

Reg. No.:

Name:.....



U7822

University of Kerala
First Semester Degree Examination, November 2024
Four Year Under Graduate Programme
Discipline Specific Core Course
ECONOMICS
UK1DSCECO100 - PRINCIPLES OF ECONOMICS
Academic Level: 100-199

Time: 2 Hours

Max. Marks:56

Part A.

Answer All Questions , Objective Type. 1 Mark Each.
(Cognitive Level: Remember/Understand) 6 Marks. Time: 5 Minutes.

Qn. No.	Question	Cognitive Level	Course Outcome (CO)
1.	When a demand curve is elastic, a price increase a) Reduces total revenue b) Increases total revenue c) It does not affect total revenue d) None of the above	Remember	CO-1
2.	Which among the following is a fundamental problem for every society? a) Opportunity cost b) Unlimited wants c) Scarcity d) Technology	Remember	CO-1
3.	The production-possibility frontier depicts a) Limited productive capability b) The problem of scarcity c) Opportunity cost d) All the above	Understand	CO-1
4.	The market supply curve shifts when a) The number or size of the producers changes b) The factor prices change c) The technological progress occurs d) All the above	Understand	CO-1
5.	The unemployment rate is a) The percent of the total labor force that is unemployed b) The percent of the total population that is unemployed c) The percent of the total labor force that is employed d) None of the above	Understand	CO-1

6.	Economic growth is concerned with a) The expansion of an economy's ability to produce (potential GDP) over time b) The qualitative dimensions c) Both qualitative and quantitative dimensions d) None of the above	Understand	CO-1
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Part B.

**Answer All Questions, Two-Three sentences. 2 Marks Each
(Cognitive Level: Understand/Apply) 10 Marks. Time: 20 Minutes**

Qn. No.	Question	Cognitive Level	Course Outcome (CO)
7.	Comparative advantage is the key to trade among countries. Do you agree?	Understand	CO-2
8.	Costs incurred by the firm for the variable inputs it uses. Comment	Understand	CO-2
9.	Define marginal revenue. How is it calculated?	Apply	CO-1
10.	Demand-pull inflation is normally characterized by both a rising price and output level. Comment	Apply	CO-2
11.	What is the relationship between the long run and the short run?	Apply	CO-3

Part C.

**Answer all 4 questions, choosing among options* within each question. Short Answer.
4 Marks Each. (Cognitive Level: Apply/Analyse) 16 Marks. Time: 35 Minutes.**

Qn. No.	Question	Cognitive Level	Course Outcome (CO)
12.	(a) Why does the MC curve intersect the AVC and AC curves at their lowest points? OR (b) Why are the MC, AVC, and AC curves U-shaped?	Apply	CO -2
13.	(a) Governments can sometimes improve market outcomes. Do you agree? Why? OR (b) A possible cause of market failure is market power. Comment	Apply	CO-3
14.	(a) Analyze the interaction between firms and households through the visual model of the economy. OR (b) Draw a production possibilities frontier for a society that produces food and clothing. Show an efficient point, an inefficient point, and an infeasible point. Show the effects of a drought.	Analyze	CO-2
15.	(a) What is the difference between a positive and a normative statement? Give an example of each. OR (b) Classify the following topics as relating to microeconomics or macroeconomics. (I) a family's decision about how much income to save (II) the effect of government regulations on auto emissions (III) the impact of higher national saving on economic growth (IV) a firm's decision about how many workers to hire	Analyze	CO-3

Part D.
Answer all 4 questions, choosing among options* within each question. Long Answer.
6 Marks Each. (Cognitive Level: Analyse/Evaluate/Create) 24 Marks. Time: 60 Minutes.

Qn. No.	Question	Cognitive Level	Course Outcome (CO)
16.	<p>a) The principle of comparative advantage shows that trade can make everyone better off. Comment with a suitable example</p> <p style="text-align: center;">OR</p> <p>(b) Suppose that there are 10 million workers in Canada, and each can produce either 2 cars or 30 bushels of wheat in a year. What is the opportunity cost of producing a car in Canada? What is the opportunity cost of making a bushel of wheat in Canada? Explain the relationship between the opportunity costs of the two goods</p>	Analyze	CO-2
17.	<p>(a) Public policymakers often want to reduce the amount that people smoke. Public service announcements, mandatory health warnings on cigarette packages, and the prohibition of cigarette advertising on television are all policies aimed at reducing the quantity of cigarettes demanded at any given price. If warnings on cigarette packages convince smokers to smoke less, then what will happen to the demand curve for cigarettes? Graphically explain the result of warnings.</p> <p style="text-align: center;">OR</p> <p>(b) Suppose you are running a company that produces and sells chocolates. What determines the quantity of chocolate you are willing to produce and offer for sale?</p>	Evaluate	CO-3
18.	<p>(a) The price elasticity of demand depends on the many economic, social, and psychological forces that shape individual desires. Therefore, what generally determines whether the demand for a good is elastic or inelastic?</p> <p style="text-align: center;">OR</p> <p>(b) For the following pairs of goods, which good would you expect to have more elastic demand and why?</p> <p>i) Required textbooks or mystery novels</p> <p>ii) Beethoven recordings or classical music recordings in general</p> <p>iii) Heating oil during the next six months or heating oil during the next five years</p> <p>iv) Root beer or water</p>	Evaluate	CO-3
19.	<p>(a) Define real and nominal GDP. Which is a better measure of economic well-being? Why?</p> <p style="text-align: center;">OR</p> <p>(b) Suppose that a borrower and a lender agree on the nominal interest rate for a loan. Then inflation turns out to be higher than they both expected.</p> <p>i) Is the real interest rate on this loan higher or lower than expected?</p> <p>ii) Does the lender gain or lose from this unexpectedly high inflation? Does the borrower gain or lose?</p>	Evaluate	CO-3