SIR ARTHUR LEWIS COMMUNITY COLLEGE

ACADEMIC YEAR (2024/2025) – SEMESTER ONE

END OF SEMESTER EXAMINATION - ALTERNATE

COURSE CODE	:	**ECO113**
COURSE TITLE	:	**INTRODUCTION TO MICROECONOMICS**
LECTURER(S)	:	**MS. PERSAD**
DATE	:	**-**
TIME	:	**-**
DURATION	:	**1 HOUR 30 MINUTES**
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 paper has TWO sections.
- Answer all questions on the question paper.

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

SECTION ONE: MULTIPLE CHOICE QUESTIONS

1. Microeconomics is concerned with:

   a) The flow of goods within the whole economy
   b) Output in individual sectors of the economy
   c) Broad economic aggregates
   d) Topics such as unemployment and inflation

2. Which of the following is an example of a microeconomic goal?

   a) To reduce the unemployment level
   b) To achieve a fair distribution of wealth
   c) To increase demand for banana and its by-products
   d) To have a healthy balance of payments

3. A **__________** economic system is one where economic activity is done, based on custom and beliefs.

   a) command b) traditional c) market d) mixed

4. Economists have categorized the factors of production as

   a) land, capital, labor and markets
   b) land, finance, skills and choices
   c) land, labor, capital and enterprise
   d) entrepreneurs, land, choices, labor

5. Which of these is **NOT** a factor of production?

   a) Wages and salaries b) Raw materials c) Manufactured resources d) Human effort

6. The production possibility curve shows:

   a) The combination of two products that a country can produce with fully utilized resources.
   b) The quantity of a commodity which a country will purchase if its resources are maximized
   c) The quantity of two goods which a country can sell while fully utilizing its resources
   d) The boundaries experienced by a country while attempting to buy its output

7. Which of the following would be true if resources were not scarce?

   a) The production possibility curve would be a straight line
   b) There would be no production possibility curve
   c) An economy would always operate within the production possibility curve
   d) The production possibility curve would slope upwards

8. All economic systems have this characteristic in common.

   a) The profit motive
   b) Allocation of scarce resources
   c) The price mechanism
   d) Stable economies

9. When we say demand decreases, we mean that there is a:

   a) movement to the right along a demand curve.
   b) movement to the left along a demand curve.
   c) rightward shift of the demand curve.
   d) leftward shift of the demand curve.

10. A shift of the supply curve can be caused by all of the following **EXCEPT:**

    a) An improvement in technology
    b) A change in the availability and cost of raw materials
    c) A rise in the price of the product
    d) A change in goals of producers

11. The law of demand states that, other things being equal, as price increases:

    a) Demand increases
    b) Quantity demanded increases
    c) Demand decreases
    d) Quantity demanded decreases

12. In economics the term increase in demand refers to

    a) A movement along the demand curve
    b) A change in the quantity demanded because price has fallen
    c) A shift of the entire demand curve
    d) A change in the quantity demanded because price has risen

13. Market equilibrium occurs when:

    a) The forces of demand and supply oppose each other
    b) The forces of price and quantity oppose each other
    c) The market price is equal to the quantity demanded
    d) Quantity demanded is equal to the quantity supplied

14. When there is excess supply on the market:

    a) The market is in equilibrium
    b) There is downward pressure on prices
    c) There is a shortage on the market
    d) Market forces exert upward pressure on prices

15. The following might influence the demand for a good. Which would **not** cause a shift in the demand curve for the product?

    a) A change in the price of a complement
    b) A change in the price of the good itself
    c) A change in the price of a substitute
    d) A change in consumers' incomes

16. Which of the following will result in a shift in the demand curve for motorcycles?

    a) A subsidy paid to producers of motorcycles
    b) Higher raw material and component prices in the production of motorcycles
    c) Failing petrol and diesel prices
    d) Higher motorcycle prices

17. The traditional aim of the firm is:

    a) Sales maximization
    b) Profit maximasation
    c) Revenue maximisaton
    d) Expansion

18. A firm makes normal profit when:

    a) All costs are fixed
    b) Total revenue exceeds total cost
    c) Total revenue equals total cost
    d) Total costs exceed total revenue

19. What would explain why a firm's long run average cost curve is U shaped?

    a) Rising factor pries after a certain level of output
    b) Economies and diseconomies of scale
    c) Changes in technology
    d) An increase in capacity utilization as output expands

20. In which market structure does Digicel operate?

    a) Perfect competition
    b) Monopolistic competition
    c) Oligopoly
    d) Monopoly

SECTION TWO - DATA RESPONSE

The demand and supply for a water bottle are given by the following equations:

Qd = 50 – 3p
Qs = 5 + 2p

a) Solve the equations to determine:

(i) Equilibrium price (4 marks)

(ii) Equilibrium quantity (2 marks)

b) Plot the demand and supply curve on a graph, showing the equilibrium price and quantity solved in part (a). (6 marks)

c) If the price of one water bottle is $4, will there be a shortage or glut on the market? By how much? (5 marks)

d) Illustrate the answer in part (c) on the graph drawn in part (b). (3 marks)

END OF EXAM