

Basic economic concepts

- When you study Economics, you are actually looking at:
 - the day-to-day activities of people in order to survive.
 - ways to increase the net profit of a business.
 - how the government can do more in order to satisfy the needs of the people.
 - how the participants in the economy satisfy their unlimited wants with limited means.
- Assume that mustard is on special at the local grocer shop. Although you prefer tomato sauce to mustard, you purchase the mustard. This is a typical example of ...
 - demand.
 - marginal utility.
 - opportunity costs.
 - scarcity.
- As a science, Micro-economics studies:
 - how the aggregate economy behaves.
 - inflation, national income, gross domestic product (GDP), and changes in unemployment.
 - what's likely to happen when individuals make certain choices.
 - all the participants in the economy.
- As a result of labour actions, a prominent gold mining company stops total production for a period of three months. This will typically be seen as part of ...
 - positive economics.
 - normative economics.
 - micro-economics.
 - macro-economics.

The economic problem

- Natural resources can fall outside the realm of scarcity. Which one of the following reasons are NOT correct?
 - Anything available in practically infinity supply that can be consumed at zero trade-off of other goods, is not scarce.
 - Consumers are indifferent to a resource and may not have any desire to consume it.
 - Because consumers are unaware of it, or its potential use has zero utility.
 - There is an unlimited supply of a natural resource, and the cost of using it is R0.
- A product can be described as relatively scarce when it has a/an ...
 - unlimited supply and unlimited demand.
 - limited supply and unlimited demand.
 - unlimited supply and limited demand.
 - limited supply and limited demand.
- Jane has Covid-19 and can't afford private hospital care. The oxygen supplied to Jane in a state hospital is an example of a/an ...
 - economic good.
 - free good.
 - positive good.
 - unlimited good.



- economic good.
- free good.
- positive good.
- unlimited good.

8. The economic sector depicted in the next picture can best be described as the ...

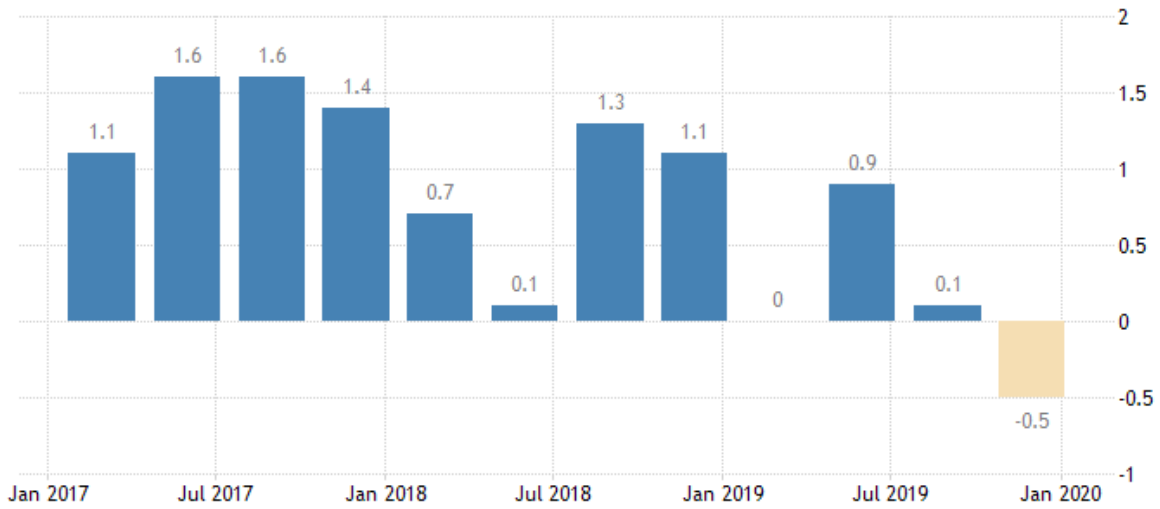


- A** primary sector.
B secondary sector.
C tertiary sector.
D services sector.
9. Sugar is used by a factory to produce sugar syrup, which is used in manufacturing cold drinks. The sugar can best be described as a/an ...
- A** final good.
B intermediate good.
C consumer good.
D capital good.
10. A rollercoaster ride at a fair can best be described as excludable because:
- A** many children want to take the ride and there is only limited time to take rides.
B seats on the ride are not limited, and as such are available in great quantities.
C the ride can be enjoyed simultaneously by a limited number of consumers, depending on the number of seats on the ride.
D it is possible to prevent someone who has not paid for it from taking the ride.

The circular flow

11. Trade between sellers in South Africa and buyers in South Africa can be described as ...
- A** foreign trade.
B international trade.
C national trade.
D entrepot trade.
12. In an open economy the ____ sector plays an important role.
- A** consumer
B producer
C government
D foreign
13. Factor remuneration includes the:
- A** salaries and wages paid to workers.
B profits of producers and the consumption of households.
C payment for imports to South-Africa.
D expenditure on services provided by government.
14. Which one of the following is correct with regards to closed economies?
- A** A closed economy is one that has limited trading activity with outside economies.
B The purpose of a closed economy is to provide domestic consumers with everything they need from within the country's borders.
C Maintaining a closed economy is relatively easy in modern society, because raw materials, such as crude oil, does not play a vital role as input to final goods as in the past.
D When a government imposes quotas, subsidies and tariffs, it increases import and export activities.

15. Study the following graph indicating the South African annual GDP growth rate.



SOURCE: TRADINGECONOMICS.COM | STATISTICS SOUTH AFRICA

Source: <https://tradingeconomics.com/south-africa/gdp-growth-annual>

This graph indicates:

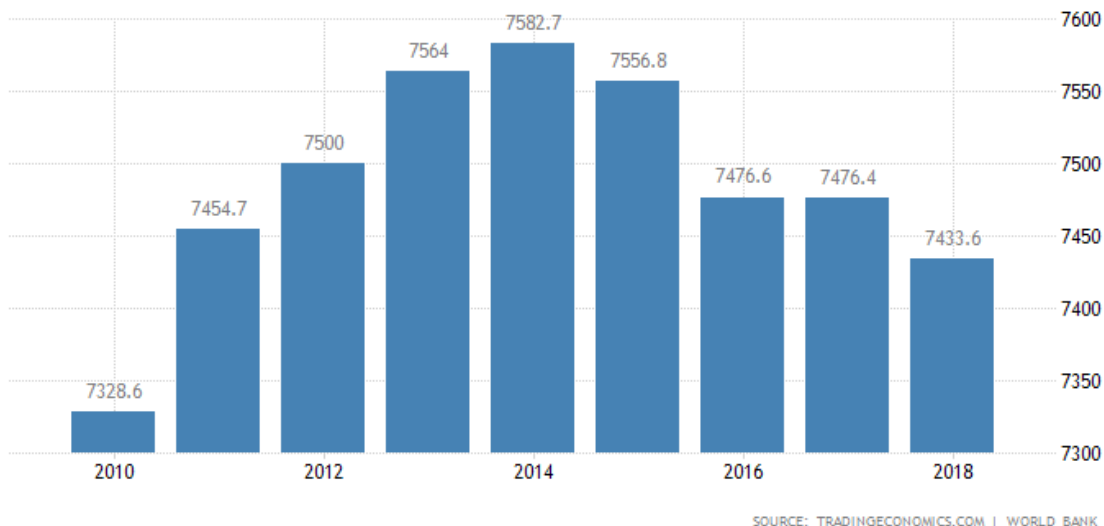
- A a mainly positive economic growth rate for South Africa.
 - B that unemployment is decreasing.
 - C that the inflation rate increased and that deflation has settled in Jan 2020.
 - D that imports are less than exports for the period Jan 2017 to Jan 2020.
16. In an article on www.sanews.gov.za (30 April 2019), SARS stated that they are embarking on strategic initiatives in an effort to curb revenue leakages emanating from illegal and unethical practices in the illicit economy. These leakages are mainly the result of:
- A exporting illicit products and consumer expenditure on these goods.
 - B foreign investments, consumer expenditure on local goods, and lower than average factor of production remuneration.
 - C investments, government expenditure, and increased exports of illicit goods.
 - D losses in excise revenue due to a global increase in the manufacturing, supply and sale of illicit excisable products.
17. Which one of the following is an example of semi-durable consumer goods?



Quantitative elements

18. According to the International Monetary Fund, the United States is the world's largest economy, followed by China and Japan. This fact is based on:
- A the number of goods and services produced in each of these countries during a year.
 - B the GNP of each of these countries.
 - C the value of all goods and services produced over a specific time period within each country's borders.
 - D calculations using a price-deflator in order to calculate the value of total imports and exports of these countries.

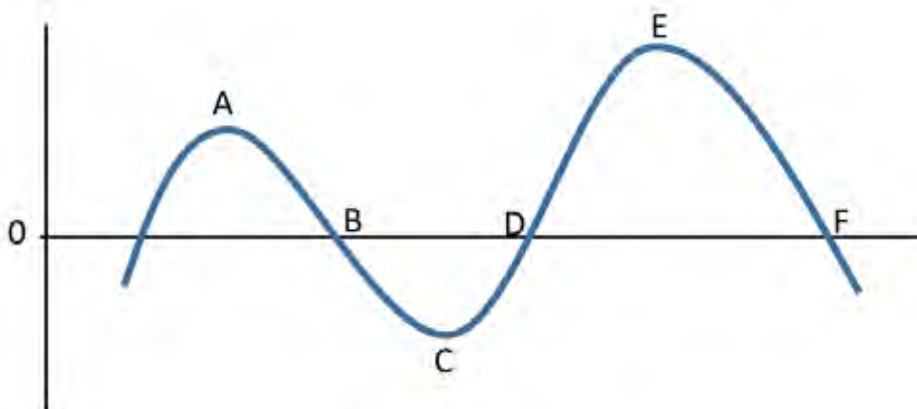
Study the following graph showing the South Africa GDP per capita and answer questions 19 to 21.



Source: <https://tradingeconomics.com/south-africa/gdp-per-capita>

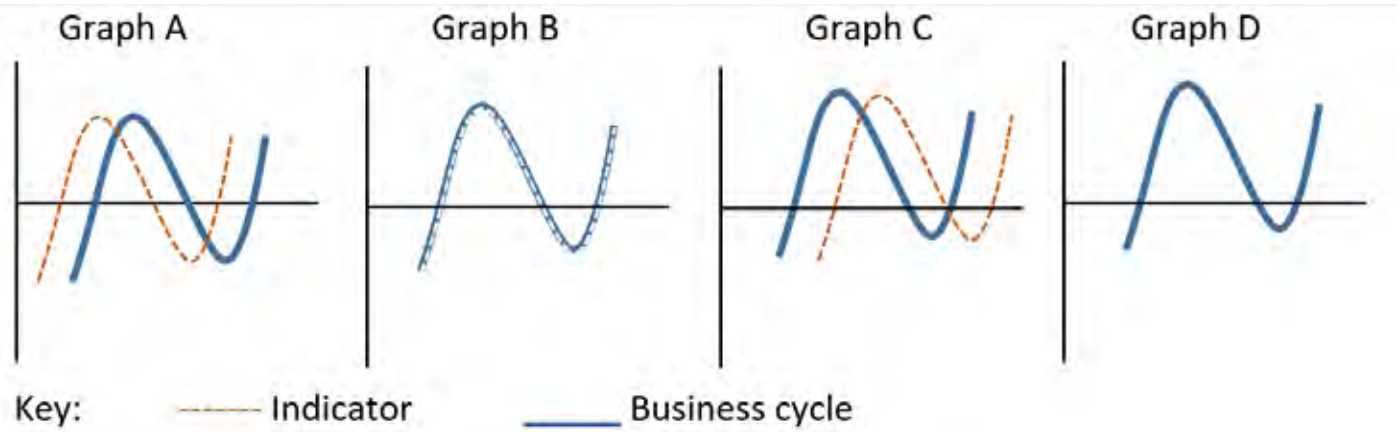
19. The percentage change in GDP from 2015 to 2016 is ...
- A -1.06%
 - B -1.07%
 - C +1.06%
 - D +1.07%
20. The GDP per capita is obtained by:
- A ignoring the influence of the foreign sector on the GDP.
 - B using a price-deflator to eliminate the effect of inflation on the GDP.
 - C subtracting imports and adding exports to the GDP.
 - D dividing the country's gross domestic product by the total population.
21. In this graph:
- A South Africans are worse off in 2018 than in 2010.
 - B there is a decrease in the economic production value that can be attributed to each individual citizen between 2017 and 2018.
 - C there is an overall increase in the number of goods and services available for consumption, which leads to economic development.
 - D the fluctuations in the GDP per capita are the result of higher prices and costs.
22. The definition of a business cycle has certain important implications. Which one of the following best describes a business cycle?
- A Fluctuations in micro-economic variables like demand and supply.
 - B Short-term cyclical movements in GDP per capita.
 - C The periodic but irregular up-and-down movements in economic activities.
 - D Non-regular or non-repeating cycles of economic activities.

Study the following illustration of a business cycle and answer questions 23 to 25.



23. Which points indicate a positive economic growth at a decreasing rate?
- A** AB **B** BC **C** CD **D** DE
24. Between which points will the economy be in a revival?
- A** AB **B** BC **C** CD **D** DE
25. Between points AC on the business cycle, the economy can best be described as being in a ...
- A** recession. **B** depression. **C** revival. **D** boom.
26. Which one of the following indicators will have a huge effect on the real economic growth in South Africa?
- A** Gold mining, building plans passed and buildings completed, as well as inflation.
B Mining, retail and wholesale sales, electric current generated.
C Consumer expenditure, primary sector contribution, number of new vehicles sold.
D Building plans passed and buildings completed, services rendered and exports.
27. Which one of the following is NOT typical of a recession phase?
- A** The demand of firms and households for goods and services start to fall.
B New industries are set up because starting costs are low.
C Unsold goods pile up because of low household demand.
D Output and employment levels are reduced.
28. Which ONE of the following holds TRUE during a phase of prosperity in the economy?
- A** Income, employment, output, and price level tend to decrease.
B A rise in aggregate demand and cost leads to a decrease in both investment and price level.
C Existing capacity of plants is underutilised.
D Scarcity of resources leads to rising cost.
29. A leading indicator of economic activities can best be described as an indicator that signals the economy or market's direction ...
- A** in advance.
B after it has occurred.
C as it occurs.
D at its lowest point.

Study the following graphical representation of economic indicators and business cycles and answer question 30.



30. Which graph indicates a leading indicator?

- A Graph A
- B Graph B
- C Graph C
- D Graph D

PROVERTO EMS OLYMPIAD 2020 – GRADE 10

Economics

ROUND 2

Basic concepts and the basic economic problem

- Which one of the following BEST describes what Economics is about?
 - Wealth
 - Goods
 - Money
 - Choices
- An economist wants to determine the direction and magnitude of the relationship between the price of some goods and the demand for it. The best way to do this is by:
 - using a graphical representation.
 - creating an economic model.
 - using an algebraic formula.
 - studying all transactions in the economy on a specific day.
- An economist determines the relationship between two economic variables, namely the quantity of X that is purchased and the price paid for X. Her research shows that as the price of X rises, the quantity of purchases fall. This relationship can be described as:
 - positive.
 - negative.
 - constant.
 - direct.

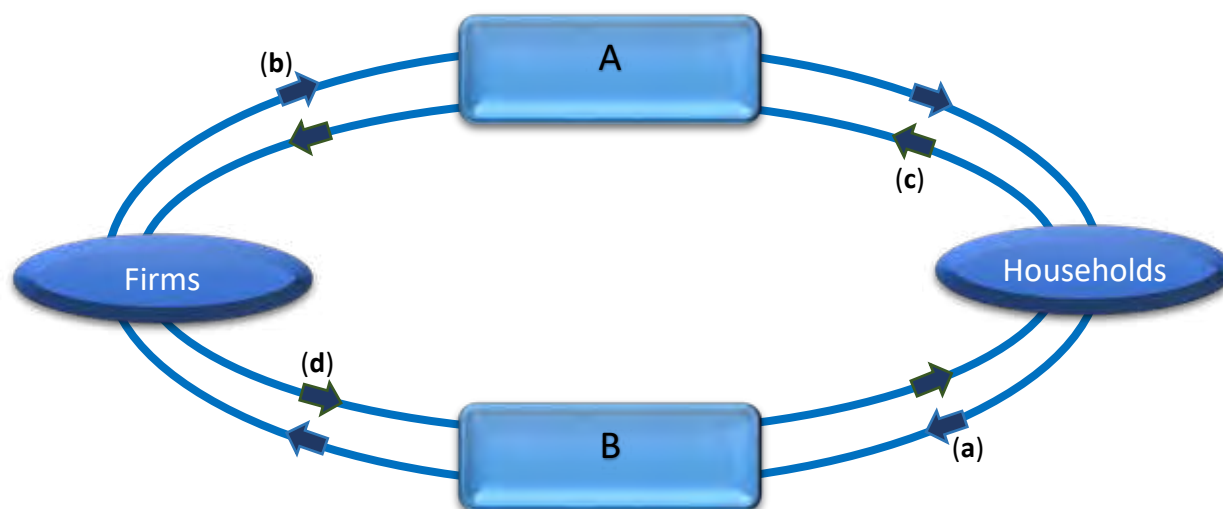
- Which one of the following describes goods the best?

	Free goods	Private Goods	Public Goods
A	No opportunity cost	No opportunity cost, non-rivalry and non-excludable	Rivalry and excludable
B	Opportunity cost	No opportunity cost, rivalry and excludable	Rivalry and non-excludable
C	No opportunity cost	Opportunity cost, rivalry and excludable	Non-rivalry and non-excludable
D	Opportunity cost	Opportunity cost, rivalry and non-excludable	Non-rivalry and excludable

- During the Covid-19 epidemic, the state provided free testing to all citizens. These tests, however, can't be described as free good as because:
 - there were opportunity costs, as the tests are paid for out of taxes.
 - firms could make a profit.
 - other people could not use the test.
 - the state could not stop any citizen from using (consuming) the test.

Circular flow & quantitative elements

The following illustration depicts flows in the economy. Answer questions 6 to 8.



6. Which sector must be added to this model in order for it to be seen as an open economy?
 - A The state
 - B The foreign sector
 - C The financial sector
 - D The social sector

7. In an economy as depicted in the model:
 - A Total Output = Total Income = Total Expenditure
 - B Total Output > Total Income > Total Expenditure
 - C Total Output + Total Income = Total Expenditure
 - D Total Output > Total Income + Total Expenditure

8. The flow indicated as (a) and (b) in the model represents the:
 - A real flow of money.
 - B real flow of goods and services.
 - C flow of money.
 - D monetary flow of goods and services.

9. Injections in the economy consist of:
 - A exports, government expenditure and investments.
 - B imports, savings and taxes.
 - C exports, investments and savings.
 - D imports, government expenditure and taxes.

10. During the Covid-19 epidemic, Cuban doctors came to assist South Africa. The remuneration paid to them will:
 - A have no influence on the national figures of South Africa.
 - B have no influence on the national figures of Cuba.
 - C be added to the GNP of South Africa.
 - D be added to the GNP of Cuba.

Business cycles

The effect of Covid-19

Economists predict that the world economy is already entering a very deep recession, with GDP falling by an estimated 20-25%.

Source: Will 2020 recession become another Great Depression?

26 March 2020 by Tejvan Pettinger

11. Some economists are of the opinion that the economy is going to recover relatively quickly. Which one of the following is a possible indication that their sentiment is plausible?
- A People are not buying durable goods now, because of a lack of income. Once the economy is back on track, they may buy more goods.
 - B It will help if the government decreases unemployment benefits and increases taxes.
 - C Government intervention should be limited; it is best to let firms and banks go bankrupt so that the financially stronger ones survive.
 - D Less money must be created in times like these.
12. The fact that many events and projects are cancelled in 2020 due to Covid-19 will:
- A increase savings by households, as they are not spending their income.
 - B lead to a loss of output and income that will be recovered at a later stage.
 - C result in lost output that will not be recovered.
 - D lead to a positive multiplier effect.
13. At this stage, China is trying to reopen their economy. They are, however, experiencing a slump in demand for orders. The most plausible reason for this is:
- A that workers in China have not returned to work.
 - B foreign countries are not importing goods from China.
 - C foreign countries are looking for other national suppliers.
 - D because China does not want to export goods to other countries.
14. The recovery phase of the business cycle usually:
- A begins with low interest rates, and continues with increases in demand and employment, which leads to economic expansion.
 - B begins with high interest rates, and continues with decreases in demand and employment, which leads to economic expansion.
 - C begins with low interest rates, and continues with increases in demand and employment, which leads to economic contraction.
 - D begins with high interest rates, and continues with decreases in demand and employment, which leads to economic contraction.
15. Indicators that confirm a pattern that is in progress are known as _____ indicators.
- A lagging
 - B leading
 - C coincident
 - D core

Dynamics of markets

16. The law of diminishing marginal utility is based on various assumptions. Which one is not correct?

- A The utility that a consumer gets can be measured and expressed in numbers.
- B The consumer is assumed to be rational who measures, calculates and compares the utilities of different commodities and aims at maximising total satisfaction.
- C The marginal utility of one commodity has a relation with the marginal utility of another commodity.
- D It is assumed that income of the consumer and prices of the goods which the consumer wishes to purchase, remain constant.

17. The following table indicates the total utils (TU) derived from consuming units of ice cream.

Units of ice cream	1	2	3	4	5	6
TU in utils	20	36	46	50	50	44

Which ice cream represents the point of zero utility?

- A Ice cream 6
 - B Ice cream 5
 - C Ice cream 4
 - D Ice cream 3
18. A recent study revealed that product Q is a natural antibiotic. This will likely result in _____ for product Q.
- A an increase in the demand
 - B an increase in the quantity demanded
 - C a decrease in the demand
 - D a decrease in the quantity demanded
19. In order to expand economic activity, the government gave citizens a R1 000 subsidy when they purchased product R. This will result in _____ for Product R.
- A an increase in the quantity supplied
 - B an increase in supply
 - C a decrease in the quantity supplied
 - D a decrease in supply

20. The demand and supply curves for product W are as follow:

$$\text{Demand} - Q_d = 3\,300 - 2P$$

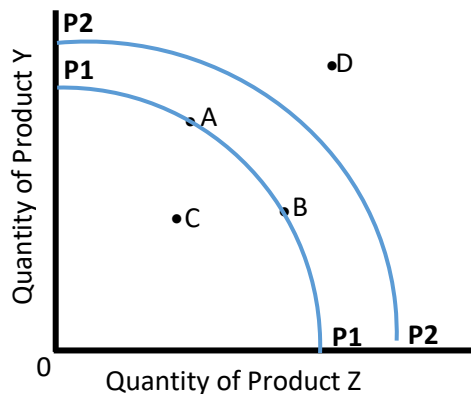
$$\text{Supply} - Q_s = 500 + 8P$$

The equilibrium price and equilibrium quantity for product W respectively are:

	Equilibrium Price	Equilibrium Quantity
A	R2 800	3 800
B	R3 300	2 800
C	R380	3 540
D	R 280	2 740

Production possibility curves

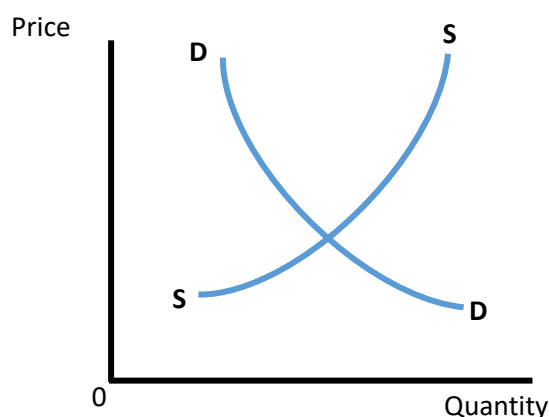
Consider the following curve of Country X and answer questions 22 to 25.



21. A positive change in the economic growth of Country X will be indicated as a change from:
- A point A to point B.
 - B point C to point B.
 - C point B to point D.
 - D P1P1 to P2P2.
22. If Country X has a free market system, the combination of Products Y and Z produced will be determined by:
- A the state.
 - B a central planning committee.
 - C market forces of demand and supply.
 - D utility and consumption.
23. The economy of Country X may operate at point D if it is:
- A not utilising its resources fully.
 - B being productively efficient.
 - C a mixed economy.
 - D trading with other economies.
24. A shift in the curve from P1P1 to P2P2 may be caused by:
- A an increase in demand.
 - B a decrease in government expenditure.
 - C an increase in workers' productivity.
 - D productive inefficiency.
25. If Country X produces at point C, it is seen as:
- A allocative inefficient.
 - B Y inefficient.
 - C consumer inefficient.
 - D productively inefficient.

Public sector's involvement and intervention in the market

Study the following demand and supply curve of Product H. Answer questions 26 to 28.



26. If a price ceiling for Product H is instituted below the indicated market equilibrium:
- A the quantity demanded will rise and the quantity supplied will decrease; thus, a shortage will occur.
 - B the quantity demanded will rise and the quantity supplied will decrease; thus, a surplus will occur.
 - C the quantity demanded will decrease and the quantity supplied will increase; thus, a shortage will occur.
 - D the quantity demanded will decrease and the quantity supplied will increase; thus, a surplus will occur.
27. If the government implements a higher VAT rate on product H:
- A the supply curve will shift to the right; thus, the equilibrium price will decrease and the equilibrium quantity will increase.
 - B the supply curve will shift to the left; thus, the equilibrium price will decrease and the equilibrium quantity will increase.
 - C the demand curve will shift to the right; thus, the equilibrium price will increase and the equilibrium quantity will increase.
 - D the demand curve will shift to the left; thus, the equilibrium price will decrease and the equilibrium quantity will decrease.
28. Which one of the following statements is true?
- A A price ceiling is an economic condition of changes in the market forces.
 - B A price ceiling does not change the equilibrium price.
 - C A price floor is a legal maximum price.
 - D A price ceiling is a legal minimum price.
29. The minimum wages for domestic workers as set by the government is an example of:
- A a price ceiling.
 - B a price floor.
 - C an equilibrium price.
 - D a market price.
30. The government implements a subsidy per unit. As a result of this, the equilibrium quantity changes from 180 to 200 and the equilibrium price from R40 to R35. The subsidy will cost the government:
- A R100
 - B R800
 - C R700
 - D R900

MEMORANDUM

 ANSWER

 LOWER LEVEL


 MODERATE LEVEL

 HIGHER LEVEL

ROUND ONE: 30 Questions

TOPICS		A	B	C	D				
BASIC ECONOMIC CONCEPTS	1.								
	2.								
	3.								
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	9.								
	10.								
THE CIRCULAR FLOW	11.								
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TOPICS		A	B	C	D				
QUANTITATIVE ELEMENTS	16.								
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 ANSWER

 LOWER LEVEL

 MODERATE LEVEL

 HIGHER LEVEL

ROUND TWO: 30 Questions

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