



Tutorial Letter 101/3/2018

Foundation Economics

FEC1501

Semesters 1 and 2

Department of Economics

This tutorial letter contains important information about your module.

BARCODE

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1 INTRODUCTION

In this course, you will learn economics terminology to empower you to understand the functioning of an economy. This knowledge will serve you handsomely when you enrol for the degree courses in Economics at Unisa.

This is a fully online module, therefore you have to use myUnisa to study and complete the learning activities for this course. We urge you to visit the websites on myUnisa for FEC1501 frequently. The website for your module is FEC1501-18-S1 (first semester) and FEC 1501-18-S2 (second semester).

2 PURPOSE AND OUTCOMES

2.1 Purpose

Students who successfully complete this module may enrol for courses at Unisa to obtain a degree once they have completed all five Foundation modules.

The module is presented via myUnisa, the internet, peer group interaction and community engagement in some of the activities. Your lecturers will interact with you on myUnisa and via e-mail.

2.2 Outcomes

We hope you will accomplish the following outcomes after completing this module.

- **Specific outcome 1:** Comprehend basic concepts of economics to build an understanding of the working of an economy.
- **Specific outcome 2:** Comprehend the concepts of demand and supply.
- **Specific outcome 3:** Comprehend the sources of economic activity and the role of various constructs in an economy.

3 LECTURERS AND CONTACT DETAILS

3.1 Lecturers

The primary lecturer for this module:

Mr Herman Rudolph

Telephone: 012 433 4672

E-mail: rudolch@unisa.ac.za

The secondary lecturer for this module:

Mr Klaas Lelaka

Telephone: 012 433 4677

E-mail: lelakk@unisa.ac.za

3.2 Department

Contact the Department of Economics as follows:

Ms MM Selesho

Secretary: Department Economics

Telephone: 012 433 4663

3.3 University

To contact the University, please follow the instructions in the **Study @ Unisa** brochure. Remember to have your student number available when you contact the University or the lecturer.

4 RESOURCES

4.1 Prescribed books

There are no prescribed books for this module.

4.2 Recommended books

There are no recommended books for this module.

4.3 Electronic reserves (e-reserves)

There are no e-reserves for this module.

4.4 Library services and resources information

For brief information, follow this link: <http://www.unisa.ac.za/contents/studies/docs/myStudies-at-Unisa2018-brochure.pdf>.

For detailed information, access the Unisa website at <http://www.unisa.ac.za/> and click on **Library**.

For research support and services of personal librarians, follow this link: <http://www.unisa.ac.za/Default.asp?Cmd=ViewContent&ContentID=7102>.

The library has compiled a number of library guides:

- Finding recommended reading in the print collection and e-reserves – <http://libguides.unisa.ac.za/request/undergrad>
- Requesting material – <http://libguides.unisa.ac.za/request/request>
- Postgraduate information services – <http://libguides.unisa.ac.za/request/postgrad>
- Finding, obtaining and using library resources and tools to assist in doing research – http://libguides.unisa.ac.za/Research_Skills
- How to contact the library/finding us on social media/frequently asked questions – <http://libguides.unisa.ac.za/ask>

5 STUDENT SUPPORT SERVICES

For information on the various student support systems and services available at Unisa (e.g. student counselling, tutorial support programme and classes, and language support), please consult the brochure *Study @ Unisa* that you received with your study material.

5.1 Contact with fellow students: study groups

We advise you to have contact with your fellow students. One way of doing this, is to form study groups. You can use the Discussion Forum on the FEC1501 web page on myUnisa to invite other students in your area to form a study group. If you are allocated to an e-tutor group (see below), you should also use that group as an online study group on myUnisa. For further information, please consult the *Study @ Unisa* brochure.

5.2 myUnisa

If you have access to a computer that is linked to the internet, you can quickly access resources and information at the University. The myUnisa learning management system is Unisa's online campus that will help you communicate with your lecturers, other students and the administrative departments of Unisa.

To go to the myUnisa website, start at the main Unisa website, <http://www.unisa.ac.za>, and then click on the “Login to myUnisa” link on the right-hand side of the screen. This should direct you to the myUnisa website. You can also gain access directly by typing in <http://my.unisa.ac.za>.

On the myUnisa website, you may use the resources listed below to ensure effective communication between us and to ensure that you receive information on time, that is, information that will help you keep to your study programme and create an environment for effective learning. The options that we use underneath the **FEC1501 orange bar** are as follows:

- **Announcements**

Here the module leader may communicate general information about the module, such as a change in the assignment due date, release of assignment and examination results, posting of tutorial letters, the STUDY GUIDE guidelines and other important information.

- **Discussion Forums**

We strive to read the discussions that take place between students at least once a week and may comment on the academic content.

- **Official Study Material**

This option is extremely helpful and you should access this link often to ensure that your studies proceed smoothly. Unisa publishes the following documents under this link:

- all the tutorial letters
- the complete STUDY GUIDE
- previous years' examination papers

- **Additional Resources**

These resources are also very helpful and you should visit this link regularly. We may publish documents such as the following under this link:

- the **STUDY GUIDE**, in smaller chunks, since some of you may experience problems when downloading the entire STUDY GUIDE under the Official Study Material link (because the STUDY GUIDE is quite large)

- **FAQs**

This option deals with students' frequently asked questions and provides answers to these questions. You will find information on how to approach the module, how to print the examination timetable, what to do if you have not received any study material, and a lot more, under this option. We suggest that you access this option before sending an e-mail to the module contact address.

Please consult the brochure *Study @ Unisa* for more information.

5.3 Discussion classes

Lecturers will not present any discussion classes for this module in 2018.

5.4 Tutorial support programme

The main purpose of the tutorial services is to facilitate student learning by developing the student's independent learning skills and helping students become motivated and independent learners. Tutorials help you to develop and improve your learning experience and academic performance through interaction with the tutor and fellow students. If you are interested, please consult a learning centre close to you to enrol for tutorials. For further information on learning centres and tutorials, consult the brochure *Study @ Unisa*.

Note that tutors are not necessarily available for all modules and/or at all learning centres. The Department of Economics has no means of providing you with any tutorial support if you have not followed the abovementioned steps.

The relatively new **e-tutor system** follows a similar approach. However, in this case you will be informed by Unisa ICT if and when you have been allocated to an e-tutor group.

6 STUDY PLAN

6.1 Assignments and learning

Assignments are regarded as part of the learning material for this module. While doing the assignments, study the texts, consult other resources, discuss the work with fellow students or tutors, do research and actively engage in learning. Consult the assessment criteria of the three assignments of this module to understand what is required of you more clearly.

If you have access to the internet, you can view and download the STUDY GUIDES and tutorial letters for the modules for which you are registered on the University's online campus, myUnisa, (under the Official Study Material folder) at <http://my.unisa.ac.za>.

6.2 General remarks

Enquiries about assignments (e.g. whether or not the University has received your assignment or the date on which an assignment was returned to you) must be directed to the Unisa Assignment Department on 012 429 3812/2873/2587/8613. You may also find information on myUnisa.

You **MUST** submit your assignments electronically via myUnisa.

For detailed information and requirements as far as assignments are concerned, see the brochure *Study @ Unisa*, which you received with your study material.

To submit an assignment via myUnisa:

- Go to myUnisa.
- Log in with your student number and password.

- Select the module from the orange bar.
- Click on Assignments in the menu on the left.
- Click on the assignment number you want to submit.
- Follow the instructions.

If you experience any problems when submitting your assignment electronically (e.g. regarding cancellation or resubmission) please contact the myUnisa helpdesk at myUnisahelp@unisa.ac.za.

Use your *Study @ Unisa* brochure for guidelines on general time management and planning skills.

6.3 Feedback on assignments

The solutions and explanations for Assignment 01 will be posted to you in Tutorial Letter 201 after the closing date of Assignment 01. The solutions to Assignment 02 and 03 are included in Tutorial Letter 202, posted after the closing date of Assignment 03. Please work through these solutions. The tutorial letters will also be available on myUnisa under the Official Study Material option for FEC1501 after the closing dates for Assignments 01, 02 and 03.

6.4 Learning strategy and proposed study programme

To study this module, you will need the following material:

- a STUDY GUIDE
- Tutorial Letter 101
- other tutorial letters that you will receive during the semester

You should start by reading Tutorial Letter 101 (this one). This tutorial letter deals with the general information about this module, such as the STUDY GUIDE, the assessment system and the assignments.

How to use the STUDY GUIDE

The following steps (or learning strategy) are suggested:

- Start with a learning unit in the STUDY GUIDE.
- Read the outcomes stated in the introduction
- Read and/or study the introductory remarks and explanations in the STUDY GUIDE on the prescribed section.
- **Now study** the prescribed section in the STUDY GUIDE.

PROPOSED STUDY PROGRAMME***First semester***

To assist you to work on this module regularly and systematically, we provide a proposed study programme below for the three assignments. Try to keep to this study programme as far as possible.

WEEK	WEEK COMMENCING	ACTIVITY
1	12 February 2018	Study learning unit 1 and do the activities at the end of each section. Work on Assignment 01.
2	19 February 2018	Study learning unit 2 and do the activities at the end of each section. Work on Assignment 01.
3	26 February 2018	Study learning unit 3 and do the activities at the end of each section. Work on Assignment 01.
	05 March 2018	Closing date: Assignment 01. The assignment must reach Unisa BEFORE this date.
4	06 March 2018	Study learning unit 4 and do the activities at the end of each section. Work on Assignment 02.
5	12 March 2018	Study learning unit 5 and do the activities at the end of each section. Work on Assignment 02.
	19 March 2018	Closing date: Assignment 02. The assignment must reach Unisa BEFORE this date.
6	20 March 2018	Study learning unit 6 and do the activities at the end of each section. Work on Assignment 03.
7	26 March 2018	Study learning unit 7 and do the activities at the end of each section. Work on Assignment 03.
8	02 April 2018	Study learning unit 8 and do the activities at the end of each section. Work on Assignment 03.
	09 April 2018	Closing date: Assignment 03. The assignment must reach Unisa BEFORE this date.
9	10 April 2018	Revise learning units 1, 2, 3 and 4.
10	23 April 2018	Revise learning units 5, 6, 7 and 8.
11	30 May 2018	Work through the quizzes provided under Additional Resources; also work through the solutions provided in Tutorial Letters 201, 202 and 203.

PROPOSED STUDY PROGRAMME

Second semester

To assist you to work on this module regularly and systematically, we provide a proposed study programme below for the three assignments. Try to keep to this study programme as far as possible.

WEEK	WEEK COMMENCING	ACTIVITY
1	23 July 2018	Study learning unit 1 and do the activities at the end of each section. Work on Assignment 01.
2	30 July 2018	Study learning unit 2 and do the activities at the end of each section. Work on Assignment 01.
3	06 August 2018	Study learning unit 3 and do the activities at the end of each section. Work on Assignment 01.
	13 August 2018	Closing date: Assignment 01. The assignment must reach Unisa BEFORE this date.
4	14 August 2018	Study learning unit 4 and do the activities at the end of each section. Work on Assignment 02.
5	20 August 2018	Study learning unit 5 and do the activities at the end of each section. Work on Assignment 02.
	27 August 2018	Closing date: Assignment 02. The assignment must reach Unisa BEFORE this date.
6	28 August 2018	Study learning unit 6 and do the activities at the end of each section. Work on Assignment 03.
7	03 September 2018	Study learning unit 7 and do the activities at the end of each section. Work on Assignment 03.
8	10 September 2018	Study learning unit 8 and do the activities at the end of each section. Work on Assignment 03.
	17 September 2018	Closing date: Assignment 03. The assignment must reach Unisa BEFORE this date.
9	18 September 2018	Revise learning units 1, 2, 3 and 4.
10	24 September 2018	Revise learning units 5, 6, 7 and 8.
11	01 October 2018	Work through the quizzes provided under Additional Resources; also work through the solutions provided in Tutorial Letter 201, 202 and 203.

7 PRACTICAL WORK AND WORK-INTEGRATED LEARNING

There is no practical work for this module.

8 ASSESSMENT

8.1 Assessment plan

Assessment will be done by the module leader and, where applicable, the module team and/or the examiner(s). The name(s) of examiner(s) will also be indicated on the examination question papers.

8.1.1 Assessment of assignments

Three assignments per semester are included in this tutorial letter. Although examination admission is obtained by submitting Assignment 01, you can obtain a good semester mark by submitting all the assignments. We strongly advise you to submit all three assignments. From past experience, we know that a strong correlation exists between the number of assignments passed and the final mark.

Assignment 01 contributes 30% and Assignment 02 50% respectively towards the semester mark, while Assignment 03 contributes 20% towards the semester mark.

The following assessment criteria are used for the assignments: the multiple-choice questions in Assignments 01 to 03 will be marked electronically in accordance with mark-reading “masters” provided to the Assignment Section by the module leader. One mark will be awarded for each correct answer. No marks will be deducted for incorrect answers.

Please note: Although students may work together when preparing assignments, each student must submit their own individual assignment. In other words, you must submit your own ideas. It is unacceptable for students to submit identical assignments on the basis that they worked together. This is copying (a form of plagiarism). Furthermore, you may be penalised or subjected to disciplinary proceedings by the University.

8.1.2 Assessment of examination

For general information on and requirements for examinations, consult the brochure *Study @ Unisa*, which you received with your study material.

Please note that the applications for and the administration of re-marking of examination scripts are handled solely by the Examinations Division and not by the academic departments.

Examination admission

Please note that to gain admission to the examination, you **must** complete and submit Assignment 01 and/or Assignment 02, which is compulsory to gain admission to the examination. All three assignments will contribute towards the semester and final marks.

How will this work in practice?

Semester mark

Your semester mark is based on your assignment marks. The three assignments that you submit during the semester will contribute towards your semester mark. Different weights are allocated to the assignments. The first assignment contributes 30% and the second assignments 50% respectively, while the third assignment contributes 20% to the semester mark. If an assignment is not submitted or submitted late (for whatever reason), zero marks will be awarded for such an assignment, for example:

Assignment	Marks achieved	Percentage	x Weight	
01	$\frac{10}{20}$	50	x 0,3	15,0%
02	$\frac{18}{20}$	90	x 0,5	45,0%
03	Did not submit	0	x 0,2	0%
Semester mark				60,0%

The examination mark

The percentage achieved in the examination is used in the calculation of the final mark.

Final mark

The weight of the assignments is 40%, while the examination's weight is 60%.

Your final mark is calculated as follows:

Semester mark (out of 100) x 40% + examination mark (out of 100) x 60%

For example:

Suppose your semester mark is 47% and you get 60% in the examination. Your final mark will be:

$$\begin{aligned} & (47 \times 40\%) + (60 \times 60\%) \\ &= (47 \times 0,4) + (60 \times 0,6) \\ &= 18,8 + 36 \\ &= 54,8\% \end{aligned}$$

- If your final mark (as calculated by the method above) is 50%, you **pass** *FEC1501*.
- If your final mark (as calculated in the method above) is less than 50%, but between 40% and 49%, you do not pass *FEC1501*, but qualify for a **supplementary examination**.
- If your final mark (as calculated in the method above) is less than 40%, you fail *FEC1501* and you have to **reregister** for the module. **When your examination mark is below 40%, your**

semester mark is not included in the final mark calculations.

8.2 Assignment numbers

8.2.1 General assignment numbers

Assignments are numbered consecutively per module, starting from 01. In this module there are three assignments per semester, namely Assignment 01, 02 and 03.

8.2.2 Unique assignment numbers

In addition to the general assignment number (e.g. 01 or 02), each multiple-choice assignment has its own unique assignment number (e.g. 102717). In this module all three assignments are multiple-choice assignments and must be completed on marking-reading sheets with their own unique assignment numbers. Please fill in this unique assignment number on the cover page of the assignment in the space provided for it.

8.3 Assignment due dates

Please note that the due dates for the submission of assignments to Unisa are also provided in the study programme above.

SEMESTER 1: ASSIGNMENT SUBMISSION DATES

Assignment number	Unique number	Closing date 2018	Content of assignment
01	883809	05 March 2018	Learning unit 1 to 3 of STUDY GUIDE
02	721057	19 March 2018	Learning unit 4 to 5 of STUDY GUIDE
03	709636	09 April 2018	Learning unit 6 to 8 of STUDY GUIDE

SEMESTER 2: ASSIGNMENT SUBMISSION DATES

Assignment number	Unique number	Closing date 2018	Content of assignment
01	786927	13 August 2018	Learning unit 1 to 3 of STUDY GUIDE
02	868464	27 August 2018	Learning unit 4 to 5 of STUDY GUIDE
03	697770	17 September 2018	Learning unit 6 to 8 of STUDY GUIDE

8.4 Submission of assignments

You must submit your assignments electronically via myUnisa. Please keep a copy of your completed assignments, especially Assignment 01 and/or 02, which are compulsory for examination admission. As mentioned above, if this assignment is lost before it can be assessed, proof must be provided to the Examination Division that you did complete the assignment.

For detailed information and requirements as far as assignments are concerned, see the brochure *Study @ Unisa*, which you received with your study material.

To submit an assignment via myUnisa:

- Go to myUnisa.
- Log in with your student number and password.
- Select the module from the orange bar.
- Click on Assignments in the menu on the left.
- Click on the assignment number you want to submit.
- Follow the instructions.

Please note: If you experience any problems when submitting your assignment electronically (e.g. with cancellation or resubmission), contact the myUnisa helpdesk at myUnisahelp@unisa.ac.za.

Unfortunately, it is not possible for the University or any FEC1501 lecturer to receive and process assignments that are transmitted by fax or e-mail. No assignments submitted by fax or e-mail will be marked.

8.5 The assignments

FIRST SEMESTER ASSIGNMENTS

ASSIGNMENT 01	
DUE DATE	05 March 2018
UNIQUE NUMBER	883809
LEARNING UNITS	1 to 3 in STUDY GUIDE

1.1 Which one of the following statements is **correct** (or closest to correct)?

1. Economics is the study of money.
2. Economics teaches us how to avoid choices.
3. Economics is the study of profit and loss.
4. Economics can be described as the study of choice.
5. Economics teaches one how to become rich.

1.2 Which of the following is key to the way in which economists think?

1. money
2. wealth
3. opportunity cost
4. rich
5. balance sheet

1.3 Which one of the following is a microeconomic issue?

1. the rate of economic growth in India
2. the South African inflation rate
3. the price of maize in Lesotho
4. the unemployment rate in the United States of America
5. the total production of goods and services in Tunisia

1.4 Which one of the following is a macroeconomic concept?

1. the price of petrol
2. the demand for potatoes
3. the consumer price index
4. the supply of pumpkins
5. the e-toll fee in Gauteng

- 1.5 John spends R5 000 on a new carpet. What is the opportunity cost to him of the carpet?
1. R5 000
 2. the land, labour and capital used in manufacturing the carpet
 3. the other things he could have bought with the R5 000
 4. the reduction in his bank balance due to purchasing the carpet
 5. the increased value of a better decorated house
- 1.6 An economist decides to give up her job at a commercial bank, where she earns R800 000 per year. She is offered another full-time job for R850 000 per year or can work for herself from home as a private consultant. What is the opportunity cost of working from home?
1. zero
 2. R800 000
 3. R850 000
 4. R1 650 000
 5. R800 000 in addition to the cost of her monthly home-loan repayments
- 1.7 The problem of economising is essentially one of deciding how to make the best use of _____.
1. virtually unlimited resources to satisfy limited wants
 2. virtually unlimited resources to satisfy virtually unlimited wants
 3. limited resources to satisfy virtually unlimited wants
 4. limited resources to satisfy limited wants
 5. limited resources to generate wants
- 1.8 Microeconomics is a branch of economics that studies _____.
1. the determination of national income
 2. the behaviour of individual decision-making units in the economy
 3. the impact of unemployment in South Africa
 4. the effects and consequences of the aggregate behaviour of all decision-making units
 5. both B and D above
- 1.9 Macroeconomics is a branch of economics that studies _____.
1. the determination of total economic activity
 2. the behaviour of individual decision-making units in the economy
 3. decisions by firms regarding the most efficient use of resources
 4. the effects and consequences of the aggregate behaviour of all decision-making units
 5. both A and D above

Questions (10) and (11) are based on the table below, which describes the process by which a loaf of bread is made available to a consumer as a final good.

	Price (R) of a loaf of bread
Farmer sells wheat to miller	5,00
Miller sells flour to baker	6,00
Baker sells bread to grocer	10,00
Grocer sells bread to consumer	12,00

1.10 The total value of a loaf of bread is _____.

1. R7,00
2. R12,00
3. R4,00
4. R33,00
5. R10,00

1.11 The value added by the grocer equals _____.

1. R12,00
2. R10,00
3. R2,00
4. R5,00
5. R4,00

1.12 Nominal gross domestic product (GDP) calculated at market prices differs from nominal GDP at factor cost. Which of the following items would account for the difference?

1. depreciation on capital equipment
2. inflation
3. interest on loans
4. indirect taxes and subsidies
5. net incomes from abroad

1.13 Which of the following is a characteristic of monopoly?

1. There is only one seller.
2. The good and service are unique and there are no close substitutes.
3. There are barriers to entry.
4. It is a price maker.
5. All of the above.

1.14 Which of the following is a likely example of monopolistic competition?

1. Eskom
2. Telkom
3. the wheat market
4. De Beers
5. grocery stores

1.15 Which one of the following is **true** for perfect competition?

1. homogeneous product
2. collusion
3. regulated market
4. single seller
5. none of the above

1.16 Simple economies can be described in terms of three major economic flows. These are _____.

1. income, spending and saving
2. spending, production and saving
3. income, saving and production
4. income, spending and production
5. income, spending and net exports

1.17 In the circular flow of income and spending in South Africa, _____ firms in the factor market becomes _____ households, while _____ households in the goods market becomes _____ firms. Expenditure by foreigners on South African products constitutes _____ the circular flow.

1. income to; spending by; income to; spending by; a leakage from
2. income to; income to; spending by; spending by; an injection into
3. spending by; income to; spending by; income to; an injection into
4. spending by; spending by; income to; income to; a leakage from
5. production of; spending by; production of; income to; a leakage from

1.18 In the context of the circular flow of economic activity, which of the following would NOT be a traditional activity of the government?

1. purchases of labour services from households
2. purchases of capital goods from firms
3. provision of public goods and services
4. transfers of tax revenues to low-income groups or regions
5. sales of consumer goods to foreign buyers

1.19 $TS = C + I + G$

1. True
2. False

1.20 $Y - T = C + S$

1. True
2. False

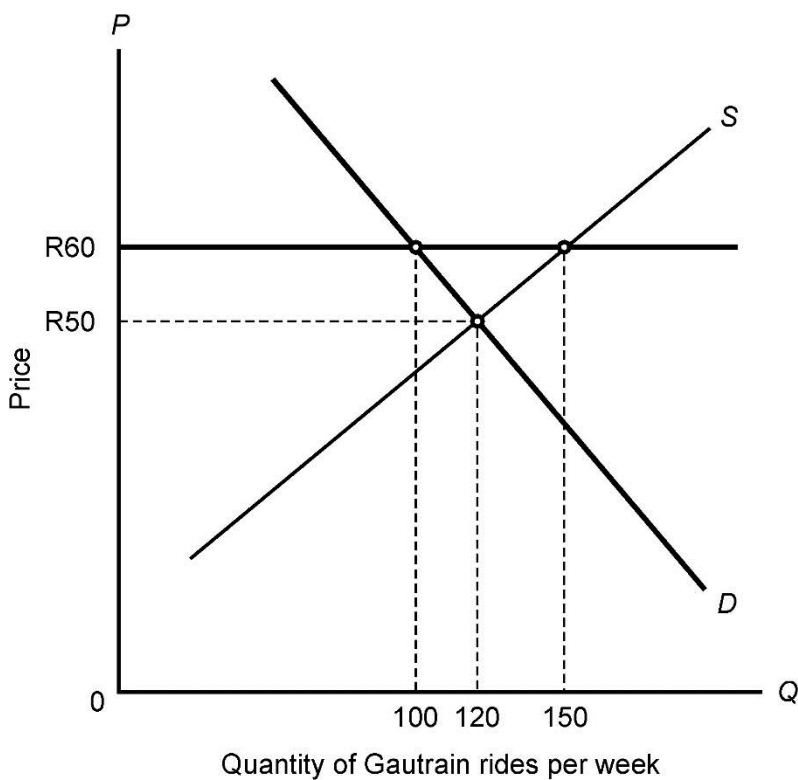
ASSIGNMENT 02	
DUE DATE	19 March 2018
UNIQUE NUMBER	721057
LEARNING UNITS	4 to 5 in STUDY GUIDE

- 2.1 Demand is the quantity of goods _____.
1. desired by consumers
 2. ordered by consumers in a particular period
 3. consumers are willing and able to buy at particular prices in a certain period
 4. that consumers require in order to survive
- 2.2 How can the impact of an increase in the price of petrol on the demand curve for petrol be illustrated?
1. The demand curve for petrol will shift to the left.
 2. The demand curve for petrol will shift to the right.
 3. The demand curve for petrol will remain unchanged.
 4. The demand curve will become more elastic.
 5. The demand curve will become more inelastic.
- 2.3 Which of the following will **not** cause a change in the demand for coffee (illustrated by a shift of the demand curve)?
1. a decrease in the price of milk, a complement
 2. an increase in the price of coffee
 3. an increase in the price of tea, a substitute
 4. an increase in the number of people drinking coffee
 5. an increase in the income of households
- 2.4 If there is an increase in the price of red meat, a substitute in production for milk, then _____.
1. the supply of milk will increase
 2. the demand for milk will decrease
 3. the supply of milk will decrease
 4. there will be a movement along the supply curve for milk
 5. none of the above will result

2.5 As the price of fresh grapes (a substitute in production for wine) decreases, *ceteris paribus*, _____.

1. the supply of wine will decrease
2. the supply of wine will increase
3. the demand for wine will decrease
4. the demand for wine will increase
5. the supply of wine will be unaffected

The diagram below shows the market for Gautrain rides. Use this diagram to answer the questions below.

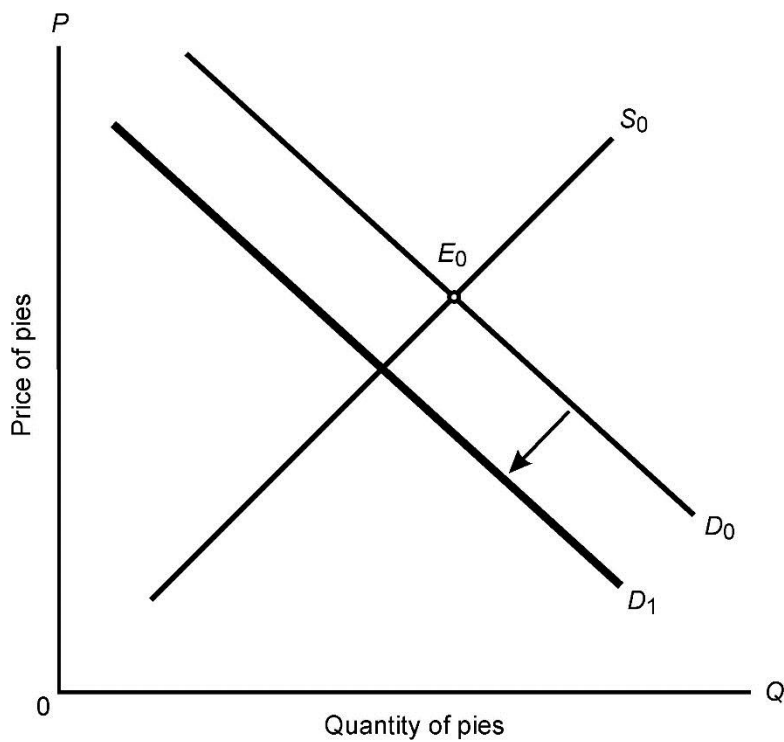


2.6 If the price of Gautrain rides is currently R60 per ride, then _____.

1. there will be a surplus of 30
2. there will be a shortage of 50
3. there will be a surplus of 50
4. there will be a shortage of 30
5. the quantity demanded will decrease to 120

- 2.7 What is likely to happen in the market for Gautrain rides (assuming there is no intervention by government)?
1. There is likely to be an increase in the price of Gautrain rides.
 2. There is likely to be an increase in the quantity of Gautrain rides supplied as the price decreases.
 3. There is likely to be a decrease in the quantity of Gautrain rides demanded as the price rises.
 4. There is likely to be a decrease in the quantity of Gautrain rides supplied as the price decreases.
 5. The market is likely to stay as it is.
- 2.8 A decrease in the cost of flour used to bake bread, will most likely _____.
1. decrease the demand for bread
 2. increase the supply of bread
 3. decrease the equilibrium quantity of bread traded
 4. decrease the quantity of bread demanded
 5. decrease the supply of bread
- 2.9 A rise in the price of butter, an input into the manufacture of shortbread biscuits, is likely to _____.
1. increase the demand for shortbread biscuits
 2. put downward pressure on the price of shortbread biscuits
 3. increase the quantity of shortbread biscuits demanded
 4. increase the supply of shortbread biscuits
 5. put upward pressure on the price of shortbread biscuits
- 2.10 If there is a relative rise in the price of broccoli, a substitute in agricultural production for beans, then _____.
1. the supply curve for broccoli will shift to the left
 2. the supply of beans will increase
 3. the demand for broccoli will increase
 4. the supply curve for beans will shift to the left
 5. there will be no effect on the production of beans
- 2.11 Which of the following will definitely cause an increase in the equilibrium price?
1. an increase in both demand and supply
 2. a decrease in both demand and supply
 3. an increase in demand combined with a decrease in supply
 4. a decrease in demand combined with an increase in supply
 5. any of the above, depending on the circumstances

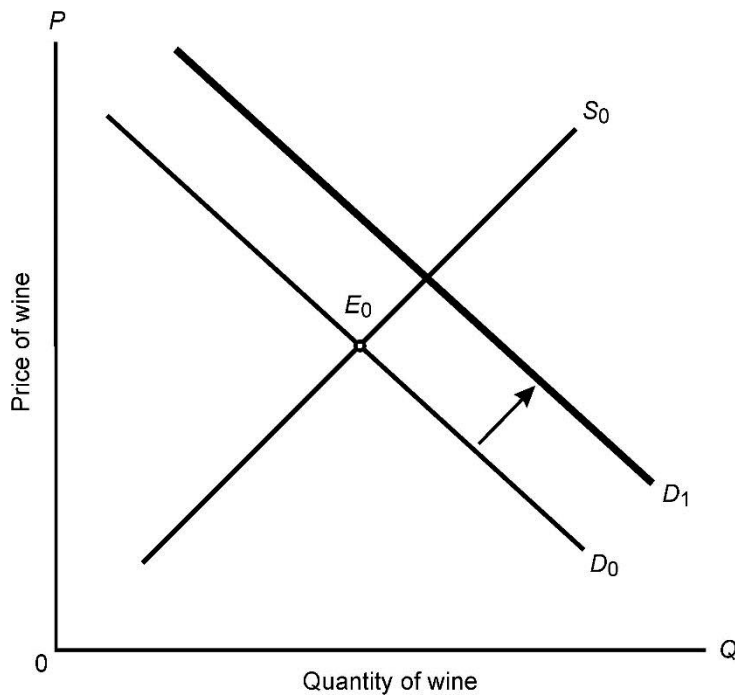
Use the diagram below to answer the question below.



2.12 The diagram depicts a decrease in the demand for pies on a campus. If at the same time there was a rent increase for food outlets on campus, then in comparison with the original equilibrium E_0 , there would be _____.

1. an increase in equilibrium price and quantity
2. an increase in equilibrium quantity but a decrease in price
3. a decrease in equilibrium quantity but an increase in price
4. a decrease in equilibrium quantity but an indeterminate effect on price
5. an increase in equilibrium quantity but an indeterminate effect on price

Use the diagram below to answer the question below.



2.13 The diagram depicts an increase in the demand for wine, following research reports highlighting the benefits of its consumption to one's health. If at the same time there was a strike by workers on wine farms, then in comparison with the original equilibrium E_0 , there would be _____.

1. an increase in equilibrium price and quantity
2. an increase in equilibrium quantity but a decrease in price
3. a decrease in equilibrium quantity but an increase in price
4. a decrease in equilibrium quantity but an indeterminate effect on price
5. an increase in equilibrium price but an indeterminate effect on quantity

2.14 Consider the market for South African biltong. Assuming everything else remains unchanged, the equilibrium price of biltong will decrease if _____.

1. there is a shortage of biltong
2. the price of beer, a complement, increases
3. the supply of biltong decreases
4. the price of peanuts, a substitute, increases
5. there is an animal disease that affects the supply of biltong

2.15 Which one of the following will **not** cause an increase in the demand for cabbage?

1. a decrease in the price of cabbage
2. an increase in the price of cauliflower, a substitute
3. a decrease in the price of meatballs, a complement
4. an increase in consumers' income
5. a greater consumer preference for cabbage

2.16 Which one of the following will **not** lead to a decrease in the demand for petrol?

1. motorists switching to motorcars that use diesel rather than motorcars that use fuel
2. a decrease in consumers' incomes, forcing them to travel less
3. an expected fall in the price of petrol
4. an increase in the prices of motorcars
5. an increase in the price of petrol

2.17 Which one of the following statements is **incorrect**?

An increase in the supply of plastic bags _____.

1. may be illustrated by a rightward shift of the supply curve
2. may be caused by an increase in labour productivity
3. could be the result of lower wages in the plastic industry
4. could be the result of a decrease in the cost of producing plastic bags
5. may be illustrated by an upward movement along the supply curve

2.18 In the market for first-year economics textbooks, assuming everything else remains unchanged, the equilibrium price of textbooks will increase if _____.

1. there is a surplus of textbooks
2. the price of university education, a complement, increases
3. the supply of textbooks increases
4. the cost of the publication of textbooks increases
5. there is a drop in the cost of paper necessary to produce textbooks

2.19 If the price and the quantity of beer decrease, it is likely that _____.

1. demand for beer has increased
2. demand for beer has decreased
3. supply of beer has decreased
4. supply of beer has increased
5. supply and demand for beer have both increased

2.20 If the price of powdered milk, a substitute for fresh milk, falls then _____.

1. the supply curve of fresh milk will shift to the right
2. the demand curve for fresh milk will shift to the right
3. the equilibrium quantity and price of fresh milk will not change
4. the quantity of fresh milk demanded will increase
5. the demand curve for fresh milk will shift to the left

ASSIGNMENT 03	
DUE DATE	09 April 2018
UNIQUE NUMBER	709636
LEARNING UNITS	6 to 8 in STUDY GUIDE

3.1 Which one of the following is **incorrect**?

Money serves as _____.

1. a means of payment
2. a medium of exchange
3. a factor of production
4. a unit of account
5. a store of value

3.2 Which one of the following statements is **incorrect**?

1. The M1 money stock consists largely of demand deposits.
2. The M2 money stock consists largely of notes and coins.
3. M3 is the most comprehensive measure of money.
4. M1 includes everything that normally serves as a means of payment.
5. M3 relates to the store of value function rather than to the means of payment function of money.

3.3 Which one of the following is **not** a function of the South African Reserve Bank?

1. to formulate and implement monetary policy
2. to maintain financial stability
3. to finance government expenditure
4. to provide economic and statistical services
5. to act as banker to other banks

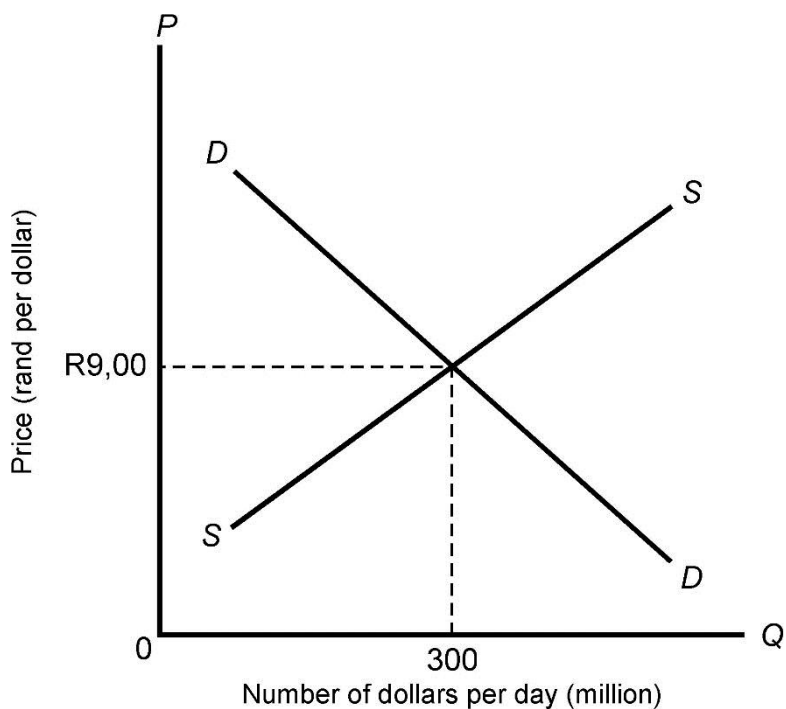
3.4 Australia has an absolute advantage over South Africa in wool production if, during a year, Australia _____.

1. can produce more wool than South Africa
2. specialises in wool production
3. can produce less wool than South Africa
4. can produce more wool than South Africa with a given amount of resources
5. consumes more wool than South Africa on average

3.5 The foreign exchange rate is the rate at which _____.

1. one country's goods trade for those of another country
2. the currency of one country trades for the goods of another country
3. currencies of different countries are exchanged
4. one country's currency trades for silver provided by another country
5. the services of one country trade for the currency of another country

The figure below shows the demand and supply curves for dollars (in terms of the South African rand) in the foreign exchange market. Use this information to answer the question below.



3.6 In this case, an increase in American tourists to South African game reserves would cause the _____.

1. supply curve to shift to the right
2. demand curve to shift to the left
3. supply curve and demand curve to remain unchanged
4. demand curve to shift to the right
5. supply curve to shift to the left

3.7 Inflation is _____.

1. an increase in certain important prices in the economy
2. a once-off increase in prices in general
3. a rapid increase in the quantity of money
4. a sustained increase in prices in general
5. too much money chasing too few goods

3.8 The producer price index (PPI) _____.

1. measures the cost of a representative basket of goods and services to the consumers
2. includes the cost of manufactured goods to the consumers
3. includes the cost of capital and intermediate goods
4. excludes the price of imported goods

3.9 During an economic downturn, sales fall and some workers lose their jobs. This unemployment is referred to as _____.

1. seasonal unemployment
2. frictional unemployment
3. cyclical unemployment
4. structural unemployment
5. technological unemployment

3.10 Which one of the following is **not** an element of the business cycle?

1. peak
2. trough
3. upswing
4. downswing
5. long-term trend

SECOND SEMESTER ASSIGNMENTS

ASSIGNMENT 01	
DUE DATE	13 August 2018
UNIQUE NUMBER	786927
LEARNING UNITS	1 to 3 in STUDY GUIDE

1.1 Scarcity in economics can be defined as _____.

1. people having unlimited choices given limited resources
2. people having all the goods and services they want with unlimited resources
3. people not having any choices in the unlimited resources they have
4. people having both unlimited choices and resources

1.2 Economics may be defined as _____.

1. analytical testing of value judgements
2. the study of how unlimited resources can satisfy unlimited wants
3. the science concerned with behavioural changes of people
4. social science that studies how to allocate scarce resources given unlimited needs

1.3 What is the difference between needs and wants?

1. Needs are unlimited desires of people.
2. Wants are necessities needed for survival.
3. Needs and wants mean the same thing in the study of economics.
4. Needs are necessities while wants are unlimited desires people have.

1.4 Which one of the following statements is **false**?

1. An item of clothing is a durable consumer good.
2. A vacuum cleaner is a durable consumer good.
3. Petrol is not a durable consumer good.
4. A pair of shoes is a semi-durable consumer good.

1.5 Which one of the following statements is **false**?

1. Avocados that are consumed by a household are final goods.
2. Avocados that are used by a housewife to make avocado paste for her family are final goods.
3. Avocados that are used in a factory to make avocado paste are final goods.
4. Avocados that are used by a company to make the paste are intermediate goods.

- 1.6 If households have a greater desire to purchase fresh pasta, more resources will ultimately be allocated to the production of fresh pasta in a market economy because _____.
1. fresh pasta has a good nutritional content
 2. consumer groups will inform pasta manufacturers of the change in demand
 3. the price of fresh pasta will be driven up, thereby making fresh pasta production more profitable
 4. economic planners will respond to the change in demand by raising the output quotas of fresh pasta producers
- 1.7 Which one of the following is **not** a basic economic system?
1. monetary system
 2. market system
 3. mixed system
 4. command system
- 1.8 In a typical command economy _____.
1. the government uses prices as a principal means to direct resources
 2. money does not exist
 3. markets are used as main determinants of matching needs and wants
 4. the government does not allow private ownership of factors of production
- 1.9 Which one of the following statements is **correct**?
1. Modern economic systems are largely based on tradition.
 2. During the past few decades many countries have abandoned command as the major coordinating mechanism of their economic systems.
 3. A market can exist only if there is physical contact between prospective buyers and prospective sellers of a good or a service.
 4. Competition and negotiation is essentially the same thing.
- 1.10 All positive statements are _____.
1. macroeconomic in nature.
 2. microeconomic in nature
 3. the same as normative statements
 4. descriptive and can be tested

1.11 Which one of the following is NOT a major source of spending in the economy?

1. households
2. banks
3. firms
4. government

1.12 Which one of the following does NOT represent an injection into the flow of income and spending in the economy?

1. spending by local government
2. spending on imported goods and services
3. spending on exports
4. spending on capital goods

1.13 Which one of the following statements is **false**?

1. Total spending in the economy consists of consumption spending by households plus investment spending by firms plus government spending plus net spending by the foreign sector (i.e. exports minus imports).
2. From a macroeconomic point of view, total income in the economy is equal to the total value of production.
3. Total income in the economy consists of the total remuneration of the various factors of production.
4. Total spending in the economy is equal to the total value of injections minus the total value of withdrawals (leakages).

1.14 Which one of the following statements is **false**?

1. The flow of income and spending in the economy runs in the opposite direction to the flow of goods and services.
2. Firms are suppliers in the goods market.
3. Households are not suppliers in the factor market.
4. Households earn income by selling their factors of production in the goods market.

1.15 Which one of the following statements is **false**?

1. A truck used to transport goods is a capital good.
2. A bus used to transport people is a capital good.
3. A mathematics lecture is an example of a service.
4. A large loan to purchase equipment is a capital good.

1.16 Which of the following statements is **incorrect** in the context of a pure market economy?

1. The market mechanism acts to coordinate the plans of consumers and producers.
2. Firms face incentives to produce what consumers demand.
3. Price signals do not steer scarce economic resources into optimal use.
4. Goods and services are distributed in accordance with consumers' needs.

1.17 The basic questions of “what to produce” and “for whom” to produce are essentially interdependent because _____.

1. a particular level of output may be produced by many different combinations of inputs
2. different patterns of factor use generate different patterns of income distribution
3. income and wealth are concentrated in the hands of the economically powerful
4. markets cannot be relied upon to allocate resources efficiently

1.18 Which one of the following is a macroeconomic concept?

1. the price of petrol
2. the demand for potatoes
3. the consumer price index
4. the supply of pumpkins

1.19 The main difference between macroeconomics and microeconomics is that _____.

1. microeconomics analyses markets individually
2. macroeconomics treats goods market as if there were only goods, excluding services
3. both treat markets individually
4. services markets do not form part of the microeconomics

1.20 Which one of the following is **incorrect**?

Market capitalism is characterised by _____.

1. strong government intervention
2. individualism
3. private freedom
4. private property

ASSIGNMENT 02	
DUE DATE	27 August 2018
UNIQUE NUMBER	868464
LEARNING UNITS	4 to 5 in STUDY GUIDE

2.1 The law of demand states that *ceteris paribus* _____.

1. the higher the price of a good the lower the quantity demanded
2. the higher the price of a good the higher the quantity demanded
3. consumers tend to buy more expensive stuff because of their quality
4. there is a directly proportional relationship between a good and its price

2.2 Which one of the following statements is **false**?

1. Motor vehicles and petrol are complements.
2. Credit cards and cash are substitutes.
3. A pen and pencil are complements.
4. A house and furniture are substitutes.

2.3 Which one of the following may result in a decrease in the demand for breakfast smoothie?

1. a rise in consumers' incomes
2. a decrease in the price of frozen vegetables
3. a decrease in the price of freezers
4. an increase in the price of fresh vegetables

2.4 How can the impact of an increase in the price of diesel on the demand curve for diesel be illustrated?

1. The demand curve for diesel will shift to the left.
2. The demand curve for diesel will shift to the right.
3. The demand curve for diesel will remain unchanged.
4. The demand curve will become more elastic.

2.5 An increase in supply _____.

1. indicates that more is supplied at higher prices
2. indicates that more is supplied at lower prices
3. indicates that less is supplied at all prices
4. is illustrated by an upward shift of the supply curve

- 2.6 Which one of the following will result in a decline in the demand for oil (illustrated by a leftward shift of the demand curve)?
1. a rise in oil prices
 2. a decrease in oil prices
 3. a recession in the OPEC countries
 4. the discovery of new oil deposits in the DRC
- 2.7 Which one of the following statements is **correct**?
1. A rise in the price of a good will cause the supply curve of that good to shift to the right (i.e. the supply of the good will increase).
 2. A fall in the price of a good will result in a rightward shift of the demand curve, *ceteris paribus* (i.e. the demand for the product will increase).
 3. Demand is a synonym for wants. In other words, if a consumer demands a good it simply means that they want the good.
 4. A decrease in the prices of the factors of production used to produce a certain product will give rise to an increase in the supply of the product (illustrated by a rightward shift of the supply curve).
- 2.8 Which of the following will **not** cause a change in the demand for coffee (illustrated by a shift of the demand curve)?
1. a decrease in the price of milk, a complement
 2. an increase in the price of coffee
 3. an increase in the price of tea, a substitute
 4. an increase in the number of people drinking coffee
- 2.9 When an individual's income rises, *ceteris paribus*, their demand for half a loaf of bread, an inferior good _____.
1. rises
 2. falls
 3. remains unchanged
 4. becomes more positive
- 2.10 There has been an increase in the number of adverts highlighting the dangers of consuming artificial sweeteners (as opposed to sugar). Which of the following is likely to occur in the market for sugar as a result of this?
1. an increase in both price and equilibrium quantity traded
 2. a decrease in price and an increase in equilibrium quantity traded
 3. a decrease in both price and equilibrium quantity traded
 4. an increase in price and a fall in equilibrium quantity traded

- 2.11 Which one of the following will **not** cause an increase in the demand for cabbage?
1. a decrease in the price of cabbage
 2. an increase in the price of cauliflower, a substitute
 3. a decrease in the price of meatballs, a complement
 4. an increase in consumers' income
- 2.12 A decrease in the cost of flour used to bake bread, will most likely ____.
1. decrease the demand for bread
 2. increase the supply of bread
 3. decrease the equilibrium quantity of bread traded
 4. decrease the quantity of bread demanded
- 2.13 A rise in the price of butter, an input into the manufacture of shortbread biscuits, is likely to ____.
1. increase the demand for shortbread biscuits
 2. put downward pressure on the price of shortbread biscuits
 3. increase the quantity of shortbread biscuits demanded
 4. put upward pressure on the price of shortbread biscuits
- 2.14 If there is a relative rise in the price of broccoli, a substitute in agricultural production for beans, then ____.
1. the supply curve for broccoli will shift to the left
 2. the supply of beans will decrease
 3. the demand for broccoli will increase
 4. the supply curve for beans will shift to the right
- 2.15 If there is a technological breakthrough in the beer-manufacturing process then, *ceteris paribus*, ____.
1. the supply of beer will increase
 2. the supply of beer will decrease
 3. the demand for beer will increase
 4. the demand for beer will decrease

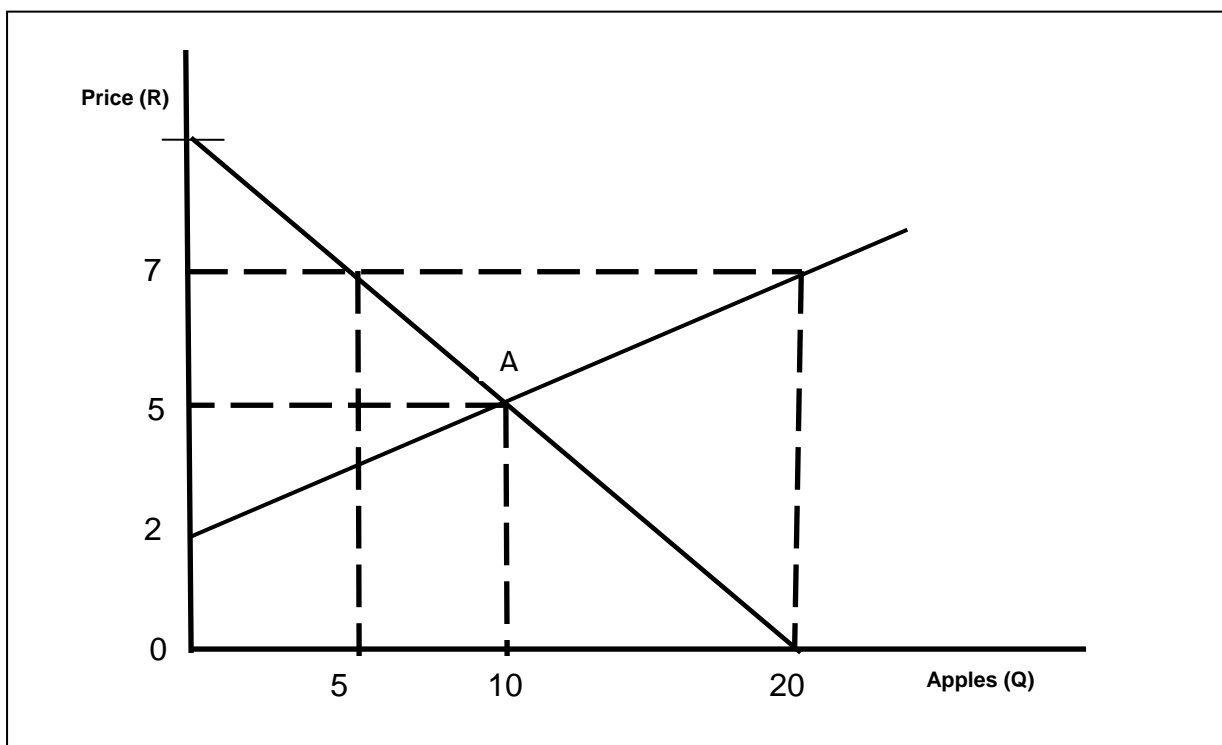
2.16 Which of the following will **not** increase the demand for bicycles in Polokwane?

1. a regulation banning motorised vehicles from the city centre
2. a substantial rise in the price of motorcycles and cars
3. a boycott of Polokwane by taxi operators
4. a fall in the price of bicycles

2.17 Which one of the following statements is **correct**?

1. We cannot analyse demand without using the *ceteris paribus* assumption.
2. *Ceteris paribus* means that all possible changes are taken into account.
3. With the *ceteris paribus* assumption, we can allow at least three changes to occur simultaneously.
4. With the *ceteris paribus* assumption, everything is changing at the same time.

Answer questions 2.18 to 2.20 based on the figure below



2.18 Given that point A is the equilibrium of price and quantity, if the price was R7, the market would _____.

1. have excess supply since R7 is above market clearing price
2. have excess demand since R7 is above equilibrium price
3. not be affected by change in equilibrium price
4. have bananas in high demand

2.19 At price level of R7 there is an excess supply or excess demand of _____.

1. 5 apples
2. 7 apples
3. 15 apples
4. 20 apples

2.20 If the price was R2 the market would experience _____.

1. excess supply
2. excess demand
3. no excesses despite price changes
4. none of the above

ASSIGNMENT 03	
DUE DATE	17 September 2018
UNIQUE NUMBER	697770
LEARNING UNITS	6 to 8 in STUDY GUIDE

- 3.1 A monetary system where exchange rates are freely determined in response to the demand and supply for foreign currencies may best be described as a _____.
1. fixed exchange rate system
 2. managed float
 3. floating exchange rate system
 4. pegged exchange rate
- 3.2 The exchange rate is \$1 = R13,50. If a car sells for \$16 000, then its cost in rand would be _____.
1. R80 000
 2. R16 000
 3. R12 800
 4. R216 000
- 3.3 South Africa has a comparative advantage over France in the production of maize if it _____.
1. produces maize with fewer material inputs than France
 2. can match France's output of maize and have resources left over
 3. can produce maize with the same resources as France but faster and better
 4. has an absolute advantage over France
- 3.4 If two countries have differing opportunity costs of production for two goods, then _____.
1. each country should specialise in the good for which it has a higher opportunity cost of production
 2. only the country with an absolute advantage in the production of both goods stands to gain from trade
 3. each country should purchase inputs from the other country to gain an absolute advantage
 4. each country should specialise in the production of the good for which it has a relative advantage

Table 1 shows the numbers of cars and bread that countries A and B can produce:

Country	Cars	Bread
A	50	150
B	25	100

3.5 According to table 1, which of the following is true?

1. Country A has absolute advantage in cars.
2. Country B has absolute advantage in cars.
3. Country A has comparative advantage in bread.
4. There is neither comparative nor absolute advantage in the production of cars or bread in both countries.

3.6 The effect on net exports if a country's currency depreciated, would be that _____.

1. net exports would increase
2. net exports would decrease
3. net exports would remain the same
4. only imports would be affected

3.7 If a nation does not have absolute advantage in production, it would _____.

1. do without trade
2. specialise in those goods where it has comparative advantage
3. not have any comparative advantage either
4. engage in beneficiation

3.8 The foreign exchange rate is the rate at which _____.

1. one country's goods trade for those of another country
2. the currency of one country trades for the goods of another country
3. currencies of different countries are exchanged
4. one country's currency trades for silver provided by another country

3.9 The value of the South African rand would rise against the Japanese Yen, if _____.

1. inflation in Japan was greater than in South Africa
2. the demand for Japanese merchandise increased
3. there was an influx of South Africans to Japan
4. the Japanese demand for biltong decreased

3.10 If inflation is 8% and the real interest rate is 2%, what would the nominal interest rate be?

1. 6%
2. 10%
3. 2%
4. 8%

8.6 Other assessment methods

There are currently no alternative assessment methods in this module other than formal written examinations. This also applies to students with only one or two modules outstanding for their qualifications (final year concession – FI-students). The reasons for this decision may include the following:

- the nature and content of the module, for example, using diagrams and performing calculations
- application of Unisa assessment criteria, for example:
 - Authentic – options such as portfolios and special (“take home”) assignments cannot be verified as being the student’s own, unaided work.
 - Manageable – in modules with very large student numbers, the Department does not have the capacity to conduct assessments using other options.
 - Valid – to use other assessment methods, students may have to be assessed in entirely different ways and at different levels than what they are used to in this module, for example, at a higher level of critical thinking. This would be unfair.

However, the core of the final year concession (FI) policy is to offer such students additional support to enhance their chances of success at a next assessment. If, after a formal examination, you are identified as an FI student, you will be informed of your status by the Directorate of Student Assessment Administration (DSAA) and may thereafter approach the module lecturers for additional support.

Other (non-FI) students repeating the module may still use the usual Unisa academic support services.

8.7 The examination

Use the *Study @ Unisa* brochure for general examination guidelines and examination preparation guidelines.

8.7.1 Examination period

This module is presented in a semester period of approximately 15 weeks. This means that if you are registered for the first semester, you will write the examination in May/June 2018 and, if needed, the supplementary examination in October/November 2018. If you are registered for the second semester you will write the examination in October/November 2018 and, if needed, the supplementary examination in May/June 2019.

Sometime during the semester, the Examination Division will provide you with information about the examination in general, examination venues, examination dates and examination times.

8.7.2 Examination paper

You will receive a multiple-choice examination paper plus a mark-reading sheet. This means that you must complete the entire paper on the mark-reading sheet. At the end of the examination, you must hand both the examination paper and the mark-reading sheet to the invigilator.

IMPORTANT: You need to complete and submit Assignment 01 and/or 02 on time to be allowed to write the examination.

The use of nonprogrammable calculators is permissible.

The two-hour examination paper will consist of 50 multiple-choice questions. You must answer all these questions on the mark-reading sheet provided. Please note that there is only ONE correct option (alternative) for each question. Each question will be worth two marks (which means that the total of the examination paper adds up to 100 marks). Note that we do not deduct marks for incorrect answers — each correct answer earns two marks.

8.7.3 Previous examination papers

Some previous examination papers are available to students on myUnisa under the Official Study Material option. You may be able to obtain previous examination papers from elsewhere. However, we advise you not to focus solely on previous papers because the content of the modules and, therefore, the examination papers change from year to year. To concentrate only on previous examination papers will not guarantee that you will pass. You must be able to answer questions on all the prescribed work and study outcomes. Work through the check list at the end of each learning unit in the STUDY GUIDE to ensure that you have mastered all the outcomes of the learning unit. Note that the check list may be used as one of the sources to formulate examination questions.

8.7.4 Tutorial letter containing information about the examination

You will receive examination guidance as part of Tutorial Letter 201 early in the semester to assist you in your preparation for the examination. It will explain the format of the examination paper, give you examples of questions that you may expect and set out clearly what material you have to study for examination purposes.

9 FREQUENTLY ASKED QUESTIONS

The *Study @ Unisa* brochure contains an A–Z guide of the most relevant study information.

We also refer you to the myUnisa website for FEC1501. Under the FAQs link we explain a number of general enquiries that the Department receives each semester.

10 CONCLUSION

We hope that you will enjoy this module and we wish you every success in your studies.

Kind regards

Herman Rudolph
Klaas Lelaka