

SIR ARTHUR LEWIS COMMUNITY COLLEGE  
DIVISION OF TECHNICAL EDUCATION AND MANAGEMENT STUDIES

EXAMINATION SESSION : May 2005 Final Examination  
TUTOR(S) : Mr. M. Rene  
PROGRAMME TITLE(S) : Office Administration, Hospitality Studies  
COURSE TITLE : Microeconomics  
COURSE CODE : ECO101 AND ECO106  
CLASS(ES) : Year One  
DATE : Wednesday, 6<sup>th</sup> May 2005  
COMMENCEMENT TIME : 9:00 a.m.  
DURATION : 2 hours

#M27



INSTRUCTIONS:

THIS PAPER CONSISTS OF THREE SECTIONS.

CANDIDATES MUST DO NUMBER ONE1 AND ANY 2 OTHERS FROM SECTION C

SECTION C MUST BE DONE ON FULLSCAP PAPER PROVIDED.

SECTIONS A AND B MUST BE DONE ON THE EXAMINATION PAPER.



## OFFICE ADMINISTRATION AND HOSPITALITY STUDIES

Instructions – Indicate in the spaces provided whether the statements are TRUE OR FALSE.

### SECTION A

1. Conditions for this type of competition are satisfied when the individual firm is a price-taker, and when buyers are indifferent as to which seller's product they buy. \_\_\_\_\_
2. When we say that goods are heterogeneous we mean that in the perception of the buyer all units of the goods offered by all suppliers are equally acceptable. \_\_\_\_\_
3. One characteristics of monopoly is that suppliers and buyers must be free to enter and leave the market as they choose and as they are guided by consideration of profit and utility. \_\_\_\_\_
4. Monopoly is the opposite extreme to perfect competition. \_\_\_\_\_
5. In St Lucia, the company that offers e-mail and services using the so-called information "super-highway" operates a monopoly. \_\_\_\_\_
6. Any mental or physical effort used in a production process is called natural resources. \_\_\_\_\_
7. In the long run it is possible to vary all the factors of production. \_\_\_\_\_
8. The term privatization implies allowing private individuals to be responsible for deregulations. \_\_\_\_\_
9. The shape of the production possibilities curve is based on the principle of increasing opportunity costs. \_\_\_\_\_
10. the demand curve is downward sloping to indicate that more of a product will be brought as the price stabilities. \_\_\_\_\_
11. When the proportional change in quantity is less that the proportion change in price, we say demand is price elastic. \_\_\_\_\_
12. If two products are substitutes for each other, we can expect a rise in price of one to lead to a rise in demand for the other. \_\_\_\_\_
13. A price rise when demand is price elastic will reduce total sales revenue. \_\_\_\_\_
14. average costs is the change in total costs as output changes. \_\_\_\_\_
15. As the price of vebien goods rise, so to does snob-appeal rises. \_\_\_\_\_

(1 mark each)

### SECTION B

MULTIPLE-CHOICE: SELECT THE MOST CORRECT OPTION TO COMPLETE THE STATEMENT.

1. This statement attempts to record all the translations which take place between a nation's residents and the resident of foreign nations.
  - (a) National income statement
  - (b) Foreign income statement
  - (c) Balance of payments statements
  - (d) Statement of income and expenditure

2. When firms transfer funds in order to create new capital in foreign countries, that is recorded in a country's.
  - (a) Current account
  - (b) Capital account
  - (c) Central bank
  - (d) Official financing account
  
3. The difference between the value of exports and imports in a given year is called
  - (a) visible balance
  - (b) invisible balance
  - (c) trade balance
  - (d) none of the above
  
4. The protection of domestic industries from foreign competition is referred to as
  - (a) deregulation
  - (b) trade liberalization
  - (c) privatization
  - (d) protection
  
5. Quotas on imports, subsidies on goods produced for export, and special licenses for importers are all examples of
  - (a) tariff barriers
  - (b) non-tariff barriers
  - (c) special tariffs
  - (d) barriers to entry
  
6. When the margin of advantage differs between two areas, total world production can increase if each area specializes in the commodity in which it has
  - (a) an absolute advantage
  - (b) a competitive advantage
  - (c) a comparative advantage
  - (d) a marginal advantage
  
7. Output is perceived by customers to be distinctive and preferable to its imperfect substitutes this best typifies
  - (a) Homogenous products
  - (b) Snob-appeal products
  - (c) Unique products
  - (d) Heterogeneous products
  
8. A market where individual firms have moderate influence over price, where each product enjoys a degree of uniqueness in the perception of customers.
  - (a) substitutes
  - (b) complements
  - (c) inferior goods
  - (d) giffen goods

9. A demand curve represented by a vertical line indicates demand that is
- (a) perfectly elastic
  - (b) perfectly inelastic
  - (c) unitary elastic
  - (d) income elastic
10. Cross Elasticity is always negative for
- (a) substitutes
  - (b) complements
  - (c) inferior goods
  - (d) giffen goods
11. The gain in satisfaction of acquiring additional units of a product or acquiring one product instead of another
- (a) production possibility
  - (b) consumption possibility
  - (c) marginal utility
  - (d) marginal product
12. Goods and services acquires not for their consumption value but because they are important inputs in the manufacture and distribution of other products
- (a) Direct demand
  - (b) Derived demand
  - (c) Acquired demand
  - (d) None of the above
13. When buyers demand more of a product at a given price than producers are willing to supply, this is created.
- (a) surplus
  - (b) excess supply
  - (c) excess demand
  - (d) all of the above
14. This concept emphasis the problem of choice by measuring the cost of obtaining
- (a) scarcity
  - (b) marginal cost
  - (c) opportunity cost
  - (d) commodity choice
15. The most mobile factor of production is
- (a) scarcity
  - (b) marginal cost
  - (c) opportunity cost
  - (d) commodity choice
16. Which of the following best describes the study of economics?
- (a) A study of how firms maximize their profits
  - (b) A study of how society uses its goods and services
  - (c) A study of how society uses its scarce resources to satisfy unlimited wants
  - (d) A study of how capitalism differs from socialism

17. Economist consider technology to be what kind of resource

- (a) land
- (b) labour
- (c) capital
- (d) entrepreneurship

18. Which of the following is a micro-economic concept?

- (a) The total income of all banana growers in St Lucia
- (b) The quantity of money held by a sole trader
- (c) The national debt
- (d) The general price level of goods and services in St Lucia

19. Normative statements

- (a) are based on facts
- (b) do not involve value judgments
- (c) involve issues of personal opinion
- (d) all of the above

20. The opportunity cost of a good is

- (a) The original cost to the producer
- (b) The cost of manufacturing the good
- (c) The alternative which is forgone to obtain it
- (d) The value of the goods for which it could be exchanged

**SECTION C**

**DO QUESTION ONE (1) AND ANY TWO OTHERS**

1. Use the figures below to compile the balance of payments for carnival country for the year 2002.

Intangible imports	180 Million
Investment by foreigners	60 m
Exports of services	400 m
Goods sold abroad	80 m
Tangible imports	240 m
Investment overseas	40 m
Contribution to central bank	60m

(25 marks)

2. Briefly define each of the following terms. Give examples where necessary.

- (a) Frictional unemployment
- (b) Ostentatious Goods
- (c) Globalisation
- (d) Non-tariff Barriers
- (e) Derived Demand

(10 marks)

3. (a) What is monopolistic competition?

(5 marks)

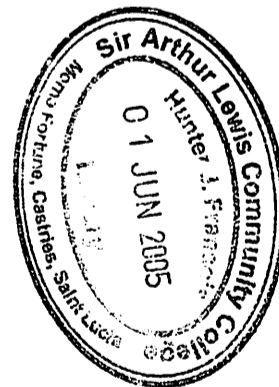
- (b) How do firms in monopolistic competition attempt to make their offerings different?

(5 marks)

4. Briefly define the following

- (a) Current account
- (b) Capital account
- (c) Capital account
- (d) G.D.P at Market Price
- (e) G.D.P. at Factor Cost
- (f) Net Property Income from Abroad

(10 marks)



**END OF EXAMINATIONS**