



ÉCOLE GLOBALE

INTERNATIONAL GIRLS' SCHOOL

Dehradun

HOLIDAY HOMEWORK - CLASS IX ECONOMICS

UNIT 1: THE BASIC ECONOMIC PROBLEM

Learning objectives:

- *Define the nature of the economic problem (finite resources and unlimited wants)*
- *Define the factors of production (land, labour, capital, enterprise)*
- *Define opportunity cost and analyse particular circumstances to illustrate the concept*
- *Demonstrate how production possibility curves can be used to illustrate choice and resource allocation*
- *Evaluate the implications of particular courses of action in terms of opportunity cost.*

1. Decide which of the following are scarce:

- a) Vacancies for university degree courses
- b) Foreign holidays
- c) Health care

2. A firm is currently using 12 machines. Each machine is capable of producing 100 units of output. It anticipates that by the end of the year, 3 of its machines will wear out. If it expects to sell 1600 units next year:

- a) How many machines will it buy?
- b) Why in the future may fewer machines be needed to produce the same output?

3. Decide which of the following would raise labour productivity:

- a) Improved education and training

- b) Better equipment
 - c) Worse working conditions
4. After studying for this examination you decide to continue your studies and take further examinations.
- a) How does this decision involve an opportunity cost? Explain your answer.
 - b) What are the economic factors you might consider while making such a decision?
5. Explain the term scarcity and opportunity cost.

UNIT 2: ALLOCATION OF RESOURCES

Learning objectives:

- *Describe the allocation of resources in market and mixed economic systems; describe the terms primary, secondary and service (tertiary) sector in an economy*
 - *Demonstrate the principle of equilibrium price and analyse simple market situations with changes in demand and supply*
 - *Describe the causes of changes in demand and supply conditions and analyse such changes to show effects in the market*
 - *Define price elasticity of demand and supply and perform simple calculations*
 - *Demonstrate the usefulness of price elasticity in particular situations such as revenue changes, consumer expenditure*
 - *Evaluate the merits of the market system*
 - *Describe the concept of market failure and explain the reasons for its occurrence*
 - *Define private and social costs and benefits and discuss conflicts of interest in relation to these costs and benefits in the short-term and long –term through studies of the following issues:*
 - ✓ *Conserving resources verses using resources*
 - ✓ *Public expenditure verses private expenditure*
1. India has a long tradition of government planning but the degree of government intervention in the economy has been reduced in the last two decades. Privatisation started in 1991, with the creation and sale of a small number of shares in some SOEs. This process speeded up in the first decades of the 2000s. In 2004, for instance, the Indian government sold off some of its shares in the Oil and Nation Gas Corporation

and some shares in the airports of Delhi and Mumbai, hoping that this would stimulate more investment and greater efficiency. This privatisation has been opposed by the communist parties of India which argue that firms perform better in the public sector.

- a) What is meant by privatisation?
- b) Explain one reason for better performance of a firm when:
 - I. it is in the private sector
 - II. It is in the public sector.

2. Using the following demand schedule, plot the demand curve for rooms in a hotel in Delhi.

| Price (rupees) | Number of rooms |
|----------------|-----------------|
| 800 | 10 |
| 700 | 20 |
| 600 | 35 |
| 500 | 55 |
| 400 | 80 |
| 300 | 110 |

3. A shop changes the price of a can of soft drink from \$3 to \$2 and as a result, demand changes from 40 cans a day to 50 cans.

- a) Illustrate this change on a demand curve.
- b) Identify whether demand had extended or contracted.

4. As the 2006 World Cup approached, sales of Brazilian football shirts increased not only in Brazil but also in a number of other countries. Two weeks before the competition started, shops in London and Sao Paulo reported that demand for shirts was outstripping supply.

- a) On a demand and supply diagram, illustrate the market for Brazilian football shirts in Sao Paulo two weeks before the 2006 World Cup.
- b) What would you have expected to happen to the price of Brazilian football shirts in Sao Paulo in this situation? Explain your answer.

5. In China, urban incomes rose by more than 11% in 2011. This contributed to a rise in demand for mobile phones, making China the world's largest mobile phone market, with approximately 350 million handsets.

- a) Illustrate the change in demand for mobile phones in China on a diagram.
- b) Is a mobile phone, a normal or inferior good? Explain your answer.

6. Youngsters throughout the world are turning away from buying newspapers to new forms of media for their information and entertainment. For instance, in the UK, in 1973, 80% of 15-24 year olds read a (paid for) national newspaper. By 2005, this percentage had fallen to 46%. A study carried out by News International in 2004 found a number of reasons for this trend. These include young people having less time, less need, less interest and less opportunity to buy newspapers and declining importance of newspapers for youngsters. There are now many rivals to newspapers including television, radio and the internet. The youngsters who do buy newspapers tell the researchers that they read them more for entertainment than news.

- a) What percentage of 15-24 year olds did not read a 'paid for' national newspaper in 2005?
- b) Explain two reasons why young people throughout the world are demanding fewer newspapers.
- c) Does the extract suggest that internet is a substitute for or a complement to newspapers? Explain your answer.
- d) Discuss two ways through which newspaper publishers could raise demand for their newspapers.

7. Use a demand and supply diagram to illustrate the effect of the following events on the market for economics books in India:

- a) A successful advertising campaign run in the country by publishers of economics books.
- b) A decrease in the number of students studying economics.

8. Decide in each case, whether the following would cause an extension in demand, a contraction in demand, an increase in demand or a decrease in demand for fish in a country:

- a) A rise in the price of fish.
- b) A report that eating fish reduces heart diseases
- c) Net emigration
- d) A fall in the price of chicken

9. A firm employs ten workers and pays \$50 a day to each of them. The total output of ten workers are 100 units initially. The firm then raises the wage rate to \$60 a day and the output per worker rises to 20.

- a) Showing your workings, calculate:
 - I. The initial unit cost
 - II. The new unit cost
- b) Will supply decrease, stay the same or increase? Explain your answer.

10. In each case, using a demand and supply diagram, analyse the effect on the market for Ghanaian football shirts:

- a) A fall in incomes in Ghana and neighbouring countries.
- b) A rise in the productivity of workers making Ghanaian football shirts.
- c) Ghana winning the world cup.
- d) A tax being placed on Ghanaian football shirts.
- e) New cheaper but more efficient machinery being introduced to make Ghanaian football shirts.

11. In September 2005, Vietnam suffered an outbreak of avian (bird) flu. Thousands of chicken, suspected of having the disease, were slaughtered and millions of healthy chicken were vaccinated. This action was taken to prevent the spread of the disease not only among the chicken population but also to the human population. Use a demand and supply diagram to analyse the effect, this is likely to have on the market for chicken in Vietnam.

12. In each of the following examples, first calculate the PED and then decide if the PED is elastic, inelastic, perfectly elastic, and perfectly inelastic or unity.

- a) The price of a product falls from \$8 to \$6, causing demand to extend from 10 000 to 12 500.
- b) Demand contracts from 500 to 400 when price rises from \$40 to \$42.
- c) Demand extends from 2 000 to 2 800 when price falls from \$20 to \$18.
- d) Price rises from \$15 to \$30 but demand stays unchanged at 5 000.
- e) An increase in price from \$80 to \$90 and as a consequence, a decrease in quantity demanded from 400 to 300.

13. The Organisation of Petroleum Exporting Countries (OPEC) often restricts the supply of oil, in order to keep its prices high. There are signs, however, that OPEC is now thinking about increasing the amount of oil it extracts and sells this is thought to be the result, in part of fears that high prices may trigger the adoption of alternative fuels such as ethanol.

- a) How many market forces compel OPEC to sell more oil?
- b) Explain one reason (other than to raise price) for OPEC to restrict the supply of oil.

14. A government borrows money to build new schools, hire more teachers and buy education equipment, in order to raise the school leaving age. This action may, in the longer term, increase tax revenue, some of which can be used to repay the loan.

- a) A part from borrowing, identify one other way the government could have been influenced about its expenditure on education.
- b) Why may a government spend more on education?
- c) Why may spending money on education, 'increase the tax revenue'?

15. The private sector in China is responsible for a growing amount of output and employment. Some economists argue that private sector firms are more profitable and efficient than the state sector.

- a) How may the government benefit, from private sector firms being more profitable?
- b) Why may private sector firms be more efficient than state owned enterprises?

16. In Japan persistent worries about job security, high unemployment and a steady fall in income have caused a reduction in the consumer expenditure. This has led to a decrease in prices of some products.

- a) Explain how the price of the good is determined by market forces.
- b) Use demand and supply analysis and diagrams to explain how the reasons given in the above extract could cause a fall in the price of a product.

17. Answer the following questions:

- a) Explain the difference between equilibrium price and disequilibrium price.
- b) Many more people travel by aeroplane today than ten years ago. With the help of a demand and supply diagram, explain what might have happened in the market for air travel to cause this increase.
- c) Define price elasticity of demand and suggest why different goods have different price elasticities.
- d) Discuss whether knowledge of price elasticity of demand is due to a company selling holiday tours.