UNITY UNIVERSITY

COLLEGE OF DISTANCE EDUCATION

DEPARTMENT OF COMMON COURSE

Worksheet for Introduction to Economics

Name_____

Id. No_____

Department _____

Centre _____

Last date of submission _____

This is a worksheet that you are supposed to do on your own. It carries 25 points. The worksheet should be completed and mailed to the College of Distance Education department of economics for evaluation. Do not try to complete the worksheet until you have covered all the readings in the course module.

Any question in the course that you have not been able to understand, should be stated on a separate sheet of paper and attached to this worksheet. Your tutor will clarify them for you either by his/her comments on your worksheet or on the tutorial programs.

After completing this worksheet, be certain to write your Name, Id.No and Address on the first page. Write only your Name and Id.No on the other pages. Also do not forget to leave enough margins on the left side of your answer sheet for comments by your tutor.

Be sure that this worksheet has __**5**__ pages including the cover page.

Dear learner, this worksheet is divided into four parts. Part I contains five "True" or "False" items, Part II includes ten multiple choice questions Part III contains five fill in the blank questions and Part IV has workout. Please note that you have to have at your hand *Introduction to Economics Module* prepared by Federal ***Democratic Republic of Ethiopia Ministry of Science and Higher Education*** and read it seriously and carefully before you go to work on this worksheet's questions. It is also wise to read the books recommended in the module as references.

PART I (1 Point Each)

Write "True" if the statement is true and write "False" if the statement is false, in the space provided.

_____1. The law of demand states that as price decreases, quantity demanded decreases.

_____2. In a free market economic system there is a wide economic gap between the rich and the poor.

_____3. A demand schedule shows people's willingness to buy specific quantities of a good at different prices.

_____4. Total cost and total fixed cost are the same at zero level of output.

_____5. Pure monopoly is a market structure characterized by complete absence of competition among firms.

PART II (1 Point Each)

Among the given alternatives choose the correct answer and write the letter of your answer in the space provided.

_____1. As an economic concept, scarcity applies to

A. neither time nor money. B. both money and time.

C. time but not money. D. money but not time.

_____2. One of the following is true when NFI is negative

A. GNP is less than GDP C. GNP is equal to GDP

B. GNP is greater than GDP D. NDP is equal to

_____3. Which of the following is not usually a characteristic of a perfectly competitive industry?

A. no individual firm has any significant amount of market power.

B. the market demand curve is perfectly elastic.

C. any individual firm can increase its production and sales without affecting the price of the good.

D. existing firms cannot bar the entry of new firms.

E. all of the above are characteristics of perfectly competitive industries.

_____4. When typical firms in a perfectly competitive industry are making economic profits, then all of the following will take place except:

A. new firms will enter the industry.

B. the industry supply curve will shift to the right.

C. the firm demand curves will shift down.

D. the typical firm in the industry will begin to experience a reduction in profits.

E. all of the above will occur.

_____5. Which of the following is common to monopolistic and competitive market?

A. Barriers into the industry are low or non-existent.

B. Firms produce identical products.

C. Firms take market prices as given.

D. A downward sloping demand curve.

_____6. A macroeconomic policy which is adopted to combat inflation through government expenditure and tax is:

A. Expansionary fiscal policy

B. Expansionary monetary policy

C. Contractionary fiscal policy

D. Contractionary monetary policy

_____7 .The TU for the first five breads consumed is 4, 10, 15, 18 and 17 respectively .which one of the following is true

A. The MU of the third bread is 15

B .The MU of the first bread is 0

C. The MU of the fifth bread is -1

D. The MU of the third bread is -3

_____8. Economists assume consumers select a bundle of goods that maximizes their well-being subject to:

A. their incomes only
B. relative prices of goods only
C. their budget constraint
D. their marginal rate of substitution between goods

_____9. For a consumer who buys orange (OR) and banana (B) the budget line equation is given as

OR = 100 – 2B.

Therefore, and necessarily:

A. the consumer is income is Br. 100
B. the price of banana is 2 times the price of orange
C. the price of banana is Br. 2
D. all of the above

_____10. Which of the following properties about costs is correct?

A. When MC is below ATC, ATC is rising.

B. Average fixed cost curve is U-shaped.

C. As output increases, MC eventually raises.

D. All of the above are correct.

PART III (1 Point Each)

Fill the blanks with appropriate words or phrases.

1. In the short run production period at least one input is _____.
2. Pairs of goods for which a price increase in one causes an increase in the demand for the other are called _____.
3. When two goods are substitutes on production, then _____.
4. When percentage change in quantity demanded is greater than percentage change in price then, _____.
5. _____ measures the value of all goods and services produced within a nation's borders regardless of the nationality of the producer.

PART IV (1 Point Each)

WORKOUT

1. Suppose the total output of a factory changes from 200 to 300 units, when the variable input changes from 10 to 20 units. Correspondingly, total variable cost changes from birr 2,000 to birr 3000, and the fixed cost equals birr 500.

Determine,

A. The marginal cost of producing the extra unit ----------
B. The average cost of production at the initial level----------
C. The marginal product of the variable input (labor)----------

2. Based on the given information below, what is the equilibrium price and quantity?
Qs=500+30p
Qd =1000-20p