

CENTRAL UNIVERSITY COLLEGE

END OF SEMESTER EXAMINATION: 2014/2015

FACULTY OF ARTS AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

ECON 209 (3 CREDITS)

ELEMENTS OF ECONOMICS 1

LEVEL 200

FEBRUARY, 2015

DURATION: 2 HOURS 30 MINUTES

STUDENT ID No.....

INSTRUCTIONS

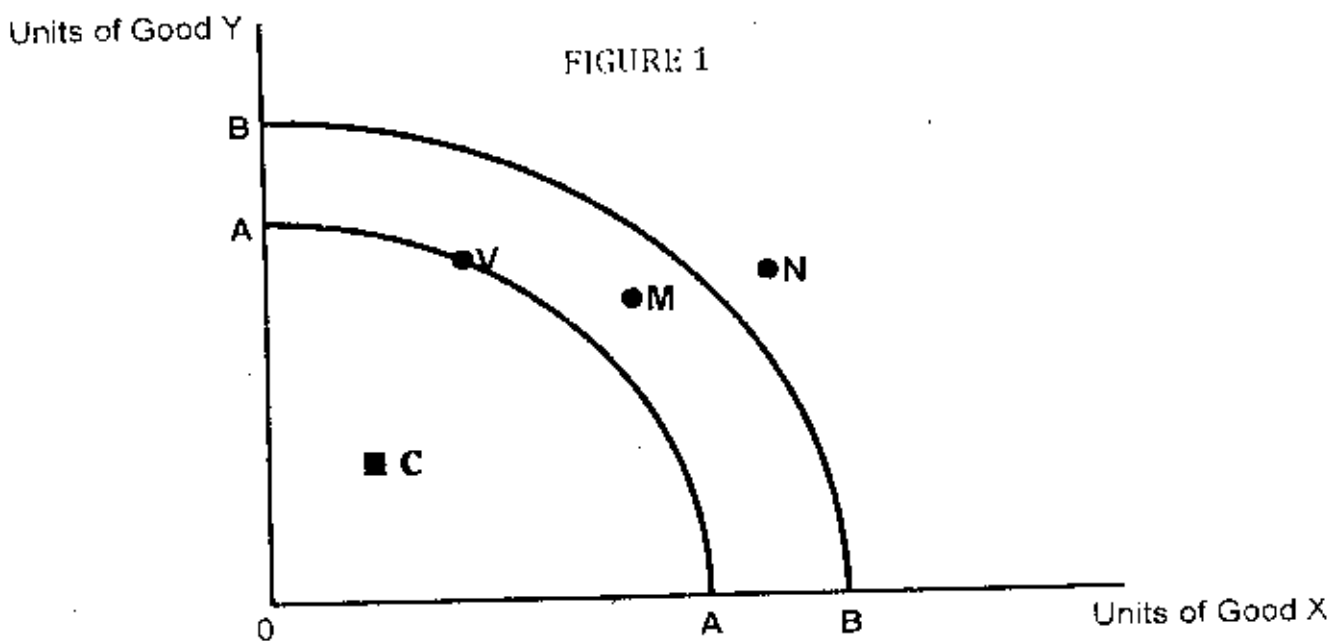
ANSWER ALL QUESTIONS IN SECTION A AND ANY TWO (2) QUESTIONS IN SECTION B

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THE INVIGILATOR**

LECTURER: Paragon POMEYIE, Davis Adu Larbi, Godson Anlabor

SECTION B: MULTIPLE CHOICE (ANSWER ALL QUESTIONS)

Answer questions 21-23 with the aid of FIGURE 1 below



21. Point M in the above figure indicates that
- A. It is attainable under curve BB and an efficient point with respect to curve AA
 - B. It is inefficient with respect to curves AA but efficient with respect to BB
 - C. It is unattainable with respect to AA and inefficient with respect to curve BB
 - D. It indicates economic growth given curve AA and inefficiency given BB
22. Point N in Figure 1 above
- A. Is an inefficient point and can be attained by utilizing idle resources
 - B. Is an unattainable point that can be attained through improved technology
 - C. Is an efficient point with respect to both curve AA and BB
 - D. All of the above
23. Point C in the diagram is
- A. Attainable and efficient
 - B. Unattainable and inefficient
 - C. Unattainable and efficient
 - D. Attainable and inefficient

ANSWER QUESTION 24-27 WITH THE INFORMATION PROVIDED IN THE TABLE BELOW

Price (GH¢)	Quantity Demanded (Units)	Quantity Supplied(Units)
GH¢1	1500	500
GH¢2	1000	700
GH¢3	900	900
GH¢4	600	1100
GH¢5	400	1300
GH¢6	300	1400

24. The equilibrium price is
- A. GH¢3
 - B. GH¢4
 - C. GH¢5
 - D. GH¢6
25. An imposition of a price ceiling of GH¢1 will lead to
- A. A surplus of 1000
 - B. A surplus of 500
 - C. A shortage of 500
 - D. A shortage of 1000
26. If government imposes a price floor of GH¢5,
- A. There will be a surplus of 900
 - B. There will be a surplus of 400
 - C. There will be a shortage of 400
 - D. There will be a shortage of 900

27. Which of the following is associated with the government imposed GH¢1 price?
- A. Queuing
 - B. Surplus
 - C. Both queuing and surplus
 - D. None of the above
28. Constant opportunity cost explains why the PPC is
- A. Convex to the origin
 - B. Concave to the origin
 - C. Positively related
 - D. linear
29. The opportunity cost of free education in Ghana would be:
- a. The money cost of the structure of free education
 - b. The necessary increase in tax revenue to finance the building
 - c. The highest valued bundle of other goods and services that must be foregone because of free education
 - d. The enjoyment that must be foregone because the capacity of the current structure prevents many people from attending events
30. If the cross-price elasticity of demand between two goods is positive, then the commodities are said to be
- A. Normal goods
 - B. Compliments
 - C. Substitutes
 - D. Unrelated

31. If the price elasticity of demand is equal to zero, the implication is that
- A. Price remains the same even at different quantities demanded
 - B. Quantity demanded changes as price changes
 - C. Quantity demanded remains the same even as price changes
 - D. Price changes as the quantity demanded changes
32. An ineffective maximum price control by government will lead to
- A. an increase in price above the government control price
 - B. a decrease in price below the government control price
 - C. constant prices for the commodity in all markets
 - D. all of the above
33. The problem of choice between the various uses of resources arises because,
- a. resources are scarce
 - b. resources have alternative uses
 - c. resources are scarce and have alternative uses
 - d. differences in productivity
34. You are stranded on an island and can either catch four fishes in two hours or pick ten bananas in one hour. From this information, the opportunity cost of one fish is:
- a. $1/2$ bananas
 - b. 5 bananas
 - c. $2\ 1/2$ bananas
 - d. 3 bananas
35. A fall in price will increase total revenue if demand is
- a. price Elastic
 - b. price Inelastic
 - c. unit elastic
 - d. perfectly Elastic

36. Which of the following types of elasticity of demand is preceded by a negative sign?
- a. Own Price elasticity of demand
 - b. Cross elasticity of demand
 - c. Income elasticity of demand
 - d. All of the above
37. Which of the following statements about the relationship between marginal product and average product is correct?
- a. When MP is falling, AP is falling
 - b. AP equals MP at MP's maximum point
 - c. When MP exceeds AP, AP must be rising
 - d. When AP exceeds MP, MP must be rising
38. If the coefficient of the own price elasticity of demand is equal to infinity, then
- A. demand for the product is perfectly elastic
 - B. demand for the product is perfectly inelastic
 - C. demand for the product is elastic
 - D. demand for the product is inelastic
39. If both demand and supply increase but the margin of increase in demand is greater than the margin of increase in supply,
- A. Price will rise and quantity will fall
 - B. Price will fall and quantity will rise
 - C. Both price and quantity will fall
 - D. Both price and quantity will rise

40. If supply decrease by a greater margin than an increase in demand,
- A. Both price and quantity will rise
 - B. Price will rise but quantity will fall
 - C. Price will fall and quantity will rise
 - D. Both price and quantity will fall

Given that the demand and supply of a commodity sold by a vendor is given by,

$$Q_D = 10000 - 1000P, Q_S = -2000 + 2000P$$

41. The equilibrium price is
- A. 2
 - B. 3
 - C. 4
 - D. 5
42. The equilibrium quantity is
- A. 1000
 - B. 3000
 - C. 4000
 - D. 6000
43. If government imposes a price ceiling of GH¢2,
- A. There will be a shortage of 8000
 - B. There will be a surplus of 8000
 - C. There will be a shortage of 6000
 - D. There will be a surplus of 6000
44. The black market price is equal to
- A. 4
 - B. 6
 - C. 8
 - D. 10

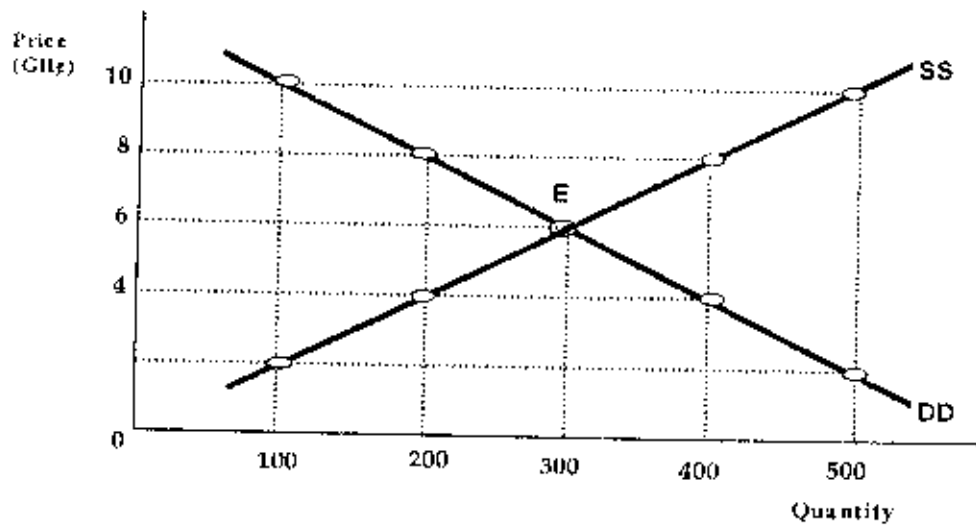
45. The total utility per unit of the quantity of the product consumed is known as
- Average utility
 - Total utility
 - Marginal utility
 - None of the above
46. The price of milk falls. Which of the following is a possible cause?
- A decrease in the price of oatmeal, a complement in consumption.
 - An increase in the quantity demanded of oatmeal.
 - An increase in the income of the average household.
 - A drought that reduces supplies of feed grains.
47. Which of the following statements about the relationship between marginal product and average product is correct?
- When MP is falling, AP is falling
 - AP equals MP at MP's maximum point
 - When MP exceeds AP, AP must be rising
 - When AP exceeds MP, MP must be rising
48. Perfectly elastic demand means that the elasticity measured is
- Equal to zero
 - Equal to one
 - Less than one
 - Infinity

A manager observed the market demand and supply of a good his firm produces as $Q_D = 8000 - 1000P$ and $Q_S = -4000 + 2000P$, if supply increases by 1500 units,

49. The new equilibrium price will be
- 3
 - 3.5
 - 4
 - 4.5

50. The new equilibrium quantity will be
- A. 3000 units
 - B. 3500 units
 - C. 4000 units
 - D. 4500 units
51. The total utility (TU_x) is obtained by
- A. Dividing the average utility by the quantity consumed
 - B. Multiplying the average utility by the quantity consumed
 - C. Multiplying the marginal utility by the quantity consumed
 - D. Dividing the marginal utility by the quantity consumed
52. The additional satisfaction obtained as a result of consuming an additional unit of the commodity is known as
- A. Total utility
 - B. Average utility
 - C. Marginal utility
 - D. Marginal product
53. The law of diminishing returns states that if increasing quantities of a variable input are applied to a given quantity of fixed inputs,
- a. The marginal product becomes negative.
 - b. The total product cannot be increased.
 - c. The marginal product of the variable factor will eventually decrease.
 - d. The marginal product will eventually decrease with average product remaining constant.
54. Economics is considered as a positive science because economic issues are
- a. based on socio-economic judgment
 - b. easily verified to find the truth
 - c. Very important for rapid development
 - d. Subject to change and appraisal

ANSWER QUESTIONS 55-59 WITH THE AID OF THE DIAGRAM BELOW



55. A government control price which seeks to protect the interest of consumers will be fixed
- Equal to the equilibrium price of 6
 - Above the equilibrium price of 6
 - Below the equilibrium price of 6
 - None of the above
56. At price 8, the market will experience
- An equilibrium quantity of 300
 - A surplus of 600 units
 - A shortage of 200 units
 - A surplus of 200 units
57. A control price fixed by government to protect the interest of suppliers will be fixed
- Equal to the equilibrium price of 6
 - Above the equilibrium price of 6
 - Below the equilibrium price of 6
 - None of the above

58. At price 2, the market will experience
- A. A shortage of 400 units
 - B. A surplus of 400 units
 - C. A shortage 200 units
 - D. A surplus of 200 units
59. If the good in the above figure is a normal good and income rises, then the new equilibrium quantity
- a. could be less than, equal to, or more than 300 units
 - b. is 300 units
 - c. is more than 300 units
 - d. is less than 300 units
60. The more close substitutes the commodity has, the.....the demand for the commodity
- a. more elastic
 - b. less inelastic
 - c. more inelastic
 - d. less elastic
61. A production function shows a relationship between
- a. inputs and outputs
 - b. outputs and prices
 - c. inputs and prices
 - d. outputs and profits
62. An indirect tax meant to discourage the consumption of a particular good will be successful if the demand for the commodity is.....
- a. inelastic
 - b. elastic
 - c. unit elastic
 - d. all of the above