

ECONOMICS

GRADE 11

Olympiad Paper

Round Two

Marks: 30

Time: 1 hour

Date: 2 August 2023



Instructions

1. Complete questions on the ANSWER SHEET provided.
2. Complete all information on the ANSWER SHEET.
3. The ANSWER SHEET consist of 3 sections. Please select the correct section/subject.
4. There are 3 possible answers per question (A B C D)
Only one answer is correct.
Colour a circle completely.
5. Good luck!

FACTORS OF PRODUCTION

1. Which of the following is an example of entrepreneurship?
 - A Starting a new business.
 - B Managing an existing business.
 - C Operating a machine on a production line.
 - D Working as an accountant.

2. If the demand for labour increases while the supply of labour remains constant, the equilibrium wage rate will _____
 - A remain the same.
 - B decrease.
 - C increase.
 - D change but the change will be impossible to predict without more information.

3. In a perfectly competitive market, the price of capital is determined by _____
 - A the demand for capital.
 - B the supply of capital.
 - C government regulations.
 - D the interaction of supply and demand for capital.

4. The **PRIMARY DETERMINANT** of the price of labour in a market is the _____
 - A demand for labour.
 - B supply of labour.
 - C minimum wage rate.
 - D prevailing wage rate in a particular industry.

5. In a capitalist economy, how does the remuneration of factors of production affect the level of income inequality?
 - A It increases income inequality as the owners of capital receive a larger share of the income.
 - B It decreases income inequality as competition among businesses drives wages up for workers.
 - C It has no effect on income inequality.
 - D It depends on government policies and regulations.

ECONOMIC GOODS AND SERVICES

6. An example of a non-durable good is a _____
- A car.
 - B house.
 - C shirt.
 - D smartphone.
7. Fixed capital formation can best be described as the process of _____
- A converting goods and services into fixed assets.
 - B investing in long-term productive assets.
 - C purchasing inventory for resale.
 - D hiring and training new employees.
8. The "M" in the formula $C + I + G + X - M$ represents _____
- A marginal cost.
 - B marginal revenue.
 - C imports.
 - D exports.
9. If a country has a trade deficit, the value of M in the formula $C + I + G + X - M$ will be _____
- A greater than X.
 - B equal to X.
 - C less than X.
 - D unrelated to X.
10. If a country has a large trade deficit, a potential drawback might be that the country may _____
- A become too reliant on exports.
 - B experience inflation due to increased demand.
 - C experience a decrease in economic growth.
 - D experience a decrease in the unemployment rate.

ECONOMIC SYSTEMS AND THE SOUTH AFRICAN ECONOMIC STRUCTURE

11. The main advantage of a market economy is _____
- A the efficient allocation of resources.
 - B the equal distribution of income.
 - C government control of prices.
 - D guaranteed employment for all citizens.
12. In a mixed economy, the government plays a role in regulating the economy through policies such as _____
- A the nationalisation of all capital-intensive businesses.
 - B setting prices for goods and services.
 - C fair competition and the prevention of monopolies.
 - D prohibiting all imports and exports.
13. A mixed economy combines elements of both capitalism and socialism by _____
- A allowing for private ownership but also regulating business practices.
 - B nationalising all industries but allowing for some private property.
 - C having a completely free market with no government intervention.
 - D allowing for social welfare programs but not regulating business practices.
14. Which of the following is a challenge facing the South African government in terms of reducing poverty and inequality?
- A High levels of foreign investment.
 - B Strong infrastructure and transportation systems.
 - C Unequal distribution of land ownership.
 - D Strong social safety nets.
15. Which of the following is a definite benefit of South Africa's trade relationships with other countries?
- A Implementation of protection measures.
 - B Diversification of the domestic economy.
 - C Decreased reliance on exports.
 - D Increased unemployment rates.

THE RELATIONSHIP BETWEEN MARKETS

16. What will happen to the demand for tea if the price of coffee increases, assuming tea is a substitute good?
- A The demand for tea will increase.
 - B The demand for tea will decrease.
 - C The demand for tea will remain the same.
 - D It is impossible to determine without additional information.
17. Which of the following is NOT a characteristic of substitute goods?
- A They have a positive cross-price elasticity of demand.
 - B They are unrelated in consumption.
 - C They can be used in place of each other.
 - D They are substitutes for each other.
18. Which of the following statements represents a prediction about the market for smartphones and smartphone cases, assuming that the two goods are complements?
- A If the price of smartphones increases, the demand for smartphone cases will increase.
 - B If the price of smartphones increases, the demand for smartphone cases will decrease.
 - C If the price of smartphone cases increases, the demand for smartphones will increase.
 - D If the price of smartphone cases increases, the demand for smartphones will decrease.
19. What are the characteristics of an imperfect market?
- A Many buyers and sellers.
 - B Homogeneous products.
 - C Perfect information.
 - D Barriers to entry.

THE EFFECTS OF COSTS AND REVENUES

20. Which of the following is an example of a fixed cost for a firm?
- A The wages that are paid to hourly workers.
 - B The cost of raw materials.
 - C Property taxes on a factory.
 - D The cost of utilities like electricity and water.

21. Which of the following is not a typical cost in economics and would be calculated using subjective assessment or comparative analysis, rather than in monetary terms?
- A Fixed cost.
 - B Variable cost.
 - C Opportunity cost.
 - D Total cost.
22. Suppose a firm is producing at the level where marginal revenue equals marginal cost. What can be said about the firm's profit?
- A The firm is making a positive economic profit.
 - B The firm is making zero economic profit.
 - C The firm is making a negative economic profit.
 - D It is impossible to determine the firm's economic profit without additional information.
23. The difference between explicit costs and implicit costs is that _____
- A explicit costs are costs that are easily accounted for, while implicit costs are more difficult to quantify.
 - B explicit costs are tangible costs, while implicit costs are intangible costs.
 - C explicit costs are costs that are actually paid, while implicit costs are the opportunity costs of using resources.
 - D explicit costs are direct costs, while implicit costs are indirect costs.
24. The difference between marginal revenue and average revenue is that _____
- A marginal revenue is the revenue generated by each additional unit sold, while average revenue is the total revenue divided by the number of units sold.
 - B marginal revenue is the total revenue divided by the number of units sold, while average revenue is the revenue generated by each additional unit sold.
 - C marginal revenue is the revenue generated by selling the first unit, while average revenue is the revenue generated by selling all units.
 - D marginal revenue is the revenue generated by selling all units, while average revenue is the revenue generated by selling the first unit.

PRICE ELASTICITY

25. How does a change in the price of a factor of production affect the firm's production decision?
- A A decrease in the price of a factor of production will increase the firm's production.
 B An increase in the price of a factor of production will decrease the firm's production.
 C A decrease in the price of a factor of production will decrease the firm's production.
 D The relationship between the price of a factor and the firm's production decision depends on the elasticity of demand for the firm's output/product.
26. How does the elasticity of demand for a good affect the price that producers can charge for it?
- A If demand is elastic, producers can charge a higher price.
 B If demand is elastic, producers must charge a lower price.
 C If demand is inelastic, producers can charge a higher price.
 D If demand is inelastic, producers must charge a lower price.
27. A producer of smartphones is currently selling 1 000 units per month at R500 per unit. After conducting a market survey, the producer found out that if they decrease the price to R400 per unit, the quantity demanded will increase to 1 500 units per month. What is the price elasticity of supply for the producer's smartphones?
- A
$$\frac{\frac{1\,500 - 1\,000}{1\,000}}{\frac{500 - 400}{500}}$$
- B
$$\frac{\frac{1\,500 - 1\,000}{1\,500}}{\frac{500 - 400}{500}}$$
- C
$$\frac{\frac{1\,500 - 1\,000}{1\,000}}{\frac{500 - 400}{400}}$$
- D
$$\frac{\frac{1\,500 - 1\,000}{1\,400}}{\frac{500 - 400}{400}}$$

28. A company sells two products, A and B. The cross elasticity of demand between A and B is $-0,8$. This implies that the two products are _____
- A perfect substitutes.
 - B unrelated products.
 - C complementary products.
 - D substitute products, but not perfect substitutes.

ECONOMIC GROWTH

29. Suppose a country has a high level of wealth inequality. Which of the following policies could be used to address this issue?
- A Increasing government spending on social programs.
 - B Implementing a flat tax rate.
 - C Encouraging entrepreneurship and small business creation.
 - D Privatising public services such as education and healthcare.
30. If the Gini coefficient of a country increases from $0,4$ to $0,6$, what can we conclude about income inequality in that country?
- A Income inequality has decreased.
 - B Income inequality has remained the same.
 - C Income inequality has increased.
 - D We cannot determine whether income inequality has changed from this information alone.