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Family Name					
Given Name/s					
Student Number					
Teaching Period	Semester 2 Special/Summer Semester, 2018				

ECO105 – Business Economics	DURATION	
	Reading Time:	180 minutes
	Writing Time:	10 minutes
INSTRUCTIONS TO CANDIDATES		
Section A: Suggested Time: 60 mins	Multiple Choice Questions: Answer ALL 40 questions Marks as indicated by lecturer	
Section B: Suggested Time: 90 mins	Short Answer Questions: Answer any 3 out of 6 questions Marks as indicated by lecturer	
Section C: Suggested Time: 30 mins	Short Essay Questions: Answer any 1 out of 2 questions	
EXAM CONDITIONS		
<u>You may begin writing from the commencement of the examination session.</u> 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	
No additional printed material is permitted	1 x 16 Page Book 1 x Scrap Paper	

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DOUBLE-SIDED.**

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Section B

Short Answer Questions

Total marks for this section: 21

Answer **any three** questions out of six questions

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

Question 1

A furniture company produces and sells 150 tables 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.
(3.5 marks)

b) Is this the short run or long run for the furniture company? Explain the difference between short run and long run.
(3.5 marks)

Question 2

Consider the market for hamburger in Sydney using supply and demand concept/ 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 Sydney.
(3.5 marks)

b) An increase in the price of beef.
(3.5 marks)

Question 3

What is the multiplier effect? How does it work? Explain.
(7 marks)

Question 4

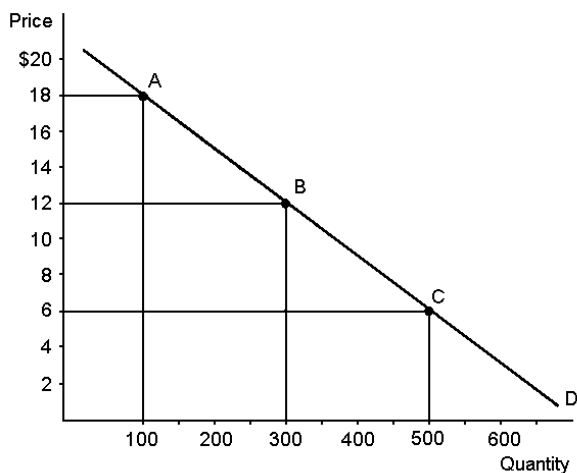
Suppose a crash in the stock market reduces people’s wealth. Using the model of aggregate demand and aggregate supply, identify the curves that are affected, and which way these curves would shift. Clearly explain the new equilibrium.

(7 marks)

Question 5

Using the midpoint method, compute the elasticity of demand between points A and B. Is this portion of the curve elastic or inelastic? Interpret your answer with regard to price and quantity demanded. Now compute the elasticity of demand between points B and C. Is this portion of the curve elastic or inelastic?

(7 marks)



Question 6

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

(7 marks)

Section C
Written Answer Long Questions

Total of marks for this section: 9

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.

Question 1

What is GDP? What is the difference between the nominal GDP and real GDP? Explain why comparing the GDP's of various nations might not tell us which nation's people are better off.

(9 Marks)

Question 2

Distinguish between revenue maximisation and profit maximisation. Relate the concept of revenue maximisation to elasticity. Will a monopoly ever produce at the point of revenue maximisation? Discuss using diagrams.

(9 Marks)