of the above.

Question 10 (1½)

Which of the following statements are correct?

i) Lower interest rates lead to higher inflation.

ii) Inflation can be caused by higher aggregate demand in the economy.

iii) A price floor leads to surplus production.

iv) Perfectly inelastic demand is a horizontal line.

v) The 4 production factors are Capital, Labour, Land & Entrepreneurship.

A) i, ii, iii & v **B) i, iii & v**

C) ii, iii & iv **D) ii, iv & v**

E) i, & iii

Question 11 (1½)

What could be said about equilibrium prices and equilibrium quantities if demand should increase and supply should decrease?

A) Price will increase and quantity will decrease.

B) Price will decrease and quantity will increase.

C) Price will increase and quantity will increase.

D) Price will increase and quantity's movement is uncertain.

E) Price's movement is uncertain and quantity will decrease.

Question 12 (1½)

Which of the following statements are correct?

i) $MC = \frac{\Delta TC}{\Delta Q}$.

ii) The formula for point elasticity is: $E_d = \frac{\left(\frac{Q_2 - Q_1}{Q_2 \div 2}\right)}{\frac{P_2 - P_1}{P_2 \div 2}}$.

iii) The misuse of public goods can be addressed with tax.

iv) $AP = \frac{TP}{Q}$.

v) TC = TFC + TVC.

A) i, ii, iii & v **B) i, iii & v**

C) ii, iii & iv **D) ii, iv & v**

E) i & iii

Question 13 (1½)

Which of the following will shift the aggregate demand curve of South Africa to the left?

i) An increase in household debt.

ii) A sharp increase in the fuel price.

iii) A decrease in real interest rates.

iv) A decrease in household income.

v) A decrease in government debt.

A) i, ii, iii & v **B) i, iii & v**

C) ii, iii & iv **D) ii, iv & v**

E) i, & iii

Question 14 (1½)

Which of the following statements are correct given the following demand and supply equations?

$$Q_D = 147 - 15P \qquad Q_S = -15 + 3P$$

A) **If the equilibrium price decrease by R3, Q_S will change to 15 and Q_D to 9**

B) **If the equilibrium price increase by R2, Q_S will change to 14 and Q_D to 0.**

C) **If the equilibrium price increase by R3, Q_S will change to 9 and Q_D to 3.**

D) **If the equilibrium price increase by R5, Q_S will change to 7 and Q_D to 17.**

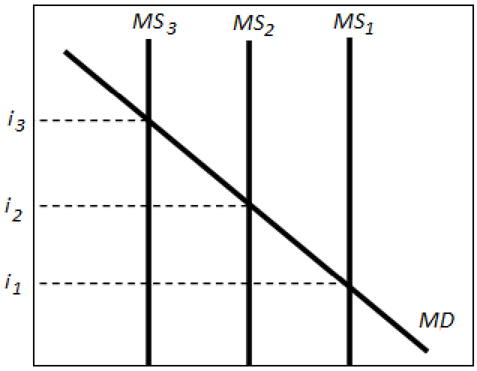
E) **If the equilibrium price decrease by R2, Q_S will change to 6 and Q_D to 42.**

SECTION B (*Calculations*) [29]

Question 1 (2)

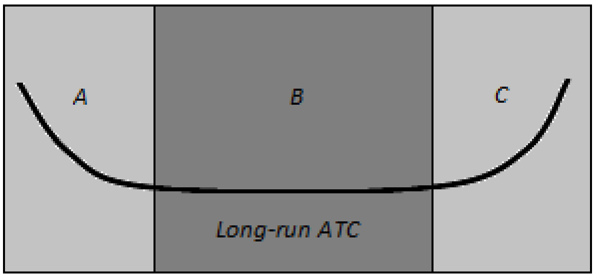
Use the graphs to answer the following questions:

a) Who is responsible for this policy? [½]
b) Why is this action followed? [½]
c) What will happen with aggregate demand (AD)? [½]
d) What will happen with investment? [½]



Question 2 (3)

Identify areas A, B and C and say what one can deduce from this graph regarding the market structure of this firm.



Question 3 (8)

DJI manufactures a range of drones. The table below indicates how many dji Phantom 4 Pros they can manufacture in a month, and how many dji Inspire 2's they can manufacture over the same period. Answer the questions that follow:

Option	dji Phantom 4 Pro	dji Inspire 2
A	1200	0
B	1150	50
C	920	90
D	550	120
E	250	200
F	0	300

a) Show graphically what opportunity cost DJI faces when manufacturing these drones. It is important that you name your axes. Marks will be deducted for unnamed axes and missing headings. [3]

b) Say it costs DJI R25 000 to manufacture one Phantom 4 Pro and it costs them R31 000 to manufacture one Inspire 2. Calculate the total profit for every combination of drones if the Phantom 4 Pro sells for R31 000 per unit, and the Inspire 2 for R59 000 per unit. [4]

c) Which combination of drones must DJI manufacture to maximise profit? [1]

Question 4 (12)

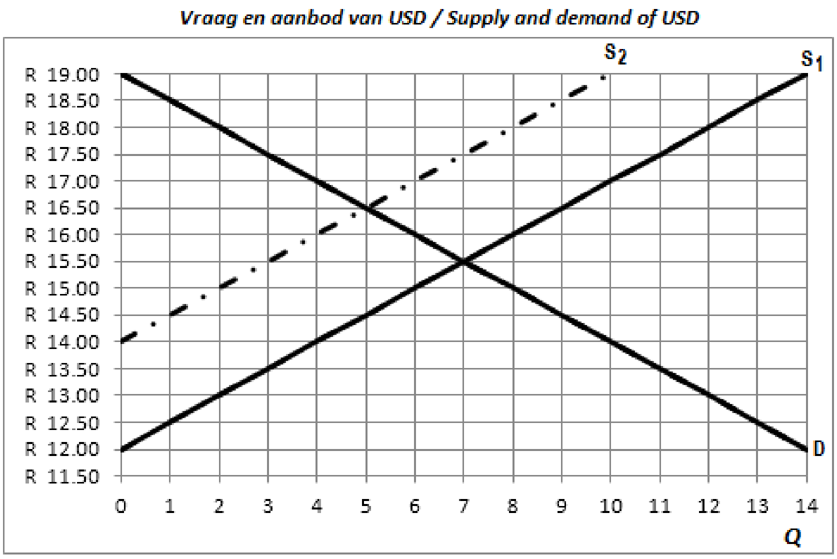
Use the table below to calculate the inflation rate for 2017, 2018 and 2019:

Prices					
Main Item	**Weight**	**2016**	**2017**	**2018**	**2019**
Food and all other beverages	23.6%	R 20 000	R 21 000	R 22 100	R 23 500
Clothing, restaurants and entertainment	11.8%	R 2 000	R 2 400	R 2 580	R 2 985
Housing and utilities	28.0%	R 32 000	R 33 450	R 34 250	R 36 000
Transport and communication	18.6%	R 8 000	R 9 900	R 10 500	R 10 990
Miscellaneous	13.9%	R 4 000	R 4 900	R 5 500	R 5 800
Total	100%	R 66 000,00	R 71 650,00	R 74 930,00	R 79 275,00

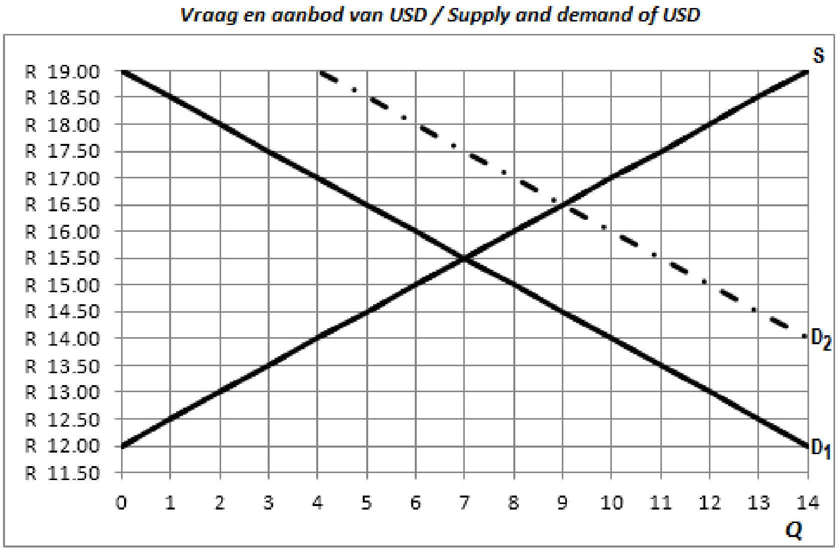
Question 5 (4)

Consider the following graphs and state what happens with the value of the particular currency:

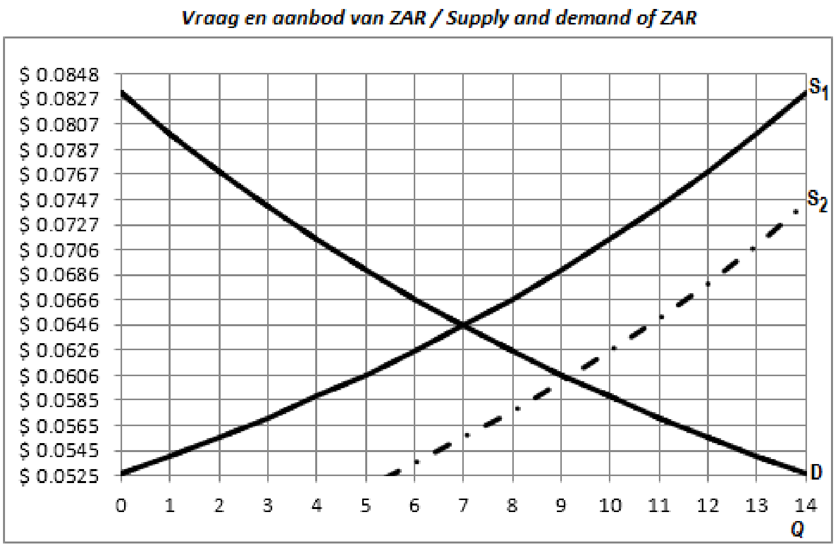
a) Did the South African rand (ZAR) appreciate or depreciate? [1]



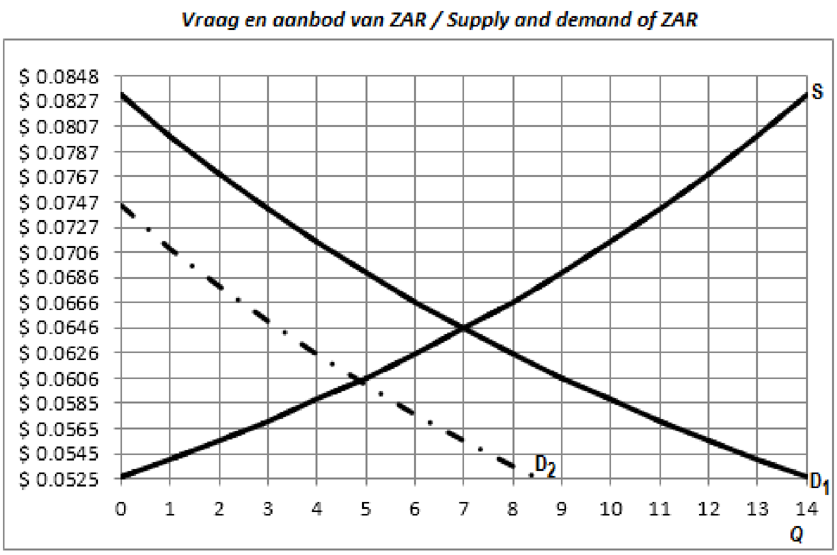
b) Did the American dollar (USD) appreciate or depreciate? [1]



c) Did the South African rand (ZAR) appreciate or depreciate? [1]



d) Did the American dollar (USD) appreciate or depreciate? [1]



SECTION C (***Essay questions***) **[50]**

Question 1 (25)

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

Global Challenge Insight Report

The Future of Jobs

Employment, Skills and Workforce Strategy for the Fourth Industrial Revolution

Today, we are at the beginning of a Fourth Industrial Revolution. Developments in genetics, artificial intelligence, robotics, nanotechnology, 3D printing and biotechnology, to name just a few, are all building on and amplifying one another. This will lay the foundation for a revolution more comprehensive and all-encompassing than anything we have ever seen. Smart systems—homes, factories, farms, grids or cities—will help tackle problems ranging from supply chain management to climate change. The rise of the sharing economy will allow people to monetize everything from their empty house to their car. While the impending change holds great promise, the patterns of consumption, production and employment created by it also pose major challenges requiring proactive adaptation by corporations, governments and individuals. Concurrent to the technological revolution are a set of broader socio-economic, geopolitical and demographic drivers of change, each interacting in multiple directions and intensifying one another. As entire industries adjust, most occupations are undergoing a fundamental transformation. While some jobs are threatened by redundancy and others grow rapidly, existing jobs are also going through a change in the skill sets required to do them. The debate on these transformations is often polarized between those who foresee limitless new opportunities and those that foresee massive dislocation of jobs. In fact, the reality is highly specific to the industry, region and occupation in question as well as the ability of various stakeholders to manage change.

What challenges do firms face when deciding on the optimal mix between capital and labour, given the constraints of costs, labour law, productivity and competition?

Question 2 (25)

We are faced with climate change on a previously unseen scale. The impact of these changes are inevitable and will change the way in which we live, work, govern and do business.

What challenges will firms face in terms of their responsibilities when it comes to climate change?

TOTAL: [100]

ANSWER SHEET

SECTION A (*Multiple Choice*) [21]

Indicate: A, B, C, D or E

Question	Answer
1	
2	
3	
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12	
13	
14	

SECTION B (*Calculations*) [29]

Question 1 **(2)**

Question 2 **(3)**

Question 3 **(8)**

a) [3]

b) [4]

c) [1]

Question 4 (12)

Index of group items					
Main Item	**Weight**	**2016**	**2017**	**2018**	**2019**
Food and all other beverages	23.6%	100			
Clothing, restaurants and entertainment	11.8%	100			
Housing and utilities	28.0%	100			
Transport and communication	18.6%	100			
Miscellaneous	13.9%	100			

Consumer Price Index					
Main Item	**Weight**	**2016**	**2017**	**2018**	**2019**
Food and all other beverages	23.6%	100			
Clothing, restaurants and entertainment	11.8%	100			
Housing and utilities	28.0%	100			
Transport and communication	18.6%	100			
Miscellaneous	13.9%	100			
Index value					

Consumer Inflation			
Year	**2017**	**2018**	**2019**
Inflation			

Question 5 (4)

a)	
b)	
c)	
d)	

[1]
[1]
[1]
[1]