



FACULTY OF AGRICULTURE

First Examination in BSc Green Technology (Part I)

June 2022

EC 1103 Economics Principles (Compulsory)

Theory

INSTRUCTIONS

Answer all questions.

Only non-programmable calculators are permitted.

Mobile phones are NOT permitted.

Attach the question paper to the **end** of the answer script

TIME: 1 (one) Hour

INDEX NUMBER

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1. What implies by the demand curve?
 - a. The effect on market supply of a change in the demand for a good or service
 - b. The quantity of a good that consumers would like to purchase at different prices
 - c. The marginal cost of producing and selling different quantities of a good
 - d. The effect of advertising expenditure on the market prices of a good
 - e. The quantity of goods that suppliers would like to sell at different prices

2. What happened in the market if meat manufacturers are producing meat faster than people want to buy them?
 - a. There is an excess supply and price can be expected to decrease
 - b. There is an excess supply and price can be expected to increase
 - c. There is an excess demand and price can be expected to decrease
 - d. There is an excess demand and price can be expected to increase
 - e. Cannot say anything with the available information

3. What is the most likely explanation if the price of a good increases while the quantity of the good exchanged on markets increases?
 - a. An increase in demand
 - b. A decrease in demand
 - c. An increase in supply
 - d. A decrease in supply
 - e. No any change

4. What is true with the Law of diminishing returns?
- Is reflected in the negatively sloped portion of the marginal product curve
 - Is the result of specialization and division of labor.
 - Applies in both the short run and the long run.
 - All of the above are correct.
 - All of the above are incorrect
5. When is the Stage II of production begin?
- At the inflection of the total product curve.
 - Where the average and marginal product are equal
 - Where total product is at a maximum
 - Where marginal product is at a maximum.
 - Where marginal revenue equals marginal cost
6. Which of the following short-run cost curves declines continuously?
- Average total cost
 - Marginal cost
 - Average fixed cost
 - Average variable cost.
 - Long-run average cost curve
7. What would be the reason that a firm may experience increasing returns to scale; that greater level of output is possible for the firm?
- Employ more specialized machinery.
 - Obtain bulk purchase discounts.
 - Employ a greater division of labor.
 - Obtain credit periods from loyal suppliers
 - All of the above are correct.
8. Which of the following is NOT a determinant of the demand for good X?
- The income of consumers who buy good X
 - The cost of labor used to produce good X
 - The price of good Y, a complement to X
 - The number of buyers of good X
 - The number of sellers of good X

9. If coffee and milk are complements, then which of the following will occur if the price of coffee increases?
- The quantity of coffee demanded will increase
 - The quantity of coffee supplied will decrease
 - The demand for milk will increase
 - The demand for milk will decrease
 - None of above
10. Which of the following conditions indicate that a product is produced under perfect competition?
- Producers' profits are high
 - Producers' profits are small
 - Total supply is inelastic
 - Individual demand is perfectly elastic
 - None of above
11. Which of the following features define human needs?
- Are not concurrent
 - Do not disappear momentarily if they are satisfied
 - Are unlimited in supply
 - Are unlimited in number
 - Are unlimited in capacity
12. What is the main difference between monopolistic competition and perfect competition?
- | | |
|-------------------------------|---------------------------------------|
| a. Market entry | b. Number of buyers and sellers |
| c. Market power | d. Level of competitors in the market |
| e. Homogeneity of the product | |
13. Which of the following statement is false?
- Perfect competition involves many sellers of standardized products
 - Monopolistic competition involves many sellers of homogeneous products
 - Oligopoly competition involves several producers of standardized or differentiated products
 - Monopoly involves a single product for which there are no close substitutions
 - None of above

14. Which of the following graphs show the relationship between inflation and unemployment?

- a. Keynesian curves
- b. Philips curve
- c. Production possibility curve
- d. Business cycle
- e. None of above

14. What is the length of a business cycle?

- a. Peak(boom) to peak(boom)
- b. Peak(boom) to trough
- c. Peak to recovery
- d. Trough to trough
- e. Both a and d

16. What is the possible measure of inflation?

- a. Producer price index
- b. Money velocity
- c. Consumer price index
- d. Aggregate demand
- e. Exchange rates

17. The nominal interest rate is 6 percent and the inflation rate is 3 percent, what is the real interest rate?

- a. 9 percent
- b. 3 percent
- c. 6 percent
- d. 18 percent
- e. 2 percent

18. Which among the following is considered to be the most liquid asset?

- a. Car
- b. Treasury bonds
- c. Treasury bills
- d. Demand deposits
- e. Time deposits

19. How does a barter economy differ from a money economy? A barter economy

- a. Encourages specialization and division of labor
- b. Involves higher costs for each transaction
- c. Eliminates the need for a double coincidence of wants
- d. Has only a few assets that serve as a medium of exchange
- e. Promotes market exchanges

20. Autonomous consumption is the consumption that

- a. Varies directly with disposal income.
- b. Varies inversely with disposable income.
- c. Is independent of the level of disposable income.
- d. Is constant at first and then varies with disposal income.
- e. Is unstable disposable income.

21. What is a situation when people are engaged in jobs but they do not get these jobs according to their capabilities, efficiency and qualifications?

- a. Employment
- b. Full Employment
- c. Under Employment
- d. Disguised Unemployment
- e. Structural Unemployment

22. What is the term used to refer 'when the price levels of goods and services are falling continuously'?

- a. Deflation
- b. Stagflation
- c. Inflation
- d. Development
- e. Purchasing power

23. Which of the following is a goal of macroeconomics?

- a. To achieve higher level of GDP
- b. To achieve higher level of unemployment
- c. To achieve higher level of prices
- d. To achieve higher level of inflation
- e. To achieve higher level of money supply

24. Which of the following would not cause a shift in the long-run aggregate supply curve?

- a. All of these answers shift the long-run aggregate supply curve.
- b. An increase in the available capital
- c. An increase in the available labor
- d. An increase in the available technology
- e. An increase in price expectations

25. Which of the following events shifts the short-run aggregate supply curve to the right?

- a. A decrease in the money supply
- b. A drop in oil prices
- c. An increase in government spending on military equipment
- d. None of these answers
- e. An increase in price expectations

26. If your grandparents buy a newly built retirement home, this transaction would affect

- a. Investment
- b. Net exports
- c. Government purchases
- d. Consumption
- e. None of these answers.

27. What are the components in four-sector economic model?

- a. Business, government, banks and household
- b. Business, government, households and firms
- c. Firms, government, rest of the world and households
- d. Investment, firms, households and government
- e. Savings, investment, expenditure and income

28. Which of the following statements is true about a country with a trade deficit?

- a. Net exports are negative
- b. Net capital outflow must be positive
- c. Exports exceed imports
- d. Net exports are positive
- e. None of these answers

29. A reasonable measure of the standard of living in a country is

- a. Real GDP per person
- b. Nominal GDP per person
- c. Real GDP
- d. The growth rate of nominal GDP per person
- e. Nominal GDP

30. What are the three motives of demand for money?

- a. Precautionary, special, investment
- b. Accumulative, speculative, precautionary
- c. Speculative, transaction, precautionary
- d. a and b
- e. Precautionary, investment, transaction

Indicate whether these statements are True/False (Please mention T/F next to the statement)

31. A price ceiling imposed above the market equilibrium price will result in a shortage of the product.
(True/False)
32. If both, the supply and the demand increase at the same time, the equilibrium price will definitely increase. (True/False)
33. A given supply curve assumes that input prices, production technology, and any other relevant factors except the price of the product, are held constant. (True/False)
34. If buyers and sellers of homes start to expect inflation in housing values, then both, the current demand and the supply functions will increase. (True/False)
35. A duopoly is an oligopoly in which several firms duel for consumer demand. (True/False)
36. The vertical distance between the short-run average total and average variable cost curves is equal to marginal cost. (True/False)
37. If long-run marginal cost is greater than long-run average cost, then the firm is experiencing decreasing returns to scale. (True/False)
38. One reason aggregate demand slopes downward is the wealth effect: a decrease in the price level increases the value of money holdings and consumer spending rises. (True/False)
39. For an economy as a whole, income equals expenditure because the income of the seller must be equal to the expenditure of the buyer. (True/False)
40. Nominal GDP employs current prices to value output while real GDP employs constant base-year prices to value output. (True/False)
41. Net National Product always exceeds a nation's total income because of depreciation and taxes.
(True/False)
42. Governments that spend more money than they can raise from taxing or borrowing tend to print too much money which causes inflation. (True/False)
43. Inflation reduces the relative price of goods whose prices have been temporarily held constant to avoid the costs associated with changing prices. (True/False)
44. An increase in the rate of saving and investment permanently increases a country's rate of growth.
(True/False)

45. The opportunity cost of additional growth is that someone must forgo current consumption. (True/False)
46. A country can only increase its level of investment by increasing its saving. (True/False)
47. Recovery is a period when aggregate output declines. (True/False)
48. The equation to calculate AD is; $AD = C + I + G + (T-S) + (X-M)$. (True/False)
49. One is not considered unemployed if she is not looking for a job. (True/False)
50. A budget deficit occurs when a Government is spending more money than it is taking in. (True/False)