

THEORY PROGRAM

**FORTNIGHTLY REVIEW [FNR]**

FNR: 07

Issued on: 04/04/2022

AL - 2023

Due on: 18/04/2022

**ATTEMPT. PRACTICE. LEARN. IMPROVE. ACHIEVE.****Part – [A]****(01) Demand differ from wants in that,**

- (1) Wants require a plan to acquire a good but demands require no such plan.
- (2) Demands are unlimited, whereas wants are limited by income.
- (3) Wants imply a decision about which demands to satisfy, while demands involve no specific plan to acquire the good.
- (4) Demands reflect a decision about which wants to satisfy and a plan to buy the good, while wants are unlimited and involves no specific plan to acquire the good.
- (5) Demand and wants are the same.

**(02) In economics, ceteris paribus means;**

- (1) Everything changes.
- (2) Nothing changes.
- (3) Everything else remains constant.
- (4) Everything else changes.
- (5) None of the above.

**(03) The market demand for fish represents the,**

- (1) Sum of all individual demands for fish.
- (2) Specific quantities consumers will buy, given the market –day supply.
- (3) Relationship between price and quantity of fish demanded by a consumer on the fish market.
- (4) Maximum quantity consumers will buy, given the limitation of their income.
- (5) Changing taste of consumers.

**(04) An economic good is;**

- (1) One of which has an opportunity cost.
- (2) Also defined as a factor of production.
- (3) One which increases economic efficiency.
- (4) The opposite of a public good.
- (5) May also be a free good.

**(05) The three primary systems for allocating resources are,**

- (1) Traditional, command, and central planning.
- (2) Traditional, central planning, and communal.
- (3) Command, market and socialism
- (4) Traditional, command, and market.
- (5) Communal, command, and capitalism.

**(06) A change in quantity demanded of a good always results from a change in;**

- (1) Tastes.
- (2) The price of that good.
- (3) Income
- (4) The price of substitutes.
- (5) The price of complements.

**(07) Labour is a factor of production because,**

- (1) Its value to an economy can be improved.
- (2) It increases the cost of production.
- (3) Its productivity affects productive efficiency.
- (4) It is a resource which can contribute to output.
- (5) Its cost can be reduced.

**(08) According to law of demand,**

- (1) There is a positive relationship between quantity demanded and price.
- (2) As the price rises, demand will shift to the left.
- (3) There is a negative relationship between quantity demanded and price.
- (4) As the price rises, demand will shift to the right.
- (5) As the price rises, consumers switch their purchases to substitute goods.

**(09) If an increase in the price of blue jeans leads to an increase in the demand for tennis shoes, then blue jeans and tennis shoes are,**

- (1) Complements.
- (2) Inferior goods.
- (3) Normal goods.
- (4) Substitutes.
- (5) None of these answers.

**(10) A production possibility curve cannot be used to illustrate,**

- (1) The range of goods and services an economy can produce.
- (2) The concept of opportunity cost.
- (3) The changing trade-off incurred in varying the production of 2 products.
- (4) Output options which cannot be achieved.
- (5) Inefficient use of given resources.

**(11) The primary sector of an economy excludes;**

- (1) Forestry.
- (2) Farming.
- (3) Education.
- (4) Oil drilling.
- (5) Fishing.

**(12) Which of the following would cause the demand for a product to shift to the right?**

- (1) An increase in the price of a complementary good.
- (2) An increase in the price of a substitute good.
- (3) A decrease in the price of a substitute good.
- (4) An increase in a cost of production.
- (5) An increase in the price of the product.

**The table below lists six points on the PPC for grain and cars. Used the information to answer questions 13 – 16.**

Point	Tons of Grain	Units of cars
A	0	30
B	2	28
C	4	24
D	6	18
E	8	10
F	10	0

**(13) Given the above information, which of the following combinations is unattainable?**

- (1) 4 tons of grain and 26 cars.
- (2) 2 tons of grain and 27 cars.
- (3) 6 tons of grain and 18 cars.
- (4) 7 tons of cars and 10 cars.
- (5) All of the above combinations are attainable.

**(14) From the above information it can be concluded that production is inefficient if this economy produces,**

- (1) 4 tons of grain and 26 cars.
- (2) 2 tons of grain and 27 cars.
- (3) 8 tons of grain and 10 cars.
- (4) 6 tons of cars and 18 cars.
- (5) All of the above combinations are efficient.

**(15) What is the opportunity cost of producing the 5<sup>th</sup> ton of grain?**

- (1) 2 cars.
- (2) 3 cars.
- (3) 16 cars.
- (4) 6 cars.
- (5) Zero opportunity cost.

**(16) What is the opportunity cost of producing the 26<sup>th</sup> car?**

- (1) 4 tons of grain.
- (2) 0.25 tons of grain.
- (3) 0.5 tons of grain.
- (4) 2 tons of grain.
- (5) Zero opportunity cost.

**(17) All of the following are examples of complements EXCEPT;**

- (1) Butter and margarine.
- (2) Flashlights and batteries.
- (3) Cereal and milk.
- (4) Cameras and film.
- (5) Tea and sugar.

**(18) In a market system, prices are determined by**

- (1) Corporate executives
- (2) Government bureaucrats
- (3) Supply and demand
- (4) Total market demand
- (5) Production costs

**(19) Each point along the market demand curve shows**

- (1) The quantity of the good that firms would be willing and able to supply at a specific price
- (2) The relationship between the price of the good and total quantity demanded at a series of prices
- (3) The opportunity cost of supplying a given quantity of goods to the market
- (4) The quantity of the good that consumers would be willing and able to purchase at a specific price
- (5) How population changes affect the quantity demanded at a specific price

**(20) The reward for risk taking is known as;**

- (1) Wages.
- (2) Profits.
- (3) Interest.
- (4) Rent.
- (5) Salary.

**(21) When resources are assigned to inappropriate tasks, that is, tasks for which they are not the best match, the result will be producing at a point,**

- (1) Outside the PPC.
- (2) Where the slope of the PPC is zero.
- (3) Inside the PPC.
- (4) Where the slope of the PPC is positive.
- (5) On the PPC.

**(22) If automobiles are a normal good and the price of automobiles rises, then holding all else constant, the**

- (1) Demand for automobiles will rise
- (2) Quantity demanded of automobiles will fall
- (3) Demand for automobiles will fall
- (4) Quantity demanded of automobiles will rise
- (5) Supply of automobiles will fall

**(23) Which of the following is assumed constant along the demand curve for gasoline?**

- (1) The price of gasoline and the prices of related goods
- (2) The price of gasoline, buyers' incomes, and tastes
- (3) All variables affecting demand other than the price of gasoline
- (4) All variables affecting demand other than the supply of gasoline
- (5) Buyers' incomes and tastes, but not the prices of related goods

**(24) Which of the following would increase the amount of an inferior good that buyers would like to purchase?**

- (1) An increase in buyers' incomes
- (2) An increase in the price of a complement
- (3) A decrease in the price of a substitute
- (4) A decrease in buyers' incomes
- (5) A decrease in its expected future price

**(25) Two explanations for the law of demand are,**

- (1) Price and quantity effects.
- (2) Substitution and income effects.
- (3) Opportunity cost and substitution effects.
- (4) Substitutes and inferior goods.
- (5) None of the above.

**Part – [B]**

**(01) Fill in the blanks.**

A. Pairs of goods for which a price increase in one causes an increase in the demand for the other are called \_\_\_\_\_.

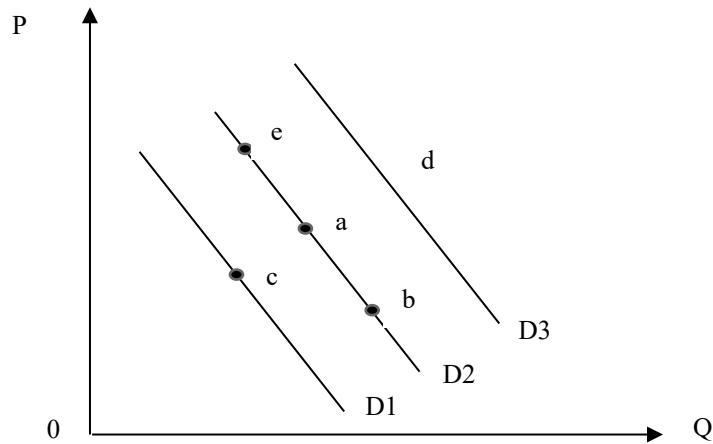
B. When the \_\_\_\_\_ is equal to the \_\_\_\_\_ the price is an \_\_\_\_\_ price.

C. Price serves as a \_\_\_\_\_ mechanism by removing from the market those who are \_\_\_\_\_ to purchase the good.

D. The market demand for a good is calculated by \_\_\_\_\_ all of the \_\_\_\_\_ demand curves of consumers in the market.

**[08 marks]**

(02) The following diagram represents the demand for fruit snacks. Refer the diagram to identify the movements which reflect the given situations. (Example: From point a to point b)



1. Which movement reflects an increase in demand?	
2. Which movement reflects a decrease in demand?	
3. Which movement reflects a decrease in quantity demanded but not a decrease in demand?	
4. Which movement reflects how consumers would react to an increase in the price of a non-fruit snack?	
5. Which movement reflects an increase in the price of a substitute for fruit snack?	
6. Which movement reflects an increase in the price of a complement for fruit snack?	
7. Which movement reflects how consumers would react to an increase in the price of a fruit snack that is expected to occur in the future?	
8. Which movement reflects an increase in income if fruit snacks are an inferior good?	
9. Which movement reflects an increase in income if fruit snacks are a normal good?	
10. Which movement reflects a decrease in population?	

[02 marks each, 20 marks]

**(03) What is meant by ‘Law of Demand’ and State the essential assumptions made in deriving the law of demand.**

**[Total 06 marks]**

**(04) State four specific factors which could lead to a decrease in the demand for chicken/ poultry as a protein-based food item by a rational consumer.**

**[01 mark each, max 04 marks]**

**(05) Match the key terms given below with the most suitable statement.**

Law of demand

Utils

Complementary goods

Substitute goods

Normal good

Opportunity Cost

A - Statements	B – Key Terms
A good whose demand increases when income increase.	
Hypothetical units for measuring utility.	
Inverse relationship between price and quantity demanded.	
Goods that can replace each other.	
Goods that are used together.	
The quantity of goods that must be given up to obtain a good.	

**[02 marks each, total 12 marks]**

END OF FNR [07]