

Factors of production

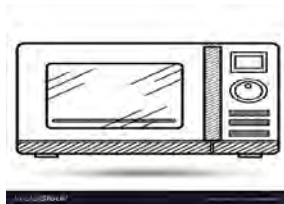
1. The basic factors of production are:
A money, quasi-money, interest and inflation. **B** land, labour, capital and entrepreneurship.
C value, utility, scarcity and exchange. **D** revenue, costs, profit and utility.
2. Coal used for energy can best be described as a _____ resource.
A renewable **B** sustainable **C** non-renewable **D** depleted
3. The money paid for using a hotel room during holidays is seen as ...
A profit. **B** wages. **C** rent. **D** interest.
4. Entrepreneurs are considered a factor of production because they:
A own the land on which a factory or office is located or because they pay rent to landowners.
B are a source of new ideas and innovations and produce new goods and services.
C provide investment capital for state-owned enterprises.
D produce goods and services and as such, earn a wage for their efforts.
5. Which one of the following indicates a decrease in the demand curve for labourers?
A The number of firms delivering a service decreases.
B The demand for the product increases.
C More of the product is needed to meet basic needs.
D The price of the machinery used to produce the goods increases as a result of import taxes.
6. The Minister of Labour wants to increase the participation rate of woman in the South African labour force. Which of the following actions will best lead to this aim?
A The compulsory age for attending school is increased to 20 years.
B Jobs previously reserved for men only, is now available to female workers.
C Women are given 12 months' maternity leave.
D The increase in goods produced is higher than the increase in raw materials delivered.
7. Capital formation refers to:
A the gross capital accumulation during an accounting period for a particular country.
B additions of goods such as equipment, tools, transportation assets and electricity.
C a reduction in the replacement of old and obsolete manufacturing equipment.
D a decrease in the additions to fixed assets and net changes in inventories.
8. Which ONE of the following factors is NOT TRUE with regards to the empowerment of woman in the economy?
A Women are legally restricted from having the same choice of jobs as men.
B Women are more likely to be unemployed than men.
C Women are paid less than men.
D Women are under-represented in informal and vulnerable employment.

The uses of economic goods and services

9. Which one of the following is an example of semi-durable consumer goods?



A



B



C



D

10. Gross fixed capital formation excludes:

- A loss of value of capital goods due to wear and tear, as well as ageing.
- B spending on land improvements.
- C the construction of roads and railways.
- D commercial and industrial buildings.

11. Final consumption expenditure by households at constant prices indicates spending by households on final goods and services at:

- A current volumes multiplied by base prices.
- B constant volumes multiplied by base prices.
- C current volumes multiplied by current prices.
- D constant volumes multiplied by current prices.

12. To adjust Net National Product to Gross National Product you need to ...

- A add depreciation.
- B deduct indirect taxes.
- C add subsidies.
- D deduct inflation.

13. A higher GDP per capita may not mean that the quality of life has really improved, because:

- A it measures wealth, not income.
- B it measures the average GDP.
- C it does not measure the quality of the items produced.
- D it is only measured every few years.

14. The economic classification of final consumption by government distinguishes between current and capital components. Which one of the following is a capital component?

- A Expenditure on fixed capital assets.
- B Consumption of fixed capital.
- C Depreciation.
- D Consumption on intangible assets.

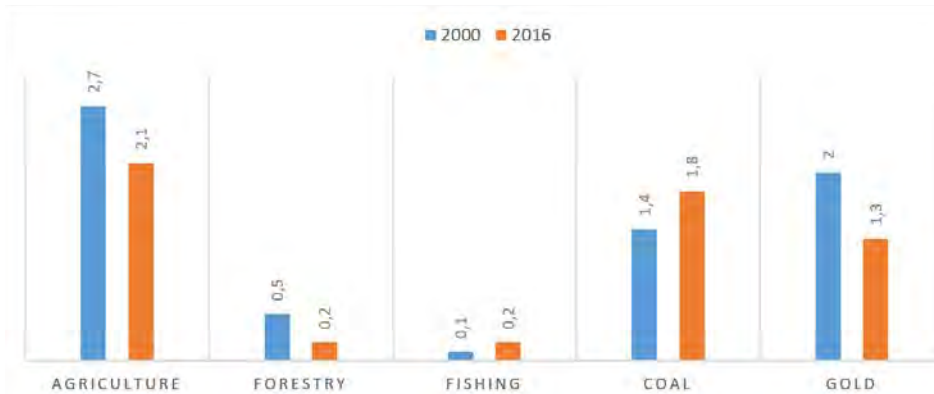
15. Expenditure by the government on education will be classified as ...

- A general public services.
- B protection services.
- C social services.
- D economic services.

16. In order to calculate the Gross Domestic Expenditure from the Gross Domestic Product you have to:

- A subtract the exports of goods and services, and add the import of goods and services.
- B add the exports of goods and services, and subtract the import of goods and services.
- C add the exports of goods and services, and add the import of goods and services.
- D subtract the exports of goods and services, and subtract the import of goods and services.

17. National income figures at nominal prices indicates:
- A the amount the consumer will receive from the producer at base year prices.
 - B the cost of factors of production calculated adjusting it for inflation.
 - C the amount the consumer will pay for the product at current prices.
 - D the cost of selling goods and services on the market, inclusive of value added tax.
18. Which one of the following is correct?
- A If $GDP > GDE$, then $X < M$
 - B If $GDP < GDE$, then $X < M$
 - C If $GDE = GDP$, then $M > X$
 - D If $GDE > GDP$, then $M = X$
19. The following graph shows the relative contribution to GDP for two years, 2000 and 2016.



In which sector did SA experience the greatest decrease in the relative contribution to the GDP?

- A Agricultural
- B Forestry
- C Coal
- D Gold

Economic systems

20. If the market forces of demand and supply plays an integral part in the means by which societies or governments organise and distribute available resources, services and goods across a geographic region or country, then the economic system of that country can best be described as a ...
- A market economy.
 - B traditional economy.
 - C mixed economy.
 - D socialistic economy.
21. Which one of the following can be seen as a disadvantage of the free market economy?
- A There is an incentive for constant innovation, as companies compete to provide better products for consumers.
 - B This competition for resources leads to the most efficient use of the factors of production, since businesses are very competitive.
 - C Consumers pay the highest price they want to, and businesses only produce profitable goods and services.
 - D The lack of focus on social benefit leads to higher income inequality.
22. The biggest problem experienced by the South African economy with regards to the economic system we have is probably:
- A the fact that the government can intervene to correct market failures.
 - B although taxation policies can be used to redistribute income and reduce inequality, it is not always very successful.
 - C state-run industries are often subsidised by the government and run into large debts because they are uncompetitive.
 - D the fact that the government determines what the tax rate is.

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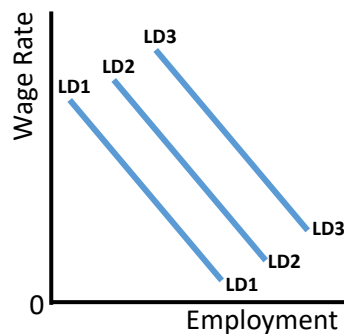
Economics

ROUND 2

Factors of production

- Higher productivity has various advantages. Which one of the following is NOT an advantage of higher productivity?
 - Lower unit costs
 - Lower wages
 - Increase in economic growth
 - Higher profits
- Which one of the following is not a form of discrimination in the labour market?
 - Women are paid less than men despite having comparable levels of education, experience, and expertise.
 - One group of workers is paid less than another for the same output.
 - Wages in Cape Town is lower than wages in Johannesburg.
 - Wage levels are determined by qualifications and experience levels.

Study the following graph depicting shifts in the labour demand curve and answer questions 3 and 4.



- If the wage rate increases:
 - there will be a movement from LD1 to LD2.
 - there will be a movement from LD3 to LD2.
 - there will be a movement on LD2.
 - impossible to say, as the supply curve for labour is omitted.
- Which one of the following will lead to an inward shift of the demand curve?
 - A rise in consumer demand.
 - A decrease in the price of the goods that labour is making.
 - A decrease in the price of labour.
 - A cut in costs of labour due to a subsidy.

Analysing the uses of economic goods and services

5. Spending by households on goods and services, with the exception of purchases of new housing, is known as:
- A consumption.
 - B investment.
 - C trade.
 - D net surplus.
6. The GDP deflator:
- A is identical to the Gross Domestic Product of South Africa.
 - B is a measure of the price level calculated as the ratio of nominal GDP to real GDP times 100.
 - C is the spending on capital equipment, inventories and structures, including household purchases of new housing.
 - D equals the imports of a country over the exports of a country multiplied by 100.
7. The following information was taken from the National Accounts of Country C:

	Rm
Compensation of employees	1 867 851
Net operating surplus	1 067 334
Consumption of fixed capital	553 222
Taxes on production	81 531
Subsidies on production	9 380
Taxes on products	444 871
Subsidies on products	14 476

From the given figures, the following can be calculated in Rm.

	Gross value added at factor cost	Gross value added at basic prices	GDP at market prices
A	3 488 407	3 416 256	2 985 861
B	2 463 494	3 579 318	4 038 665
C	2 463 494	3 560 558	2 884 509
D	3 488 407	3 560 558	3 990 953

8. Which one of the following definitions are incorrect?
- A GDP is the market value of all final goods and services produced within a country in a given period of time.
 - B GDP is divided among four components of expenditure: consumption, investment, government purchases, and net exports.
 - C Real GDP uses constant base-year prices to value the economy's production of goods and services.
 - D GDP includes the value of leisure and the value of a clean environment.

South Africa's mixed economy

9. In a market economy, division of labour allows workers to specialise. This means that:
- A people with identical skills will find it difficult to obtain a job, as there is someone else that can do the same work.
 - B time is wasted, as specialised workers have to shift from one task to another.
 - C freedom of choice and the potential of profits provide the incentive for capital accumulation.
 - D regional and international specialisation take advantage of localised resources.
10. Country Z has a pure capitalism economic system. To decide how to use the country's limited resources in order to satisfy the unlimited human wants and needs, they rely on:
- A a central planning committee.
 - B free trade.
 - C a price system.
 - D full employment.
11. Which one of the following is true with respect to monopolistic (free) markets and perfect competition (completely free markets)?

	Monopolistic markets	Perfect competition
A	Firms are price takers	Firms are price makers
B	Firms have some control over the market	Firms have total control over the market
C	Barriers to entry are eliminated	Barriers to entry are eliminated
D	Consumers have a choice of buying the product or not	Consumers have a choice of where to buy the product

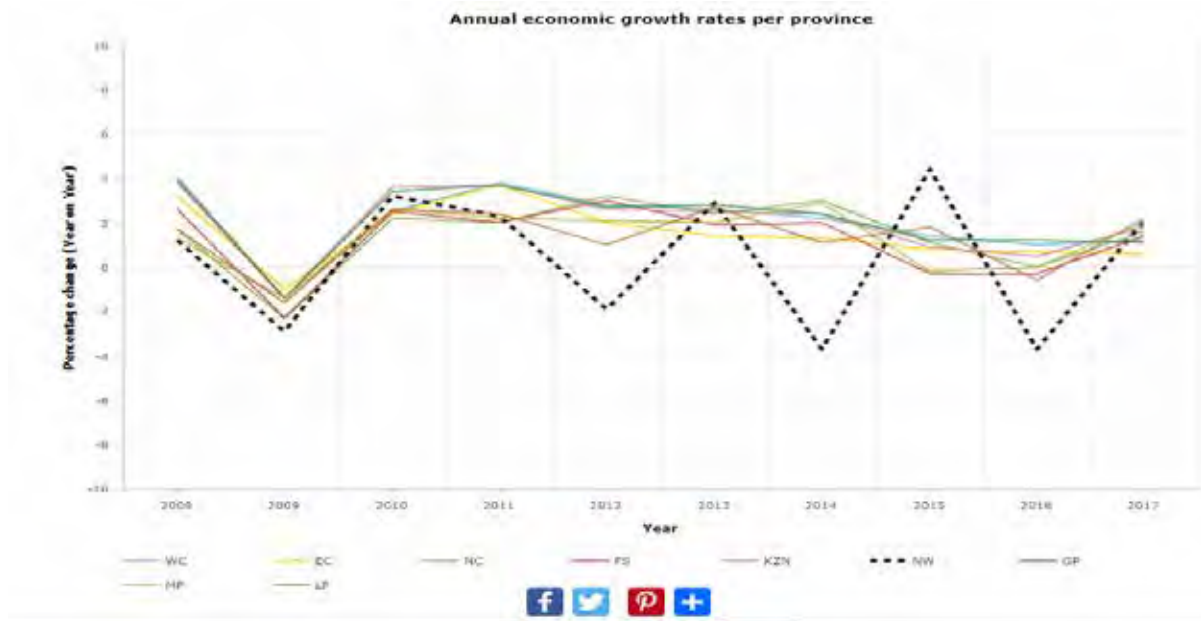
12. During the Covid-19 epidemic, the government announced a lockdown on what could be produced and when production could take place. This resulted in the South African economy being classified as:
- A *laissez-faire* approach.
 - B a market economy.
 - C a mixed economy.
 - D a planned economy.

The economic structure of South Africa

The line chart below shows the annual GDP growth rates per province since 2008. Note that the growth rates are based on 2010 constant prices as published by Statistics South Africa.

Answer questions 13 to 16 based on this information.

Source: <https://www.southafricanmi.com/provincial-gdp-11mar2019.html>



13. The graph shows *growth rates are based on 2010 constant prices*. Which one of the following is not a correct explanation of what this means?
- A A year is chosen as the base year. For any subsequent year, the output is measured using the price level of the base year.
 - B Any nominal change in output is excluded, which enables a comparison of the actual goods and services produced.
 - C The current year’s prices are multiplied by the base year’s quantities in order to get the constant value.
 - D The effect of inflation has been eliminated.
14. The following table indicates the economic growth of the provinces for the period 2008 – 2017:

Province	2008	2017
Gauteng	4.0%	1.1%
Western Cape	3.9%	1.2%
KZN	3.8%	1.8%
Limpopo	1.7%	2.2%
North West	1.2%	2.1%
Mpumalanga	1.3%	2.0%
Eastern Cape	3.2%	0.6%
Free State	2.6%	1.4%
Northern Cape	1.7%	1.6%

The province with the biggest change in economic growth over this period is:

- A Eastern Cape.
 - B Western Cape.
 - C Mpumalanga.
 - D Gauteng.
15. Which year indicates a decline in the annual growth rate for ALL provinces?
- A 2009
 - B 2012
 - C 2014
 - D 2016

16. The province with the most volatile economic growth is North West Province (indicated by the black dashed line on the graph). Why is the economy of North West so volatile?
- A More women are employed in North West than in any other province.
 - B The economic fortune of North West is largely based on the platinum mining industry.
 - C The North West province have been hit the hardest by Covid-19.
 - D As a result of the distance from the sea, exports are not possible.

Dynamics of markets: Price elasticity

17. Which degree of price elasticity of supply as described by each of the following is not correct?
- A In unitary elastic supply, the ratio of change in quantity supplied is equal to the ratio of change in price.
 - B With a perfectly elastic supply curve, the quantity supplied has varied significantly even at the same price level.
 - C With perfectly inelastic supply, the amount of commodity supplied has remained unchanged even when the price has greatly changed.
 - D With a relatively elastic supply curve, the ratio of change in quantity supplied is smaller than the ratio of change in price.
18. Which one of the following products indicates a relative elastic supply curve for households?



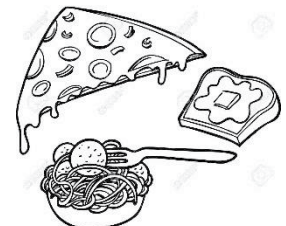
Picture A



Picture B



Picture C



Picture D

- A Picture A
 - B Picture B
 - C Picture C
 - D Picture D
19. The sales of product Q is 15 000 units. The income elasticity is +2 and income increases by 10%. The sales of product Q will increase by:
- A +3 000
 - B - 3000
 - C +1 500
 - D - 1 500
20. If there is an increase of 10% in the price of tea and the quantity demanded for coffee increases by 2%, then the cross-elasticity of demand equals:
- A +0.2
 - B -0.2
 - C +20
 - D -20

The relationship between markets, costs and revenue

21. Which of the following is correct with regards to complementary goods?
- A If the price of one good increases, demand for both complementary goods will fall.
 - B If the price of one good decreases, demand for both complementary goods will fall.
 - C If the price of one good increases, supply for that good will increase and the supply of the complementary good will fall.
 - D If the price of one good decreases, supply for that good will increase and the supply of the complementary good will fall.
22. Good C and Good T are substitutes. Which of the following is incorrect?
- A Substitute goods are those goods which can be used in place of one another for satisfaction of a particular want.
 - B Demand for a given commodity varies directly with the price of a substitute good.
 - C If the price of Good C increases, then the demand for Good T will increase.
 - D A decrease in the price of Good C will lead to an increase in the demand for Good T.
23. The firms in an industry observe a 20% increase in the productivity of labour, but to get there they had to increase the cost of labour by 10%. What would you expect to happen in the output market as a result of this?
- A Market supply should increase.
 - B Market supply should decrease.
 - C Market demand should increase.
 - D Market demand should decrease.

24. The following information indicates Firm A's short-term total costs.

Output	Total cost (R)
100 000	250 000
200 000	450 000
300 000	600 000
400 000	700 000

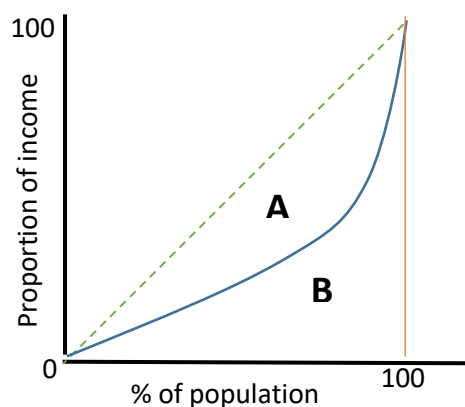
What is the marginal cost per item if output increases from 200 000 to 300 000 units?

- A R2.25
 - B R2.00
 - C R0.67
 - D R1.50
25. In which instance will both the equilibrium price and the quantity rise?
- A When demand and supply increase, but the rise in demand exceeds the rise in supply.
 - B When demand and supply increase, but the rise in supply exceeds the rise in demand.
 - C When demand and supply decline, but the decline in the demand exceeds the decline in supply.
 - D When demand and supply decline, but the decline in supply exceeds the decline in demand.

Wealth, economic growth and the standard of living

26. The standard of living in South Africa is measured by:
- A Real GDP per capita.
 - B Real GDP.
 - C Real GDP multiplied by the population.
 - D Real GDP plus net surplus.
27. Which of the following is the best explanation of standard of living?
- A A measure of the total wealth of a country.
 - B The measure of the net worth of a country.
 - C The measure of the quality of life and level of material prosperity in a country.
 - D The perfect equality curve.
28. Which two of the following are most likely to be associated with an increase in the incidence of poverty?
- (i) The Gini coefficient falls substantially.
 - (ii) The real income of those in the top 20% of income earners falls by 10%.
 - (iii) The number of households earning below 50% of average incomes has increased substantially.
 - (iv) The number of single persons with children and of single pensioners has increased substantially.
 - (v) The number of people earning below the level of income support has decreased.
- A (i) and (ii)
 - B (ii) and (iii)
 - C (iii) and (iv)
 - D (iv) and (v)
29. The single measure of income distribution which assesses inequality over the whole range of income distribution is known as the:
- A Median income statistic.
 - B Gini coefficient.
 - C 90/10 share ratio.
 - D Cumulative decile shares.

Study the following graph and answer questions 30



30. The Gini coefficient can be calculated as:


- A $A/(A+B)$
- B $B/(A+B)$
- C A/B
- D $(A+B)/(B+A)$

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MEMORANDUM

 ANSWER

 LOWER LEVEL


 MODERATE LEVEL

 HIGHER LEVEL

ROUND ONE: 30 Questions

TOPICS		A	B	C	D		
FACTORS OF PRODUCTION	1.						
	2.						
	3.						
	4.						
	5.						
	6.						
	7.						
	8.						
THE USES OF ECONOMIC GOODS AND SERVICES	9.						
	10.						
	11.						
	12.						
	13.						
	14.						
	15.						

TOPICS		A	B	C	D		
ECONOMIC SYSTEMS	16.						
	17.						
	18.						
	19.						
	20.						
	21.						
	22.						
	23.						
	24.						
	25.						
THE ECONOMIC STRUCTURE OF S.A.	26.						
	27.						
	28.						
	29.						
	30.						

 ANSWER

 LOWER LEVEL

 MODERATE LEVEL

 HIGHER LEVEL

ROUND TWO: 30 Questions

TOPICS		A	B	C	D		
FACTORS OF PRODUCTION	1.						
	2.						
	3.						
	4.						
	5.						
	6.						
	7.						
	8.						
THE USES OF ECONOMIC GOODS AND SERVICES	9.						
	10.						
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	14.						
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TOPICS		A	B	C	D		
ECONOMIC SYSTEMS	16.						
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	24.						
	25.						
THE ECONOMIC STRUCTURE OF S.A.	26.						
	27.						
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