

SIR ARTHUR LEWIS COMMUNITY COLLEGE
Division of Technical Education and Management Studies

EXAMINATION SESSION : Semester One December 2011/2012 Examination
TUTOR (S) : Pamela Roberts, Stephen Auguste
PROGRAMME TITLE : Applied Arts – Business Administration
PROGRAMME CODE : 3BS-ABA-AD
COURSE TITLE : Fundamentals of Economics
COURSE CODE : ECO101
DATE : 9th December, 2011
COMMENCEMENT TIME : 9:00 a.m.
DURATION : 2 ½ Hours
INVIGILATOR (S) : T. Warner, P. Jn. Francois
ROOM (S) : HOS-R1

INSTRUCTIONS:

This examination contains two (2) sections. Read **all** sections carefully.

Section A – Data Response

There are four (4) questions in this section.
Answer **ALL** questions in this section.
Use spaces provided to answer questions where necessary.

Section B – Essays

There are four questions in this section.
Answer any one (1) question from this section.

Show all workings.

Lending and borrowing are prohibited.

Borrowing or lending is prohibited.

- Students are advised to use a pen to write this examination
- Write your ID number on *each* answer sheet
- All cell phones must be turned off during the examination
- **Note:** Bags, books as well as writing paper not given by the invigilator should be deposited at the front of the examination room or as otherwise indicated.
- Students **must** sign **IN** and **OUT** on the examination class list
- All examination papers **must** be turned in to the invigilator together with the answer sheets



#E5



SECTION A – DATA RESPONSE

INSTRUCTIONS: Answer all the questions in this section.

Use the space provided to answer the questions where necessary.

Question 1

The following table shows the demand and supply schedules for wholesale potatoes for one week at the St Lucia’s Marketing Board.

Price (\$)	Quantity Demanded (kg)	Quantity Supplied (kg)
2	70	10
4	60	30
6	50	50
8	40	70
10	30	90

- (a) Plot the demand and supply curves on a graph. (7 mks)
 - (b) Identify the equilibrium price and quantity on the graph. (2 mks)
 - (c) What would be the result if government imposes a control price of \$4 per kilogram of potatoes? (2 mks)
 - (d) If an increase in income and demand increases by 10 kg at each and every price (assume that nothing else changes):
 - (i) Draw the new supply curve. (3 mks)
 - (ii) Show the new equilibrium price and quantity. (2 mks)
 - (iii) State the new equilibrium price and quantity. (2 mks)
 - (iv) What is the effect of the change in demand?
.....
..... (2 mks)
- (20 marks)**

Question 2

- (i) Demand: $Q_d = 100 - 8p$
Supply: $Q_s = 25 + 4p$, where

Q = thousands of hours of floor reconditioning per month

P = the price per hour.

Algebraically determine the market equilibrium price/output combination. (4 mks)

- (ii) For each of the following situations listed below, select the market firm in the list which offers the best description:

Market Firms

- (A) Perfect Competition (PC)
- (B) Monopoly (M)
- (C) Oligopoly (O)
- (D) Monopolistic Competition (MC)

- (a) A price taker. _____
- (b) A sole supplier of air transport. _____
- (c) A few giant firms supplying the whole of the market for computers. _____
- (d) New firms are excluded from the market. _____
- (e) A large number of firms, each supplying branded hair products at very similar prices.

- (f) A large number of farmers supplying celery at identical prices. _____

(6 mks)

(iii) Perfect competition and monopoly represent benchmark cases describing the two extremes of market models. State five differences between perfect competition and monopolist competition on the table provided below. (10 mks)

Categories	Perfect Competition	Monopolist Competition
Number of Firms		
Type of Product		
Price		
Barrier to Entry		
Firm Example		

(20 marks)

Question 3

(i) Study the information below and answer the questions which follow. Paul Jones is 20 years old and working away from home. He receives a wage slip every week.

Gross Pay	Income Tax	National insurance	Other Deductions	Net Pay
\$200.00	\$30.00	\$15.00	\$20.00	\$135.00

- (a) How much does Paul Jones earn each week? (1 mk)
- (b) What is Paul's disposable income? (1 mk)
- (c) Explain three reasons why taxes are imposed on income. (9 mks)

Question 4

Match the *Key Terms* and *Concepts*

Insert the appropriate letter of the concept next to the item number of the key term.

Key Terms	Concepts
----- i. Veblen good	a. Japan sells cars to other countries.
----- ii. Credit card	b. The free movement of people, goods and technology across the world.
----- iii. WTO	c. Purchases conducted over the net.
----- iv. Capital markets	d. A relaxation of social and economic policies
----- v. Complements	e. Products which produce other goods and services
----- vi. Long run	f. Goods that are used together.
----- vii. Globalisation decreases.	g. A good for which quantity demanded decreases as price decreases.
----- viii. Sole trader	h. A Caribbean community with a central bank.
..... ix. IMF	i. Records of financial transactions between countries.
..... x. ecommerce	j. Promotes economic integration
..... xi. ECSE	k. A device used to obtain consumer credit at a time of purchasing an article or service.
..... xii. Giffen good	l. A period wherein all the inputs to production can be varied..
..... xiii. Caricom	m. Provides loans for countries with financial problems.
..... xiv. OECS	n. Advising countries on poverty reduction.
..... xv Scarcity	o. The most common form of business organization.
..... xvi International Trade	p. Provides a forum for trading negotiations.
..... xvii Liberalisation	q. Goods that are attractive because of their price.
..... xviii World Bank	r. Long-term debt and securities are bought and sold.
..... xix Balance of Payments	s. Security exchange.
..... Capital goods	t. Resources being insufficient to satisfy all of people's wants.

((20 marks)o

SECTION B - Essay Questions

Instructions: There are three (3) questions in this section. Answer one (1) question in this section. Each question carries 20 marks

1. a) (i) State **four** features of a cooperative organization. (4 mks)
(ii) Explain two advantages and two disadvantages of a sole trader. (12 mks)
(iii) Explain two disadvantages of a multinational organization. (4 mks)

2. (a) Distinguish clearly between a firm and an industry. [2 mks]

(b) Using examples explain the differences between a primary, a secondary and a tertiary production. [9 mks]

(C) State any **three** factors of production and explain their importance in the production process. [9 mks]

3. (a) (i) State **three** functions of commercial banks in St. Lucia. [3mks]
(ii) State **three** functions of the Eastern Caribbean Central Bank. [3mks]

(b) (i) Describe any **four** characteristics of money. [8 mks]
(ii) Explain **two** advantages of offshore banking. [6 mks]

END OF EXAMINATION