

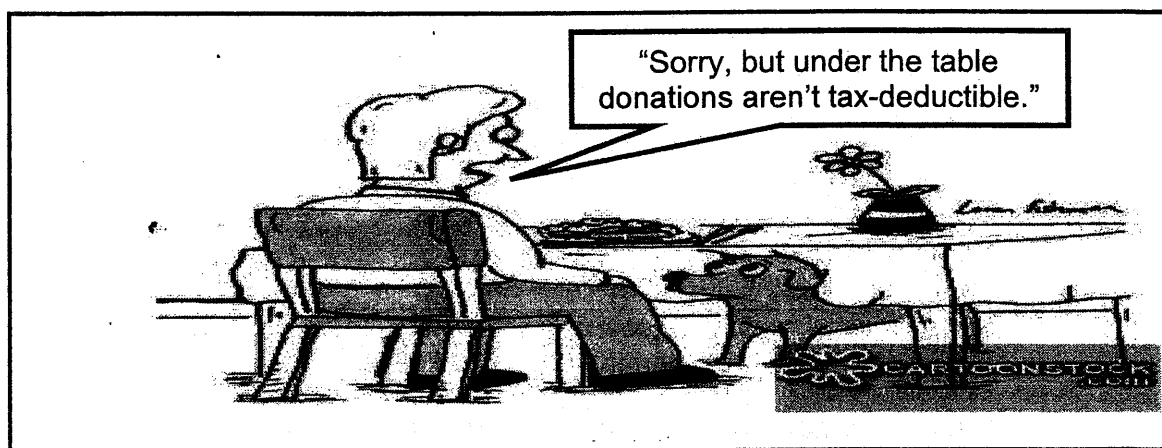
QUESTION 3: MICRO-ECONOMICS**40 MARKS – 30 MINUTES**

3.1 Answer the following questions.

3.1.1 Mention any TWO micro-economic issues that can be illustrated by the production possibility curve. (2 x 1) (2)

3.1.2 Describe the term *marginal utility*. (1 x 2) (2)

3.2 Study the cartoon below and answer the questions that follow.



[Source: www.cartoonstock.com]

3.2.1 What is the main source of income for the government? (1)

3.2.2 Mention ONE example of a product for which the government does not charge VAT. (1)

3.2.3 What is the effect of a tax on the price of goods and services? (2)

3.2.4 What is the objective of introducing 'sin tax'? (2)

3.2.5 Why do you think government levies a tax on imported goods? (4)

3.3 Study the graph below and answer the questions that follow.



- 3.3.1 Explain the term *indifference curve*. (2)
- 3.3.2 Why do indifference curves have a negative slope? (2)
- 3.3.3 Explain the *law of substitutes*. (2)
- 3.3.4 Why do consumers make choices between alternative products? (2)
- 3.3.5 What does a steep slope of an indifference curve indicate? (2)
- 3.4 Briefly discuss the composition of markets. (4 x 2) (8)
- 3.5 In your opinion, what does the production possibility curve reveal? (4 x 2) (8)

[40]

TOTAL SECTION B: 40