

BOWEN UNIVERSITY
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES
ECONOMICS PROGRAMME
BSC DEGREE EXAMINATION
FIRST SEMESTER 2021/2022 ACADEMIC SESSION

COURSE CODE: ECN 201 (3 Credits)

COURSE TITLE: Applied Economics

DATE: MARCH, 2022

TIME ALLOWED: 2 hours 30 minutes

INSTRUCTION: Answer ALL Questions in Section A, ONE Question Each in Section B and C

SECTION A (20 Marks)

Write out the correct option in each of the following

1. The input to the production process which represents innovation and risk - taking is A. Entrepreneurship B. Capital C. Land D. Labour
2. Which of the following is NOT true of positive economics? A. Concerned with what actually happened B. Concerned with what will happen C. About what ought to happen D. An objective science
3. In the short run, the total cost equals the fixed cost of production when output is A. Increasing B. Decreasing C. Zero D. Constant
4. Effective demand occurs when the consumer is A. Maximising satisfaction B. Willing and able to pay C. Able to locate the seller promptly D. Able to bargain for a cheaper price
5. The output per unit of a variable factor employed is referred to as A. Marginal product B. Total product C. Average product (d) Variable factor
6. Which of the following factors is NOT a determinant of demand? A. The consumers' income B. The price of related good C. The consumers' taste D. The cost of production

7. Which of the following is NOT capable of shifting the demand curve to the right? A. An increase in consumer income B. A fall in commodity's own price C. An increase in the number of consumers D. A fall in the price of a complement
8. At the point where the budget line is tangent to an indifference curve, the consumer A. Prefers only one of the two goods B. Derives the maximum satisfaction possible C. Obtains the minimum satisfaction from the two goods D. Derives zero satisfaction from the two goods
9. If a price ceiling is set below the equilibrium price, there will likely be no (a) Excess demand for the commodity B. Shortage of the commodity C. Excess supply of the commodity D. Rationing of the commodity
10. The man-made resource which is used in a production process is called A. Entrepreneur B. Wages C. Labour D. Capital

PART II

Fill in the gap with the correct answers

11. Majority of the people of Buchanan in Liberia engage in fishing as a means of livelihood. This economic activity can be grouped under.....type of production
12. A good for which an increase in income leads to a decrease in consumption is called a/ an.....
13. The study of aggregate economic variables is the primary concern of.....
14. The simplest and most common form of business organisation in West Africa is.....
15. The necessary condition for profit maximisation is
16. The market structure in which abnormal profit is possible in both the short-run and the long-run is.....
17. The change in Total Product (TP) resulting from the use of additional unit of a variable factor is referred to as

18. The definition of Economics as a Social Science subject which studies human behaviour as a relationship between ends and scarce means which have alternative uses was expressed by.....
19. A collection of ranked indifference curves is called.....
20. A market structure where barriers to entry are difficult that it is impossible for new firms to enter the market is called

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 the concept of demand **3 Marks**
 - ii. The following table shows the quantity demanded and supplied of commodity X .

Price	Q _{sx}	Q _{dx}
10	1	7
20	2	6
30	3	5
40	4	4
50	5	3
60	6	2
70	7	1

You are required to:

(a) Plot the demand and supply curves on the same diagram.

7 Marks

(b) Indicate the equilibrium price and quantity.

3 Marks

(c) What are the implications of reducing the price below the equilibrium. **2 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. **5 Marks**

SECTION C (20 Marks)

Attempt ONE question from this section

1(a) Describe each of the following concepts with relevant diagrams:

i. The budget line

5 Marks

ii. An indifference curve

5 Marks

iii. Change in demand and change in quantity demanded

5 Marks