

**LIVE: MACRO & MICRO-ECONOMICS****03 JULY 2014****Lesson Description**

In this lesson we:

- Work through questions and answers relating to Macro & Micro-Economics.

**Test Yourself**

(Adapted from Exemplar 2014, Paper 1 & 2, Question 1.1)

Question 1

The money market is a market for ... term savings and loans.

- A. short-
- B. short- and long-
- C. long-

Question 2

Consumption of fixed capital is used to calculate the gross value added at ...

- A. basic prices.
- B. market prices.
- C. factor cost.

Question 3

During an economic recession ...

- A. unemployment will increase.
- B. production increases.
- C. spending increases.

Question 4

The new economic paradigm is embedded in ... side policies.

- A. demand-
- B. supply-
- C. demand-and-supply-

Question 5

The ratio of export prices and import prices is known as the ...

- A. terms of trade.
- B. exchange rate.
- C. balance of payments.

Question 6

As a rule, a firm should consider shutting down its business at the point where its ...

- A. $MC = AVC$.
- B. $MR = AC$.
- C. $MC = MR$.



Question 7

A market which has major government influence and control can be described as being ...

- A. unregulated.
- B. deregulated.
- C. regulated.

Question 8

A patent which gives one the exclusive right to manufacture a product is characteristic of a/an ... monopoly.

- A. artificial
- B. natural
- C. local

Question 9

The aggregate demand for goods and services that exceeds the aggregate supply thereof is known as ...

- A. cost-push inflation.
- B. demand-pull inflation.
- C. deflation.

Question 10

The government can play a very important role in environmental sustainability through its ... policy.

- A. monetary
- B. fiscal
- C. urbanisation



Exam Questions

Question 1

(Adapted from Exemplar 2014, Paper 1, Question 2.1)

Answer the following questions.

- 1.1 Give TWO examples of injections into the economy. (2 x 1) (2)
- 1.2 What effect will an increase in the value of the rand against the US dollar have on imports from the USA? (1 x 2) (2)

Question 2

(Adapted from Exemplar 2014, Paper 1, Question 2.3)

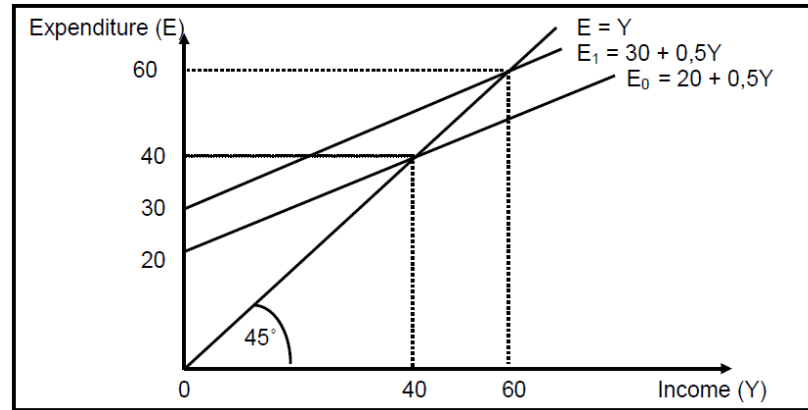
Study the graph below that depicts a simplified two-sector economy (where $E = C + I$) and answer the questions that follow.





ECONOMICS

Grade 12



- 2.1 Identify ONE participant in the economy above. (2)
- 2.2 What does the line $E = Y$ represent? (2)
- 2.3 Calculate the multiplier using the following formula:

$$k = \frac{1}{(1 - mpg)}$$

The marginal propensity to consume (mpc) = 0,8.

(Show ALL calculations.)

(4)

- 2.4 What is the relationship between the marginal propensity to consume (mpc) and the multiplier? (2)

Question 3

(Adapted from Exemplar 2014, Paper 1, Question 2.4)

Explain the new economic paradigm.

(4 x 2) (8)

Question 4

(Adapted from Exemplar 2014, Paper 1, Question 2.5)

Argue ONE case in favour of free trade and ONE case against protectionism.

(2 x 4) (8)

Question 5

(Adapted from Exemplar 2014, Paper 1, Question 5)

International trade is the backbone of our modern commercial world as producers in various nations try to profit from an expanded market, rather than be limited to selling within their own borders.

- Discuss export promotion as part of South Africa's international trade policy. (26 marks)
- In your opinion, how successful is South Africa with the implementing of the above policy? Motivate your answer. (10 marks)

[40]

Question 6

(Adapted from Exemplar 2014, Paper 2, Question 2.1)

Answer the following questions.

- 6.1 Name TWO redress methods used by the government to improve income distribution. (2 x 1) (2)
- 6.2 Explain how price leadership can result in consumers paying higher prices in an oligopoly market. (1 x 2) (2)

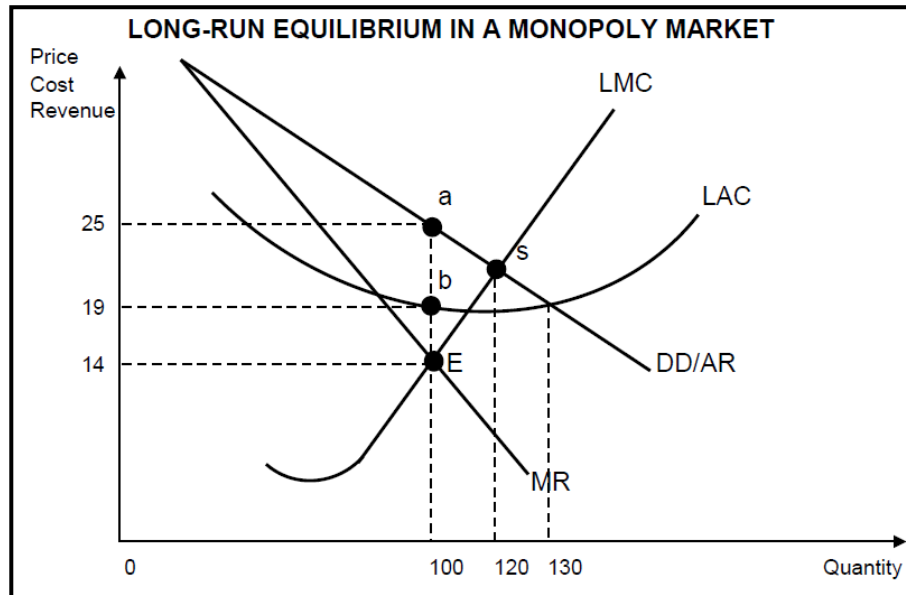




Question 7

(Adapted from Exemplar 2014, Paper 2, Question 2.2)

Study the graph below and answer the questions that follow.



- 7.1 Define the concept long run as used in economics. (2)
- 7.2 Identify the optimum production level. (2)
- 7.3 Explain why the marginal revenue (MR) curve will always lie below the demand curve (DD) in this type of market. (2)
- 7.4 Calculate the profit or loss of this monopolist. Show ALL calculations. (4)

Question 8

(Adapted from Exemplar 2014, Paper 2, Question 2.5)

How can non-price strategies assist firms to increase their market share? (8)

Question 9

(Adapted from Exemplar 2014, Paper 2, Question 5)

Markets are broadly categorised into perfect and imperfect markets. However, in reality very few examples of perfect markets exist.

- Examine the conditions of a perfect market in detail. (26 marks)
- Draw a clearly labelled graph to show economic profit for an individual producer in the market. (10 marks)

[40]

