



BOWEN UNIVERSITY, IWO
COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES
ECONOMICS PROGRAMME
BSc DEGREE 2023/2024 ACADEMIC SESSION
FIRST SEMESTER EXAMINATION

Course code: EC0 101
Course title: Principles of Economics I

Course credit: 2
Time allowed: 2 hours

Section A (Multiple Choice Questions) – attempt all questions. 2 marks each

1. The following are determinants of quantity demanded of a commodity EXCEPT (A) Income of the consumer (B) Price of the commodity (C) Prices of related commodities (D) Prices of factors of production (E) Taste
2. Which of the following is not a possible source of finance of a sole proprietorship? (A) Personal savings (B) Borrowing from banks (C) Ploughing back profit (D) Inherited capital (E) Selling shares to the public
3. The output per unit of the variable factor employed is called
(A) Marginal product (B) Average product (C) Total product (D) Average cost (E) Productivity of labour
4. Increase in all inputs by a certain percentage resulting in a relatively higher percentage increase in output is referred to as:
(A) Constant returns of scale (B) Decreasing returns to scale (C) Increasing returns to scale (D) Diminishing returns (E) Law of variable proportion
5. Which of the following factors does not determine price elasticity of demand for particular goods?
(A) Closeness of substitute goods (B) The percentage of income spent on the commodity (C) Habit of the consumer on the commodity (D) The quantity of the goods demanded (E) The number of possible uses of the commodity
6. At the highest point of the MPL curve, the TPL curve starts to experience
(A) Constant returns of scale (B) Decreasing returns to scale (C) Increasing returns to scale (D) Diminishing returns to variable proportion (E) Law of diminishing marginal utility
7. Which of the following indicates the negative slope of the indifference curve?
(A) Marginal rate of commodity substitution (B) Axiom of transitivity (C) Budget schedule (D) Consumer equilibrium (E) Ordinal utility
8. All things being equal, the economic good whose demand decreases when the consumer's income increases, is classified as good.
(A) Normal goods (B) Inferior goods (C) Giffen goods (D) Ostentatious goods (E) None of the above
9. When the price of a given commodity rises above the equilibrium price, the quantity supplied of that commodity.
(A) Exceeds the demand (B) Equals demand (C) Less than the demand (D) Increases continuously (E) Cannot be determined
10. When a 15 percent increase in the price of a product leads to a 25 percent increase in the quantity supplied of the product, then the price elasticity of supply coefficient is
0.6 (B) 1.7 (C) 1.5 (D) 0.33 (E) 0.25

11. At the levels of output where the Average Product (AP) begins to decline, the Marginal Product curve is
 (A) Falling but above Average product (B) Falling but below the average product (C) Rising above the average product (D) Equal to the average product (E) None of the above
12. Increase in all inputs by a certain percentage resulting in a relatively higher percentage increase in output is referred to as:
 (A) Constant returns of scale (B) Decreasing returns to scale (C) Increasing returns to scale (D) Diminishing returns (E) Law of variable proportion
13. An example of the type of production includes the transformation of limestone to cement, wheat to flour, flour to bread
 (A) Pre School (B) Primary (C) Secondary (D) Tertiary (E) None of the above
14. The responsiveness of the quantity demanded of one commodity to a change in the price of another commodity defines
 (A) Own price elasticity of demand (B) Cross-price elasticity of demand (C) Income elasticity of demand (D) Income inelasticity of demand (E) Perfect elasticity of demand
15. A man-made resource that is used up in a production process is referred to as
 (A) Land (B) Capital (C) Labour (D) Entrepreneur (E) None of the above

(30 marks)

Section B (Short Answer Questions) - attempt all questions. 2 marks each.

1. 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
2. The economist who defined Economics as the social science which studies human behaviour as a relationship between ends and scarce means which have alternative uses is
3. The economic term for the satisfaction and fulfilment that people derive from the consumption of goods and services is referred to as
4. A demand equation for a good is given by $Qd = -8p + 6000$ and the supply equation for the same good is $Qs = 2p + 2000$, calculate the equilibrium price and quantity.
5. The additional satisfaction which a consumer derives from the consumption of one more unit of a commodity is called
6. The demand of a product for the production of another commodity is referred to as
7. The maximum combination of two goods that the consumer can buy given money income and unit prices of the goods is illustrated graphically by
8. The locus of points representing different combinations of two goods which gives the consumer the same level of satisfaction is
9. Two commodities are if the co-efficient of their cross price elasticity of demand is positive.
10. Under the indifference curve theory of consumer behaviour, the equilibrium position of rational consumer is illustrated graphically by

(20 marks)

Section C (Essay) – Answer any one question in this section. 20 marks

1. The following table gives the total utilities schedule for the consumption of Bread and Tea by a hypothetical consumer

Total Utility Schedule		
Quantity	Bread	Tea
1	1800	2880
2	3200	5280
3	4300	7200
4	5100	8640
5	5600	9600
6	6000	10080
7	6200	10320

Supposed the consumer has #1800 to spend on bread and tea, you are required to determine how many units of each goods he would buy to maximize his utility subject to his budget constraint, given that the unit price of bread is #100 and tea is #240. (20marks)

2. a. Outline the main properties of an indifference curve 5 marks
 b. With the aid of relevant diagram, describe an indifference map 5 marks
 c. Distinguish between a short run production and long run production 5 marks
 d. State and illustrate graphically the law of supply 5 marks
(20marks)
3. a. Write short notes on the following
- i. price elasticity of demand 3 marks
 - ii. income elasticity of demand 3 marks
 - iii. cross elasticity of demand 3 marks

b. The table below shows the consumer's income and quantities demanded of two commodities at different periods in time.

Price of Cars (#)	Quantity demanded of Cars	Quantity demanded of Petrol (Ltrs)	Income (#)
8000	100	5,000	12,000
7500	200	5,500	12,500

You are required to calculate and interpret the results of the following

- i. price elasticity of demand for cars $= -1.69$ 3 marks
 - ii. income elasticity of demand for cars $= 0.49$ 3 marks
 - iii. cross price elasticity of demand for petrol with respect to the price of cars $= -1.06$ 3 marks
- c. Explain what you understand by a production possibilities curve (PPC). 2 marks

(20marks)