



DECEMBER 2016

ECONOMICS FOR BUSINESS

Instructions to candidates:

- a) Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
 - b) Answer any FIVE questions
 - c) All questions carry equal marks. Marks for each question are shown in []
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1. Compare and contrast the free market economy and the command economy as means of dealing with the economic problem of resource allocation. [20]
 2.
 - a) State and explain why the supply curve for a product will normally slope upwards from left to right. [8]
 - b) Outline the main factors (usually termed the conditions of supply) that influence the supply of a product. [12]
 3.
 - a) Show diagrammatically and explain the short period equilibrium of a monopoly firm earning supernormal profit. [10]
 - b) Explain what is meant by '**discriminating monopoly**' and state the conditions which must be fulfilled for price discrimination to work. [10]
 4.
 - a) Define what is meant by an **interest rate**. [6]
 - b) Discuss the economic effects of a fall in the general level of interest rates. [14]
 5.
 - a) State and explain ONE method that can be used to calculate the national income of a country. [8]
 - b) Explain why national income data may not always be a good indicator of a nation's standard of living:
 - i over a period of time [6]
 - ii relative to another nation [6]
 6. List and explain the main types of unemployment. [20]
 7. Define the term '**supply side economics**' and discuss the main supply side measures used in a developed economy to restore the influence of market forces. [20]
 8.
 - a) Define, using an example, what is meant by a **currency exchange rate**. [5]
 - b) Discuss the benefits and problems of allowing exchange rates to float freely in the international financial markets. [15]