

**CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI, GHANA**

**CSUC SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE**

**FACULTY OF HUMANITIES
DEPARTMENT OF PLANNING AND DEVELOPMENT**

**FACULTY OF HEALTH AND APPLIED SCIENCES
DEPARTMENT OF COMPUTER SCIENCE**

END OF FIRST SEMESTER EXAMINATIONS – 2021/2022 ACADEMIC YEAR

LEVEL 100 & LEVEL 200

CSBF 135 / DPSD 105 / CSCP 239: PRINCIPLES OF MICROECONOMICS

JANUARY 2022

70 MARKS

TIME ALLOWED: 2 HOURS, 30 MINUTES

GENERAL INSTRUCTION TO CANDIDATES:

- **Indicate your department** on the question paper and every page of the answer booklet used.
- **Write your index number** on the question paper and every page of the answer booklet used.
- This Examination contains three (3) sections: Section A, Section B, and Section C.
- Answer **all questions** in **SECTION A** on the question paper.
- Answer questions in **SECTION B** and **SECTION C** in the answer booklet.
- Answer **all questions** in **SECTION B**
- Answer any **TWO (2) QUESTIONS** in **SECTION C**

Examiner: Samuel Tawiah Baidoo

SECTION A

ANSWER ALL QUESTIONS (20 MARKS)

1. What does the law of supply says?
2. The quantity of a good demanded rises from 1000 to 1500 units when the price falls from GHc1.50 to Ghc1.00 per unit. The price elasticity of demand for this product is approximately.....
3. If the supply curve of a producer is positive sloped, a rise in the price of the commodity, all other things being equal, results in and is referred to as
4. The fact that wants cannot be fully satisfied with available resources reflects the definition of
5. When the price of substitute of commodity X falls, the demand for X
6. When economists study the effects of unemployment insurance on the unemployment rate by comparing the United States with Canada, they assume that other conditions in the two economies do not differ significantly. This demonstrates the principle of
7. If there are changes in factors other than a product's own price that affect the quantity purchased. the phenomena is termed as.....
8. When price of a commodity increased by 3%, the quantity demanded decreased by 5%. The quantity is said to have price.....demand.
9. The branch of economics concerned with the behavior of markets, firms, and households is known as.....
10. Statements about what ought to be are called.....
11. The term "relative prices" refers to a price relative to.....
12. A normal good can be defined as one which consumers purchase more of as
13. When an action is chosen, the highest-valued alternative NOT chosen is called the
14. When the price of complement of commodity X falls, the demand for X
15. In economics, positive statements are about

Index Number..... Signature..... Date.....

16. Macroeconomics is the branch of economics that studies.....
.....

17. When the income of a consumer falls, and holding all other things constant, the demand for inferior good

18. When price rises, the quantity demanded generally tends to fall because of

and effects.

19. What does the bowed-out shape of the production possibilities curve illustrate?

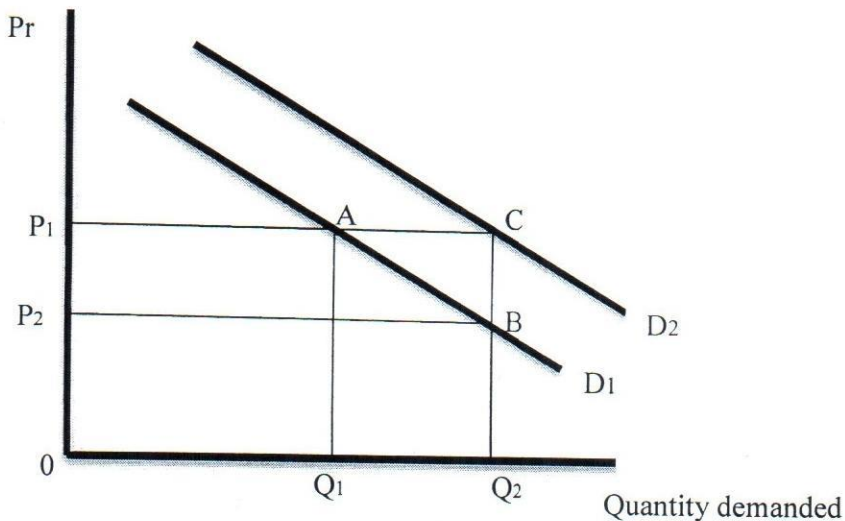
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20. An increase in supply.....the price and the quantity demanded.

SECTION B

ANSWER ALL QUESTIONS (20 MARKS)

1. Explain the concept of scale of preference and show how important it is in economics [2 marks]
2. To what extent would you regard economics as a science? [2 marks]
3. Distinguish between labour force and supply of labour. [2 marks]
4. State the four factors of production and mention the reward for each of them. [4 marks]
5. Distinguish between change in demand and change in quantity demanded. [2 marks]
6. 7. State and briefly explain the three economic systems [3 marks]
7. Answer the following questions using the diagram below. [5 marks]



Using price, P_1 and quantity, Q_1 at the starting points with initial demand curve, D_1 . Indicate whether “True” or “False” for the following statements.

- (a) A move from point A to B represents an expansion of demand.
- (b) A move from point A to C represents an increase of demand.
- (c) A move from point C to A represents an increase of demand.
- (d) A move from point B to A represents a decrease of demand.
- (e) A move from A to C represents a movement along the demand curve.
- (f) A move from A to B represents a movement along a demand curve.
- (g) A move from B to A represents a shift in demand curve from D_2 to D_1 .
- (h) A move from B to C represents a shift in demand curve.
- (i) A move from A to C represents a shift in demand curve from D_2 to D_1 .
- (j) A move from C to B represents a movement along a demand curve from D_2 to D_1 .

SECTION C

ANSWER ANY TWO (2) QUESTIONS (30 MARKS)

QUESTION ONE (15 MARKS)

Ghana can produce the following two commodities per period of time, assuming that it makes full use of its available resources. This is shown in the following table.

Food (units)	100	80	60	40	20	0
Cars (units)	0	50	90	120	140	150

(a) Draw the production possibility frontier for Ghana. *(Hint: Choose an appropriate scale and present food on the Y-Axis and car on the X-Axis).* [5 marks]

(b) Is it possible for Ghana to produce the following combinations of food and cars?

Indicate “yes” or “no” and briefly explain your answer.

- (i) 80 units of food and 50 units of cars [1 mark]
- (ii) 70 units of food and 90 units of cars [1 mark]
- (iii) 40 units of food and 100 units of cars [1 mark]
- (iv) 150 units of food and 160 units of cars [1 mark]

(c) What is the opportunity cost (in terms of cars) of producing 20 extra units of food when Ghana is initially producing? Briefly explain.

- (i) 60 units of food [3 marks]
- (ii) 20 units of food [3 marks]

QUESTION TWO (15 MARKS)

(a). Markets are divided into four (4) categories. Mention and briefly explain these four categories [6 marks]

(b) From the table below, compute the values for total revenue (TR) and marginal revenue (MR)

Price (AR) (GHc)	Quantity (Units)	Total Revenue (TR) (Ghc)	Marginal Revenue (MR) (GHc)
20	0	.....	-
18	1	.....	.....
16	2	.....	.....
14	3	.....	.....
12	4	.....	.....
10	5	.....	.....

[9 marks]

QUESTION THREE (15 MARKS)

The following table shows the total utility that Adu derives from visits to the cinema per week.

Visits	1	2	3	4	5	6	7	8
TU	12	20	25	28	30	31	31	29
MU								

- (a) What is utility and the unit of measurement? [3 marks]
- (b) What is marginal utility? [2 marks]
- (c) State the law of diminishing marginal utility. [2 marks]
- (d) Compute the figures for marginal utility for Adu. [8 marks]

QUESTION FOUR (15 MARKS)

- (a) What is money? [1 mark]
- (b) State and briefly explain any four (4) functions of money. [8 marks]
- (c) State and briefly explain the three (3) reasons or motives for holding money. [6 marks]

END

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