

UNIVERSITY OF BOLTON

GREATER MANCHESTER BUSINESS SCHOOL

BA (HONS) ACCOUNTANCY

SEMESTER 2 RESIT EXAMINATIONS 2022/2023

PRINCIPLES OF ECONOMICS

MODULE NO: ACC4015

Date: Tuesday 18 July 2023

Time: 2pm – 4pm

INSTRUCTIONS TO CANDIDATES:

Part 1 consists of 30 multiple choice questions and Part 2 essay questions

Answer all of the multiple-choice questions and choose any two essay questions to answer.

All of the essay questions carry equal marks.

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Part 1 – Multiple choice questions

Write your correct option in the answer booklet

Q1 The production possibility schedule for vans and lorries is as follows:

Vans	Lorries
16	0
15	1
14	2
13	3
11	4
9	5
7	6
0	7

The opportunity cost of the second lorry in terms of vans is

- a) 1
- b) 2
- c) 7
- d) 14

Q2: Which one of the following is a positive statement?

- a) Income inequality in the UK has increased over the last 30 years
- b) Nurses working in the National Health Service should have a maximum working week of 50 hours per week
- c) The national minimum wage rate should be increased to £5 per hour
- d) The rate of unemployment is too high

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Q3: Which of the following is not a factor of production as the term is used by economists?

- a) Labour
- b) Cash in a bank account
- c) Buildings and machinery
- d) Farmland

Q4: Individuals and businesses must make choices because:

- a) Of the law of diminishing returns
- b) They must act rationally
- c) Of resource scarcity
- d) None of the above

Q5. True or False: In a market economy, prices provide incentives to help the economy allocate scarce resources efficiently.

- a) True
- b) False

Q6: Opportunity cost is best defined as:

- a) The cost of a choice measured by the cost of products bought
- b) The cost of buying an additional unit of a good or service
- c) The cost of a choice measured by the time taken to consume
- d) The cost of a choice measured by the next best alternative forgone

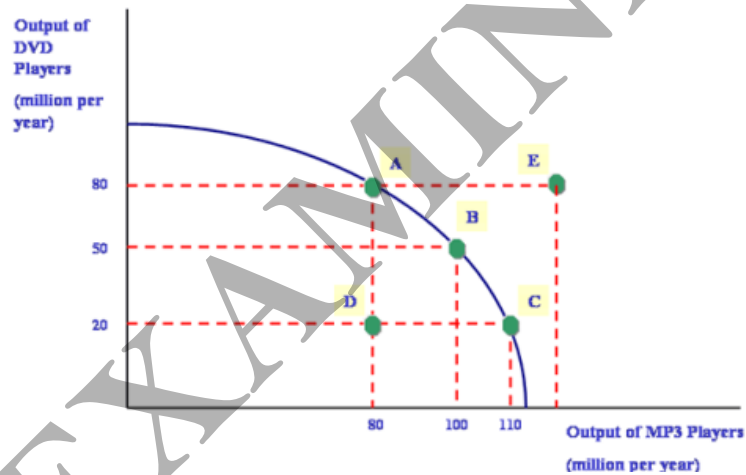
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Q7: A possible advantage of a planned economy is that:

- a) Resources are allocated via the price mechanism
- b) There is greater consumer choice of products
- c) Identification with the state may be a better work incentive than the profit motive
- d) The state can successfully drive forward massive projects.

Q8:



Which combinations of output of DVD players and MP3 players are feasible given the PPF that a country faces above?

- a) A, B, C, D and E
- b) A, B, C and D
- c) A, B and C
- d) E only

Q9. True or False: As price falls, quantity demanded for a normal good will fall

- a) True
- b) False

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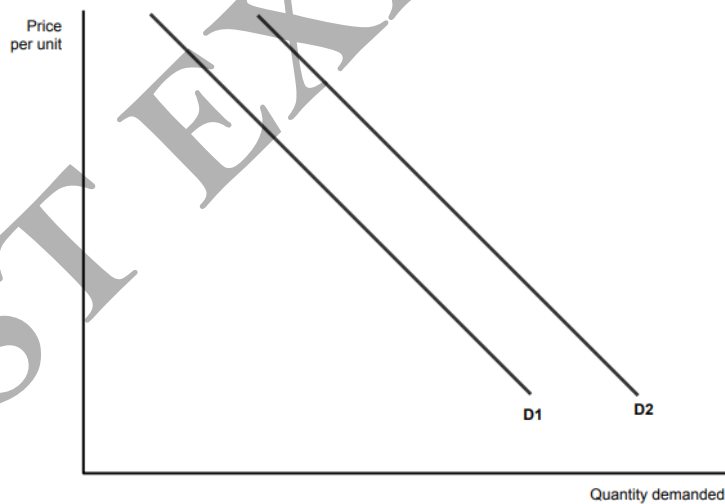
Q10. In a free market economy, market prices

- a) Reflect the relative scarcity of the product
- b) Communicate information to producers about how much to supply
- c) Provide incentives for consumers about how much to purchase
- d) All of the above

Q11. True or False: A change in consumers' income will normally cause a shift in the demand Curve

- a) True
- b) False

Q12.



**Question 12 continued over ...
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Question 12 continued...

The shift of the demand curve from D1 to D2 in the diagram above could have been caused by

- a) A fall in real incomes of consumers if the good is a normal good
- b) A decrease in the price of the good itself
- c) A fall in interest rates
- d) An increase in the price of the good itself

Q13. As consumers have become more concerned about the amount of saturated fat in their diet, the demand for chicken has increased whilst the demand for beef has fallen. The result of this is likely to be:

- a) A decrease in the quantity supplied of chicken
- b) A rise in the market price of beef
- c) A rise in the market price of chicken
- d) An increase in the quantity supplied of beef

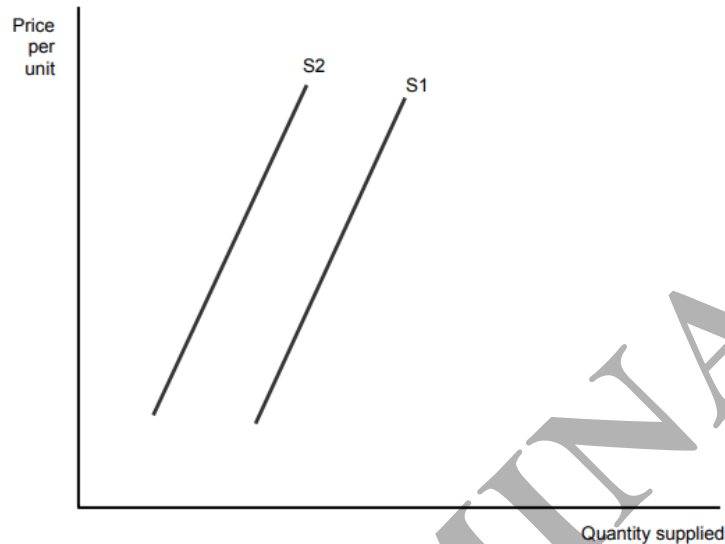
Q14. The market demand curve for overseas holiday cruises will NOT shift when there is a

- a) Fall in the price of a cruise in the brochures
- b) Successful advertising campaign
- c) Rise in consumers real incomes
- d) Increase in the price of land-based holidays (a substitute for cruises)

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Q15.



The change in supply curve of the product from S1 to S2 shown in the diagram above could have been due to

- a) A government subsidy to producers
- b) A fall in the exchange rate causing a rise prices of imported components
- c) An improvement in production technology
- d) An increase in the real incomes of consumers

Q16 True or False: The price elasticity of demand is greater for goods that have several rather than fewer close substitutes

- a) True
- b) False

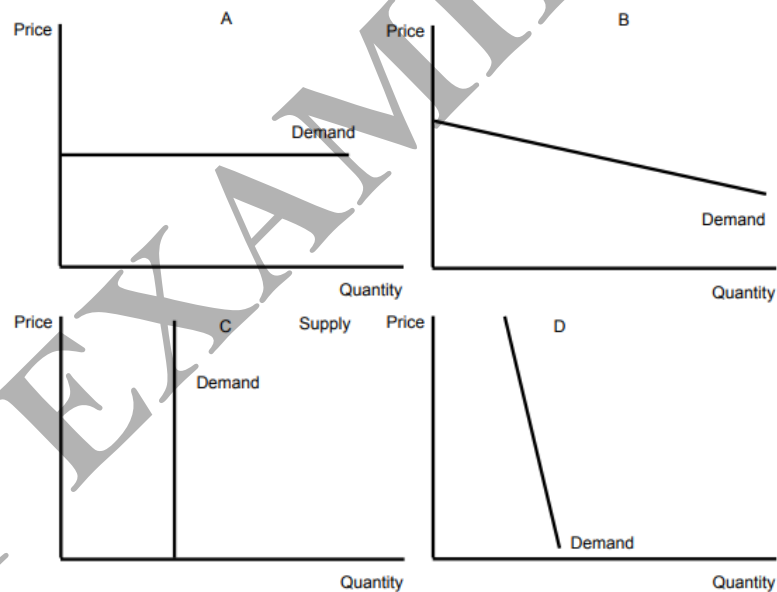
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Q17. Suppose that price of Good X rises by 30 per cent and demand for Good X falls by 10 per cent. Elasticity of demand is

- a) -3
- b) -1.33
- c) -0.33
- d) -30

Q18: Which one of the diagrams below, A, B, C or D shows a demand curve that is perfectly elastic?



- a) A
- b) B
- c) C
- d) D

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Q19. True or False: If two products are complements, the cross-price elasticity of demand is likely to be positive

- a) True
- b) False

Q20. The money value of goods and services produced in a year within the geographical boundaries of a country is known as

- a) The Consumer Price Index
- b) The Balance of Payments
- c) Gross Domestic Product
- d) Gross National Product

Q21. The government is concerned that, without any change to its current economic policy, the rate of growth of the economy will fall below the trend rate. Which of the following policy changes is most likely to prevent this from happening?

- a) A reduction in the level of unemployment benefits
- b) An increase in interest rates
- c) An increase in government capital spending
- d) A reduction in the target for the rate of inflation

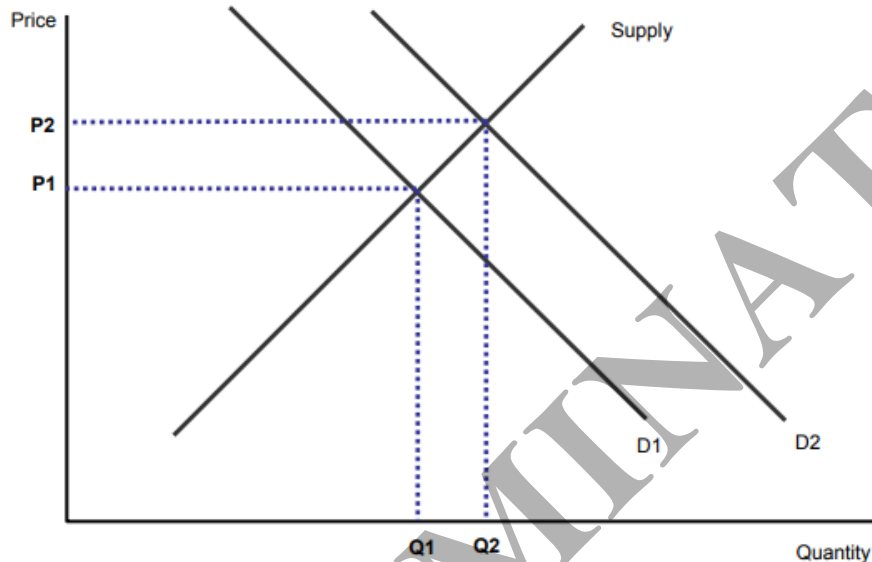
Q22. True or False: The official measure of Gross Domestic Product understates the true level of national income because of the existence of the "shadow" or informal economy

- a) True
- b) False

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Q23:



The change in demand shown in the diagram above might have been caused by

- a) An increase in the price of a substitute good
- b) The introduction of a government subsidy for producers
- c) A fall in income for a normal good
- d) A fall in the costs of production

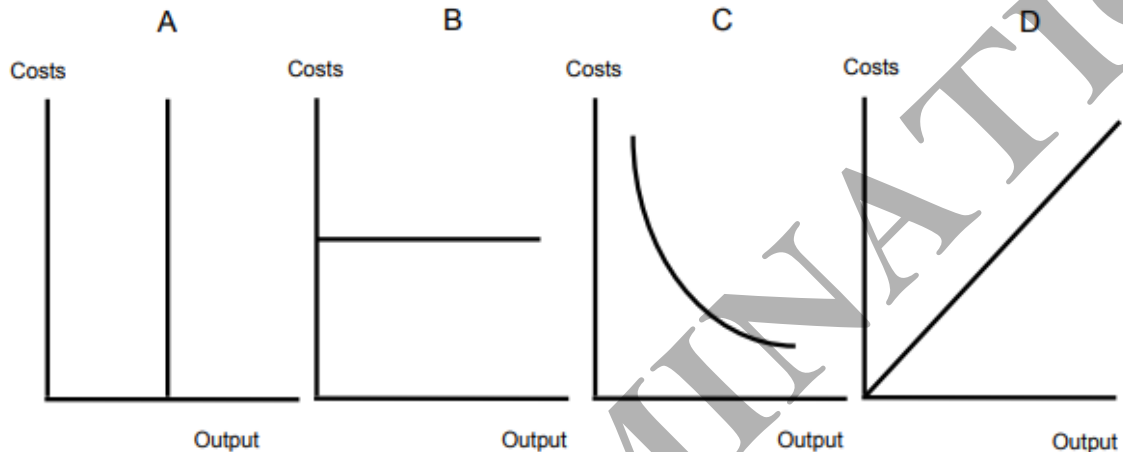
Q24. Which one of the following is a characteristic of a merit good?

- a) It is always provided free of charge to low-income consumers
- b) Once the good has been supplied to one consumer, there is no extra cost in supplying it to others
- c) It may not be provided by the market in sufficient quantities
- d) It tends to be provided by the government because of the problem of non-excludability

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Q25. Which diagram below shows the relationship between total fixed costs and its level of output in the short run?



- a) A
- b) B
- c) C
- d) D

Q26. All other factors held constant a decrease in market demand for new cars will lead to

- a) Decreased price and decreased quantity
- b) Increased price and decreased quantity
- c) Increased price and increased quantity
- d) Decreased price and no change in quantity

Q27. True or False: A bakery employs 20 workers and finds that total output is 3000 loaves per day. As a result of adding another worker to the labour-force, total output rises to 3100 loaves per day. The average productivity of adding a worker has increased.

- a) True
- b) False

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Q28 Which one of the following is a major macroeconomic objective of the government?

- a) Sustained economic growth
- b) Low and stable inflation
- c) High levels of employment
- d) All of the above

Q29. Real GDP is not a good indicator of economic welfare because it

- a) Excludes the value of income and spending in the shadow or "black" economy
- b) Does not make an adjustment for the external costs and benefits created by externalities
- c) Measures the value of time spent working in producing goods and services but not the value of leisure time
- d) All of the above

Q30. If national output in one year is measured at Euro 300 billion and a year later it is measured at Euro 315 billion, then the rate of growth in that year is:

- a) 2 per cent
- b) 5 per cent
- c) 10 per cent
- d) 15 per cent

(1 Mark each, total 30 Marks)

**End of part one
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Part 2 -Answer any TWO questions from this section

(You are encouraged to use diagrams where appropriate)

Question 1: International Trade

- A) What does the term 'Natural Advantage' mean?
(10 marks)
- B) What does the term 'Comparative Advantage' mean?
(10 marks)
- C) 'Globalisation has created opportunity and increased living standards across the globe since 1945'- discuss.
(15 marks)

Total 35 marks

Question 2: The Business Cycle

- A) What does the term 'the Business Cycle' mean?
(10 marks)
- B) What economic and social problems are caused by the Business Cycle?
(10 marks)
- C) Discuss the policy options that a government can employ to mitigate the effects of the Business Cycle.
(15 marks)

Total 35 marks

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Question 3: Economic Growth

A) Define the term “economic growth”

(10 marks)

B) Why is economic growth seen as a positive phenomenon?

(10 Marks)

C) What has the UK’s recent experience of growth been, and why do you think this is the case?

(15 marks)

Total 35 marks

Question 4: Inflation and Unemployment.

A) What do the terms ‘Inflation’ and ‘Unemployment’ mean?

(10 marks)

B) Why is inflation a problem for society?

(10 marks)

C) Who is responsible for controlling inflation in the UK, what measures are they using to do so and what do critics say about this?

(15 marks)

Total 35 marks

END OF QUESTIONS