ПАМІВІА UПIVERSITY
OF SCIEПCE AПD TECHПOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCTION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BRIDGING PROGRAMME	
QUALIFICATION CODE:	LEVEL: 4
COURSE CODE: ITE411S	COURSE NAME: INTRODUCTION TO ECONOMICS
SESSION: JUNE 2023	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

1ST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Ms. Precious Mwikanda
	Ms. Ponhomwene Nghishidivali
MODERATOR:	Ms. Lavinia Hofni

INSTRUCTIONS
1. This question paper is made up of Five (5) sections.
2. Answer Section A and B on the attached answer sheet
3. Write each question on a separate page in your answer booklet
4. Write neatly and legibly

THIS QUESTION PAPER CONSISTS OF 14 PAGES (Including this front page)

Instructions:

- Read all questions carefully
- Answer all questions
- All answers should be on the answer sheet provided on page 12. Tear the page off and place it inside your examination script.

QUESTION 1 [20 marks]

1.1 Scarcity is best described by which of the following statements? [1 mark]

    A. The presence of unlimited resources in a poor country

    B. The trade - off faced when choosing how to use a scarce resource

    C. The phenomenon of scarce resources in the presence of unlimited need and want

    D. The shortfall in the national budget of any country

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

    A. What to produce?

    B. How to produce goods and services?

    C. When to produce goods and services?

    D. For whom to produce these good and services ?

1.3 What do we mean by a mixed economy? [1 mark]

    A. Modern and traditional industries

    B. Public and private sectors

    C. Foreign and domestic investments

    D. Commercial and subsistence farming

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

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 in an economy. [1 mark]

    A. The Government

    B. Households

    C. The open economy

    D. Business

1.6 Which of the following is not a cause of the shift in demand for a product? [1mark]

    A. Change in the price of substitutes

    B. Change in the income of a consumer

    C. Change in the price of a product

    D. None of the above

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

    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 mark]

    A. Perfectly inelastic

    B. Elastic

    C. Unit elastic

2

D. Inelastic

1.9   In a short run when the output of firm increase, its average fixed cost: [1 mark]

   A. Decreases

   B. Increases

   C. First decreases and then rises

   D. Remain Constant

1.10 Utils' is a term used: [1 mark]

   A. by Walras to measure cardinal utility.

   B. by Marshal in demand theory.

   C. To mean marginal utility.

   D. None of the above.

1.11 Variable costs are: [1 mark]

   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 mark]

   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   Which of the following market structure are imperfect market in competition?[1 mark]

   i. Monopoly   ii. Duopoly   iii. Oligopoly

   A. i only

B. ii and iii only

C. i and ii only

D. i and iii only

1.14 One of the conditions for a monopoly is that: [1 mark]

    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 high priced

1.15 In economic theory it is assumed that employees seek to: [1 mark]

    A. Maximise company profits.

    B. Maximise their wages.

    C. Maximise their spending.

    D. Minimise the interest on savings.

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

    A. National Statistics Bulletin

    B. National income Index

    C. Food Price Index

    D. National Consumer Price Index

1.7 Bob is unemployed if he....... [1 mark]

    A. Is temporarily laid off.

    B. Is not looking for a job.

    C. has looked for a job for two months and then quit looking.

    D. A and C are correct.

1.18   Which of the following is not a commercial bank in Namibia? [1 mark]

    A. Bank Windhoek

B. Standard Bank

C. First National Bank

D. Bank of Namibia

1.19   The main function of the Development Bank of Namibia is: [1 mark]

A. to promote economic population

B. to promote economic growth and social development in Namibia.

C. It sets the level of reserves and acts as custodian of the reserves of banks.

D. Regulation and supervision of non-banking financial institutions in the country.

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

A. Income method

B. Value added method

C. Income less expenditure method

D. Expenditure

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 furniture tends to have inelastic demand [T/F]. [1 mark]

1.2 The demand for cigarettes tends to have inelastic demand [T/F].   [1 mark]

1.3 Marginal Utility is defined as the total satisfaction one gets from consuming the highest quantities [T/F]   [1 mark]

1.4 Perfectly inelastic demand entails that when the price changes by 1% , the quantities demanded decrease by the same %. [T/F]   [1 mark]

1.5 Total utility is the total satisfaction one gets from one's entire consumption of a product [T/F].
                                                                                                                        [1 mark]

1.6 According to the law of demand people demand more because the suppliers put the price higher indicating that it's a quality product [T/F].   [1 mark]

1.7 In a monopoly market, firm and industry are the different. [T/F].   [1 mark]

1.8 A fall in the price of land suitable for rearing cattle will increase the demand for beef? T/F
                                                                                                                        [1 mark]

1.9 Inflation rate is a good measure of economic activities in the economy? T/F   [1 mark]

1.10 If the price elasticity of demand is greater than 1, it means that there is greater responsiveness due to a price change for that particular product? T/F   [1 mark]

1.11 The short -run is characterised by a period of 6 months to 1 year. T/F   [1 mark]

1.12 Average product is defined as total product divided by the variable input. T/F [1 mark]

1.13 If four workers can produce 18 tables per day and five workers produce 20 tables per day, the marginal product of the 5th worker is not determinable from this given information? T/F   [1 mark]

1.14 The profit maximising level of output for a perfectly competitive firm is where total revenue equal total cost. T/F   [1 mark]

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 mark]

1.16 If GDP is greater than GDE (gross domestic expenditure, it means that exports are greater than imports. T/F   [1 mark]

1.17 In a simple circular-flow diagram, firms own the factors of production and use them to produce goods and services. T/F   [1 mark]

1.18 The cost of raw material is regarded as a variable cost in the short run. T/F   [1 mark]

1.19 In economics the cost of production includes economic profit. T/F   [1 mark]

1.20 Total cost is calculated by multiplying marginal cost with average variable cost. T/F.[1 mark]

QUESTION 1 [8 marks]

1.1   Define the following concepts in economics terminology.

    a) Microeconomics [2 marks]
    b) Opportunity cost [2 marks]
    c) Price elasticity of demand [2 marks]
    d) Gross Domestic Product [2 marks]

QUESTION 2 [12 marks]

2.1   What factor of production would each of the following be classified as: [4 marks]

		Answer here
a)	A bricklayer's physical labour	
b)	The timber used to make paper	
c)	A person buying T- shirt at a factory and selling them in her store	
d)	Coal used in the power station to generate electricity	
e)	A professional football player	

2.2 List four macroeconomics objectives that every economy strives to achieve [4 marks]

2.3 Name and explain the four functions of money? [4 marks]

QUESTION 1 [10 marks]

1.1   Draw and label a two- circular flow model and explain how the circular flow of income moves among the market participants involved. [5 marks]

1.2   Given the following market supply schedule, draw and label the supply curve correctly . [5 marks]

Price (N$)	Quantity supplied
2	200
4	400
6	600
8	800
10	1000

QUESTION 2 [10 marks]

2.1   Name the three short run cost concepts and show how to calculate them. [6 marks]

2.2   Distinguish between a planned economic system and free market economic system [4 marks]

QUESTION 1   [7 marks]

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

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

1.2   Use the following market information and calculate price elasticity of demand using point formula.   m   [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) [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 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

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		