

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

EXAMINATION SESSION : December 2012 Final Examination
TUTOR (S) : Mr. S. Auguste, Ms. L. Phillips
PROGRAMME TITLE : Food and Beverage, Hospitality Studies
PROGRAMME CODE : 3HS-FAB-AD, 3HS-HOS-AD
COURSE TITLE : Economics IA
COURSE CODE : ECO106
CLASS (ES) : Year one
DATE : Tuesday 11th December, 2012
COMMENCEMENT TIME : 1:00 p.m.
DURATION : 2 hours thirty minutes
INVIGILATOR (S) : L. Philbert A. Carrazana
ROOM (S) : EMT-W1

#E6



INSTRUCTIONS:

Section A

Students are required to answer **ALL questions** in this section.

Sections B & C

There are **FOUR (4)** questions in these sections. Students are required to answer **ONE** question from each section. (10 marks each)

Borrowing or lending is prohibited.

All writing paper will be provided by the Invigilator.

- For this examination, students must have calculators, pens, pencils, erasers
- Please number your responses accurately.
- Students are advised to use a **blue/black ink 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.

Number	Mark
1	
2	
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12	
Total	

STUDENT ID NUMBER									

SECTION A

Instructions: Students are required to answer ALL questions in this section:

1. The table below shows the demand and supply schedules for a particular commodity:

Price	Quantity demanded	Quantity supplied
10	20	80
9	25	70
8	30	60
7	35	50
6	40	40
5	45	30
4	50	20

a) i) Plot the demand and supply curves on the graph paper in the answer booklet. (5 marks)

ii) Show the equilibrium price and quantity on the graph. _____ (2 marks)

iii) What is the total revenue at the equilibrium price? _____ (2 marks)

b) i) What would be the **excess demand** or **excess supply** if price increases to \$9.00? _____ (2 marks)

ii) What would be the **excess demand** or **excess supply** if price falls to \$4.00 _____ (2 marks)

c) i) Assume that demand increases by 10% at all prices and supply remains unchanged. Plot the new demand curve to show the change. (2 marks)

2. Using the supply data given below complete the following table. Apply the average formula: (Show all working on your answer booklet)

PRICE	QUANTITY SUPPLIED	ELASTICITY COEFFICIENT	TYPE OF ELASTICITY
\$1.00	800	_____	_____
0.90	700	_____	_____
0.80	600	_____	_____
0.70	500	_____	_____
0.60	400	_____	_____
0.50	300	_____	_____

(15 marks)

3. **Instruction: Insert the appropriate letter of the concept next to the item number of the key term**

Key terms	Concepts
-----i Economic growth	A. A period of production during which some inputs cannot be varied
-----ii Scarcity	B. An economy which does not transact with the rest of the world
-----iii Direct relationship	C. The part of consumption related to the level of income
-----iv Price ceiling	D. GNP divided by total population
-----v Normal goods	E. A payment of funds by a government to business firms or households for which it receives no goods or services in return.
-----vi Wages	F. the amount produced in a particular period.
-----vii Mixed economy	G. Depicted the upward sloping nature of the supply curve
-----viii Short run	H. the expansion in production possibilities that result from increased availability and increased productivity of economic resources.
---- ix Fiscal policy	I. Income that households have for spending and saving.
-----x Closed economy	J. The imbalance between the desires of people in a society and the means of satisfying those desires.
-----xi Disposable income	K. Government decisions about spending and taxation.
-----xii Induced consumption	L. government as well as firms provide goods and services
---- xiii Per capita income	M. Establishes a maximum price below equilibrium that can legally be charged for a commodity
---- xiv Transfer payments	N. Commodities that have positive cross elasticities
---- xv Actual output	O. The price paid for labour services

- 4 The following data pertain to a hypothetical economy. Study the list carefully and then answer the questions that follow. Show all working neatly and clearly.

	Million
i) Subsidies	\$ 20
ii) Corporation taxes	45
iii) Transfer payments	15
iv) Gross domestic product at market prices	3,000
v) Property income from abroad	41
vi) Gross domestic fixed capital formation	62
vii) Capital consumption allowance	36
viii) Indirect taxes	204
ix) Undistributed profits	42
x) Personal income taxes	180
xi) Property income to abroad	56
xii) National insurance contributions	45
xiii) Imports	60
xiv) Personal consumption expenditure	350
xv) Exports	48

Using the expenditure method and the figures in the table calculate the following:

- | | |
|---------------------------|-----------|
| a) National income | (6 marks) |
| b) Government expenditure | (3marks) |
| c) Personal income | (3 marks) |
| d) Disposable income | (3 marks) |

END OF SECTION A

SECTION B

Instruction: Answer ONE question from this section:

5. With the use of diagrams differentiate between a price floor and a price ceiling. (Include the effects and an example in each situation) (10 marks)
6. a) Explain **five** factors which influence the demand for a commodity.
 b) Explain **five** factors which determine price elasticity of demand for a commodity. (10 marks)

SECTION C

Instruction: Answer ONE question from this section:

- 7 With the aid of a diagram describe the circular flow of income in a closed economy. (10 marks)
8. a) Explain **one (1)** function of money. (2 marks)
 b) Explain **four (4)** uses of national income statistics (8 marks)

END OF EXAMINATION