

CANADIAN ECONOMY 2203

SAMPLE EXAM

Unit II – Chapter 5 (pp. 94-117)

1. Define or explain ten (10) of the following:

- a) elasticity
- b) price elasticity of demand
- c) inelastic coefficient
- d) unitary coefficient
- e) total revenue
- f) total revenue
- g) elasticity of supply
- h) utility theory
- i) marginal utility
- j) util

2. For which of the following products would demand be elastic? inelastic? State why in each case.

- a) beef
- b) steak
- c) soft drinks
- d) Coca-Cola
- e) pencils
- f) public transportation
- g) haircuts

3. a) Prices for a particular product are rising because of strong consumer demand. An economist estimates that the coefficient of supply for the product is 0.8. Is this good or bad news for the seller who wants to supply and sell more? Explain.

b) If the coefficient were 1.5 instead, how would the news compare to that in (a)?

4) Explain the difference between total utility and marginal utility using as an example a person drinking cans of soft drinks.

5) Copy the following and answer the questions that follow:

PRICE	QUANTITY DEMANDED	SALES REVENUE	ELASTICITY
\$3000	8 000		
\$2800	10 000		
\$2600	12 000		
\$2400	14 000		
\$2200	16 000		

a) Determine the price elasticity for the computer for each price range.

b) Give two reasons why this item would have this particular elasticity?

c) Because of the costs of manufacturing the computer, it is currently priced at \$2,800.00. As costs fall, should the manufacturer maintain the same price, rise it, or lower it? Explain your answer.