THEORY PROGRAM **FORTNIGHTLY REVIEW [FNR]**	FNR: **05**	**Issued on:**
	2024 A/L	**Due on:**

ATTEMPT. PRACTICE. LEARN. IMPROVE. ACHIEVE.

Part – [A]

(01) Which of the following is consistent with the law of demand?

(1) A decrease in the price of a litre of milk causes a decrease in the quantity of milk demanded.
(2) An increase in the price of soda causes a decrease in the quantity of soda demanded.
(3) An increase in the price of carrots causes an increase in the quantity of carrots demanded.
(4) A decrease in the price of salt causes no change in the quantity of salt demanded.
(5) An increase in the price of a medicine causes no change in the quantity demanded.

(02) 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.

(03) A fall in the price of a good cause producers to reduce the quantity of the good they are willing to produce. This fact illustrates,

(1) A change in supply
(2) The law of demand
(3) The nature of an inferior good.
(4) The law of supply
(5) Non-of the above.

(04) As the opportunity cost of a good decreases, people buy,

(1) More of that good but less of its complements.
(2) Less of that good and also less of its complements.
(3) Less of that good but more of its complements.
(4) More of that good and also more of its complements.
(5) The same amount of that good but less of the complements.

(05) Navin earned Rs.6,000 a month working part-time, after graduating from university he takes up a full time job where he now earns Rs.50,000 per month. After receiving his first paycheck, he gave away his bicycle and purchased a motor bike. Therefore,

(1) Bicycles are a normal good for Navin.
(2) Motor bikes are an inferior good for Navin.
(3) Motor bikes are a normal good for Navin.
(4) Navin's supply curve for motor Bikes is upward-sloping.
(5) Bicycles and motor bikes are complementary goods for Navin.

(06) Each point on the demand curve reflects

(1) The highest price consumers are willing and able to pay for that particular unit of a good.
(2) The highest price sellers will accept for all units. They are producing.
(3) The lowest cost technology available to produce a good.
(4) All the wants of a given household.
(5) The lowest price a consumer is willing to pay for a unit of good.

(07) When economists refer to price as a rationing mechanism, they mean that:

(1) The government can establish a rationing program by setting prices.
(2) Price clears from the market those who want the good, but can't afford it.
(3) Most markets have chronic problems with excess demand so rationing is necessary.
(4) Suppliers ration goods by setting a price demanders can afford.
(5) Demanders ration their income by choosing only low-priced goods.

(08) The quantity supplied of a good is,

(1) Equal to the difference between the quantity available and the quantity desired by all consumers and producers.
(2) The same thing as the quantity demanded at each price.
(3) The amount that the producers are planning to sell at a particular price during a given time period.
(4) The amount the firm would sell if it faced no resource constraints.
(5) The quantity the supplier can produce at full capacity.

(09) If we observe that the price of a product has fallen and the quantity of the product has also fallen, which of the following must have occurred?

(1) Demand has shifted to the right.
(2) Demand has shifted to the left.
(3) None of the above.
(4) Supply has shifted to the right.
(5) Supply has shifted to the left.

(10) All of the following are likely to lead an outward shift in the supply curve for a good, except

(1) The introduction of cost-reducing technology
(2) An increase in the price of the good
(3) A decrease in the price of a resource used to make the good
(4) A decrease in taxes on producers
(5) A rise in household income

(11) Which of the following influences people's buying plans and causes movements along a demand curve?

(1) Preferences
(2) Income
(3) The price of the good
(4) The price of related goods
(5) The number of buyers

(12) Inferior goods are those for which demand increases as

(1) Income decreases
(2) Income increases
(3) The price of a substitute falls
(4) The price of a substitute rises
(5) Population increases

(13) The term used to emphasize that making choices in the face of scarcity involves a cost is;

(1) Substitution cost.
(2) Opportunity cost.
(3) Utility cost.
(4) Accounting cost.
(5) Marginal cost

(14) Normal goods are those for which demand decreases as

(1) The good's own price falls
(2) The price of a substitute falls
(3) The price of a complement falls
(4) Income decreases
(5) The good's own price rises

(15) If a change in the price of a good causes no change in total revenue

(1) The demand for the good must be elastic.
(2) The demand for the good must be inelastic.
(3) The demand for the good must be unit elastic.
(4) The demand for the good must be perfectly inelastic.
(5) Buyers must not respond very much to a change in price.

(16) If 100 units of product (K) are sold at a unit price of $10 and 75 units of product (K) are sold at a unit price of $15, one can conclude that in this price range:

(1) Demand for product (K) is elastic.
(2) Demand for product (K) is inelastic.
(3) Demand for product (K) has shifted to the right.
(4) Consumers are sensitive to price changes of product (K).
(5) Product (K) is an essential product.

(17) If a small percentage increase in the price of a good greatly reduced the quantity demanded for that good, the demand for that good is,

(1) Income inelastic.
(2) Price inelastic.
(3) Price elastic.
(4) Unit price elastic.
(5) Income elastic.

(18) If supply increases and demand does not change, then price:

(1) As well as quantities demanded and supplied will increase.
(2) Will decrease, and quantity demanded and supplied will increase.
(3) Will decrease, and quantity demanded and supplied will decrease.
(4) And quantity demanded remain unchanged.
(5) Remains unchanged, but both quantities demanded and supplied will decrease.

(19) If the price of a good starts out above the equilibrium price, then

(1) Consumers will compete to bid the price up.
(2) Suppliers will compete to bid the price up.
(3) Suppliers will compete to bid the price down.
(4) Consumers will compete to bid the price down.
(5) Producers will hire more labor to produce more of the good.

(20) Sales of good T are currently 10,000 per year, and income elasticity of demand for good T is +1.5. If household income rises by 4%, what will be the new annual sales of good T?

(1) 10,600
(2) 10,400
(3) 9,600
(4) 9,400
(5) 9,000

End of Part [A]

Part – [B]

Question [01]

(A) **Name** 'five' features which exist within any society, which lead to the variety of economic systems

(05 marks)

(B) **List** the 'three' basic economic systems which have evolved to answer the three fundamental questions faced by all economic systems

(03 marks)

Question [02]

State the Salient Characteristics of the following economic systems:

(A) Liberal Market Economic System

(B) Command Economic System

(C) Mixed Economic System **(04 marks each)**

Question [03]

(A) What is meant by 'Consumer Surplus' **(02 marks)**

(B) Suppose the market demand equation for a given product is **Qd = 600 – 20P**, estimate the following at the price of Rs. 15.00 per unit.

(1) Total Consumer Surplus **(02 marks)**

(2) Price Elasticity of Demand **(01 mark)**

Question [04]

(A) What is meant by 'Producer Surplus' **(02 marks)**

(B) Suppose the market supply equation for a given product is **Qs = - 300 + 20P**, estimate the following at the price of Rs. 30.00 per unit.

(1) Total Producer Surplus **(02 marks)**

(2) Price Elasticity of Supply **(01 mark)**