



September 9, 2009

INTRODUCTION TO ECONOMICS AND FINANCE (MARKS 100)

Module B (3 hours)

- Q.1 Explain what is Movement along the Demand Curve and Shift in the Demand Curve highlighting the difference between these two concepts. Also illustrate the difference by means of diagrams. (09)
- Q.2 (a) What is meant by Elasticity of Demand? List and explain briefly the factors which determine the Elasticity of Demand of a product. (07)
- (b) Briefly describe when Demand for a product is considered to be:
- Highly Elastic
 - Unit Elastic
 - Relatively Inelastic
- (03)
- Q.3 (a) Identify and explain the necessary conditions in which it would be possible for a monopolist to resort to price discrimination and charge different prices for the same product in different markets. (06)
- (b) Explain how a monopolist engaged in price discrimination in different markets would be able to earn maximum revenues. (*Diagram is not required*) (05)
- Q.4 Identify and explain briefly the measures which a developing country should take to achieve high levels of growth in productivity? (06)
- Q.5 (a) Explain what do you understand by the term Multiplier. (03)
- (b) What are the limitations of the Multiplier? (06)
- Q.6 (a) What are the objectives of pursuing and implementing a well-managed currency system? (04)
- (b) What is meant by Price Ceiling and Price Floor? Give one example in each case. (05)
- Q.7 (a) What do you understand by the term Gross Domestic Product? State the reason for excluding intermediate goods from the calculations of GDP. (04)
- (b) What is meant by 'Terms of Trade'? Describe the situations in which the Terms of Trade would rise and fall. (03)
- (c) List the main functions of World Trade Organization. (04)

- Q.8 (a) What is meant by Indirect Taxes? Give three examples of Indirect Taxes. (02)
- (b) Briefly explain the disadvantages of Indirect Taxes. (09)
- Q.9 (a) What is meant by Recession? What economic characteristics are most commonly observed during Recessionary periods? (06)
- (b) State any **four** unfavourable consequences of unemployment. (05)
- Q.10 (a) What is meant by Marginal Physical Product? (02)
- (b) Explain the Law of Diminishing Returns and describe briefly the assumptions under which the Law of Diminishing Returns would be applicable. (*Examples and diagrams are not required*) (05)
- Q.11 Briefly explain the following concepts:
- (a) Consumer Surplus
- (b) Price War
- (c) Macroeconomics
- (d) Open Market Operations (06)

(THE END)