

# COMMONWEALTH OF AUSTRALIA

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Family Name	
Given Names	
Student Number	
Teaching Period	Semester 2 Special/Summer Semester, 2016

<b>FINAL EXAMINATION</b>	<b>DURATION</b>
<b>ECO105 – Principles of Economics</b>	Reading Time: <b>10</b> minutes
	Writing Time: <b>180</b> minutes

### INSTRUCTIONS TO CANDIDATES

<b>Section A:</b> Suggested Time: 60 mins	<b>Multiple Choice Questions:</b> Answer ALL 40 questions Marks as indicated by lecturer
<b>Section B:</b> Suggested Time: 90 mins	<b>Short Answer Questions:</b> Answer any 4 out of 6 questions Marks as indicated by lecturer
<b>Section C:</b> Suggested Time: 30 mins	<b>Short Essay Questions:</b> Answer any 1 out of 2 questions

### 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

Any hard copy, unannotated English dictionary is permitted

ADDITIONAL AUTHORISED MATERIALS	EXAMINATION MATERIALS TO BE SUPPLIED
none	1 x 16 Page Book 1 x Scrap Paper

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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). Each question is worth one mark. Suggested Time Allocation: 60 mins.

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## Section B

### Short Answer Questions

Total no. of marks for this section: 20

Answer ***any four*** questions out of six questions

This section should be answered in the Answer Booklet provided. Each question is worth five marks. Suggested time allocation for Section B: 90 minutes.

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#### Question 1

Explain how unemployment rate is calculated.

(5 marks)

#### Question 2

Table 1

Labor	Output	Marginal Product	Variable Cost	Fixed Cost	Average total cost	Average fixed cost	Average variable cost	Marginal cost
0	0	--	\$0	\$10				
1	200	200	\$20	\$10				
2	350		\$40	\$10				
3	450		\$60	\$10				
4		50	\$80	\$10				
5		25	\$100	\$10				
6	530		\$120	\$10				

a) Refer to Table 1 above and fill in the missing information. Clearly illustrate the table in the answer booklet provided.

b) Draw average variable cost, average total cost and average fixed cost curves and comment on their shape.

(5 marks)

#### Question 3

What is the multiplier effect? How does it work?

(5 marks)

#### Question 4

The following data in Table 1 refers to a linear demand curve.

Table 1

Price	Quantity Demanded
\$0	50
\$2	40
\$4	30
\$6	20
\$8	10

a) Using the midpoint method, what is the price elasticity of demand between \$2 and \$4 in Table 1? Clearly show the calculations.

b) Using the midpoint method, what is the price elasticity of demand between \$4 and \$6 in Table 1? Clearly show the calculations.

c) Referring to Table 1, find the two quantities where demand is most elastic? Clearly show the calculations.

(5 marks)

#### Question 5

Suppose the outcome of the US presidential election causes a stock market crash in China. Using the model of aggregate demand and aggregate supply, identify the changes in GDP.

(5 marks)

#### Question 6

Critically analyze the characteristics of perfectly competitive market? Is perfect competition realistic in describing real world situations?

(5 marks)

**Section C**  
**Written Answer Long Questions**

**Total no. of marks for this section: 20**

Answer **any one** question out of two questions

This section should be answered in the Answer Booklet provided. Marks for each question are indicated. Suggested time allocation for Section C: 30 mins.

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**Question 1**

Explain the aggregate demand and aggregate supply model and shape of each curve. List the factors that determine the slope of aggregate demand and supply. How will an increase in aggregate demand impact inflation. Explain using diagrams.

(Marks 20)

**Question 2**

Demonstrate the effects of price ceiling on the rental markets in Sydney. Does the policy of price ceiling provide a long-term solution to high housing prices in the Sydney region? Is there an alternative to price ceiling to manage high prices in the rental market.

(Marks 20)