



Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 2, 2017				

<b>ECO501 – Economics for Managers</b>	<b>DURATION</b>	
	Reading Time:	<b>10 minutes</b>
	Writing Time:	<b>120 minutes</b>
<b>INSTRUCTIONS TO CANDIDATES</b>		
<b>EXAM CONDITIONS</b>		
<p><u>You may begin writing from the commencement of the examination session.</u> The reading time indicated above is provided as a guide only.</p>		
This is a CLOSED BOOK examination		
Any non-programmable calculator is permitted		
No handwritten notes are permitted		
Any hard copy, English dictionary is permitted (annotated allowed)		
<b>ADDITIONAL AUTHORISED MATERIALS</b>	<b>EXAMINATION MATERIALS TO BE SUPPLIED</b>	
No additional printed material is permitted	1 x 16 Page Book	

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DOUBLE-SIDED.**

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## Section A

### Multiple Choice Questions

**Total marks for this section: 20**

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: 30 mins.

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## Section B

### Short Answer Questions

Total marks for this section: 16

Suggested time allocation for this Section: 50 minutes

### Answer any 2 of the 3 Short Questions

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#### Question 1

A business making high-quality ball-point pens faces a number of challenges next year. It is concerned with the slow-down in the Europe, Australia and the US economies, together with a growing shift to the use of laptops and tablet devices by young people, which is likely to damage its long-term viability. It is in this context, what should the ball-point pens manufacturer do? Should he close this business and start something else? How should he respond to these two external challenges? Explain your reasoning. (8 marks)

## **Question 2**

The market for ice-cream in Darwin has the following demand and supply schedules

<u>Price (\$)</u>	<u>Quantity Demanded</u>	<u>Quantity Supplied</u>
4	135	26
5	104	53
6	81	81
7	68	98
8	53	110
9	39	121

- (a) Based on the information presented in the table above, graph the demand and supply curves for ice-cream in Darwin. What is the equilibrium price and quantity in this market? (4 marks)
- (b) If the actual price in this market were above the equilibrium price, what would drive the market towards the equilibrium? (2 marks)
- (c) If the actual price in this market were below equilibrium price, what would drive the market towards the equilibrium? Present your answer using appropriate graph(s). (2 marks)

## **Question 3**

International trade in each of the following products has rapidly increased over the years, benefitting billions of people in terms of employment opportunities and improved living standards. Suggest some reasons why this might be so.

- (a) Wheat.
- (b) Banking services.
- (c) Computer software.
- (d) Automobiles.

(8 marks)

## Section C

### Essay Questions

**Total No of Marks for this section: 14 marks**

This section should be answered in the Answer Booklet provided.

Answer ANY one (1) of the two (2) essays (equal marks).

Suggested time allocation for this Section : 40 minutes

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#### **Question 1**

In Metropolitan cities like Sydney and Melbourne rising traffic congestions and increasing road accidents have led some policymakers to consider taxing road users rather than investing on developing new roads and highways. There are some who argue that even if the government invests a huge amount of resources on developing new roads and highways there is no guarantee that traffic congestions and road accidents will reduce as better road networks might encourage people to continue to use private car instead of public transport. It is in this context, answer the following questions.

- (a) What policy measures would you advise to the government to address these issues? Give examples and reasoning to justify your answer. (7 marks)
- (b) Is the introduction of a 'pigovian tax' to correct these externalities appropriate? If so, explain how would it work to control these negative externalities? Use an appropriate diagram to explain this. (7 marks)

#### **Question 2**

Assume that the Australian economy is in a recession. Explain how each of the following policies would affect its consumption and investment. In each case, indicate any effects resulting from changes in total output, changes in the interest rate and the overall effect. In doing so, use appropriate graphs wherever possible. Critically argue if there are conflicting effects.

- (a) An increase in government spending. (5 marks)
- (b) A reduction in taxes. (5 marks)
- (c) An expansion of the money supply. (4 marks)

**END OF EXAM**