THEORY PROGRAM **FORTNIGHTLY REVIEW [FNR]**	FNR: **03**	**Issued on:**
	2024 A/L	**Due on:**

ATTEMPT. PRACTICE. LEARN. IMPROVE. ACHIEVE.

Part – [A]

(01) Which one of the following would not cause a supply curve to shift to the left?

(1) A rise in the cost of factors of production
(2) A rise in household income
(3) A rise in indirect taxes imposed on the good or service being supplied
(4) A rise in the price of other, substitute goods
(5) An increase in the price of the good.

(02) The law of demand states that the quantity of a good demanded varies,

(1) Inversely with price of complementary goods.
(2) Directly with population.
(3) Directly with income.
(4) Inversely with the price of substitute goods.
(5) Inversely with its price.

(03) The equilibrium quantity must fall when,

(1) There is a decrease in demand.
(2) There is a decrease in supply.
(3) There is an increase in price.
(4) There is an increase in demand and supply.
(5) There is a decrease in demand and supply

(04) An increase in the number of fast-food restaurants in the market;

(1) Raises the price of fast-food meals.
(2) Increases the supply of fast-food meals.
(3) Increases the demand for fast-food meals.
(4) Increases the demand for substitute for fast food-meals.
(5) Decreases the demand for complements of fast-food meals.

(05) An increase in demand combined with no change in supply causes,

(1) A decrease in demand because the supply curve does not shift
(2) The equilibrium price to fall.
(3) A movement rightward along the demand curve.
(4) The equilibrium price to rise.
(5) No change to the equilibrium price.

Refer to the given information to answer Questions (06) to (10) based on the beans vegetable market.

Quantity Demanded (kgs)			Price(Per kg)	Quantity Supplied (kgs)		
Case 1	Case 2	Case 3		Case A	Case B	Case C
150	100	50		10	20	30
120	80	40	200	20	40	60
90	60	30	300	30	60	90
60	30	20	400	40	80	120
30	20	10	500	50	100	150

(06) Suppose that in normal times demand is represented by Case 2 and supply is represented by Case B. The trading price of beans will be

(1) Rs. 200 per kg
(2) Rs. 400 per kg
(3) Rs. 300 per kg
(4) Rs. 100 per kg
(5) Rs. 500 per kg

(07) Suppose that in normal times demand is represented by Case 2 and supply is represented by Case B. The equilibrium quantity of beans will be

(1) 100 kgs
(2) 40 kgs
(3) 60 kgs
(4) 30 kgs
(5) 80 kgs

(08) Suppose that in normal times demand is represented by Case 2 and supply is represented by Case B. If there is a drought in the bean growing region, then supply will ________ and demand will ________.

(1) Stay at case B; become case 3
(2) Stay at case B; become case 1
(3) Become case A; become case 1
(4) Become case A; stay at case 2
(5) Become case C; stay at case 2

(09) Suppose that in normal times demand is represented by Case 2 and supply is represented by Case B. If there is exceptionally good growing weather in the bean growing region, then supply will ________ and demand will ________.

(1) Stay at case B; become case 1
(2) Become case C; stay at case 2
(3) Become case C; become case 3
(4) Become case C; become case 1
(5) Become case A; stay at case 2

(10) Suppose that in normal times demand is represented by Case 2 and supply is represented by Case B. If it is discovered that beans help prevent cancer, then supply will ________ and demand will ________.

(1) Stay at case B; become case 1
(2) Become case C; stay at case 2
(3) Become case A; become case 1
(4) Become case C; become case 1
(5) Become case A; stay at case 2

(11) An increase in supply combined with no change in demand causes,

(1) A decrease in demand because the supply curve does not shift
(2) The equilibrium price to fall.
(3) A movement rightward along the demand curve.
(4) The equilibrium price to rise.
(5) No change to the equilibrium price.

(12) The price of a gallon of milk falls. Which of the following is a possible cause?

(1) A discovery that milk cause diabetes
(2) A drought that reduces supplies of feed grains fed to cows that produce milk
(3) An increase in the income of the average household, with milk being a normal good
(4) A decrease in the price of oatmeal, a complement to milk
(5) Milk consumption encouraged by promotions.

(13) Which of the following will shift the supply curve for good X leftward?

(1) A situation in which quantity demanded exceeds quantity supplied
(2) An increase in the cost of the machinery used to produce X
(3) A decrease in the wages of workers employed to produce X
(4) A technological improvement in the production of X
(5) None of the above situations will shift the supply curve leftward.

(14) Which of the following statements is true about the impact of an increase in the price of lettuce?

(1) Both the demand for lettuce will decrease and the equilibrium price and quantity of salad dressing will fall.
(2) The supply of lettuce will decrease.
(3) The demand for lettuce will decrease.
(4) The equilibrium price and quantity of salad dressing will fall.
(5) The equilibrium price and quantity of salad dressing will rise.

For Q(15) & Q(16) : Let Qd stand for the quantity demanded, Qs stand for the quantity supplied, and P stand for price. If Qd = 20 - 2P and Qs = 5 + 3P,

(15) The equilibrium price and quantity is

(1) Rs. 14, 3 units (2) Rs. 30, 14 units (3) Rs. 10, 3 units (4) Rs. 3, 14 units (5) Rs. 4, 26 units

(16) Total Consumer Surplus at Equilibrium

(1) Rs. 49 (2) Rs. 98 (3) Rs. 21 (4) 49 Units (5) 98 Units

(17) All of the following except one would increase the amount of a particular model of a Ford automobile that buyers would like to buy. Which is the exception?

(1) An increase in buyers' incomes.
(2) Increased prices of other Ford models.
(3) An expected future increase in the price.
(4) An increase in the country's population.
(5) A decrease in the price of steel.

(18) A supply curve differs from a supply schedule because a supply curve;

(1) Holds resource prices constant, whereas the supply schedule allows them to vary.
(2) Represents one firm, whereas the supply schedule represents all firms in the market.
(3) Is a graph and the supply schedule is a table.
(4) Holds number of suppliers constant, whereas the supply schedule allows them to vary.
(5) Is a graph of the supply over a period of time, whereas the supply schedule is at a given point of time.

(19) The height of the demand curve for a good represents,

(1) The minimum price that consumers are prepared to pay for one more unit of the good.
(2) The maximum price that consumers are prepared to pay for one more unit of the good.
(3) The minimum price needed to cause producers to produce a specific quantity of the good.
(4) The opportunity cost of producing the marginal unit if the good.
(5) None of the above.

(20) 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.

Part – [B]

Question [01]

(01) 'Assume Amal is paid every fortnight, and as a result of an increase in wages in the beginning of the second fortnight of the month from his employer, Amal increased his consumption of soft drinks and donuts, decreased his consumption of butter cake, Milk Powder, maintained same consumption of fish buns as first fortnight, while does not have the need to buy anymore mosquito coils for the month.

Based on the given explanation identify whether the following goods are normal, neutral goods, goods subject to satiation or inferior goods.

a. Soft drinks:
b. Donuts:
c. Butter cake:
d. Milk Powder
e. Fish buns:
f. Mosquito Coils: **[06 Marks]**

Question [02]

State whether the changes in the following factors would cause demand for a good to rise or fall

[½ mark for each change, total 05 Marks]

Factor: Income [Normal Good]	Effect on Demand
Increase in Income	
Decrease in Income	

Factor: Price of related goods	Effect on Demand
Increase in price of substitute goods	
Decrease in price of substitute goods	
Increase in price of complementary goods	
Decrease in price of complementary goods	

Factor: Taste & preferences	Effect on Demand
More desire for a good/ preference	
Less desire for a good/ preference	

Factor: Number of buyers	Effect on Demand
Increase in number of buyers	
Decrease in number of buyers	

Factor: Future Price	Effect on Demand
Increase in price	
Decrease in price	

Question [03]

Define the following 'Concepts' (Ensure to provide a **complete** and **theoretically correct** definition, using the **correct technical terms**)

(1) Scarcity of Resources
(2) Alternative Uses of Resources
(3) Economic Choice (or Tradeoffs)
(4) Opportunity Cost

[03 marks each]

Question [04]

Define 'Price Elasticity of Demand (PED)' and state the principal 'Determinants' of PED

[06 marks]

END OF FNR [**3**]