



**THE UNIVERSITY OF THE WEST INDIES
FIVE ISLANDS CAMPUS**

Summer/Semester III

Examinations of Summer 2020/2021

Course Code: ECON1001
Course Title: Introduction to Microeconomics
Date of Assessment: Wednesday August 4, 2021
Time: 9:00am
Duration: 2 Hours

INSTRUCTIONS TO CANDIDATES:

THIS PAPER HAS THREE (3) PAGES AND FIVE (5) QUESTIONS.

STUDENTS ARE REQUIRED TO ANSWER ANY **THREE (3)** QUESTIONS.

1. Define the term Production Possibility Frontier. Draw a Production Possibility Frontier for the following information of the hypothetical economy displayed in the table.

| | | | | | | | |
|------------------------------|----|----|----|----|----|----|---|
| Agricultural Products/tonnes | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| Manufactured Products/units | 60 | 58 | 55 | 50 | 42 | 30 | 0 |

[5 marks]

- b. Define the term opportunity cost and state the type of opportunity cost experience in the above economy. [2 marks]

- c. Calculate the opportunity cost of producing one (1) more tone of agricultural products. [3 marks]

- d. With the Aid of diagrams; explain the equilibrium condition for consumer equilibrium using the ordinal theory of utility. Discuss the Total Price Effect if the price of Good X decreases and good X is a normal good. [15 marks]

2. Discuss the main differences between market economies and command economies giving examples of two countries that practice each type of economy. [8 marks]

- b. Give a detailed account of the long run equilibrium condition of a firm in a perfect competition market structure. (Diagrams of the market structure will aid your explanation) [17 marks]

3. a. Define the term monopoly, discuss three reasons why monopolies exist. [8 marks]

- b. What is price discrimination and why do firms price discriminate. [4marks]

- c. Discuss giving examples the different methods of price discrimination [6 marks]

- d. Discuss the conditions necessary for price discrimination to occur. [7 marks]

4. a. What is the relationship that exists between a firm's average physical product curve and average variable cost curve? [9 marks]

- b. Copy and complete the following table:

| Q | TC | TFC | TVC | AVC | AFC | ATC | MC |
|---|-----|-----|-----|-----|-----|-----|----|
| 0 | 100 | | | | | | |
| 1 | 130 | | | | | | |
| 2 | 150 | | | | | | |
| 3 | 160 | | | | | | |
| 4 | 172 | | | | | | |
| 5 | 185 | | | | | | |

c. Discuss the law of diminishing return.

[7 marks]

5. a. Explain the term market failure giving reason why markets fail.

[12.5 marks]

b. What is monopolistic competition?

[12.5 marks]

END OF EXAMINATION