



**BOWEN UNIVERSITY**  
**COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES**  
**ECONOMICS PROGRAMME**  
**BSc DEGREE EXAMINATION**  
**FIRST SEMESTER, 2022/2023 ACADEMIC SESSION**

**COURSE CODE: ECN 101 (3 Credits)**

**COURSE TITLE:**

**Principles Economics**

**DATE: February, 2023**

**TIME ALLOWED: 2 hours 30 minutes**

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

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**SECTION A (30 Marks)**

**Write out the correct option in each of the following**

1. The factor of production 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
11. Which of the following is not a factor of production? (a) land (b) labour (c) money (d) capital



12. Which of the following statements is normative? (a) Large government deficits cause an economy to grow more slowly (b) People work harder if the wage is higher (c) The unemployment rate should be lower (d) Printing too much money causes inflation.
13. If an increase in the price of blue jeans leads to an increase in the demand for board shorts, then blue jeans and board shorts are likely to be (a) inferior goods (b) normal goods. (c) negatively related (d) substitutes.
14. If an increase in consumer incomes leads to a decrease in the demand for camping equipment, then camping equipment is (a) a normal good. (b) a Giffen good (c) an inferior good. (d) a substitute good.

## PART II

Fill in the gap with the correct answers

15. 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
16. A good for which an increase in income leads to a decrease in consumption is called a/an.....
17. The study of aggregate economic variables is the primary concern of.....
18. The simplest and most common form of business organisation in West Africa is.....
19. The necessary condition for profit maximisation is .....
20. The market structure in which abnormal profit is possible in both the short-run and the long-run is.....
21. The change in Total Product (TP) resulting from the use of additional unit of a variable factor is referred to as .....
22. 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.....
23. A collection of ranked indifference curves is called.....
24. A market structure where barriers to entry are difficult that it is impossible for new firms to enter the market is called .....

## PART III

Indicate whether each of the following statements is TRUE or FALSE

25. The graphical relationship between price and quantity purchased of a particular commodity is called demand curve.
26. An increase in subsidies and reduction of taxes will shift the supply curve to the left.
27. The demand for a product for the production of another commodity is referred to as composite demand.



28. The economic good whose demand decreases when the consumer's income increases, ceteris paribus, is classified as inferior goods.
29. The responsiveness of quantity demanded for a commodity to changes in consumers income is called price elasticity.
30. Two commodities are complements if the co-efficient of their cross price elasticity of demand is positive.

**SECTION B (20 Marks)**  
Attempt ONE question from this section

1. The following table gives the Marginal Utilities for the consumption of Apple (MUA) and Banana (MUB) by a particular rational consumer who has money income of N220 to spend on the commodities daily. The unit prices of Apples and Banana are given as N20 and N40 respectively

Quantity (Units)	MU(A)	MU(B)
1	-	-
2	8	36
3	6	24
4	4	12
5	2	6

You are required to:

- i. Derive the equation of the budget line. (5 Marks)
- ii. State the consumer equilibrium conditions and determine the units of Apple and Banana a rational consumer will buy at that point of equilibrium. (5 Marks)

(b) A consumer increased his consumption of a commodity from 100 units to 180 units as a result of a decrease in price from N45 to 30. (i) Determine the coefficient of price elasticity of demand (ii) Explain your answer. (10 Marks)

2.(a) Explain the concepts of total utility (TU) and marginal utility (MU). (4 Marks)

b. Assume the following table presents the total utility (TU) schedule for commodity X

Quantity (Qx)	Total Utility (TUx)	Marginal Utility (MUx)	Average Utility (Aux)
0	0		



1	10		
2	16		
3	20		
4	22		
5	23		
6	23		
7	21		

Required:

- i. Copy and complete the table for the marginal utility trend. (6 Marks)
- ii. Plot the data to obtain the Total Utility and Marginal Utility curves. (3 Marks)
- iii. Explain the relationship between the total utility and marginal utility curves. (4 Marks)

c  $Q_d = 140 - 0.02 P$

$Q_s = -10 + 0.01P$ , Determine the equilibrium price and quantity (3 Marks)

#### SECTION C (20 Marks)

Attempt ONE question from this section

1. Explain briefly with relevant examples, the difference between:
  - i. Microeconomics and Macroeconomics ii. Positive economics and Normative economics (8 Marks)
  - b. Explain with illustrative examples what economists meant by
    - i. Ceteris paribus ii. Direct Relationship iii. Inverse Relationship (6 Marks)
  - c Explain the **THREE** types of return to scale (6 Marks)
2. (a) What is meant by 'price discrimination'? (4 Marks)
  - (b) i State TWO market conditions that will make it possible and easier for the monopolist to engage in price discrimination. (4 Marks)
  - ii. Briefly explain **THREE** sources of monopoly power (6 Marks)
- (c) With the aid of appropriate diagram(s), differentiate between change in demand and change in quantity demanded. (6 Marks)