

Name:
Enrolment No:



UNIVERSITY OF PETROLEUM & ENERGY STUDIES
End Semester Examination– May 2022

Program: BA Economics (Hons)
Subject/Course: Micro Economics-II
Course Code: ECON1007

Semester: II
Max. Marks: 100
Duration: 3 Hours

IMPORTANT INSTRUCTIONS

1. The student must write his/her name and enrolment no. in the space designated above.
2. The questions have to be answered in this MS Word document.
3. After attempting the questions in this document, the student has to upload this MS Word document on Blackboard.

S.N.	Section	Marks	COs
1	What happens if there is a shortage of a good at the current price? a) Sellers are producing more than buyers wish to buy. b) The market must be in equilibrium. c) The price is below the equilibrium price. d) Quantity demanded equals quantity supplied.	2	CO3
2	What is the main input in the production of flour. All else equal, if the price of wheat decreases, what would we expect? a) the supply of flour to decrease b) the demand for flour to decrease c) the supply of flour to increase d) the demand for flour to increase	2	CO3
3	Workers at a bicycle assembly plant currently make minimum wage. If the provincial government increases the minimum wage by \$1.00 an hour, what will likely happen? a) Demand for bicycle assembly workers will increase.	2	CO3

	<p>b) Supply of bicycles will shift to the right.</p> <p>c) Supply of bicycles will shift to the left.</p> <p>d) The firm must increase output to maintain profit levels.</p>		
4	<p>Suppose roses are currently selling for \$40 per dozen. The equilibrium price of roses is \$30 per dozen. What would we expect?</p> <p>a) a shortage to exist and the market price of roses to increase</p> <p>b) a shortage to exist and the market price of roses to decrease</p> <p>c) a surplus to exist and the market price of roses to increase</p> <p>d) a surplus to exist and the market price of roses to decrease</p>	2	CO3
5	<p>Why does Werther's Original candy tend to have an elastic demand?</p> <p>a) because the candy market is too broadly defined</p> <p>b) because there are many close substitutes for Werther's</p> <p>c) because Werther's Original candy is considered by some to be a necessity</p> <p>d) because it is usually eaten quickly and therefore the time horizon is short</p>	2	CO4
6	<p>If a 15 percent increase in price causes a 30 percent decrease in quantity demanded, what might be true about this product?</p> <p>a) It has no close substitute.</p> <p>b) It might be a luxury.</p> <p>c) It might be part of a broadly defined market.</p> <p>d) It might be in a short time horizon.</p>	2	CO3
7	<p>How do economists compute the price elasticity of demand?</p> <p>a) the percentage change in the price divided by the percentage change in quantity demanded</p> <p>b) the percentage change in income divided by the percentage change in the quantity demanded</p> <p>c) the percentage change in the quantity demanded divided by the percentage change in price</p> <p>d) the percentage change in the quantity demanded divided by the percentage change in income</p>	2	CO1

8	<p>What will result from a binding price ceiling in the computer market?</p> <p>a) a surplus of computers</p> <p>b) a shortage of computers</p> <p>c) the quantity demanded of computers being equal to the quantity supplied</p> <p>d) an increase in the demand for computers</p>	2	CO3
9	<p>Which of the following is a result of binding price ceilings?</p> <p>a) market efficiency</p> <p>b) shortages</p> <p>c) buyer bias</p> <p>d) surpluses</p>	2	CO1
10	<p>What do we know about price ceilings and price floors?</p> <p>a) They are desirable because they make markets more efficient as well as equitable.</p> <p>b) They cause surpluses and shortages to persist since price cannot adjust to the market equilibrium price.</p> <p>c) They can be enacted to restore a market to equilibrium.</p> <p>d) They are imposed because they can make the poor in the economy better off without causing adverse effects.</p>	2	CO1
Section B			
1	<p>Why do economists usually prefer private ownership to public ownership of natural monopolies?</p>	5	CO3
2	<p>Why does the government give patents to pharmaceutical firms that develop new drugs? How do the economic theories predict the price of new drugs as the patent period ends?</p>	5	CO3
3	<p>Describe the source of tension between cooperation and self-interest in a market characterized by oligopoly. Use an example of an actual cartel arrangement to demonstrate why this tension creates instability in cartels.</p>	5	CO2
4	<p>Two major North American car makers are each considering expanding into the Vietnamese automobile market. Devise a simple prisoners' dilemma game to demonstrate the strategic considerations that are relevant to this decision.</p>	5	CO4
Section C			
1	<p><i>The novel coronavirus has caused almost all restaurants seeing major declines in patronage across Canada. The newly announced city-wide</i></p>	10	CO2

	<p><i>closures of restaurants with dine-in worsen the situation, leading some restaurants into permanent closure. (Assume monopolistic competition)</i></p> <p>Based on economic theory, under what conditions would this shutdown decision minimize the restaurants' loss? Explain in your own words using economic theories.</p>		
2	<p><i>The novel coronavirus has caused almost all restaurants seeing major declines in patronage across Canada. The newly announced city-wide closures of restaurants with dine-in worsen the situation, leading some restaurants into permanent closure. (Assume monopolistic competition)</i></p> <p>Based on economic theory, what would happen to the restaurants' economic loss in the long run? Explain in your own words using economic theories.</p>	10	CO2
3	<p><i>Suppose Rogers said it will eliminate its \$50 unlimited data plan as the crush of data use from the Iphone has hurt call quality. Rogers is introducing new plans costing \$25 a month for 200 megabytes of data traffic or \$35 a month for 2 gigabytes. Rogers says those who exceed 2 gigabytes of usage will pay \$10 a month for each additional gigabyte. Rogers hopes that these plans will attract more customers.</i></p> <p>Explain why and how Roger's new data plan might be price discrimination. Explain who would benefit and who would lose? Explain in your own words using economic theories.</p>	10	CO3
Section D			
4	<p><i>Charlie loves watching Teletubbies on his local public TV station, but he never sends any money to support the station during its fundraising drives.</i></p> <p>What name do economists have for people like Charlie? Please explain. How can the government solve the problem caused by people like Charlie?</p>	15	CO4
5	<p><i>Charlie loves watching Teletubbies on his local public TV station, but he never sends any money to support the station during its fundraising drives.</i></p> <p>Based on the scenario in this question, can you think of ways the private market can solve this problem?</p>	15	CO4