NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION : BRIDGING PROGRAMME – SOCIAL SCIENCES (04NBPR)	
QUALIFICATION CODE: O4NBPR	**LEVEL: 4**
COURSE CODE: ITE411S	**COURSE NAME**: INTRODUCTION TO ECONOMICS
SESSION: JUNE 2025	**PAPER:** THEORY
DURATION: 3 HOURS	**MARKS:** 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	**Mrs Precious Mwikanda**
MODERATOR:	**Ms Kasnath Kavezeri**

INSTRUCTIONS

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 sheet. After completing your answers, place this sheet in the examination answer book.
7. Section C, D & E should be answered in your examination book.

THIS QUESTION PAPER CONSISTS OF 12 PAGES (Excluding this front page)

SECTION A
20 MARKS

Instructions:

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

QUESTION 1 **[20 marks]**

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

1.2 Which of the following is not a basic economic problem question? **[1]**

(a) What to produce?
(b) How to produce?
(c) When to produce?
(d) For whom to produce?

1.3 In the circular flow of economic activity in the market economy: **[1]**

(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

1.4 Which of the following economic scholars believed in the foundations of the capitalist system as well as government intervention? **[1]**

(a) Adam Smith
(b) Karl Max
(c) John Maynard Keynes
(d) David Ricardo

1.5 Which of the following does not form part of economic actors within the Namibian economy. [1]

(a) The Government
(b) The Households
(c) The South African importers
(d) The Business sector

1.6 Which of the following is not a determinant variable causing a shift in the demand for any product? [1]

(a) Price of substitute goods
(b) Change in the income of a consumer
(c) Change in the price of a product
(d) Price of competitors

1.7 'The Law of demand shows a relation between the _______and_____. [1]

(a) Quantity demand and quantity supply of a commodity.
(b) Income and quantity demand of a commodity.
(c) Price and quantity of a commodity.
(d) Income and price of a commodity.

1.8 If the quantity demanded of a commodity is unresponsive to change in prices, then the demand of that commodity is ________. [1]

(a) Perfectly inelastic
(b) Elastic
(c) Unit elastic
(d) Inelastic.

1.9 To produce more output in the short run, the firm must employ more labor, which means that it must...... [1]

(a) Decrease its costs
(b) Increase its costs
(c) First decreases and then increase
(d) Fix its cost at the lowest possible.

1.10 As the price of a good decreases, the change in the quantity demanded can be shown by: **[1]**

(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

1.11 Variable costs are: **[1]**

(a) Sunk costs.
(b) Costs that change with the level of production.
(c) Multiplied by fixed costs.
(d) Defined as the change in total cost resulting from the production of an additional unit of output.

1.12 A perfect market has all the following features except: **[1]**

(a) There are many buyers and few sellers.
(b) There is free entry and exit.
(c) There is only one ruling price.
(d) There is perfect knowledge of the market.

1.13 Given that steak and potatoes are complements in consumption, if the price of steak increases there would be: **[1]**

(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

1.14 One of the conditions for a monopoly to exist is that: **[1]**

(a) The product cannot be produced by small firms.
(b) There are several close substitutes for the product.
(c) There is a unique product with no close substitutes.
(d) Products are highly priced to dominate the market.

1.15 Suppose NUST increases its tuition fees for 2026. If the increase in tuition fees at NUST leads to programmes experiencing a decrease of less than one percentage point in student enrolment, we can say that: **[1]**

(a) NUST's programmes are price inelastic.
(b) NUST's programmes are price elastic.
(c) NUST's programmes are unit elastic.
(d) NUST's programmes are highly elastic.

1.16 Inflation rate in Namibia is calculated on the basis of .... **[1]**

(a) National Statistics Quarterly reports.
(b) National income and expenditure Index .
(c) Food Basket Price Index.
(d) National Consumer Price Index.

1.17 Unemployment that is caused by the normal turnover of the labour force as people move from job to job is called **[1]**

(a) frictional unemployment.
(b) cyclical unemployment.
(c) structural unemployment.
(d) involuntary unemployment.

1.18 Which <u>one</u> of the following statements is correct? **[1]**

(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.

1.19The 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.

1.20 Which of the following is not a method of calculating GDP? **[1]**

(a) Income method
(b) Value added method
(c) Income *less* taxes method
(d) Expenditure method

SECTION B

20 MARKS

Instructions:

- Read all questions carefully
- Answer all questions
- All answers should be on the answer sheet provided on page 13. Tear the page off and place it inside your examination script.

QUESTION 1 **[20 marks]**

1.1 The demand for a luxury good such as a car shows a price elasticity that is less than one. [T/F]

1.2 The demand for cigarettes tends to have inelastic demand. [T/F].

1.3 Marginal Utility is defined as the total satisfaction one gets from consuming the highest quantities. [T/F]

1.4 Perfectly inelastic demand says that when the price changes by 1%, the quantities demanded decrease by more than 1%. [T/F]

1.5 There are two sets of markets in a circular economy, goods markets and factor markets. [T/F]

1.6 Firms purchase in factor markets and sell in goods markets, while households sell in factor markets and purchase in goods markets. [T/F]

1.7 The value of clothing manufactured in Namibia by a South African company does not form part of Namibia's GDP. [T/F]

1.8 If GDP in 2023 was = N$600 billion and production by foreigners who lived and worked in Namibia was = N$150 billion, then GNP= N$450 billion. [T/F]

1.9 The money creation process is based on the ability of banks to lend part of the deposits they receive from the public. [T/F]

1.10 The M1 measure of money consists of coins, notes and demand deposits. [T/F]

1.11 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]

1.12 When inflation is experienced, money loses some of its usefulness as a store of value. [T/F]

1.13 If four workers can produce 18 tables per day and five workers produce 20 tables per day, the marginal product of the 5^{th} worker is 2 tables per day [T/F]

1.14 The profit maximising level of output for a perfectly competitive firm can be where total revenue is greater than total cost. [T/F]

1.15 Calculating GDP by value added method means that you have to add up all costs of production at the final production stage. [T/F]

1.16 If GDP is greater than GDE (gross domestic expenditure) it means that exports are greater than imports. [T/F

1.17 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]

1.18 Under perfect competition the market price also represents the marginal revenue and average revenue of the firm. [T/F]

1.19 A fixed cost means that when production increases you do not worry about increases in costs. [T/F]

1.20 Total cost is calculated by adding fixed cost and average cost. [T/F].

SECTION C 20 MARKS

QUESTION 1 **[8 marks]**

1.1 Define the following concepts in economics terminology.

a) Macroeconomics (2 marks)
b) Opportunity cost (2 marks)
c) Marginal Revenue (2 marks)
d) Utility (2 marks)

QUESTION 2 **[12 marks]**

2.1 What is the price of the products in Namibia dollars for each of the two products in the table below? (4 marks)

Good		**Exchange rate**
a)	If the Price of a shoe brand is US$650	Exchange rate: $1 = N$17.50
b)	If Price of a BMW is : €60 000	Exchange rate: €0.70 =N$1

2.2 List four macroeconomics objectives that every economy strives to achieve (4 marks)

2.3 Name and explain any two functions of the public sector? (4 marks)

SECTION D 20 Marks

QUESTION 1 **[12 marks]**

1.1 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. Copy the table into your answer book, then calculate and complete the missing value in columns (i), (ii) and (iii). (9 marks)

Table 1: production costs

Units produced Q	Total fixed cost N$ (i)	Total variable cost N$ (ii)	Total cost N$	Average (total) cost N$ (iii)	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

1.2 What is the total revenue when units produced are at 50. Show your calculations. (3 marks)

QUESTION 2 **[8 marks]**

2.1 Name only two of the three short run cost concepts and illustrate the formula for each one of them. (4 marks)

2.2 List and explain the four ways in which people find themselves classified as unemployed. (4 marks)

SECTION E
20 MARKS

QUESTION 1 **[7 marks]**

1.1. Copy the table into your answer book and fill in the missing columns. (3 marks)

Units of Labour	Total Product	Average Product	Marginal Product
0	0	-	
1	12	?	?
2	40	?	?
3	75	?	?

1.3 Use the following market information and calculate price elasticity of demand using point elasticity formula. (4 marks)

Price 1 = 0 **Quantity 1= 75**

Price 2 = 25 **Quantity 2 =59**

QUESTION 2 **[13 MARKS]**

2.1 Calculate the Inflation rate given the following statistics. Give your answers for a), b), c) by showing the formula and calculation (6 marks)

Month	Base year	Current year	Calculation and answer
April	120.5	125.2	a)
July	122.3	126.7	b)
September	124.6	126.4	c)

2.2 Given the following national accounting statistics, calculate GDP at factor cost and GDP at market prices by using the income method. (7 marks)

	N$ (millions)
Consumption of fixed capital	58 575
Other taxes on production	8 638
Net operating surplus	108 602
Taxes on products	41 611
Subsidies on products	6 320
Compensation of employees	218 159
Other subsidies on production	3 133

-The End-

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
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		