

COMMONWEALTH OF AUSTRALIA

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Family Name	
Given Names	
Student Number	
Teaching Period	Semester 2 Special/Summer Semester, 2015

FINAL EXAMINATION	DURATION
CME101 – Principles of Economics	Reading Time: 10 minutes
	Writing Time: 180 minutes

INSTRUCTIONS TO CANDIDATES

EXAM CONDITIONS

You may begin writing from the commencement of the examination session. The reading time indicated above is provided as a guide only.

This is a RESTRICTED OPEN BOOK examination

Any non-programmable calculator is permitted

No handwritten notes are permitted

Hard copy, unannotated English translation dictionary only

ADDITIONAL AUTHORISED MATERIALS	EXAMINATION MATERIALS TO BE SUPPLIED
No additional printed material is permitted	1 x 16 Page Book

**THIS EXAMINATION IS PRINTED
DOUBLE-SIDED.**

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Section A

Multiple Choice Questions

Total no. of marks for this section: 40

Answer ***all*** questions

This section should be answered in the Answer Booklet provided (16 page booklet). Marks for each question are indicated. Suggested Time Allocation: 40 mins.

Section B

Written Answer Short Questions

Total no. of marks for this section: 32

Answer all questions

This section should be answered in the Answer Booklet provided (16 page booklet). Marks for each question are indicated. Suggested Time Allocation for Section B: 70 mins.

Question 1

A television company produces and sells 150 televisions for \$120 each. It has average fixed costs of \$40 and average variable costs of \$35 at this production level.

- a) Calculate the company's total cost, total revenue, total fixed cost, total variable cost and total profit.

(Marks: 4)

- b) Is this the short run or long run for the television company? Explain your answer and also highlight the difference between short run and long run.

(Marks: 4)

Question 2

Why does the government permit monopolies to continue in the supply of water and transmission of electricity in Australia? Explain.

(Marks: 4)

Question 3

Consider the market for hamburger in Darwin using supply and demand model. Explain the effect of each of the following with the help of a diagram on equilibrium price and quantity.

- a) Opening of a new burger shop in Darwin.

(Marks: 4)

- b) An increase in the price of beef.

(Marks: 4)

Question 4

What is the multiplier effect and how does it operate?

(Marks: 4)

Question 5

Let us suppose that inflation rate increases significantly in Australia and reaches to 9% by crossing the Reserve Bank of Australia (RBA) target boundary of 2% to 3%.

- a) What would be the most important monetary policy to control the inflation? Why?

(Marks: 4)

- b) What would be the most effective fiscal policy to control the inflation? Why?

(Marks: 4)

Section C

Written Answer Long Questions

Total no. of marks for this section: 28

Answer all questions

This section should be answered in the Answer Booklet provided. Marks for each question are indicated. Suggested Time Allocation for Section C: 70 mins.

Question 1

Explain the concept of business cycle with the help of a diagram and also highlight its impact on the economy.

(Marks: 14)

Question 2

Compare and contrast between a perfect monopoly and a perfectly competitive market. Are these market structures more common in real world? If not, which market structure is common in the real world and why?

(Marks: 14)