

THEORY PROGRAM <b>FORTNIGHTLY REVIEW [FNR]</b>	FNR: <b>01</b>	Issued on:
	<b>2024 A/L</b>	Due on:

**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 general application, 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) 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.

**(11) 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

**(12) 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

**(13) 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

**(14) 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

**(15) 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.

**(16) Which one of the following is a positive statement ?**

- (1) Economists classifying economic resources as land, labour, capital and entrepreneurship is too broad, thus a wrong approach.
- (2) A fully organic agriculture policy is good.
- (3) The government should charge high taxes from multinational corporations
- (4) An unequal distribution of resources is unfair.
- (5) Economies have limited resources to satisfy unlimited wants.

**(17) In a free market economy, the price mechanism:**

- (1) Aids government control.
- (2) Allocates resources.
- (3) Reduces unfair competition.
- (4) Measures national wealth.
- (5) Increases competition.

**State whether the following statements are True (T) or False (F)**

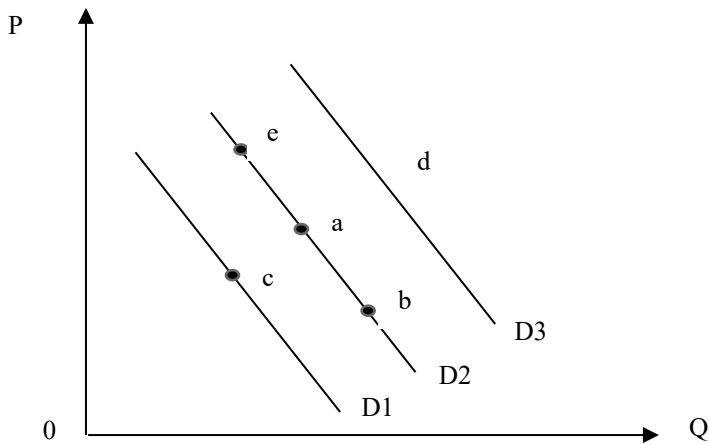
**(01 mark each)**

1) Scarcity exists even in very rich societies.	
2) People's wants are small compared to the production capacity of a large modern economy such as that of the United States.	
3) Every time a scarce good is used, an opportunity cost is involved.	
4) The use of skilled labor to produce automobiles may involve an opportunity cost	
5) Bubble gum is not a scarce good, because I can get as much of it as I want.	
6) Economists regard natural resources as gifts of nature.	

## Part – [B]

### Question [01]

The following diagram represents the demand for fruit snacks. Refer the diagram to identify the movements which reflect the given situations.



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 Mark each, Total 20 marks]**

**Question [02]**

What is meant by demand in economics [02 marks]

**Question [03]**

What is meant by 'Law of Demand' and state the essential assumptions made in deriving the law of demand

[04 marks]

**Question [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

[04 marks]

END OF FNR [01]

**Backstory:**

- A market
- Demand, Market & Individual Demand
- Factors affecting demand
- Demand & Quantity demanded
- Other factors and demand
- Law of Demand
- Presenting Law of Demand
- Price Effect
- Types of Goods and Price Effect
- Change in demand and Law of Demand