



Foundation Certificate in Marketing - Stage 1

ECONOMICS

WEDNESDAY, MAY 9, 2001. TIME: 2.00 pm - 5.00 pm

Please attempt **FIVE** questions.

(If more than the specified number of questions are attempted, delete those you do not wish to have marked. Otherwise the Examiner will mark the **FIRST** five questions in your Answer Book).

All questions carry equal marks.

Do **NOT** repeat question in answer, but show clearly the number of the question attempted on the appropriate page of the Answer Book.

1. Write brief notes on **two** of the following:

- The production possibilities frontier
- The price system as a resource allocation mechanism
- The impact of BSE on beef markets

2. Using appropriate diagrams show the impact of changes in supply or/and demand on market equilibrium. (You must consider all possible cases)

3. Define

- Price elasticity (3 marks)
- Cross price elasticity (3 marks)
- Income elasticity (3 marks)

Explain the importance of *income* elasticity to firms, taking account of the impact of recessions and booms. (11 marks)

4. What happens when firms in a competitive industry (with no barriers to entry) make excess profits?

5. Why do cartels tend to break up?

6. Describe the money supply process, using a cash ratio of 10%. (15 marks)
What factors should determine the cash ratio? (5 marks)

P.T.O.

7. Explain how fiscal and monetary policies can be used to influence an economy in a boom. (15 marks)
What are the limitations of such policies? (5 marks)
8. What factors determine the long-term growth of an economy?