

Hcampus

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WSU, DEPARTMENT OF ECONOMICS

Time allotted: 1:30 hr. Maximum mark: 30% Exam Date: 3/12/ Regular

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Part I: Say true or False (1.5 Point each).

F 1. Scarcity is a specific and short-term problem but shortage is a universal and everlasting problem.

F 2. Inferior goods are goods when the consumers income increases, the quantity demands of goods increases.

T 3. One of basic economic question is" For whom to produce" it shows the problem of allocation of recourse.

4. If two goods are substitutes, then an increase in the price of one of them will increase the demand for the other.

5. Change in the price of its own good causes a shift in demand curve.

6. The cross-price elasticity between a pair of complementary goods will be negative.

7. Normative economics studies what ought to be in the society, while positive economic studies what actually occurs in the society.

Part II: Choose the best answer among the given alternatives (1 Point each)

1. One of the following is not assumed in the PPF model
A) Fixed technology B) Fixed resources C) Specialization D) None of the above

2. Which one of the following is not among the determinant factors of demand?
A. Taste & preference of the consumer
B. Number of buyers/ populations served in the market
C. Future expectations of prices and income
D. None of the above

3. If the 5% increase in price of Maize in the market results in a 7% increase in supply of Maize, the price elasticity of supply is----------?
A) Inelastic B) Elastic C) Unitary D) Perfectly inelastic

4. The price at which there is neither surplus nor shortage is best described by:
A) Adjustment price B) Fair price C) Equilibrium Price D) Equal price

5. **Ceteris paribus**, the law of supply states that:
A) As price of a good rises, quantity demand will decrease
B) As price of a good fails in the market, the quantity supplied will decrease
C) As price of a good rises, quantity supplied will decreases
D) As price of a good fails, quantity demand will decreases

6. In which form of economic system most factors of production are collectively owned
A) Mixed Economy B) Command economy C) Free market economy D) Traditional

7. If good X and Y are substitutes, a decrease in the price of good Y would cause,
A. The demand curve for good Y to shift to the right
B. The demand curve for good X to shift to the right
C. The demand curve for good X to shift to the left
D. A and C

8. What is the price elasticity of demand if consumer purchases 10 units of a good when the price is Birr 4 and 18 units when price falls to Birr 2?
A. -1.6
B. 1.6
C. -2
D. 2

9. Goods that are jointly consumed are;
A) Normal goods B) inferior goods C) Complementary goods D) Substitute goods

10. If income elasticity of demand for good Y is positive, good Y is
A) Luxury good B) Inferior good C) Necessity good D) Normal good

11. You are analyzing the demand for good X. Which of the following will result in a shift to the right of the demand curve for X?
A) An increase in the price of a good that is a substitute for X
B) A decrease in the price of X
C) An increase in the price of a good that is a complement to good X
D) All of the above

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WSU, DEPARTMENT OF ECONOMICS **Mid-Exam for the course "Economics"**

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12. When the current price is above the market-clearing level we would expect:
A) Quantity demanded to exceed quantity supplied.
B) .A shortage.
C) Quantity supplied to exceed quantity demanded
D) Greater production to occur during the next period.

13. If the demand of a commodity rises while the supply of that particular commodity remains the same, what happens to the equilibrium price and quantity of the commodity, respectively?
A) Increases; decreases
B) Decreases; increases
C) Decreases; decreases
D) Increases; increases

14. Suppose the demand for books is: Qd = 120 – P, and the supply of books is: Qs = 5P. Refer to Scenario, what is the equilibrium price of books?
A) 5
B) 10
C) 15
D) 20

15. Based on the above scenario, what is the equilibrium quantity of books sold?
A) 25
B) 50
C) 75
D) 100

16. Refer to the above scenario again, if P = $15, which of the following is true?
A) There is a shortage
B) There is a surplus
C) There is a surplus, but it is impossible to determine how large.
D) There is a shortage, but it is impossible to determine how large

17. Which one of the following is NOT among the advantages of command economy?
A. High rate of capital formation
B. Absence of wasteful competition
C. Balanced economic growth
D. Elimination of private monopolies and inequalities

18. Which of the following statement is correct about supply curve?
A. Increment in subsidy will shift supply curve to the right
B. Increasing in the cost of production will shift supply curve to right
C. Increment in tax will shift supply curve to the right
D. Technological advancement will shift supply curve to the left

19. Which of the following statements is correct?
A. Normative economics is concerned with statements about "what should be"
B. Macroeconomics deals with the individual decision-making unit
C. Microeconomics is the study of aggregate economy.
D. Positive economics is concerned with statements about "what could be"

20. Which one of the following is True about Opportunity Cost?
A) Monetary cost of goods and services.
B) All available resource when peoples at zero price.
C) Best alternative Sacrificed when is made.
D) Minimum budget of peoples on wafer.

Answer sheet

Part I: True/False				Part II: Multiple choice	
1	[redacted]	6	[redacted]	[redacted]	