

**UNIVERSITY OF BOLTON**  
**OFF CAMPUS DIVISION**  
**WESTERN INTERNATIONAL COLLEGE**  
**BSC(HONS) BUSINESS MANAGEMENT**  
**TRIMESTER ONE EXAMINATIONS 2021/2022**  
**BUSINESS ENVIRONMENT**  
**MODULE NO. BMP4003**

Date: Friday 7<sup>th</sup> January 2022

Time: 10:00 – 12:00

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**INSTRUCTIONS TO CANDIDATES:**

This is a 2 hours closed book exam consisting of 2 Parts:

**Part 1: Multiple Choice Questions (30 Questions)**

Answer **ALL 30** questions, selecting one answer for each.

Answer all questions in the answer book provided, noting the question number followed by the letter of the answer you have selected.

Important - Each correct answer receives one mark, incorrect answers and unanswered questions received zero marks.

**Part 2: Essays (2 essays)**

Answer **ANY TWO** questions from the choice of 3 questions.

You must hand in this exam paper with your answer booklet.

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**Part 1**

**Multiple Choice Questions- each question carries 1 mark each (Answer all)**

1. Scarcity and choice occurs because of:
  - A. Unlimited resources and limited human wants.
  - B. Limited resources and unlimited human wants.
  - C. Unlimited resources and unlimited human wants.
  - D. Limited resources and limited human wants.
  
2. The opportunity cost of producing a good:
  - A. Is the cost of the best forgone alternative.
  - B. Is its total cost.
  - C. Is the cost of producing an additional unit.
  - D. Is the cost of all the other potential alternatives.
  
3. What would the effect on the demand for product A be, as a result of an increase in the price of a substitute product?
  - A. An inward shift of the demand curve for product A.
  - B. An outward shift of the demand curve for product A.
  - C. An upward movement along the demand curve for product A.
  - D. A downward movement along the demand curve for product A.
  
4. An inferior good is one for which:
  - A. Quantity demanded will fall if price falls.
  - B. Demand falls when income falls.
  - C. Quantity demanded rises when price falls.
  - D. Demand falls when income increases.
  
5. Diminishing marginal utility leads to the demand curve generally being:
  - A. Vertical.
  - B. Upward sloping.
  - C. Horizontal.
  - D. Downward sloping.

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6. If demand is relatively price inelastic:
  - A. The quantity demanded never changes.
  - B. The price never changes.
  - C. The percentage change in quantity demanded is less than the percentage change in price.
  - D. The percentage change in price is less than the percentage change in quantity demanded.
  
7. If the price of a good rises by 5 percent and the quantity demanded falls by 20 percent, then price elasticity of demand is equal to:
  - A. - 4
  - B. -0.25
  - C. 0.25
  - D. 4
  
8. The supply curve might shift inwards with less supplied at each price if:
  - A. There are less firms producing.
  - B. There are lower production costs.
  - C. The market price falls.
  - D. There is an improvement in the level of technology in the industry.
  
9. If a minimum price is set above equilibrium (assuming a downward sloping demand curve and upward sloping supply curve), there will be :
  - A. An equilibrium price fall.
  - B. Excess supply.
  - C. Excess demand.
  - D. An equilibrium price increase.
  
10. In perfect competition:
  - A. Products are homogeneous.
  - B. Products are differentiated.
  - C. Brand loyalty is important.
  - D. Some products are unique.

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11. In the short run a firm will only produce provided the price at least covers the:
- A. Marginal revenue.
  - B. Average cost.
  - C. Average fixed cost.
  - D. Average variable cost.
12. A perfectly competitive firm produces where:
- A. Marginal revenue equals average variable cost.
  - B. Total revenue equals fixed cost.
  - C. Marginal revenue equals marginal cost.
  - D. Total cost equals variable costs.
13. In the long run in perfect competition:
- A. total revenue = total cost
  - B. total revenue = total variable cost
  - C. total revenue = total fixed cost
  - D. total revenue = marginal cost
14. A profit-maximizing monopolist produces where:
- A. Price equals marginal cost.
  - B. Marginal revenue equals marginal cost.
  - C. Marginal revenue equals average cost.
  - D. Price equals average cost.
15. Total economic profit is
- A. Marginal revenue divided by marginal cost.
  - B. Marginal revenue minus marginal cost.
  - C. Total revenue divided by total cost.
  - D. Total revenue minus total opportunity cost.
16. Monopolistic competition is a market structure in which
- A. Firms face perfectly elastic demand for their product.
  - B. A large number of firms compete.
  - C. Firms produce and sell an identical product.
  - D. Firms face barriers to entry.

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17. All points above a given indifference curve are
- A. Definitely not affordable.
  - B. Inferior to any point on the indifference curve.
  - C. Preferred to any point on the indifference curve.
  - D. Definitely affordable.
18. In oligopolistic markets,
- A. All firms are price takers.
  - B. There are no barriers to entry.
  - C. There are only a few firms.
  - D. There are many firms.
19. Injections into the economy do not include:
- A. Investment.
  - B. Savings.
  - C. Government spending.
  - D. Exports.
20. GDP doesn't capture black market trade.
- A. True
  - B. False
21. Cyclical unemployment is most likely:
- A. In a boom.
  - B. In a recession.
  - C. When aggregate demand increases.
  - D. When GDP growth is high.
22. Structural unemployment occurs when:
- A. An industry has lost its competitiveness.
  - B. At particular times of the year.
  - C. There is a slump in aggregate demand.
  - D. Real wages in the economy are too high.

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23. The number of people who are looking for work but not yet willing to accept work at the given real wage rate is measured by:
- A. Cyclical unemployment.
  - B. Seasonal unemployment.
  - C. Structural unemployment.
  - D. Voluntary unemployment.
24. If the RPI basket of goods cost £300 in the reference base period and £450 in a later year, the RPI in the later year equals
- A. 250
  - B. 150
  - C. 225
  - D. 300
25. Demand-pull inflation occurs when:
- A. Aggregate demand is equal to output.
  - B. Aggregate demand is greater than aggregate supply.
  - C. Aggregate supply is equal to aggregate demand.
  - D. Aggregate supply is greater than aggregate demand.
26. The population of Tiny Town is 100 people and the workforce is made up of 75 people. If 5 of these people are unemployed, the unemployment rate is
- A.  $5/80 \times 100$ .
  - B.  $5/75 \times 100$ .
  - C.  $5/100 \times 100$ .
  - D. There is not enough information provided to calculate the unemployment rate.
27. Cost-push inflation might be caused by:
- A. An income tax cut.
  - B. An increase in energy prices.
  - C. Lower interest rates.
  - D. More government spending.

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28. If the RPI was 180 at the end of 2013 and 195.2 at the end of 2014, the inflation rate between these two years was

- A. 19.0 percent.
- B. 3.9 percent.
- C. 8.4 percent.
- D. 4.2 percent.

29. People who are not in work and not seeking or available to work are referred to as the economically inactive.

- A. True
- B. False

30. An increase in aggregate demand will generally increase the price and decrease output.

- A. True
- B. False

**END OF PART ONE**

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**PART TWO**

**Essays (Answer ANY TWO questions)**

**Q1**

a) Analyse the key market structures (Monopoly, oligopoly, monopolistic competition and perfect competition). Which one is the ideal from the perspective of businesses and also consumers

**(25 marks)**

b) Is Google a monopoly? Justify your answer.

**(10 marks)**

**Total 35 marks**

**Q2**

a) Explain the Law of Demand.

**(5 marks)**

b) Explain the difference between change in demand and change in quantity demanded.

**(5 marks)**

c) With the help of examples, explain any three factors that would lead to an increase in demand.

**(15 marks)**

d) Susan's monthly income fell with £200 to £1,800. Originally, she went 4 times to the cinema each month. Now she has reduced her cinema visits to 3 times per month. Calculate her income elasticity of demand for cinema tickets. What type of good is the cinema for Susan?



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**(10 marks)**

**Total 35 marks**

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**Q3**

- a) Define Gross Domestic Product (GDP) and explain its components. **(10 marks)**
- b) Draw and explain what happens in a circular flow of income? **(10 marks)**
- c) Analyse the limitations of Real GDP. **(15 marks)**

**Total 35 marks**

**END OF QUESTIONS**

**END OF PAPER**