



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION : BRIDGING PROGRAMME – SOCIAL SCIENCES (04NBPR)	
QUALIFICATION CODE: 04NBPR	LEVEL: 4
COURSE CODE: ITE411S	COURSE NAME: INTRODUCTION TO ECONOMICS
SESSION: JULY 2024	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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MODERATOR:	Ms Lavinia Hofni

INSTRUCTIONS	
<ol style="list-style-type: none">1. Answer ALL the questions.2. Write clearly and neatly.3. Number the answers clearly.4. The use of a scientific pocket calculator is allowed.5. This examination paper is divided into FOUR sections.6. Section A and Section B should be answered on the enclosed answer sheets.7. Section C & D should be answered in your examination book.	

HIS QUESTION PAPER CONSISTS OF 12 PAGES (Including this front page)

SECTION A

20 Marks

Instructions:

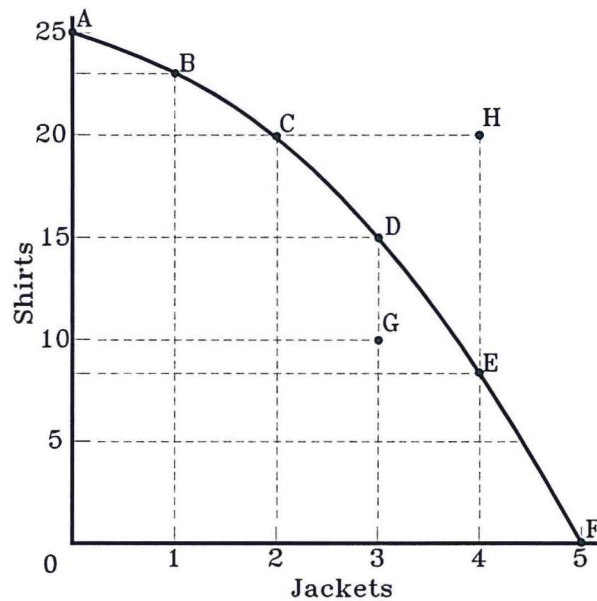
- Answer all the questions
- All answers should be on the answer sheet on page 11. Tear the page off and place it inside your examination script.

QUESTION 1

1.1 The economic problem arises from the co-existence of:

- (a) unlimited wants and limited money in circulation
- (b) limited wants and limited money in circulation
- (c) unlimited wants and limited resources
- (d) limited wants and limited resources

To answer questions 1.2, 1.3 and 1.4 refer to the diagram in Figure 1 showing a production possibilities curve (PPC) for shirts and jackets. **Figure 1 Production possibilities curve (PPC) for shirts and jackets**



1.2 Refer to Figure 1 above. At which point is it possible to produce more jackets without giving up any shirts?

- (a) A
- (b) F
- (c) H
- (d) G

1.3 Refer to Figure 1 above. The opportunity cost of 1 jacket when moving from point C to point D is:

- (a) 15 shirts
- (b) 5 shirts
- (c) 1 jacket
- (d) 3 jackets

1.4 Refer to Figure 1 above. If the company buys one more sewing machine and employs one more seamstress, how will it affect the PPC?

- (a) The PPC will shift to the right.
- (b) The PPC will shift to the left.
- (c) The PPC will not shift but the opportunity cost will increase.
- (d) The PPC will not shift but the opportunity cost will decrease.

1.5 In the circular flow of economic activity in the market economy:

- (a) labour flows from firms to households
- (b) capital flows from firms to households
- (c) expenditure on goods and services flows from firms to households
- (d) wages flow from firms to households

1.6 Which of the following is a problem with a market economy?

- (a) Government finds it difficult to decide which goods and services to produce.
- (b) There is no reward for initiative.
- (c) Goods which are produced are distributed according to current patterns of income and wealth.
- (d) Government finds it difficult to coordinate the plans of producers and households.

1.7 As the price of a good decreases, the change in the quantity demanded can be shown by:

- (a) moving downwards (or rightwards) along the same demand curve
- (b) moving upwards (or leftwards) along the same demand curve
- (c) shifting the demand curve to the left
- (d) shifting the demand curve to the right

1.8 A shortage can be eliminated by:

- (a) government decreasing the price
- (b) allowing the price to rise
- (c) increasing the quantity demanded
- (d) decreasing supply

1.9 Given that steak and potatoes are complements in consumption, if the price of steak increases there would be:

- (a) an increase in the demand for potatoes
- (b) an increase in the quantity demanded of potatoes
- (c) a decrease in the demand for potatoes
- (d) a decrease in the quantity demanded of potatoes

1.10 If a sin tax is placed on the sales of cigarettes:

- (a) the demand curve shifts to the right
- (b) the demand curve shifts to the left
- (c) the supply curve shifts to the right
- (d) the supply curve shifts to the left

1.11 Suppose the Polytechnic of Namibia increases its tuition fees for 2013. If the demand for tuition at PON is relatively inelastic, you would expect:

- (a) an increase in the total revenue received by the Polytechnic of Namibia
- (b) a decrease in the total revenue received by the Polytechnic of Namibia
- (c) no change in the total revenue received by the Polytechnic of Namibia.
- (d) no change in the tuition provided by the Polytechnic of Namibia.

Answer questions 1.12, 1.13 and 1.14 on the basis of the output data for a firm given in Table 1. Do the necessary calculations to answer the questions.

Table 1 Production schedule

Capital	Labour	Total product
3	0	0
3	1	5
3	2	11
3	3	15
3	4	18
3	5	19

1.12 Refer to the data in Table 1. Diminishing marginal returns set in with the addition of the:

- (a) 4th worker
- (b) 3rd worker
- (c) 2nd worker
- (d) 1st worker

1.13 Refer to the data in Table 1. The marginal product of the 4th worker is:

- (a) 3 units of output
- (b) 4 units of output
- (c) 5 units of output
- (d) 6 units of output

1.14 Refer to the data in Table 1. The average product of three workers is:

- (a) 5.5 units of output
- (b) 4.5 units of output
- (c) 5 units of output
- (d) 1.8 units of output

- 1.15 The trough of a business cycle is characterised by**
- (a) high unemployment of labour.
 - (b) large amounts of unused production capacity.
 - (c) low business profits and pessimistic expectations about future profits.
 - (d) all of the above.
- 1.16 Which of the following would likely not be a cause of economic growth?**
- (a) An increase in the amount of capital equipment.
 - (b) An increase in imports.
 - (c) An increase in human capital.
 - (d) An improvement in technology.
- 1.17 Unemployment that is caused by the normal turnover of the labour force as people move from job to job is called**
- (a) frictional unemployment.
 - (b) cyclical unemployment.
 - (c) structural unemployment.
 - (d) involuntary unemployment.
- 1.18 GDP is the sum of the market value of all**
- (a) final goods and services.
 - (b) Intermediate goods and services.
 - (c) Industrial production and business services.
 - (d) normal goods and services.
- 1.19 Suppose that in 2000 the nominal GDP was N\$1 000 million and the price index was 100; in 2001 the nominal GDP was 1 200 million and the price index was 110. On the basis of this, we can say that real GDP equalled**
- (a) N\$1 000 million in 2000 and N\$880 million in 2001.
 - (b) N\$1 000 million in 2000 and N\$900 million in 2001.
 - (c) N\$1 000 million in 2000 and N\$2 010 million in 2001.
 - (d) N\$1 000 million in 2000 and N\$1 091 million in 2001.
- 1.20 Which one of the following statements is correct?**
- (a) Changes in taxes and government spending represent fiscal policy decisions.
 - (b) The annual budget sets out the joint fiscal and monetary policy of the government and the Bank of Namibia for the coming financial year.
 - (c) Personal income tax in Namibia is an example of a proportional tax.
 - (d) Direct taxes are levied directly on goods and services.

SECTION B
20 Marks

Instructions:

- Answer all the questions
- All answers should be on the answer sheet on page 12. Tear the page out and place it inside your answer book.

QUESTION 1

[20 marks]

- 2.1 In a market system there is an agency that instructs the various participants about what to produce and how to produce it. [T/F]
- 2.2 There are two sets of markets in the economy, goods markets and factor markets. [T/F]
- 2.3 Demand for a product will be more elastic the larger the proportion of income that purchases of this good represent for people. [T/F]
- 2.4 A decrease in the price of apples will result in an increase in the quantity demanded of apples. [T/F]
- 2.5 An increase in supply, ceteris paribus, raises the equilibrium price. [T/F]
- 2.6 The supply curve for houses would probably shift leftward if the wages of construction workers were increased. [T/F]
- 2.7 If the price of I-pods is below the equilibrium price, there will be a shortage of I-pods and the price will rise. [T/F]
- 2.8 Under perfect competition the market price also represents the marginal revenue and average revenue of the firm. [T/F]
- 2.9 A perfectly competitive firm is both a “price maker” and a “price taker”. [T/F]
- 2.10 In the short run, a perfectly competitive firm can earn normal profit only. [T/F]
- 2.11 There are two sets of markets in the economy, goods markets (e g the market for apples) and factor markets (e g the labour market). [T/F]
- 2.12 Firms purchase in factor markets and sell in goods markets, while households sell in factor markets and purchase in goods markets. [T/F]
- 2.13 The value of clothing manufactured in Namibia by a South African company does not form part of Namibia’s GDP. [T/F]

- 2.14 Imports are included in the GDP. [T/F]
- 2.15 If GNP at market prices = N\$600 and consumption of fixed capital = N\$100, then NNP at market prices = N\$500. [T/F]
- 2.16 The money creation process is based on the ability of banks to lend part of the deposits they receive from the public. [T/F]
- 2.17 The M1 measure of money consists of coins, notes and demand deposits. [T/F]
- 2.18 An increase in the rate of value added tax from 14 to 15 percent could be classified as a market-oriented monetary policy measure. [T/F]
- 2.19 When inflation is experienced, money loses some of its usefulness as a bearer of value. [T/F]
- 2.20 Government should implement expansionary fiscal policy measures during a recession. [T/F]

SECTION C
25 Marks

QUESTION 1

[8 marks]

Refer to Table 2. Consider the information for the utility (measured in utils) corresponding to the total number of pies and doughnuts consumed. The consumer's total budget is N\$14, the price of a pie is N\$4 each and the price of a doughnut is N\$2 each.

Table 2 Utility Schedule

Pies (P=N\$4 each)			Doughnuts (P=N\$2 each)			
TU	MU	MU/P	Quantity	TU	MU	MU/P
0		-	0	0		-
40		10	1		58	29
	28	7	2	92		17
88		5	3		14	7
	6	1.5	4	110		2

- (a) Copy Table 2 into your answer book and complete the missing rows and columns. (8)

QUESTION 2

[17 marks]

- 2.1 Consider the market for bicycles. Suppose there is an increase in the price of steel used in the production of bicycles. Demonstrate graphically and explain the effect this will have on the equilibrium price and quantity of bicycles. (5)
- 2.2 A firm produces a product which it sells in a perfectly competitive market. The price of the product is N\$130 per unit and the firm's cost structure is given in Table 3. (12)

Table 3

Units produced Q	Total fixed cost N\$	Total variable cost N\$	Total cost N\$	Average (total) cost N\$	Marginal cost N\$
0			2 500	-	-
10			2 600		10
20			2 900		30
30			3 500		60
40			4 800		130
50			7 000		220

SECTION D
35 Marks

QUESTION 1

[12 marks]

You are given the following information:

- (a) A forester chops down 100 trees and sells them for N\$40 each to a sawmill.
- (b) The sawmill processes the trees into timber and sells the timber to a factory for N\$10 000.
- (c) The factory uses the timber to make 200 tables and sells the tables for N\$150 each to a wholesaler.
- (d) The wholesaler sells the 200 tables to a retailer for N\$300 each.
- (e) Consumers buy the 200 tables at N\$350 each from the retailer.

Using the above information, calculate the value of GDP by the value-added approach.

QUESTION 4

[6 marks]

Calculate the inflation rates for the period 2021 to 2022 and 2022 to 2023 using the information in Table 4.

Table 2

Year	CPI
2021	147.8
2022	163.5
2023	179.3

QUESTION 3

[4 marks]

In each of the following situations, state whether discretionary fiscal policy is expansionary or restrictive. Motivate your answer.

- (a) The government increases tax rates for households and corporations. (2)
- (b) Government expenditures on food aid programs to help the poor are increased by 5%. (2)

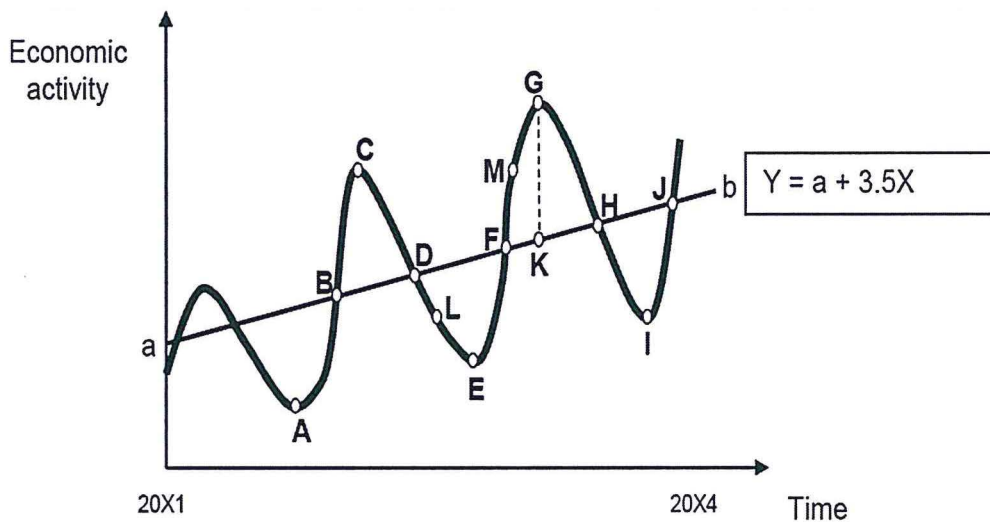
QUESTION 4

[13 marks]

Refer to business cycle below and answer questions that follow.

- 4.1 If economic authorities want to reduce the amplitude of the business cycle, what kind of economic policy would they implement at C and E? Expansionary or Restrictive fiscal policy. (3)

Reference cycle:



- 4.2 Use the figure the above, state whether the statements below are true or false.

- (a) A trough can be represented by point E. (2)
- (b) At point L inflation is decreasing. (2)
- (c) At point M aggregate spending decreases. (2)
- (d) Between points M and G real money supply increases. (2)
- (e) Between points M and G growth in job advertisements in a newspaper increases. (2)

TOTAL FOR PAPER: 100 MARKS

Student number:

ANSWER SHEET FOR SECTION A

Mark the correct answer with an X.

	a	b	c	d
1.1				
1.2				
1.3				
1.4				
1.5				
1.6				
1.7				
1.8				
1.9				
1.10				
1.11				
1.12				
1.13				
1.14				
1.15				
1.16				
1.17				
1.18				
1.19				
1.20				

Student number:.....

ANSWER SHEET FOR SECTION B

Mark the correct answer with an X.

	True	False
2.1		
2.2		
2.3		
2.4		
2.5		
2.6		
2.7		
2.8		
2.9		
2.10		
2.11		
2.12		
2.13		
2.14		
2.15		
2.16		
2.17		
2.18		
2.19		
2.20		