

THEORY PROGRAM  
**FORTNIGHTLY REVIEW [FNR]**  
 Suggested 'Answers'

FNR: 05

Issued on:

AL - 2023

Due on:

ATTEMPT. PRACTICE. LEARN. IMPROVE. ACHIEVE.

**Part [A]**

Question	Answer	Question	Answer
01	4	16	2
02	3	17	2
03	2	18	2
04	3	19	4
05	2	20	2
06	4		
07	2	(I)	True
08	4	(II)	False
09	1	(III)	False
10	1	(IV)	True
11	5	(V)	True
12	3	(VI)	False
13	4	(VII)	True
14	4	(VIII)	False
15	3	(IX)	True
		(X)	True

**Part [B]**

Assume the economy represented in the given PPC is presently producing 12 units of Good (B) and 0 units of Good (A).

- The opportunity cost of increasing production of Good (A) from 0 units to 1 unit is the loss of 2 unit(s) of Good (B).
- The opportunity cost of increasing production of Good (A) from 1 unit to 2 units is the loss of 4 unit(s) of Good (B).
- The opportunity cost of increasing production of Good (A) from 2 units to 3 units is the loss of 6 unit(s) of Good (B).

- (d) Underline the answer. This is an example of (constant/increasing/decreasing/zero) opportunity cost per unit for Good (A).

[02 marks each, total 08 marks]

**Question (02)**

Complete the following table using your knowledge of 'Economic Systems'.

Basis for Classifying Economic Systems [Reasons for Variety of Economic Systems]	Corresponding Types of Economic [Variety of Economic Systems]
[01] <b>Ownership of Resources</b> [Ownership, rights, entrepreneurship]	[1.1] <b>Capitalist</b> (liberal) Economic System
	[1.2] <b>Socialist</b> (Communist) Economic System
[02] <b>The Mechanism of Resource Allocation</b>	[2.1] <b>Market</b> Economic System
	[2.2] <b>Planned</b> (Command) Economic System
	[2.3] <b>Mixed</b> Economic System
	[2.4] <b>Traditional</b> Economic System
[03] <b>The Incentive Structure /System</b>	[3.1] Market Economy [Material Incentives]
	[3.2] Command Economy [Coercive Incentives]

[01 mark each, total 08 marks]

**Question (03)**

Match the key terms given below with the most suitable statement

A - Statements	B – Key Terms
Social science that studies scarcity and choice.	Economics
The study of individual economic behaviour.	Microeconomics
Finiteness of resources relative to unlimited wants.	Scarcity
The study of the economy as a whole.	Macroeconomics
Reaching the maximum possible output with resources fully utilized.	Economic Efficiency
Combinations of goods and services that can be produced.	Production Possibilities

[02 marks each, total 12 marks]

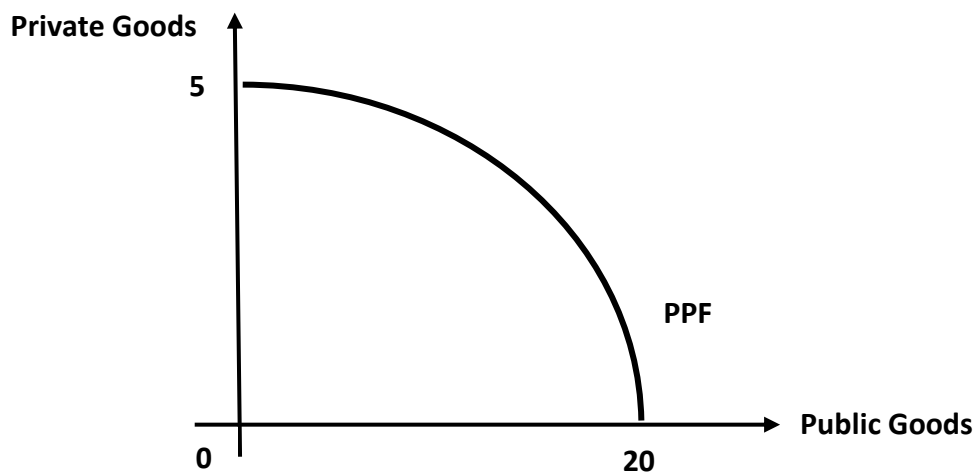
**Question (04)**

(I) The following table contains some data pertaining to a PPM, complete the table and answer the relating questions

Private Goods (Units)	Public Goods (Units)	Opportunity Cost of Private Goods	Opportunity Cost of Public Goods
00	20		
01	18	- 2	- 0.5
02	15	- 3	- 0.33
03	11	- 4	- 0.25
04	06	- 5	- 0.20
05	00	- 6	- 0.16
		[02 marks]	[02 marks]

(II) **Construct** the PPC pertaining to the above table, represent Private goods in the vertical axis and Public goods in the horizontal axis

[04 marks]



[04 marks] If axis are indicated correctly, point of origins is indicated, for a concave PPC

(III) **State** three (3) reasons for the nature of marginal opportunity cost behavior along the above PPC

[03 marks]

- The **Heterogeneous** nature of **production factors** used within both industries [Immobile and job specific resources]
- The **differences** in **production methodology** and **techniques** used in each industry
- The **productivity** of production factors used in each industry is inconsistent or different [varying resource combination rate]

[01 mark each, total 03 marks]

**Question (05)**

Complete the following table, differentiating between a 'Command' and 'Market' economic systems, based on the following attributes

Attribute	Command	Market
Manner of decision making [e.g. centralization or ...]	Centralised decision making	Decentralised decision making
Mechanism of decision making	Central Planning	Price Mechanisim
Ownership of property resources	State ownership	Private ownership
Nature of enterprise	State enterprise	Private enterprise
Nature of competition [e.g. monopoly or ..]	State monopoly	Free & Competitve enterprises (markets)
Level of government Involvement	State domination (High involvement)	Laissez-faire government (limited invovement)
Nature of Incentives	Coersive (Common Welfare based)	Material (Self-interest, profit based)
<b>[Total 07 marks]</b>	<b>[½ mark each, 3 ½ marks]</b>	<b>[½ mark each, 3 ½ marks]</b>

**Question (06)**

State the functions of the Government within a market economy.

**(1) Allocative function**

[Correcting: lack of public goods, overproduction of demerit goods, under production of merit goods]

**(2) Stabilization function**

[internal stability: low and stable inflation, low unemployment, GDP stability; external stability: BOP stability, FOREX rate stability]

**(3) Redistribution function**

[Fair distribution of income, i.e., with minimum disparities income and wealth distribution]

**(4) Regulatory function**

[Defining and protecting property rights promoting competition, environmental protection]

**[01 mark each, total 04 marks]**

**Note:**

**An alternative answer/ alternative format including or capturing the above key points is acceptable**