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|  | **School of Economics** |  |
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|  | **Learner Guide** |  |
|  | **Economics 1A & 1B**  **2023** |  |
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**TITLE : ECONOMICS 1A & B**

**(Degree programs)**

**NQF LEVEL : 5**

**NUMBER OF CREDITS : 16**

**STUDY FIELD : BUSINESS, COMMERCE AND MANAGEMENT STUDIES (03)**

**SUB-STUDY FIELD : FINANCE, ECONOMICS AND ACCOUNTING (04)**

**TYPE OF MODULE : FUNDAMENTAL**

**POLICIES AND PROCEDURES :**

**The University of Johannesburg’s guidelines and the College of Business & Economics regulations are applicable as received during registration**

**INTRODUCTION**

The purpose of this module is to introduce the learner to the study of economics. You are probably familiar with many economic concepts like demand, supply, prices, inflation, interest rates, balance of payments, as examples, but they have not yet been assimilated systematically and in a scientific manner in your thoughts. The presentation of these modules will in all instances use the familiar as a platform, arrange it in a scientific manner, and then progress to the unfamiliar.

Economics as a science can be divided into three related disciplines, namely the description, theory and politics of economics. The cohesion between these three disciplines can be illustrated by means of a familiar analogy from the field of medical study. A medical learner first has to study the human anatomy (the nature and location of organs) before he can study physiology (the functioning of the human body) and, finally, pharmacology (the application of medicines in a specific illness). The learner of economics has to follow a similar path by beginning with a study of the description of a country’s economic system, before the theory and politics of the economy can be studied.

**CONTACT INFORMATION OF LECTURERS**

**Lecturers:**

1. **Dr T. Zwane (Coordinator 1st year cluster)**

**Email address:** [**ttzwane@uj.ac.za**](mailto:ttzwane@uj.ac.za)**;**

Contact number(s):011 559 3126

Office number: D Ring 209

Consultation hours: To be announced

1. **Prof H. Eita (Director: School of Economics)**

**Email address:** [**jeita@uj.ac.za**](mailto:jeita@uj.ac.za)**;**

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Office number: D Ring 230

Consultation hours: To be announced

1. **Prof P. Baur**

Email address: [peterb@uj.ac.za](mailto:peterb@uj.ac.za);

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Consultation hours: To be announced

1. **Mr F. Kirsten**

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1. **Ms P. Nkosi**

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1. **Mr N. Phiri**

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1. **Mr T. Kekaye**

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1. **Ms B. Mkhize**

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Contact number: 011 559 2569

Office number: D Ring 206

Consultation hours: To be announce

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| --- | --- | --- |
| **DATE** | **TIME** | **VENUE** |
| TUESDAYS | 13H00-14H40 | A LES GO 2 |
| WEDNESDAYS | 08H00-09H40 | A LES GO 1 |
| THURSDAYS | 08H00-09H40 | C LES 402 |
| FRIDAYS | 10H30-12H10 | C LES 401 |

**CONTACT INFORMATION OF TUTORS**

INFORMATION REGARDING SENIOR AND STRATEGIC TUTORS

|  |  |  |
| --- | --- | --- |
| **Name and Surname** | **Email** | **Responsibility** |
| Lehlohonolo Xaba | lehlohonoloxaba@icloud.com | **Head Tutor** |
| Bereket Ataro | 216057383@student.uj.ac.za | **Head Tutor** |
| Nokulinda Ngwenya | [nokulindasibahlengwenya@gmail.com](mailto:nokulindasibahlengwenya@gmail.com) | Tutor |
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| Botshelo Moreosele | moreosele.botshelo@gmail.com | Tutor |
| Silindile Mthembu | [slindilemary@gmail.com](mailto:slindilemary@gmail.com) | Tutor |

**CRITICAL OUTCOMES OF THIS MODULE**

The aim of this module is to introduce the learner to the world of economics and secondly to highlight some of the major economic issues experienced in the South African economy. The module will prepare learners and give them the necessary foundation to understand the more complex framework of the other disciplines within the science of economics.

The module covers the following topics:

**Introductory Economics**

General Economics

* Economics: The study of scarcity and choice
* Coherence in the market economy
* Economic concepts
* Circular flow
* The role of Firms
* Role of government
* The role of money and interest rates
* The role of the foreign sector
* An introduction to environmental economics

Economic Issues

* Measuring price stability
* Measuring economic growth
* Measuring unemployment and employment in South Africa
* Poverty and income distribution in South Africa

**Microeconomics**

Market demand conditions

* Linear demand function
* Consumer sensitivity analysis
* Rational consumer behavior

Cost and supply/capacity conditions

* Supply and market-clearing
* Production & input efficiencies (short- & long run)
* Cost efficiencies in the short- and long run

Competitive environment of the firm

* Concepts of economic cost and economic profit
* The highly competitive business environment
* Monopolies
* Monopolistic competition
* Oligopolies
* Competition legislation
* Selective pricing practices

**Macroeconomics**

Business cycles

* Fundamentals of business cycles
* Phases of the business cycles
* Policy responses to the business cycle
* Indicators of the business cycle
* Business cycle and firm strategy

Money, interest rates and financial markets

* Money and credit
* Central bank control of financial system
* Managing interest rate movements

International trade & Finance

* Comparative advantage & revealed comparative advantage
* Trade restrictions
* Institutions that promote international trade
* International investment
* Recording of international transactions
* Foreign exchange

Role of the government

* Rationale for role of the government
* Government expenditure
* Taxation
* The national budget

Total expenditure model

* Consumption and savings by households
* Capital formation
* Two-sector model of income determination
* The government sector
* Three-sector model of income determination
* Four-sector model of income determination

Targets, instruments and goals of macroeconomic policy

* Policy interaction
* Monetary and real sector interaction: crowding-out
* Keynesian full model: domestic economy, balance of payments and exchange rates
* Balance of payments adjustment process in the Keynesian model: law of unintended consequences
* Aggregate market analysis: AD-AS analysis
* Macroeconomic adjustment process using the AD-AS model

## SPECIFIC OUTCOMES

In terms of the South African Qualifications Authority (SAQA) requirements, this module has the following specific outcomes against which you will be assessed as shown.

|  |  |  |
| --- | --- | --- |
| **Specific Outcomes** | **Assessment criteria** | **Range statements** |
| At the end of this module the learner must be able to critically explain and apply all related concepts associated with general economics within a national and global context. |  |  |
| At the end of this module the learner must be able to define and explain economics as a social science. | Define and explain economics as a social science taking into account the goal and method of economic analysis. | Define and explain economics as a social science taking into account the goal and method of economic analysis by way of a class discussion. |
| At the end of this module the learner must be able to critically discuss the economic problem of scarcity and reflect on scarcity in a South African context. | Critically discuss the economic problem of scarcity by identifying unlimited needs and limited resources; hence reflect on a solution for the scarcity problem keeping in mind the constraints in the economy through opportunity cost within a South African and global context. | Critically discuss the economic problem of scarcity by identifying unlimited needs and limited resources; hence reflect on a solution for the scarcity problem keeping in mind the constraints in the economy through opportunity cost within a South African and global context by way of self-assessment. |
| At the end of this module the learner must be able to identify and describe different economic systems and reflect on the price and income mechanisms. | Identify and describe the different economic systems namely tradition, centrally planned economy, capitalism and mixed economy. Reflect on the shortcoming of the mixed economy taking into account the subject preference theory and the production cost theory. | Identify and describe the different economic systems namely tradition, centrally planned economy, capitalism and mixed economy. Reflect on the shortcoming of the mixed economy taking into account the subject preference theory and the production cost theory by way of an assignment. |
| At the end of this module the learner must be able to analyse the functioning and problems of a market economy and reflect on the price and income mechanisms. | Analyse the functioning and problems of a market economy with the constraints of demand and supply analysis as well as the macro-economic coherence of the market.  Critically analyse the market and reflect on the price and income mechanisms. | Analyse the functioning and problems of a market economy with the constraints of demand and supply analysis as well as the macro-economic coherence of the market by way of a case study.  Critically analyse the market and reflect on the price and income mechanisms by way of a class discussion. |
| At the end of this module the learner must be able to discuss and explain the role of the government in the economy and reflect on the role of fiscal policy in the South African economy. | Discuss and explain the role of the Government in the economy by emphasising the functions of the government (allocation, distribution and stabilisation).  Reflect on the role of fiscal policy in the South African economy taking into account Government expenditure, taxation, the South African budget and public debt. | Discuss and explain the role of the Government in the economy by emphasising the functions of the government (allocation, distribution and stabilisation) by way of self-assessment.  Reflect on the role of fiscal policy in the South African economy taking into account Government expenditure, taxation, the South African budget and public debt by way of a class discussion. |
| At the end of this module the learner must be able to discuss and explain the role of the foreign sector in the economy | Discuss and explain the role of the foreign sector in the economy through a theoretical explanation for foreign trade taking into account absolute advantage, relative advantage as well as opportunity cost. Provide arguments for and against free international trade. Describe and discuss the balance of payments within a South African perspective. | Discuss and explain the role of the foreign sector in the economy through a theoretical explanation for foreign trade taking into account absolute advantage, relative advantage as well as opportunity cost by way of an assignment. Provide arguments for and against free trade by way of a class discussion. Describe the balance of payments within a South African perspective by way of a case-study. |
| At the end of this module the learner must be able to discuss and explain the role of money and interest rates in the economy. | Discuss and explain the role of money and interest rates in the economy taking into account the creation of money, reasons for holding money, technical definitions of money, the money market, the determination of interest rates, concept of arbitrage, monetary policy & instruments to control the money supply | Discuss the role of capital and interest rates in a self-sufficient economy;  Discuss the money creation process comprehensively and illustrate by means of a numerical example;  Explain the existence of fiat money and money as wealth;  Analyse the relationship between interest rates and fiat money and illustrate this particular relationship graphically;  Explain monetary policy and control of money in South Africa and illustrate by means of scenario case studies |
| At the end of this module the learner must be able to discuss, explain, graphically illustrate and perform calculus on the total expenditure model. | Fully derive and explain the total expenditure model and clearly illustrate what impact a change in any of the aggregate components (C, I, G, X, Z) might have on GDP. | Fully explain i) the consumption and saving functions of households and illustrated by means of graphs and calculus ii) capital formation and illustrate by means of graphs and calculus;  Comprehensively derive, discuss and illustrate by means of graphs and calculus a simple model of income determination;  Fully explain and illustrate by means of graphs and calculus i) the role of the government sector and ii) the role of the foreign sector in the total expenditure model. |
| At the end of this module the learner must be able to discuss , explain, illustrate and evaluation all issues that pertain to targets, instruments & goals of macroeconomic policy. | Fully explain, derive and evaluate the application of the Keynesian adjustment model. | Fully discuss, illustrate and evaluate, i) Fiscal spending crowding-out, ii) financial crowding-out, iii) application of the BP-curve, iv) expansionary monetary & fiscal policy, v) impact of improving foreign conditions. |
| At the end of this module the learner must be able to discuss, explain and graphically illustrate the AD-AS model | Fully derive and explain the AD-AS model and clearly illustrate the impacts that changes in aggregate demand and aggregate supply might have on inflation and economic growth. | Discuss the determinates of aggregate demand and aggregate supply;  Comprehensively discuss and illustrate by means of a graph the determination of macroeconomic equilibrium in the AD-AS model;  Discuss and illustrate graphically the manner in which changes in fiscal and monetary policy will impact macroeconomic equilibrium in the AD-AS model. |
| At the end of this module the learner must be able to discuss, explain and graphically illustrate market demand conditions, cost and supply/capacity conditions and the different competitive environments for businesses in a market economy. | Derive, discuss and illustrate graphically consumer sensitivities, the importance of production, input & cost efficiencies, the highly competitive and less competitive (monopoly, oligopoly, monopolistic competitive) market structures. | Discuss and graphically illustrate market prices and the relationship with a firm’s demand curve;  Interpret all the consumer sensitivity measurements;  Explain, illustrate and apply the production & cost efficiency measurements;  List the characteristics of perfect competition;  Discuss and calculate the concepts of economic costs, normal profit, economic profit and economic losses;  Define a monopoly market correctly and discuss restriction to entry, the setting of price and the efficiency of monopoly formation;  Discuss and illustrate by means of fully-annotated graphs both the nature & characteristics and the setting of price in monopolistic competition and oligopoly formations; |
| At the end of the module the learner must be able to discuss the concept of sectoral economics in South Africa. | Discuss the sectoral composition of the South African economy.  Apply the income- and employment multipliers in impact studies. | Discuss the economic importance of the different sectors in the South African economy.  Economic impact case study application of the sectoral income- and employment multipliers. |

**INSTITUTIONAL AND DEPARTMENTAL POLICIES**

1. **School of Economics and Econometrics: Undergraduate policy**

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|  |  | **Conduct during assessment opportunities** |
|  |  | * Before commencing with an assessment, students should place their student cards on the writing surface next to them. * No bags or cases are allowed in the venues during assessments. Students should please make use of the full-time storage facility (under B-Les 101) for all their personal belongings. * No paper may be placed on unoccupied chairs during assessments. * No food or drink is allowed in assessment venues. * Cell phones are allowed in assessment venues. Cell phones must be **switched off** and placed on the ground. The use of a cell phone during an assessment is not permissible and its use during an assessment (for whatever reason) will result in disciplinary action. * Only silent, non-programmable calculators may be used during assessments. Forgetting a calculator at home or the malfunctioning of one during an assessment will not be regarded as a reason for a special assessment. * No pencil may be used in assessments. * Blank or unused sections on answers sheets must be crossed out. * If pencil was used or unused sections not crossed out, the student’s script will not be considered for a remark. * All answer sheets taken must be handed in whether they have been used or not.   **Results**   * Adjustments to assessment opportunity results (remarks) take place according to the arrangement made by each subject lecturer. Should a student not adhere to the arrangement, the student is not entitled to a remark or adjustment. * Students are responsible to verify their marks as published on the notice boards after each assessment. Any error should be reported immediately to the relevant lecturer. * It is the student’s responsibility to ensure that the last published module mark is the correct one as **NO** changes to module marks will be allowed once he/she has written the last assessment opportunity. Insight to last assessment opportunity scripts will take place for a period of three days commencing on a date arranged by the relevant lecturer. * With regards to insight in last assessment opportunity scripts, the following rules are applicable:   a) Students that achieved a final mark of 45% to 49% may view their assessment script along with the memorandum,  b) All other students may only view their assessment script, without the memorandum.   * All last assessment opportunity scripts are viewed under the supervision of the lecturer.   **Special assessment opportunities (sick tests)**   * An application request for a replacement assessment opportunity must be personally handed in at D-Ring 2 during office hours only within **7 calendar days** starting on the day the assessment was written. Please note that this office will close at 13:00 on Fridays. Students must sign the assessment register. * In the case of a medical certificate, both the medical certificate **and** the application form must be signed by the doctor on the date of the assessment or the doctor should indicate that the student was unable to write the assessment on such a date. * Students who have already started with an assessment opportunity or signed the attendance register, may not write the special assessment opportunity. * The special assessment opportunity will cover the same work as the assessment that was missed for the same duration of time. * Poor performance in an assessment or a busy schedule is not a valid reason for a special assessment opportunity. * Students will only be permitted to write both special assessment opportunities where extreme and valid reasons for missing both assessment opportunities exist (such as being hospitalized for a long period of time).  The application to write both special assessment opportunities must be done personally with the lecturer responsible for the subject. * A student who missed both assessment opportunities during a 14-week module (see above point) will write both special assessment opportunities on the same day with a 30 minute break between the two papers. * **NO additional special assessment opportunities will be granted for missed special assessment opportunities**.   **Last special assessment opportunity (sick exam)**   * The School of Economics is not involved in the granting of the last special assessment opportunity. * Students must apply within 7 calendar days from the date of the missed last assessment opportunity for the last special assessment opportunity at the College of Business & Economics (A Ring 2). The module mark will be taken into account for purposes of calculating the final mark.   **Supplementary assessment opportunities (supplementary exams)**   * The module mark will be taken into account for purposes of calculating the final mark. The final mark will be capped at 50%. This implies that a supplementary assessment cannot pull through a retained credit. * Supplementary assessments are granted under the following conditions (it is a student’s **own responsibility** to ascertain whether he/she qualifies for a last special assessment or supplementary assessment):   a) Student failed a module but obtained a final mark of at least 40%; or  b) Student failed a module but obtained a module mark of at least 60%; or  c) Student requires not more than two semester modules (or one year module) for the completion of the degree concerned, provided that a student:  - registered for the module concerned in the current academic year, and  - was admitted to, and participated in, the last assessment opportunity (final exam) in the module concerned and had not been granted a supplementary assessment opportunity for the specific subject previously.  **Unethical conduct**   * The Department will not hesitate to take action against students guilty of any form of unethical conduct.   **Assessment policy**   * The School conducts all assessments in accordance with the latest assessment policy of the College of Business and Economics. |
|  |  | * In order to pass a module, a minimum of 40% must be obtained for the last assessment opportunity. |

1. **Student code of ethics**

**Introduction**

The Code of Student Conduct (“The Code”) is a statement of minimal principles that apply to all students registered for modules at the University of Johannesburg (“UJ”). This Code is to be read in conjunction with the UJ Student Regulations that governs the conduct of all students registered at UJ. Compliance with the principles set out in this Code will ensure ethical conduct. The Code of Student Conduct aims to create an environment in which it is possible for the individual student to achieve the best possible results.

**The fundamental principles**

A student of the School is required to comply with the following fundamental principles:

***Integrity***

The quality of having a sense of honesty, truthfulness and consistency in regard to the motivations for your behaviour towards fellow students, lecturers and other staff members of the School.

***Respect***

Students must respect the diversity and differences of opinions of their fellow students, lectures and other staff members of the School. This entails:

* Respect for the learning of other students; and
* Respect for their lecturers

***Discipline***

Students shall adhere to acceptable behaviour that is not contrary to the principles set out in the Code and the behaviours’ set out in the UJ Student Regulations.

***Responsibility and Accountability***

Students recognise that they are responsible for their learning and take ownership of the learning process. Students are accountable to themselves and their lecturers for the outcome of their learning process.

***Fairness***

Students acknowledge and respect the rights of other students, the lecturers and other staff members of the School.

1. **School of Economics: Student communication & grievances process**

Communication with students are through uLink and it is the student’s responsibility to access their uLink account regularly.

Should any student have a grievance with regards to their lecturer, administration of a module or any other subject related grievance, the following procedure must be followed:

* The individual student should raise his/her grievance directly with the relevant lecturer.
* If a student does not feel comfortable to raise his/her grievance directly with the relevant lecturer, he/she may ask the elected class representative to raise the grievance on their behalf with the relevant lecturer.
* If the lecturer and student/class representative cannot solve the particular grievance, the issue will then be referred to the Coordinator 1st year cluster of the School of Economics.

Grievances which are not dealt with in the above manner will not be addressed by the School of Economics.

**TEACHING AND LEARNING PROCESS**

* **LEARNING FLOWCHART**

**Learning resources available for each topic:**

Pre-reading Lecture Slides

Learning guide Text book Workbook & Question bank

Objective test Consultation Assignment

Tutorial class Self-study Module

**2. Lecture**

**Purpose:** the principles of each topic are explained in a formal and structured manner by your lecturers.

**1. Pre-reading**

**Purpose:** to empower you with the prior knowledge that should be in place before you attend class.

**3. Self-study**

**Purpose:** you now need to make the work your own, and spend time in order to understand all principles. During self-study use slides, complete learning guide, textbook, and worksheets.

**7. Assignment**

**Purpose:** an opportunity to demonstrate practically with a question on test/exam standard your knowledge of the topic.

**4. Tutorial**

**Purpose:** an opportunity to work on problems experienced in a topic in a smaller peer group under supervision of a top academic senior student (tutor).

**5. Consultation with lecturers and peers**

**Purpose:** discuss your understanding of the topic with peers, and also with lecturers to resolve uncertainties.

**6. Objective test**

**Purpose:** brief test based on basic principles to enable you to self-evaluate your basic understanding of the topic.

* **TYPE OF LEARNING**

Learning will be primarily conducted within a lecture situation by using the prescribed and additional literature. As indicated in this study guide, the formal work program is divided into two study units. A set of objectives has been carefully defined for the student at the commencement of each study unit. The student must ensure that he/she acquaint himself/herself with those objectives.

A lecturing program is also provided in this learning guide to enable students to read relevant sections of the prescribed module material before coming to class. A student that acquaints him/herself with the relevant section and concepts before coming to class will definitely relate better to the lesson. During the lesson the student will be better equipped to ask questions, make comments and seek clarification on aspects that he/she found difficult during his/her reading.

As a follow-up to the lesson, the student should compile well-structured notes to use when preparing for tests and the examination. A student should compile his/her **own** notes and not ask fellow students or the lecturer for their notes. This study guide provides a set of guidelines and references to relevant aspects for each study unit, which may be used as a guide when reading and compiling notes. Repeat this proposed method of study until you know the study unit, and then proceed to the next.

* **INTEGRATED ASSESSMENT**

Learners are assessed through written modular tests, work charts and also need to complete one electronic assignment. As a student you should know exactly what is expected when certain verbs are used in questions. The required response to each verb can be classified according to its level of difficulty, but often differ only in degree. A table of action verbs, requiring a response varying from least difficult to most difficult, is provided.

|  |  |
| --- | --- |
| **Competency** | **Action verb** |
| 1. Knowledge | Name, list, identify, state. |
| 2. Insight/ Comprehension | Explain, discuss, interpret, classify, indicate, describe, specify. |
| 3. Application | Determine, demonstrate, illustrate, calculate, and draw. |
| 4. Analysis | Differentiate, distinguish, analyse, compare, contrast |
| 5. Synthesis | Construct, formulate, recommend, integrate, agree/disagree, develop, criticize |
| 6. Evaluation | Indicate choice and motivate, debate, assess, contest. |

The required response to each verb would be:

• **Name**

To name means that the required information should be provided in the form of single words or short sentences, preferably numbered.

• **Define**

This requires giving the precise meaning of a concept; very often definitions have to be memorized verbatim (word for word).

• **Explain**

An explanation requires that a certain outcome be made clear, in economics often with the use of a diagram. Clarify or give reasons for something, usually in your own words.

• **Describe**

To describe is to say exactly what something is like; to give an account of the characteristics or nature of something; to explain how something works. No opinion or argument is normally needed.

• **Discuss**

To discuss is to comment on something in your own words. This often requires debating two viewpoints or two separate possibilities.

• **Compare/Contrast**

In this case point out the similarities and differences between objects, ideas or points of view. When you compare two or more objects you should do so systematically - completing one aspect at a time.

• **Distinguish**

To distinguish is to point out the differences between objects, different ideas or points of view. This usually requires you to use your own words.

• **Demonstrate**

To demonstrate means to include and discuss examples. You have to prove that you understand how a process works or how a concept is applied by giving examples of real-life situations.

• **Analyse**

Analysing means to identify parts or elements of a concept and describing them one by one.

• **Criticise**

This means that you should indicate whether you agree or disagree with a particular statement or view. You should then describe what you agree/disagree with and give reasons for your view.

# RESOURCES AVAILABLE TO YOU

In the past, economics has gained an unjust reputation as a difficult subject. We do not agree. Economics deals with issues that every human being deals with on a daily basis so every living person is already an economist. This subject will make you aware of all the strategy individuals (like yourself), businesses and government use in order to make the most out of life. To make the most out of life, one needs to be aware of the resources available and use them to their full potential. The same applies to your study of economics.

To ensure that you have all the support you need to pass this module, we have made the following four resources available to you. I am confident that if you were to follow our suggestions for studying this module and use all four resources to their full potential, you will do very well in this module.

## Textbook

The textbook (e-book format or hard-copy format) is the central resource of a module in economics. It contains the basic content, and all other resources will support this content. The textbook provides the boundaries of the module – it tells you what the objectives of each chapter are and contains the knowledge that you are expected to study in preparation for assessments, assignments and the final assessment. However, I know that for a person who is unfamiliar with economics, a textbook may look intimidating. I have therefore made three more resources available to you to support your studies.

## Lectures and Tutorial Classes

bs02064_Lectures are there to make the content more interesting and understandable. During the lecture, the lecturer will provide an interactive overview of each chapter using various media, show you what sections to emphasize in preparation for tests and the exam, offer further explanatory examples and explain difficult sections in more detail. Since you will only see your lecturer for 1½ hour per week in a class of 500 students, it will be impossible for him/her to cover every single word and paragraph in the textbook. You will therefore have to use the other resources to ensure that you are adequately prepared for the assessments.

Power-point slides for each chapter will be made available one week prior to the contact lecturing session on that particular chapter. The aim of these slides is to enable students to structure their own summaries in such a way that they are able to capture all the relevant concepts, calculus, explanations, derivations and applications of the applicable theory.

The tutorial classes will be conduct by senior students, guided by the lecturer to cover specific topics in an active learning environment. Active learning and group work is known to be more effective as a learning tool, and although still a foreign concept to you, will provided you with the opportunity to learn in a smaller group environment. The tutorial classes will NOT replace the formal lecture and no TEACHING will take place in the tutorial classes. Participation in the tutorial classes is the route to success. The attendance of one tutorial session per week is compulsory. Attendance registers will be completed at every tutorial session. For admission into the final assessment opportunity a minimum of 80% attendance throughout the semester is required. A medical certificate is required to substantiate any non-attendance. **Open book assessments** in the form of work charts will be conducted in the tutorial sessions and the marks obtained will form part of the semester mark.

## Learner Guide

pe01616_The learner guide is here to guide you in your studies. It will provide you with an overview of all the work. Reading through this overview is important preparation. The guide also point you to the basic knowledge units you need to master in each chapter and offers activities that you can follow to improve your understanding of each chapter.

## bs00508_Work book, periodical magazines and newspapers and the Practical class

Periodicals contain many articles on economic issues. These articles are useful to help you see how relevant the field of economics is to individuals and business. By reading these articles, you will become able to connect economic theory to reality, and in the process enhance your understanding of the subject and improve your ability to remember the theories that you study. It should also stimulate you to ask questions to your lecturer. FINANCE WEEK offers annual subscriptions to UJ learners at a substantial discount. We encourage all learners to make use of this opportunity by contacting their lecturer or the secretary of the economics department. The practical period on a Friday will prepare learners intellectually for the understanding of economic news/events/indicators, decision making in the business environment by acquiring skills in the acquisition, analysis, interpretation and application of knowledge relating to general economic principles.

This module is most certainly one of the more challenging in your academic program in the sense that it involves a sound understanding of calculus, algebra and geometry. The practical period will also be used to explain and practice under the guidance of the tutors and also to be trained in the skills needed for success with assessments. The attendance of the practical class is compulsory. Attendance registers will be completed at every session. Announced and unannounced class tests will be conducted during this period and the weekly exercises and worksheets will form part of the continuous assessment and will account towards your semester mark. This period will also be used for discussions, debates and guest speakers will be invited.

You are also encouraged to become a member of the **Economic Society of South Africa** (ESSA). Members of ESSA receive the South African Journal of Economics every quarter. In addition, the Society regularly arranges meetings and seminars for members. Membership forms and details can be downloaded from ESSA’s website: <http://www.essa.org.za>

# HOW TO STUDY FOR THIS MODULE

To do well in this module, you must use the resources available to you. At the very least, you should use the textbook, the lectures, tutor class, practical class and the learner guide. The assessment questions in the learner guide will give you an indication of whether you have mastered a chapter, or whether you need to make use of the other sources as well.

## Overview of the module

**Part 1 (Study unit 1)** of the textbook (chapters 1-3) covers **general economics**. After completing this part, you will have the basic knowledge building blocks on which all future modules will be built (all economic concepts price stability, economic growth, employment, balance of payments stability & income distribution). Once you have mastered this section, you should be able to understand most of the economics articles that appear in the daily press. **Part 2 (Study unit 2)** of the textbook (chapter 4) covers the **microeconomic issues** that pertains to the business environment of the economy. Specific attention is given to market demand conditions (demand functions, consumer sensitivity analysis, and rational consumer behavior), cost and supply conditions (production efficiencies both in the short- and long run, cost efficiencies both in the short- and long run), and competitive environment (highly competitive environment, monopolies, monopolistic competition, oligopolies, regulation and selective pricing practices). **Part 3 (Study unit 3)** of the textbook (chapters 5-10) covers **macroeconomic issues** of the economy. Specific attention is given to business cycles (fundamentals & firm strategy associated with business cycles), the role of the financial sector (money, credit, the role of the central bank, monetary policy instruments), international trade & finance (reasons for trade, international investment, recording of international transactions and exchange rates), the role of government (rationale for government intervention, government expenditure, taxation, government debt and the annual budget), the total expenditure model (household consumption, capital formation, government spending & taxation and the foreign sector) and lastly targets, instruments and goals of macroeconomic policy (policy interaction, full Keynesian model, balance of payments adjustment process, AD-AS analysis of macroeconomic adjustment).

## Use of this learner guide

Due to its simplicity, this learner guide cannot replace your economics textbook. It is more like a key to understanding and applying the knowledge you will find in your textbook. The outlines, overview and questions provided, offer a framework within which to prepare for each chapter. The Lost Island economy is there to demonstrate the application of the theories, but bear in mind that real world problems are significantly more complex than those on the island are.

Every section in this guide contains the following:

* Purpose, outline and overview of each chapter;
* Terminology worksheet;
* Framework for longer discussion questions;
* Tutorial guidance;
* “Desert Island Economy” application
* Questions or articles on economic issues will be announced during the lecture.

## What to do before the formal classes

As there will only be limited contact during a week, a disciplined approach to your studies must be adopted. Before your formal lecture, I suggest you do the following for the chapter/s that will be discussed by the lecturer.

* Consult the learner guide to determine what the purpose of the chapter is, and what objectives you should have achieved after completing the chapter;
* Read quickly through the overview in the learner guide. Don’t worry if you don’t understand everything yet, since you are only trying to get an overview;
* Read the introduction, the headings and summary of the chapter in the textbook. Scan through the diagrams and tables.

## What to do during a formal lecture

Attending a lecture is often perceived as a passive experience and the format is therefore changed to a discussion class. For you to get the best value out of a discussion class, you must be an active participant. This does not necessarily mean that you must ask direct questions (though that would be ideal); it also means that you must participate on a mental level. This can be achieved as follows:

* Stay alert during the discussion class and follow the lecturer’s presentation closely. If you know certain things (for example a big lunch) will make you sleepy, then avoid them before the discussion class;
* If you have a question or you do not understand something, ask the lecturer to explain it. If you do not want to do this, then at the very least make a note of the question or section you do not understand, and ask it afterwards or contact the lecturer per phone or per E-mail.
* The lecturer will provide a box in front of the class where “muddy points” can be placed and this will be revised before the start of the next formal lecture.
* Bring your electronic device to class every time, since it forms part of the teaching model.

## What to do after each lecture

Within a week after your lecturer discussed the particular chapters, I suggest you do the following for the completed chapters:

* Read the relevant chapter/s in your textbook. This step provides you with the detailed knowledge of the theory;
* Read the relevant part in this learner guide, complete the terminology worksheet and do the application exercises in the Desert Island Economy section;
* Complete the self-assessment exercises;
* Go through the longer discussion questions listed in the learner guide, and make a note of where to find the information to answer each question. If you have time, you could even make a summary answer of each question;
* Formulate any questions you may still have on the chapter as specifically as possible and consult with your lecturer and tutor;
* Once all your questions have been answered, make a quick summary of the chapter (using a method like mind mapping is quite fast).

If you were to do every single one of these post-lecture activities, it would probably take up three to four hours per week.

**ADMINISTRATIVE AND ORGANISATIONAL COMPONENT**

* **PRESCRIBED MODULE MATERIAL**

1. **E-book ─ New edition** of the Greyling, L, van Zyl, G and Wentzel, A. **Fundamental Economic Theory for Business** Textbook plus the **Workbook for Fundamental Economic Theory for Business**.

Use the following link to buy your e-book: <https://www.vanschaik.com/ebook/5eda30b45ad8a/>

1. **Economics 1 Learner guide**; 2023
2. **Finance Week**: Relevant articles from various issues will be used on an ongoing basis for class discussions.
3. **uLink worksheets**: Retrieve and print worksheets weekly from uLink and bring to tutor and practical class.
4. **Electronic device**:Information on a weekly topic will be communicated on uLink
5. **Detailed lecture slides/recorded videos**: Detailed lecture slides and recorded videos will be uploaded prior to the commencement of the lecture.

* **LECTURING PROGRAMME**

**1st Semester 2023**

**Economics 1A**

|  |  |  |
| --- | --- | --- |
| **WEEK** | **TOPIC** | **TEXT BOOK** |
| 13 – 17 Feb | Unit 1: Economics is the science of choice | Chapter 1 |
| 20 – 24 Feb | Unit 1: Basic concepts in Economics | Chapter 2 |
| 27 – 03 March | Unit 1: **Understanding changes in economy (1)**  **(Circular flow, measures of inflation, measuring economic growth, measuring unemployment, measuring balance of payments stability, measuring income distribution)** | Chapter 3 |
| 6 – 10 March | Unit 1: **Understanding changes in economy (2)**  **(Calculus on the concepts)** | Chapter 3 |
| **Wednesday 22/03** | **Assessment 1** | **Chapter 1 – 3** |
| 13 – 17 March | Unit 2: **Business environment** (1)  **Market demand conditions (Linear demand function, elasticities & Rational consumer behavior A)** | Chapter 4 |
| 27 – 31 March | Unit 2: **Business environment** (2) Market demand conditions (Rational consumer behavior B) & Cost and supply/capacity conditions (Linear supply function, market-clearing, simultaneous shifts of demand & supply curves, maximum & minimum prices, deadweight losses) | Chapter 4 |
| 10 – 14 April | Unit 2: **Business environment** (3) Cost and supply/capacity conditions (Input efficiencies in the short run) | Chapter 4 |
| **01 - 09 April** | **RECESS** |  |
| 10 – 14 April | Unit 2:**Business environment** (4) Cost and supply/capacity conditions (Input efficiencies in the long run: the isoquant technique) | Chapter 4 |
| 17 – 21 April | Unit 2:**Business environment** (5)  **Cost and supply/capacity conditions (returns to scale, cost efficiencies in the short & long-run)** | Chapter 4 |
| 24 – 28 April | Unit 2:**Business environment** (6)  **Competitive environment (concepts of economic and normal profits, the highly competitive business environment)** | Chapter 4 |
| **Tuesday 02 May** | **Assessment 2** | **Chapter 4** |
| 08 – 12 May | Unit 2:**Business environment** (7)  **Competitive environment (monopolies, monopolistic competition & oligopolies)** | Chapter 4 |
| 15 – 19 May | Revision of Chapter 1 – 4  **Sick test Assessment 1 and 2 on 08 May** | Chapter 1-4 |
|  | **Final assessment 5 June 2023** |  |

**2nd Semester 2023**

**Economics 1B**

|  |  |  |
| --- | --- | --- |
| 17 – 21 July | Unit 3: Managing the changing economic environment **(Fundamentals of business cycles, stylized effects of business cycles, policy responses to business cycles, indicators of business cycles, functional view of business cycles)** | Chapter 5 |
| 24 – 28 July | Unit 4: Money, interest rates & financial markets(Money, credit, central bank monetary policy, relationship between interest rates) | Chapter 6 |
| 31– 04 Aug | Unit 5: International trade and finance (1) **(Opportunity cost ratio’s, revealed comparative advantage, trade restrictions, institutions of international trade, international investment (FDI), recording international transactions)** | Chapter 7 |
| 07 – 11 Aug | Unit 5: International trade and finance (2)(Basics of exchange rates, trade, capital flows, arbitrage, determination of exchange rates, purchasing power parity, managing foreign risk) | Chapter 7 |
| 28 – 01 Sep | Unit 6: The role of government **(Rational for government intervention, fiscal policy, development planning, government spending, taxation, microeconomic effects of tax changes, privatization, deregulation, budget, financing of budget deficit, government debt)** | Chapter 8 |
| **Mon 21 Aug** | Assessment 1 | **Chapter 5-7** |
| 11 – 15 Sep | Unit 7: Total expenditure model (1) **(consumption expenditure by households, savings by households, capital formation, two-sector multiplier, two-sector equilibrium income, three-sector model, three-sector model multiplier, four sector model, equilibrium income for the four-sector model, income gap)** | Chapter 9 |
| **02 – 10 Sep** | RECESS |  |
| 18 – 22 Sep | Unit 7: Total expenditure model (2)(Calculus) | Chapter 9 |
| 25 – 29 Sep | Unit 8: Targets, instruments and goals of macroeconomic policy (1) **(Monetary & real sector interaction using the Keynesian transmission mechanism, monetary & real sector interaction illustrating the crowding-out effect, fiscal spending crowding-out, financial crowding-out)** | Chapter 10 |
| 02 – 06 Oct | Unit 8: Targets, instruments and goals of macroeconomic policy (2)(Balance of payments & exchange rate interaction using the Keynesian transmission mechanism, BP-curve, expansionary monetary policy, expansionary fiscal policy, foreign trade impact) | Chapter 10 |
| **Wed 13 Sep** | Assessment 2 | **Chapter 8-10** |
| 09 – 13 Oct | Unit 8: Targets, instruments and goals of macroeconomic policy (3)(Aggregate demand, aggregate supply, equilibrium in the AD-AS model, macroeconomic adjustment process, demand shocks, supply-side shocks) | Chapter 10 |
| Thursday 5 October | **Sick test Assessment 1 and 2 on 05 Oct** |  |
|  | Final assessment 06 November 2023 |  |

**TUTOR PROGRAMME**

**Semester 1**

**Economics 1A**

|  |  |
| --- | --- |
| **WEEK** | **TOPIC** |
| 21 – 25 Feb | Organizing of tutor classes |
| 28-04 March | Work-chart 1 [Chapter 1] |
| 07 - 11 Feb | Work-chart 2 [Chapter 2] |
| 14 - 18 March | Work-chart 3 [Chapter 3]  **(Calculus on inflation, GDP and unemployment)** |
| 22 – 25 March | Work-chart 4 [Chapter 4]  **(Market demand & elasticities)** |
| 28 – 01 April | Work-chart 4 [Chapter 4]  **(Indifference curve technique)** |
| 11 – 14 April | Work-chart 4 [Chapter 4] **(Supply, market-equilibrium, maximum and minimum prices)** |
| 19 – 22 Apr | Work-chart 4 [Chapter 4] **(Input efficiencies in the short run)** |
| 25 – 29 Apr | Work-chart 4 [Chapter 4] **(Isoquant technique)** |
| 03 – 06 May | Work-chart 4 [Chapter 4] **(Cost efficiencies in the short and long run)** |
| 09 – 13 May | Work-chart 4 [Chapter 4]  **(Highly competitive business environment, monopoly, monopolistic competition, oligopoly)** |
| 16 – 20 May | Structured exam revision |

**Semester 2**

**Economics 1B**

|  |  |
| --- | --- |
| **WEEK** | **TOPIC** |
| 25 – 27 July | Work-chart 5 [Chapter 5]  **(Business cycles)** |
| 08 – 12 Aug | Work-chart 6 [Chapter] **(Money, interest rates & financial markets)** |
| 15 – 19 Aug | Work-chart 7 [Chapter 7] **(International trade)** |
| 22 -26 Aug | Work-chart 7 [Chapter 7] **(Exchange rates)** |
| 29 – 02 Aug | Work-chart 8 [Chapter 8]  **(Role of government)** |
| 12 – 16 Sept | Work-chart 9 [Chapter 9] **(Total expenditure C + I)** |
| 19 – 23 Sep | Work-chart 9 [Chapter 9](Total expenditure C + I + G + X-Z) |
| 26 – 30 Sep | Work-chart 9 [Chapter 9](Total expenditure Income gaps and closing of gap) |
| 03 – 07 Oct | Work-chart 10 [Chapter 10] **(Keynesian transmission mechanism & crowding-out)** |
| 10 – 14 Oct | Work-chart 10 [Chapter 10] **(BP-curve & AS-AD analysis)** |
| 17 – 21Oct | Structured exam revision |

* **ASSESSMENTS**

The assessments are scheduled as follows:

**Economics 1A**

* **Assessment 1 :**

Date: 22 March 2023

Time: 6pm – 8pm

Venues: D1 Lab 208, D1 Lab 308, D1 Lab 401

* **Assessment 2 :**

Date: 2 May 2023

Time: 6pm – 8pm

Venues: D1 Lab 208, D1 Lab 308, D1 Lab 401

* **Sick Test 1 and 2 :**

Date: 08 May 2023

* **Final Examination**

Date: 05 June 2023

***NB: The dates of these tests are subject to change. Please check your ulink regularly for new updates/announcements.***

**Economics 1B**

* **Assessment 1 :**

Date: 21 August 2023

Time: 08:00 – 10:00am

Venues: A Les G01/G02, B Les 100/101, D Lab Base K03

* **Assessment 2 :**

Date: 13 September 2023

Time: 18:00 – 20:00pm

Venues: D1 Lab 208

* **Sick assessments 1 & 2 :**

Date: 05 October 2023

* **Final Examination**

Date: 06 November 2023

***NB: The dates of these tests are subject to change. Please check your ulink regularly for new updates/announcements*.**

* **Tutorials and Tutorial tests:**

Weekly and attendance are compulsory

* **Practical class and assessments:**

Weekly and attendance are compulsory

There is no provision for the rewriting of tests in the School of Economics. Permission to write a sick test will only be granted on submission of a medical certificate on the UJ’s official form (see attached in back of study guide), certifying that the relevant student has been unable to write a scheduled test. The onus is on the learner to write the various assessment opportunities on the date, at the time and in the venue specified in the study guide, on U-link or in class.

* **ACCESS TO FINAL SUMMATIVE ASSESSMENT**

A minimum module (semester) mark of 40% is required in order to obtain entry to the last summative assessment opportunity (examination) for a module. Thus, Students need **40%** for exam admission. Semester mark and examination mark contribute **50:50** towards final mark. Students with a final mark of **40% – 49%** will be awarded a supplementary examination. **Supplementary examination:** Semester mark and supplementary examination mark will be used to calculate final mark and a final mark of supplementary examination will be capped on 50. So, students writing a sick or special exam’s result will not be capped and might qualify for a supplementary examination.

Over and above this, **an 80% attendance requirement for scheduled contact sessions (formal lectures, tutor classes, and practical classes) is policy**. A student will be refused entrance into the exam due to poor class attendance irrespective the semester mark (CA code).

**Compilation of semester mark Economics 1A**

Semester test 1 will contribute ***40%,*** semester test 2 will contribute ***40%*** and smaller class or u-link assessments will contribute ***20%*** to the semester mark. **However, these weightings are subject to change.**

**Compilation of semester mark Economics 1B**

Semester test 1 will contribute ***40%,*** semester test 2 will contribute ***40%*** and smaller class or u-link assessments will contribute ***20%*** to the semester mark. **However, these weightings are subject to change.**

* **FINAL ASSESSMENTS:**

**Economics 1A**

Date: 5 June 2023

**Economics 1B**

Date: 06 November 2023

# UNIT 1

## Economics as the science of choice, basic concepts in Economics & understanding changes in the economy

#### Chapters 1 – 3 of the prescribed textbook & activities 1 – 45 in the Workbook

### 1. What we want to achieve with this unit

After you have read this chapter, you should be able to answer anyone who asks you what economics is all about and how you would measure changes in inflation, economic growth and employment.

### 2. How we have broken up the Units

|  |  |
| --- | --- |
| Learning Unit 1.1 | What is economics? |
| Learning Unit 1.2 | Scarcity and choice  What defines choice? |
| Learning Unit 1.3 | Trade-offs as a way to represent choice problems:  Opportunity costs  Production possibilities curve |
| Learning Unit 1.4 | Models of trade-offs |
| Learning Unit 1.5 | Basic economic concepts |
| Learning Unit 1.6 | Circular flow, measuring inflation, measuring economic growth, measuring unemployment, measuring balance of payments stability & measuring income distribution. |

### 3. Broad overview of the unit

**Sub-unit 1.1** explains what economics is. Once economics has been defined, you may realise that it deals with issues that are very important to humankind. To be credible and provide practical guidance, economics must deal with these issues in a scientific manner.

**Sub-unit 1.2** describes economics as a social science and explains the scientific tools that it uses to arrive at the truth. As with all sciences, economics has a specific focus.

**Sub-unit 1.3** explains the important questions that it tries to answer i.e. “How can we eliminate scarcity?” and “If we cannot eliminate scarcity, how can we make the most out of life by making the right choice?” Economists believe that we will address these questions satisfactorily if we can solve the three key problems of allocation, production and distribution. Once you have accepted the existence of scarcity, it will affect the way you think. As economists, we believe that anything you do in life entails sacrifice – we call it opportunity cost – and it is essential to our thinking.

In **Sub-unit 1.4**, the production possibilities curve is introduced to explain scarcity, choice and opportunity cost. It also illustrates some of the important economic laws that rule a world of scarcity.

In **sub-unit 1.5** concepts that deal with the scarcity problem (economic means, economic ends, the objectives of high and sustained economic growth, price stability, high employment, balance of payments stability and the equitable distribution of income) the approach to solve the scarcity problem (free markets, the role of government in a mixed economy) are explained the sub-unit also explains economic concepts such as the various economic objects and economic subjects.

**Sub-unit 1.6** entails the measurement of important economic aggregates. These aggregates are the circular flows in the economy, the measurement of inflation (CPI, calculus of the inflation rate, calculus of a real variable (at constant prices)), the measurement of economic growth (various calculus of GDP, national accounts, real GDP, GDP per capita, GNI at market prices, problems with measuring economic growth), the measurement of employment (unemployment rate, labor force participation rate, kinds of unemployment), measuring balance of payments stability (balance on the current account, balance on the financial account, change in gold and foreign reserves), measuring income distribution (Lorenz curve and the Gini coefficient).

**Cover the relevant activities in the workbook. In addition detailed work-charts will be covered in the tutor sessions. These work-charts cover both the theoretical aspects and the calculus associated with unit 1.**

# UNIT 2

## The business environment of the firm

#### Chapters 4 of the prescribed textbook & activities 46 – 95 of the Workbook

### 1. What we want to achieve with this unit

After you have read this unit, you should be able explain in detail all the various issues that pertains to the demand conditions, the input conditions, the cost conditions and the business environment that is confronting businesses in the economy.

|  |  |
| --- | --- |
| Learning Unit 2.1 | Linear demand function |
| Learning Unit 2.2 | Consumer sensitivity analyses |
| Learning Unit 2.3 | The rational consumer |
| Learning Unit 2.4 | Supply & market-clearing |
| Learning Unit 2.5 | Short-run production analysis |
| Learning Unit 2.6 | Long-run production analyses |
| Learning Unit 2.7 | Concepts of input productivity efficiencies |
| Learning Unit 2.8 | Short- and long run cost analyses |
| Learning Unit 2.9 | Competitive environment of the firm |

### 2. Broad overview of the unit

**Sub-unit 2.1** covers the derivation of the linear demand function, the derivation of the marginal revenue function, the impact of changes in independent variables on demand, substitute versus complementary products and the concept of consumer surplus.

**Sub-unit 2.2** deals with all the measurements of consumer sensitivity. Own-price sensitivity covers the difference between price elastic and price inelastic price levels, relative elastic versus relative inelastic demand functions, perfect elastic versus perfect inelastic demand functions and the relationship between own-price elasticity and total revenue. Income sensitivity is used to determine the inferior, luxury and necessity characteristics of products that a consumer might purchase. The related product price sensitivity coefficient is used to distinguish between substitutes and complementary product characteristics and the strength thereof. The external variable price sensitivity coefficient would indicate the impact (and the strength) of any other variables that might have an influence on the demand for a particular product or services.

**Sub-unit 2.3** is a detailed discussion about rational consumer behavior. The indifference technique is exclusively used for this purpose. This sub-unit explains the important concepts of utility, marginal utility and the law of diminishing marginal utility. These concepts are the building blocks for the indifference technique. The discussion and derivations of the slopes of the indifference curve and of the budget line are very important in order to understand why a rational consumer will should a combination of products such that he or she will maximize utility.

In the next sub-section attention is given to the other side of the coin, namely the supply/capacity variables. **Sub-unit 2.4** starts with a detailed discussion on the linear supply function of the individual firm. It explains in detail shifts of the supply curve when factors that might impact on supply changes. The important concept of producer surplus is explained. In the next part of this sub-unit market-clearing prices & quantities are derived, the impact of simultaneous shifts of demand & supply on market-clearing prices & quantities is explained and the practice of the setting of minimum and maximum prices is explained and illustrated. This sub-unit concludes with detailed discussion on the impact of minimum & maximum prices on consumer & producer surplus.

**Sub-unit 2.5** covers the short-run input efficiencies. In this sub-section the total input, average input and marginal input functions are derived and explained. These are very important functions because they are clearing indicating the efficiency patterns of the input base and will constitute the base for the shapes of the different cost curves.

The isoquant technique is applied when long-run input efficiencies are explained. What is important in **sub-unit 2.6** is the derivation and explanation of the slopes of both the isoquant and the isocost line in order to determine the least-cost input combination for a firm (given the real prices of inputs, production budget and attainable output levels).Returns to scale is a very important concept that is explained and illustrated in this sub-section. It is important to understand the relationship between real changes in input combinations and output.

**Sub-unit 2.7** deals with the application of the concepts of input productivity efficiencies, net efficiencies of inputs and elasticity of substitution.

Cost efficiencies (both in the short- & long run) are of the utmost importance for the survival of firms. **In sub-unit 2.8** the link between input and cost efficiencies are derived and explained. It is clearly indicated that input inefficiencies do translate into cost inefficiencies and that input efficiencies will translate into cost efficiencies. In this regard the relationship between average output and average variable cost and the relationship between marginal output and marginal cost is derived and explained in detail. All the other short-run cost functions are also derived. The derivation and explanation of the long-run cost curve clearly illustrate the difference between economies and dis-economies of scale. The last part of the sub-section deals with the application of the concepts of real labor cost, marginal revenue product, relative capital costs and the net present value instrument.

**Sub-unit 2.9** is quite a lengthy sub-section in which detailed discussions on the possible competitive environments are done. The discussion starts with an application of the concepts of economic costs, economic profit and normal profit. The 1st competitive scenario is that of a highly competitive business environment. It is clearly illustrated that firms are price-takers and that they are dealing with a perfect elastic demand function. Specific attention is given to the equilibrium output position of the firm, both in the short- and long run, the derivation of the long-run supply curves for the different cost industries (increasing, decreasing and constant) and the lagged supply model. Secondly, the characteristics and dynamics of the monopoly business environment is discussed Specific attention is given to the different kinds of barriers to entry, the relationship between pricing and own-price elasticity, short- & long-run equilibrium, a comparison with a perfect competitive industry, the efficiency impact of a monopoly and the practice of price discrimination. The existence of product differentiation where a combination of competitive and monopoly characteristics are prevalent, the monopolistic competitive environment, is explained. It is clearly proved that a firm in this kind of business environment can only make normal profits in the long run. The oligopoly environment is the most commonly visible competitive environment in the economy. Three variations of oligopoly formation are discussed namely, the rigid price model of Zweezy, the price leadership model and cartel formation. Uncompetitive firm behavior in the country is strictly regulated through the implementation of the Competition Act of 1998. This sub-section concludes with the practical applications of various pricing practices namely optimal pricing, revenue maximization pricing practices and the setting of profit margins.

**Cover the relevant activities in the workbook. In addition detailed work-charts will be covered in the tutor sessions. These work-charts cover both the theoretical aspects and the calculus associated with unit 2.**

# UNIT 3

## Managing the changing economic environment

#### Chapters 5 of the prescribed textbook & activities 96 – 100 of the Workbook

### 1. What we want to achieve with this unit

After you have read this chapter, you should be able explain in detail all the various issues that pertains to the business cycles (different phases, the stylized facts and firm strategies).

|  |  |
| --- | --- |
| Learning Unit 3.1 | Fundamental of business cycle |
| Learning Unit 3.2 | Business cycle and firm strategy |

### 2. Broad overview of the unit

**Sub-unit 3.1** covers the fundamentals of the business cycle. Specific attention is given to the different phases of the business cycle, the stylized facts of the different phases of the business cycle, the policy responses to the different phases of the business cycle and the different indicators of the business cycle.

**In sub-unit 3.2** the focus is on the importance of firm strategy in reaction to the different phases of the business cycle. The firm strategies deals with decisions to be made on inventory, purchasing, production, capital expenditure, the yield curve, corporate finance, marketing, pricing, acquisitions and human resources.

**Cover the relevant activities in the workbook. In addition detailed work-charts will be covered in the tutor sessions. These work-charts cover both the theoretical aspects and the calculus associated with unit 3.**

**UNIT 4**

**Money, interest rates and financial markets**

#### Chapters 6 of the prescribed textbook & activities 101 – 110 of the Workbook

* 1. **What we want to achieve with this unit**

After you have read this chapter, you should know why money and interest rates fulfill a very important role in an economic system. This chapter will explain in more detail the technical definitions of money, the kinds of demand for money, how money is created in the system, how the demand and supply of money determines interest rates, the concept of arbitrage and how monetary policy is conducted in the economy.

* 1. **How we have broken up the unit**

|  |  |
| --- | --- |
| Learning Unit 4.1 | **The demand for and the supply of money.**  **Technical definitions of money and the creation of money.**  **The determination of interest rates & arbitrage.** |
| Learning Unit 4.2 | **The South African Reserve Bank control over the financial system.**  **Monetary policy (monetary policy instruments and the transmission mechanism).** |
| Learning Unit 4.3 | **Interest rate movements (short-term interest rate & yield curve).** |

* 1. **Broader overview of the unit**

The first part **(sub-unit 4.1)** of this section starts with an explanation of the reasons why people would demand money (to conduct transactions, to keep money for unplanned events and to speculate). The transaction and precautionary motives represents the demand for active balances while the speculative motive to hold money represents the demand for passive balances. The supply of money is treated as exogenous simply because of the fact that it would not be affected by forces in the economic system. In graphical format the demand for money is illustrated as a curve with a negative slope and the supply of money as a vertical line (interest rate is denoted on the vertical-axis and the amount of money on the horizontal-axis). It simply means there is a negative relationship between the demand for money and interest rates while the supply of money is not determined by the interest rate. A detailed discussion of the technical definitions of money (M0, M1, M2, M3) is conducted and the money creation process is illustrated.

In the second part **(sub-unit 4.2)** the South African Reserve Bank control over the financial system is discussed. Specific attention is given to inflation targeting, the instrumental and operational independence, the transmission mechanism (repo rate, open-market transactions and quantitative easing) and the maintenance of stability in the banking sector.

The third section **(sub-unit 4.3)** deals with interest rate movements. Specific attention is given to the short-term interest rate cycle, the relationship between interest rates (yield curve) and the financial crises.

**Cover the relevant activities in the workbook. In addition detailed work-charts will be covered in the tutor sessions. These work-charts cover both the theoretical aspects and the calculus associated with unit 4.**

**UNIT 5**

**International trade & finance**

#### Chapters 7 of the prescribed textbook & activities 111 – 130 of the Workbook

1. **What we want to achieve with this unit**

After you have read this chapter, you should know why South Africa has a role to play in the international economy and understand why our exchange rate fluctuates. This chapter will explain in more detail how international trade and exchange rate systems work.

1. **How we have broken up the unit**

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| Learning Unit 5.1 | **Why do we trade?**  **Restrictions on trade** |
| Learning Unit 5.2 | **International investment**  **The recording of trade: Balance of Payments (BOP)** |
| Learning Unit 5.3 | **Foreign exchange** |

1. **Here is a broad overview of the unit**

The first part **(sub-unit 5.1)** deals with the principles of trade, trade restrictions between countries and the institutions that promote international trade. Governments and businesses can no longer afford to ignore the rest of the world. Advances in communication technology have transformed the world from lots of small national markets to one big global market. Like individuals, countries can also maximize their wealth if they specialize in what they are good at. In it, we discuss the theories of comparative advantage and revealed comparative advantaged as a guide for a country to determine what it should specialize in. However, despite the arguments presented by these theories, many people still think that imports are bad for a country’s economic growth and that exports are good. How countries attempt to restrict international trade concludes this sub-unit. However, through the work of bodies such as the World Trade Organisation (WTO) and the various kinds of economic integration, countries are becoming increasingly open to foreign imports.

The second part **(sub-unit 5.2)** deals with international investment and the recording of international transactions. International investment is broken down into foreign portfolio investment and direct investment (FDI). The characteristics of a country’s financial markets are the most important determinant of whether a country attracts portfolio investors. Direct investment would be of interest to firms who wish to improve their long-term prospects in the real sector of the economy. In this regard specific attention is given to the criteria to judge investment destinations and countries’ response to foreign investment. The balance of payments comprises the current account (recording mostly flows of goods and services) and the financial account (flows of assets). Attention is also given to the sources of foreign investment flows.

**Sub-unit 5.3** deals with foreign exchange. Foreign trade and investment is complicated by the fact that each country still has its own currency. Exchange rates are therefore determined to how much each currency is worth compared to foreign currencies. Specific attention is given to the basics of exchange rates, the relationship between trade, capital flows and exchange rates and currency speculation (arbitrage). Most countries’ exchange rates are determined on the international foreign exchange markets. Like any product, the value of a currency is determined by demand and supply. If a country experiences a large increase in exports resulting in a large balance of payment surplus, the demand for its local currency will increase. When this happens, its currency will likely appreciate against foreign currencies. This means that the foreign currencies will have depreciated against the country’s local currency. Unexpected movements in exchange rates can affect imported input costs, revenue from exports, debt repayments, cost of overseas investments and the profitability of those investments. These unexpected movements must be managed.

**Cover the relevant activities in the workbook. In addition detailed work-charts will be covered in the tutor sessions. These work-charts cover both the theoretical aspects and the calculus associated with unit 5.**

# UNIT 6

**The role of the government**

#### Chapters 8 of the prescribed textbook & activities 131 – 140 of the Workbook

### What we want to achieve with this unit

After you have read this unit, you should be able explain to anyone how the South African government manages our economy. This unit discusses in more detail what instruments the government uses, what problems they face and how successful they have been.

### How we have broken up the unit

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| Learning Unit 6.1 | **Rationale for the role of the government** |
| Learning Unit 6.2 | **Government expenditure**  **Privatisation and deregulation** |
| Learning Unit 6.3 | **Taxation and other revenue** |
| Learning Unit 6.4 | **The national budget as an economic document** |
| Learning Unit 6.5 | **Government debt** |

### Here is a broad overview of the chapter

Previously we saw that there may be a role for the government, even in a market system. In this unit, we discuss the government’s role further. We start by asking a very fundamental question in **sub-unit 6.1**: are there good reasons for government interference? Specific attention is given to the allocation-, distribution- & stabilization functions of government

If we accept that the government should have a role in the economy, then obviously the government will have to spend money to fulfill its role. In **sub-unit 6.2**, we look at the types of government spending. Specific attention is given to real expenditure, transfers, current expenditure and capital expenditure. Some people argue that the government spends too much, and so we briefly look at two ways to reduce government interference and spending, namely privatization and deregulation.

For the government to spend money, it needs to get money from somewhere. In South Africa, the government gets most of its money from taxes. **Sub-unit 6.3** explains the different kinds of taxes, and how to evaluate whether a tax is good or bad. Specific attention is given to the principles of taxation, the classification of taxation, the microeconomic effects of tax changes and other sources of income.

Therefore, like any individual or business, the government receives money and it spends money. This means that it also has to plan to ensure that it does not run out of money. The government’s planning is contained in a document called the national budget. In **sub-unit 6.4**, this document and its uses are discussed. Of importance in this sub-section is the financing of the budget deficit (domestic borrowing from the non-bank private sector, borrowing from the central bank, foreign loans).

Lastly, it may often happen that the government spends more money than it receives. In such a case, there is a budget deficit, and government borrowing normally finances this. The issue of government debt is covered in **sub-unit 6.5** and it concludes this unit.

**Cover the relevant activities in the workbook. In addition detailed work-charts will be covered in the tutor sessions. These work-charts cover both the theoretical aspects and the calculus associated with unit 6**

# UNIT 7

**Total expenditure model**

#### Chapters 9 of the prescribed textbook & activities 141 – 155 of the Workbook

### What we want to achieve with this chapter

After you have read this chapter, you should know how changes in the aggregate components of macroeconomic demand will impact on GDP (via the Keynesians transmission mechanism). In this regard the unit will explain in more detail i) the derivation of the income multiplier, ii) the consumption expenditure of households (C), iii) spending on fixed assets & changes in inventories (I), iv) consumption expenditure by government (G) and v) exports and imports of goods and services (X-Z).

### How we have broken up the unit

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| Learning Unit 7.1 | **The two sector model.**  **(The consumption function C).**  **(The investment function I).**  **The derivation of the income multiplier.** |
| Learning Unit 7.2 | **The three sector model.**  **(Add the government sector G).**  **The derivation of the final income multiplier when taxation is included.** |
| Learning Unit 7.3 | **The extended model of an open economy.**  **(Add the foreign sector X-Z).**  **The closing of the income gap.** |

### 8.1.3 Here is a broad overview of the unit

The module starts **(sub-unit 7.1)** with an explanation of the consumption and savings functions. Both the savings and consumption functions are derived. The difference between autonomous and induced consumption expenditure is clearly indicated. Two very important entities namely the marginal propensity to consume and the marginal propensity to save are derived and graphically illustrated in order to derive the simple income multiplier (1/1-c). Factors which influence private consumption expenditure are then explained. The first sub-unit is concluded with a detailed discussion and derivation of the investment function (I). Specific attention is given to fixed capital formation, changes in inventories, the relationship between interest rates and fixed capital investment, the graphically illustration of the capital formation curve, factors that would influence capital formation, graphical illustration of changes in capital formation decisions. This sub-unit is concluded with a detailed explanation, all the applicable calculus and the graphical illustrations of the two-sector model of income determination (special attention is also given to the savings and capital formation relationship (I = S)).

In the **sub-unit 7.2** the government sector is added to the total expenditure model. Two very important components of the government that would influence the equilibrium level of income, namely taxation and government expenditure, are discussed. The taxation component is included in the income multiplier (it makes the multiplier effect smaller) while government expenditure is treated as an autonomous component of aggregate demand. This particular sub-unit concludes with a detailed discussion, applicable calculus and graphical derivations of the three sector model of income determination.

In the final **sub-unit 7.3** the foreign sector is added to the total expenditure model. The foreign sector consists of exports and imports and both these components are treated as autonomous components of aggregate demand. The unit concludes with a detailed discussion of the total expenditure model (including all the applicable calculus and graphical derivations).

**Cover the relevant activities in the workbook. In addition detailed work-charts will be covered in the tutor sessions. These work-charts cover both the theoretical aspects and the calculus associated with unit**

# UNIT 8

**Targets, instruments and goals of macroeconomic policy**

#### Chapter 10 of the prescribed textbook & activities 156 – 180 of the Workbook

### What we want to achieve with this chapter

After you have read this chapter, you should i) explain and illustrate how policy interactions occur, ii) discuss and illustrate the full Keynesian model for the domestic model when the foreign sector is introduced, iii) explain the balance of payments adjustment process when the law of unintended consequences is considered, iv) derive the aggregate demand curve, v) discuss the way in which policy variables and some exogenous variables might influence aggregate demand in the economy, vi) derive the aggregate supply function (short & long run) and the determinants of aggregate supply, vii) evaluate macroeconomic equilibrium and viii) discuss and illustrate the macroeconomic adjustment process.

### How we have broken up the unit

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| Learning Unit 8.1 | **Policy interaction; monetary & real sector interaction through the transmission mechanism; fiscal spending crowding-out, financial crowding-out.** |
| Learning Unit 8.2 | **Keynesian full model when the foreign sector is introduced; derivation of the BP-curve; impact of changes in the exchange rate on the Keynesian equilibrium.** |
| Learning Unit 8.3 | **Impact of expansionary monetary policy; impact of expansionary fiscal policy; foreign trade impact.** |
| Learning Unit 8.4 | **AD-AS analysis; aggregate demand, aggregate supply; equilibrium in the AD-AS model; the macroeconomic adjustment process; decrease in AD; increase in AS; decrease in AS.** |

### Here is a broad overview of the chapter

In **sub-unit 8.1** policy interaction is discussed, illustrated and applied. Specific attention is given to the outline and illustration of the Keynesian transmission mechanism, the impact of the change in the interest rate on the real sector, fiscal spending crowding-out and financial crowding-out.

In the **sub-unit 8.2** the foreign sector is introduced into the Keynesian transmission model. The BP-curve is introduced and specific attention is given to how changes in exports, imports and exchange rates impact on the Keynesian model.

In **sub-unit 8.3** the sequential impacts of expansionary monetary policy, expansionary fiscal policy and improving trade relations are discussed

**Sub-unit 8.4** starts with the derivation of the aggregate demand function in the economy (inflation in now included in the macroeconomic model). The factors that constitute a negative-sloping aggregate demand function namely the real income effect, the real wealth effect, the interest rate effect and the balance of payments effect, are discussed. A graphical derivation of the aggregate demand curve from the total expenditure model is performed. This particular unit entails a detailed discussion on how policy and some exogenous variables might impact on aggregate demand. The short- and long-run aggregate supply functions are derived and discussed. The discussion starts with a detailed discussion of the full-employment level of production (Yf) in which it is clearly indicated that flexibility in wages and prices would ensure that the labor market would always clear in the long run (no excess or shortage of labor). By accepting the previous discussion, the long-run aggregate supply function is graphically illustrated as a vertical function (irrespective of variations in the average price level). The discussion then proceeds with the derivation of the short-run aggregate supply curve. It is clearly indicated that there is a positive relationship between price and output, and hence the positive slope of the SRAS curve. Factors that constitute this positive relationship (such as declining productivity and increased competition for scarce resources) are discussed. The short-run aggregate supply curve is graphically derived from short-run deviations in the level of output. The unit concludes with a detailed discussion of the determinants of aggregate supply. Finally, the determination of equilibrium in the AD-AS model is dealt with. Specific attention is given to the sequential impacts of an increase in aggregate demand, a decrease in aggregate demand, an increase in aggregate supply and a decrease in aggregate supply.

**Cover the relevant activities in the workbook. In addition detailed work-charts will be covered in the tutor sessions. These work-charts cover both the theoretical aspects and the calculus associated with unit 8**

Section C: Special assessment opportunity application

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|  | UJ_logo_ENG | NB THE FINAL DECISION AS TO WHETHER THE STUDENT IS/WAS ABLE TO WRITE A TEST/EXAMINATION RESTS WITH UJ. |

APPLICATION FOR SPECIAL ASSESSMENT OPPORTUNITY(S)/EXAMINATION(S)

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| **☞ application(s) for SPECIAL assessment opportunity(s) must be SUBMITTED to D Ring 601,**  **☞☞ and applications SPECIAL examination(s) to the head: faculty administration(D RING 2).** |

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| **SECTION 1 TO BE COMPLETED BY THE STUDENT** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| **1.1 INITIALS AND SURNAME:** | | | |  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| **1.2 TITLE (MARK WITH AN X):** | | | | **MR** | | | | |  | |  | | **MRS** | | |  | | |  | | **MS** | |  | | |  | | **MISS** | | | |  | |  | | **OTHER** | | | |  | |  | |
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| **1.4 NAME OF QUALIFICATION:** | | | | | | | |  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| **1.6 ADDRESS DURING STUDIES:** | | | | | |  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  |
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| **1.7 COURSE(S) AND DATE(S) OF TEST(S)/EXAMINATION(S):** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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|  | **DATE OF**  **APPLICATION:** |  | | | | | | | |  | | **SIGNATURE OF**  **STUDENT:** | | | | | | | | | | | |  | | | | | | | | | | | | | | | | | | |  |
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| **SECTION 2 TO BE COMPLETED BY A MEDICAL PRACTITIONER** | | | | | | | | | | | | | | | | | | | | | | | | | |
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| **2.1 INITIALS AND SURNAME:** | | | | **DR** | | | | | | | | | | | | | | | | | | | |  | |
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| **2.2 REGISTERED PRACTICE/PROFESSIONAL COUNCIL NUMBER:** | | | | | | | | | | |  | | | | | | | | | | | | |  | |
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| **2.4 I HEREBY CONFIRM** | | | | | | |  | | | | | | | | | | | | | | | | | | |
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| (b) that the following diagnosis was made: | | | | | |  | | | | | | | | | | | | | | | | . | | | |
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| ** you are kindly requested to place an official stamp of your medical practice on the form or to attach a letterhead of the medical practice with your signature thereon. your cooperation is GREATLY appreciated.** | | | | | | | | | | | | | | | | | | | | | | | | | |
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| **SECTION 3 TO BE COMPLETED BY THE DEAN OR HIS/HER APPOINTEE** | | | | | |
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|  | signature of dean | |  | **date** |  |
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(Form can also be collected at the School of Economics: DRing 2