SIR ARTHUR LEWIS COMMUNITY COLLEGE

ACADEMIC YEAR (2024/2025) – SEMESTER TWO

END OF SEMESTER EXAMINATION

COURSE CODE	:	ECO113
COURSE TITLE	:	INTRODUCTION TO MICROECONOMICS
LECTURER(S)	:	PERSAD, DENESE; JOSEPH, DEVERNANT
DATE	:	MONDAY, APRIL 28, 2025
TIME	:	1:00 PM
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**) structured questions**. **Answer all questions**.
- Number your responses accurately.

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

Section A

This section consists of fifteen multiple choice questions. Circle the correct answer.

1. The traditional aim of the firm is:

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

2. Calculate the marginal cost of the 10^{th} can, if total cost of 9 cans is $900 and total cost of 10 cans is $980.

   a) 100
   b) 1880
   c) 80
   d) 1800

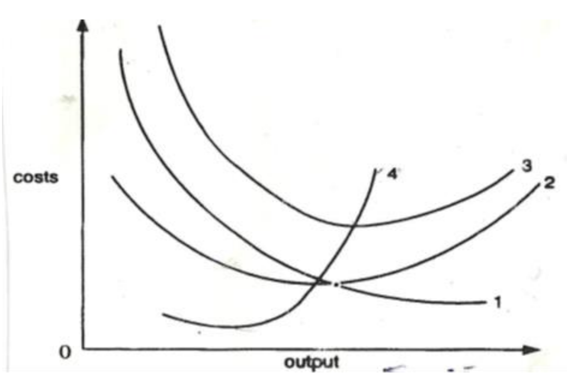
3. What would explain why a long run average cost curve is U shaped?

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

4. In the short run, a firm is producing at its minimum average cost per unit of output. What effect will a small increase in output have on the firm's marginal and average cost?

   a) MC fall AC rise
   b) MC rise AC rise
   c) Both fall
   d) Both rise

5. The diagram shows the short run cost curves of a firm:



   Which statement is correct?

   a) Curve 2 is the marginal cost curve
   b) Curve 1 is the average fixed cost curve
   c) Curve 3 is the average variable cost curve
   d) Curve 4 is the average total cost curve

6. In which market structure are there many firms selling a differentiated product?

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

7. A barrier to entry is:

   a) An open door
   b) The economic term for diseconomies of scale
   c) Illegal in most markets
   d) Anything that protects a firm from the arrival of competitors

8. In which market structure does DIGICEL operate?

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

9. In a cartel:

   a) Firms compete against each other
   b) Price wars are common
   c) Firms use prices to win market share from competitors
   d) Firms collude

10. A horizontal demand curve for a firm is found under conditions of:

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

11. Free rider can occur when a good is:

   a) A private good
   b) Excludable and nonrival
   c) Excludable and rival
   d) Nonexcludable and nonrival

12. Which of the following is not an example of market failure:

   a) A monopolist charging prices above marginal cost
   b) Inequality in the distribution of income
   c) Aircraft noise affecting individuals living near airports
   d) The damage to common land due to over grazing

13. Which form of government intervention would correct market failure?

   a) Rationing of public goods
   b) Granting of subsidies to goods that provide high external benefits
   c) Banning the consumption of luxury goods
   d) Taxation of goods that provide high external benefits

14. Vandalism and crime have increased in an area of a city following the opening of a night club. As a result, additional police have been sent to patrol the area.

a) A negative externality and a public good
b) A positive externality and a public good
c) A negative externality and a merit good
d) A positive externality and a merit good

15. Which of the following goods are excludable?

a) A city bus
b) A bridge that does not charge a toll
c) The atmosphere
d) Protection from the police

<u>Section B</u>

This section consists of four questions. 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	1,080						
1	1080	400	1,480	1080	400		400
2	1080					965	450
3	1080	1,350	2,430	360			
4	1080	1,900			475	745	
5	1080	2,500		216			600

(1/2 mark each)

2. Select one type of market structure. Give 2 examples of firms in that market structure and describe 3 characteristics of that market structure. (5 marks)

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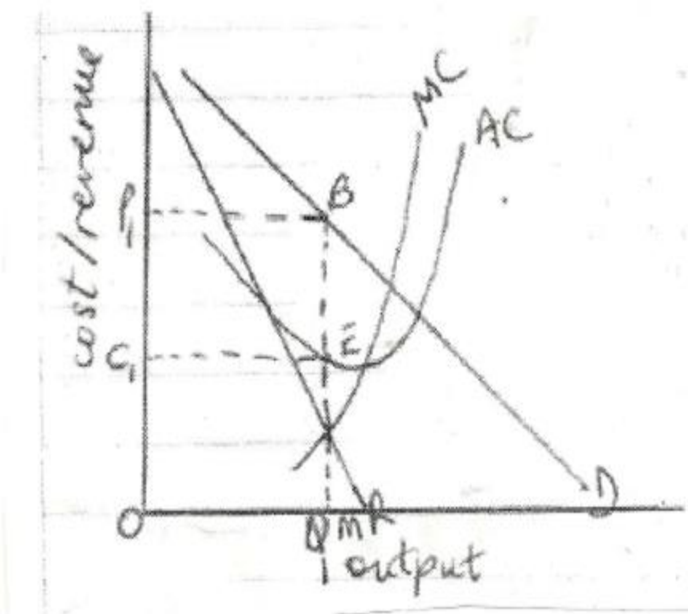
3. Use the graph below to explain the firm's market structure; its profit maximizing output, total revenue, total cost and profit. (5 marks)



4. Define economic efficiency and its components parts. (5 marks)

END OF EXAM