

**HOLY SPIRIT HIGH SCHOOL
ECONOMICS - JANUARY 2004 EXAM**

Part 1 – on the answer sheet provided shade answer either True or False. Value 20%

- 1) We will always live the economic dilemma of our wants exceeding our ability to satisfy them.
- 2) Economics is only the study of scarce resources
- 3) One of the reasons we study economics is to be able to make more money.
- 4) A solution to an economic problem can be effective without being efficient.
- 5) Another name for analytical economics is positive economics
- 6) The scientific method in economics has nine steps.
- 7) Goods used in the production of other goods are relative cost consumer goods.
- 8) In economics outputs can also be called product.
- 9) The only factors of production are land and labour.
- 10) An intangible resource is a resource that has physical properties and can be seen and touched.
- 11) Normative economics is also known as positive economics
- 12) In business the facilities, machinery and equipment are often referred to as real capital.
- 13) A market can be a physical place but it does not have to be a physical place.
- 14) A demand line slopes downward and runs from top left to bottom right.
- 15) As prices drop suppliers will want to supply less.
- 16) You personally have a demand for a luxury car.
- 17) A price set below the equilibrium will see a shortage of product for the customers.
- 18) Demographics show changes in age, income and overall numbers.
- 19) The availability of substitute goods would be considered by an Economist as a non-price factor.
- 20) Goods that are sold together with other goods such as automobiles and gasoline are complement goods.

- 21) In a supply graph a shift to the right indicates a decrease in supply.
- 22) Nature and the environment cannot bring about a change in supply.
- 23) Pure competition is an ideal or a model that economists use.
- 24) In a demand graph a shift up and to the right shows an increase in demand.
- 25) A change in equilibrium prices is caused by a shift in demand but not a shift in supply.
- 26) All prices above the equilibrium price create a surplus.
- 27) Any coefficient between zero and one is called an elastic coefficient.
- 28) Any coefficient that is unitary is equal to one (1).
- 29) The price of a product multiplied by the quantity demanded of the product is called total revenue.
- 30) Restriction on milk production raises the price of milk for consumers.
- 31) In economics you can measure units of satisfaction.
- 32) If the government believes people are paying too high a price for an item, it will introduce a ceiling price as a solution.
- 33) A subsidy is a grant of money made to industry by business.
- 34) Quotas are administered by marketing boards.
- 35) The government sets the minimum wage which is lower than the one set by the forces of demand and supply.
- 36) Total utility increases as more is consumed while marginal utility falls.
- 37) One of the biggest disadvantages of a co-op is the unlimited personal liability.
- 38) Shares of a private corporation are freely traded subject to the supervision of the securities commission.
- 39) There are six different types of cooperative enterprises.
- 40) A charitable organization is allowed to generate profits.

Part 2 – Define or Explain 20 of the following**Value 30%**

- | | |
|---------------------------|----------------------------|
| 1) economics | 17) marginal utility |
| 2) efficient | 18) ceiling price |
| 3) opportunity cost | 19) black market |
| 4) fallacy | 20) quota |
| 5) trade-off | 21) marketing board |
| 6) consumer goods | 22) brain drain |
| 7) capital goods | 23) subsidiary |
| 8) relative cost | 24) holding company |
| 9) productivity | 25) corporate alliance |
| 10) factors of production | 26) privatize |
| 11) market | 27) joint liability |
| 12) equilibrium price | 28) progressive tax |
| 13) substitute goods | 29) gross domestic product |
| 14) pure competition | 30) crown corporation |
| 15) total revenue | 31) real capital |
| 16) util | |

Part 3 – Students are required to answer the following question. Value 8%

Suppose a certain city has a demand for two bedroom apartments as shown in the following figure.

RENT	QUANTITY DEMANDED
\$1000	1000
\$ 900	2000
\$ 800	3000
\$ 700	4000
\$ 600	5000
\$ 500	6000

- A) Plot a demand and supply curve for this schedule assuming there are 3000 apartments. What is the equilibrium rent? Is the supply elastic or perfectly inelastic in the short term?
- B) Assume that demand for apartments in the city increases, rising by 1000 at each rental price. What will happen to the equilibrium price? Show this on your graphs as well as explain in words.

Part 4 – Students are required to complete Six of the following Value 42%

- 1) Which form of business would you prefer to use if you were starting your own business? In a paragraph or so explain why you chose that type of business.
- 2) In a paragraph or so discuss the advantages and disadvantages of big business.
- 3) In a paragraph or so discuss the advantages and disadvantages of small business.

- 4) Explain the difference between each of the following pairs of terms.
 - a) a general partner and a limited partner
 - b) public corporation and a private corporation
 - c) dividends and patronage
- 5) List and explain three (3) factors that can bring about changes in demand.
- 6) List and give a brief explanation of the nine steps involved in a decision-making model.
- 7) Explain Adam Smith's paradox also known as the paradox of value.
- 8) Create two lists. One list of things that may be considered advantages and another list of the disadvantages of corporation.
- 9) Although economists prefer to see prices set automatically by force of demand and supply. Think of two goods or services whose prices probably should be controlled by Government. Explain your answer in a paragraph.