

BOWEN UNIVERSITY
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES
ECONOMICS PROGRAMME
BSC DEGREE EXAMINATION
FIRST SEMESTER 2019/2020 ACADEMIC SESSION

COURSE CODE: ECN 101 (3 Credits)

COURSE TITLE: Principle of Economics I

TIME ALLOWED: 2 hours 30 minutes

INSTRUCTION: Answer all questions in Section A, ONE from Section B and ONE from Section C

SECTION A (20 Marks)

Write out the correct option in each of the following

1. The fundamental economic problems facing all societies arise as a result of (a) Corruption (b) Scarcity (c) Bad governance
2. As price of substitute of X falls, the demand for X (a) Falls (b) Increases (c) Remain constant
3. A normal good is one whose demand varies inversely with (a) Price (b) Income (c) Fashion
4. is an amount spent on economic good. (a) real cost (b) money cost (c) price
5. Everybody is a price taker in a/an market. (a) perfect (b) imperfect (c) monopoly
6. is a type of business owned and controlled by a single person. (a) sole proprietorship (b) partnership business (c) joint stock company
7. When the coefficient of price elasticity of demand is greater than 1, the demand of the product is (a) elastic (b) price elastic (c) inelastic
8. Points outside the production possibilities frontier are (a) unattainable points (b) attainable points (c) points of saturation
9. The relationship $P=MR=MC$ gives the profit maximisation condition for a market structure called..... (a) perfect market (b) monopoly (c) oligopoly
10. The product of price and the corresponding quantity sold by a firm is called..... (a) total revenue (b) total price (c) total sales

PART II

Indicate whether each of the following statements is TRUE or FALSE

11. The graphical relationship between price and quantity purchased of a particular commodity is called demand curve.
12. An increase in subsidies and reduction of taxes will shift the supply curve to the left.
13. The demand for a product for the production of another commodity is referred to composite demand.
14. The economic good whose demand decreases when the consumer's income increase, ceteris paribus, is classified as inferior goods.
15. Given the demand and supply functions for a particular commodity as $Q_d=136-4p$ and $Q_s= 100+2p$ respectively, the market price is
16. The responsiveness of quantity demanded for a commodity to changes in consumers income is called price elasticity.
17. Two commodities are complement if the co-efficient of their cross price elasticity of demand is positive.

18. If the quantity demanded of a commodity increases from 100 to 140 when unit price falls from \$ 50 to \$ 45 , the co-efficient of price elasticity of demand is
19. Given that any quantity of a particular commodity can be bought at a given price, the demand for the commodity is said to be elastic.
20. The market price of a product will reduce if an increase in its demand and its supply remains constant and perfectly price inelastic

SECTION B (30 Marks)
Attempt ONE question from this section

1. (a) The following table gives the total utilities schedule for the consumption of pear (P) and mango (M).

Quantity (Units)	Total Utility (Pear)	Total Utility (Mango)
1	900	1440
2	1600	2640
3	2150	3600
4	2550	4320
5	2800	4800
6	3000	5040
7	3100	5160

Suppose the consumer has ₦900.00 to spend on Pear and Mango,

Required:

- i. Calculate the Marginal Utility for the two commodities. **10 marks**
 - ii. Determine how many units of each good he would buy to maximize his utility subject to his budget constraint, given that the unit price of pear and Mango is ₦50 and ₦120 respectively. **15 marks**
- (b) Assuming a 25% increase in the price of Bowen Bread decreases the demand by 75%, determine the price elasticity of demand for Bowen Bread and interpret your result. **5 marks**

(2) i. Define production possibility curve

ii. The following table shows possible combinations of wrist watch and rice that may be produced in a fully employed economy.

Production combination	Rice (Bags)	Butter (Tins)
A	0	90
B	1	80
C	2	60
D	3	40
E	4	20
F	5	0

You are required to:

- i. Plot the production possibilities curve for the economy. **7 marks**
- ii. Indicate the point on your diagram that shows attainable but inefficient use of resources. **8 marks**
- iii. Explain why the points outside the curve are unattainable. **5 marks**

(b)

Price	Quantity
10	60
20	30
30	10

The above table shows the quantities and prices of product X demanded by a consumer. Use the above table to draw a demand curve for product X **10 marks**

SECTION C (20 Marks)

Attempt ONE question from this section

1. (a) With the aid of appropriate diagram(s), differentiate between change in demand and change in quantity demanded. **8 marks**

(b) Mention and explain **THREE** fundamental questions that every society must answer **6 marks**

(c) List and explain **THREE** features of capitalism **6 marks**

2. (a) Write short and clear notes on the following, with examples where appropriate:

i. Elasticity of demand

ii. An indifference curve

iii. Market structure

iv. Positive and normative economics **6 marks**

(b) Mention and Explain **FOUR** sources of monopoly power **8 marks**

(c) List and explain **THREE** features of perfect competitive market **6 marks**