

	MIDTERM EXAMINATION SPRING 2007 ECO401 - ECONOMICS (Session - 1)	Marks: 40 Time: 60min
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StudentID/LoginID: _____

Student Name: _____

Center Name/Code: _____

Exam Date: Monday, May 07, 2007

INSTRUCTIONS:

Please read the following instructions carefully before attempting any question:

- ? All questions are compulsory.
- ? This exam consists of **10** Multiple Choice Questions (MCQs) of **1** mark each, **5** true false of **1** mark each, **5** Short questions of **3** marks each and one Descriptive question of **10** marks.
- ? For each Multiple Choice Question, read the options available and select which you consider is the correct one.
- ? You are required to show all the working of short as well as practical question.
- ? Use of calculator is allowed.
- ? This examination is closed book, closed notes and closed neighbours.
- ? Do not ask question about the contents of this examination from anyone.
- ? You may wish to pace yourself with your own watch, but the Supervisor will be the official timekeeper of the test.
- ? Failure to comply with the Supervisor's directions will result in your test being cancelled. Please comply with supervisor's directions to avoid any unpleasant event.

For Teacher's use only											
Question	1	2	3	4	5	6	7	8	9	10	Total
Marks											
Question	11	12	13	14	15	16	17	18	19	20	
Marks											
Question	21										
Marks											

Question No: 1 (Marks: 1) - Please choose one

Ceteris paribus means _____ .

- ? Equal access to public transportation
- ? Other things being equal
- ? Holding everything constant
- ? All things considered

Question No: 2 (Marks: 1) - Please choose one

_____ questions have to do with explanation and prediction, _____ questions have to do with what ought to be.

- ? Positive; negative.
- ? Negative; normative.
- ? Affirmative; positive.
- ? Positive; normative.

Question No: 3 (Marks: 1) - Please choose one

Which of the following is not a factor of production?

- ? Labour
- ? Land
- ? Capital
- ? Demand

Question No: 4 (Marks: 1) - Please choose one

The price of good A goes up. As a result the demand for good B shifts to the left. From this we can infer that:

- ? Good A is used to produce good B.
- ? Good B is used to produce good A.
- ? Goods A and B are substitutes.
- ? Goods A and B are complements.

Question No: 5 (Marks: 1) - Please choose one

The production possibilities curve is:

- ? Concave

- ? Convex
- ? Linear
- ? Positive

Question No: 6 (Marks: 1) - Please choose one

A rational person does not act unless:

- ? The action is ethical
- ? The action produces marginal costs that exceed marginal benefits
- ? The action produces marginal benefits that exceed marginal costs
- ? The action makes money for the person

Question No: 7 (Marks: 1) - Please choose one

When government sets the price of a good and that price is below the equilibrium price, the result will be:

- ? A surplus of the good
- ? A shortage of the good
- ? An increase in the demand for the good
- ? A decrease in the supply of the good

Question No: 8 (Marks: 1) - Please choose one

The change in total revenue divided by a one-unit change in output sold is known as:

- ? Average revenue.
- ? Average profit.
- ? Marginal cost.
- ? Marginal revenue.

Question No: 9 (Marks: 1) - Please choose one

The reason for the law of demand can best be explained in terms of:

- ? Supply
- ? Complementary goods
- ? The rationing function of prices
- ? Diminishing marginal utility

Question No: 10 (Marks: 1) - Please choose one

The income-consumption curve:

- ? Illustrates the combinations of incomes needed with various levels of consumption of a good.
- ? Is another name for income-demand curve.
- ? Illustrates the utility-maximizing combinations of goods associated with every income level.

? Shows the utility-maximizing quantity of some good (on the horizontal axis) as a function of income (on the vertical axis).

Question No: 11 (Marks: 1) - Please choose one

Microeconomics deals with concerns such as the price level and the level of employment.

? True

? False

Question No: 12 (Marks: 1) - Please choose one

A production possibility frontier depicts the unlimited wants of a society.

? True

? False

Question No: 13 (Marks: 1) - Please choose one

A monopolist can sell any amount of the commodity at a constant price.

? True

? False

Question No: 14 (Marks: 1) - Please choose one

Demand is elastic if the percentage increase in quantity exceeds the percentage decrease in price.

? True

? False

Question No: 15 (Marks: 1) - Please choose one

A monopoly leads to a higher commodity price and less output than perfect competition.

? True

? False

Question No: 16 (Marks: 3)

What is meant by equi marginal principle? At which point consumer will be in equilibrium?

Question No: 17 (Marks: 3)

What is meant by cross price elasticity of demand? Write down the formula of cross price elasticity of demand.

Question No: 18 (Marks: 3)

Define economics. What are the main branches of economics?

Question No: 19 (Marks: 3)

Differentiate between shortage and surplus.

Question No: 20 (Marks: 3)

Write down formulas of total cost (TC), average cost (AC) and marginal cost (MC).

Question No: 21 (Marks: 10)

a. Define perfect competition? Write down the assumptions of perfect competition?

b. The U.S. Department of Agriculture is interested in analyzing the domestic market for corn.

The USDA's staff economists estimate the following equations for the demand and supply curves

$$Q_d = 1,600 - 125P$$

$$Q_s = 440 + 165P$$

Calculate the equilibrium price and quantity that will prevail under a completely free market.

Marks: (5+5)

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