SIR ARTHUR LEWIS COMMUNITY COLLEGE

ACADEMIC YEAR (2024/2025) – SEMESTER TWO

END OF SEMESTER EXAMINATION - ALTERNATE

COURSE CODE	:	ECO113
COURSE TITLE	:	INTRODUCTION TO MICROECONOMICS
LECTURER(S)	:	PERSAD, DENESE; JOSEPH, DEVERNANT
DATE	:	-
TIME	:	-
DURATION	:	2 HOURS
STUDENT ID #	:	______________________

GENERAL INFORMATION AND INSTRUCTIONS

- Students must sign **IN** and **OUT** on the examination class list.
- Write your ID number on the question paper.
- This examination consists of Two (2) sections.
- **Section A** consists of Fifteen (15) Multiple Choice Questions.
- **Section B** consists of Four (4) Short Answer Questions. Answer **ALL** questions.
- Respond in complete sentences.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

Section A
Instructions: Circle the correct answer.

1. Which of the following is a variable cost?

   a) Interest payments
   b) Raw material costs
   c) Property taxes
   d) All of the above

2. Short-run average variable cost is equal to:

   a) Total variable cost divided by output
   b) Average total cost minus average fixed cost
   c) The cost per unit of the variable input divided by the average product of the variable input
   d) All of the above

3. Which of these is the total cost?

   a) Average cost plus variable cost
   b) Fixed cost plus variable cost
   c) Fixed cost plus average cost
   d) Marginal cost plus average cost

4. If marginal cost is lower than average total cost then:

   a) Average cost must be falling
   b) Marginal cost must be falling
   c) Marginal revenue must be less than marginal cost
   d) Total fixed cost must be falling

5. Economies of scope refers to the decrease in average total cost that can occur when a firm

   a) produces more than one product.
   b) has monopoly power in world markets
   c) produces one product.
   d) narrows the scope of its regional markets

6. Which of the following is not a type of market structure?

   a) Competitive monopoly
   b) Oligopoly
   c) Perfect competition
   d) All of the above

7. If the market demand curve for a commodity has a negative slope then the market structure must be:

   a) Perfect competition
   b) Monopoly
   c) Imperfect competition
   d) The market structure cannot be determined by the information given

8. Which of the following markets comes close to satisfying the assumptions of a perfectly competitive market structure?

   a) The stock market
   b) The market for agricultural commodities such as wheat or corn
   c) The market for petroleum and natural gas
   d) All of the above

9. When a perfectly competitive industry is in long-run equilibrium, all firms in the industry:

   a) earn zero economic profits
   b) produce a level of output where short-run marginal cost is equal to short-run average total cost
   c) produce a level of output where long-run marginal cost is equal to long-run average cost
   d) All of the above

10. Markets with only a few sellers, each offering a product similar or identical to the others, are typically referred to as:

    a) monopolistically competitive markets.
    b) oligopoly markets.
    c) monopoly markets.
    d) competitive markets.

11. An externality is defined as:

    a) an additional cost imposed by the government on producers
    b) a cost or benefit that arises from production and falls on someone other than the producer, or a cost or benefit that arises from consumption and falls on someone other than the consumer
    c) an additional gain received by consumers from decisions made by the government
    d) the additional amount consumers have to pay to consume an additional amount of a good or service

12. Market failure arises when firms:

    a) Make a loss
    b) Replaces machines with workers
    c) Create externalities
    d) Reduce expenditure on research and development

13. What would be an external cost of the government's decision to build a new international airport in an area of outstanding natural beauty?

    a) The cost of importing construction materials
    b) The countryside that is lost
    c) The increase in profits for local businesses
    d) The wages paid to the construction workers

14. What are the external costs of the incident where an international company drilled for oil in deep water and caused a major oil leakage, affecting the jobs of the fishing community?

    a) The costs borne by the fishing community
    b) The costs of closing the well
    c) The costs to the company of drilling the well in deep water
    d) The loss of revenue when the oil company stopped drilling

15. What is the free rider problem in economics?

a) A theory that individuals who do not pay for goods and services are less likely to own a home or automobile
b) A political stance that opposes social welfare programs
c) A model that illustrates the marginal benefit of adding additional units during production
d) A social issue in which people enjoy the benefits of public goods, services, or shared resources but do not pay their part for the resources

Section B
Instructions: Answer all questions.

1. Complete the following cost table.

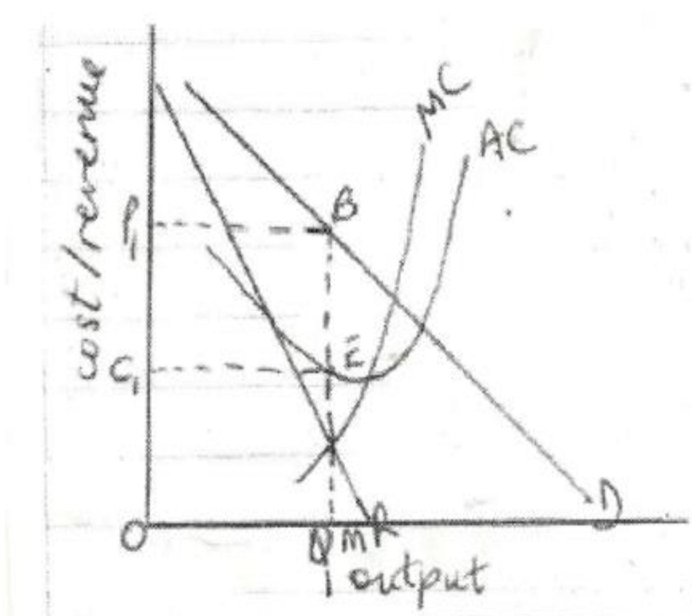
Output	Fixed Cost	Variable Cost	Total Cost	Average Fixed Cost	Average Variable Cost	Average Total Cost	Marginal Cost
0	100						
1	100	50	150	100	50		50
2	100					95	40
3	100	120	220	33.33			
4	100	160			40	65	
5	100	210		20			50

(1/2 mark each)

2. Give 2 examples of firms in an oligopolistic market structure and describe 3 characteristics of that market structure.

(5 marks)

3.



Use the graph above to explain whether output Q_1 shows productive efficiency and allocative efficiency

(5 marks)

4. Define the term externalities and give 2 examples each of a positive and negative externality.

(5 marks)

END OF EXAM