

SAMPLE MICROECONOMICS EXAMINATION
ECON 1000 V
INSTRUCTOR: SADAQUAT JUNAYED
TIME: 3 HOURS. TOTAL MARKS: 100

Part A: Multiple Choice: (40 marks)

Identify the letter of the choice that best completes the statement or answers the question. Answer all 20 questions in this part. Each question carries 2 marks.

Review quizzes.

Part B: Short Answer Questions. (60 marks)

Answer ALL SIX Questions. 10 marks each question.

1. What is meant by "internalizing" an externality? How can a negative externality be internalized?

Table 1

		Rival?	
		Yes	No
Excludable?	Yes	*	*
	No	*	*

2. Refer to Table 1 and answer the following:
 - a. Place each of the following categories into the correct location (*-marked) in the table:
 - i) Public Goods
 - ii) Natural Monopolies
 - iii) Private Goods
 - iv) Common Resources
 - b. Next, describe in which category each of the following belongs to:
 - i) Congested toll roads
 - ii) Knowledge
 - iii) Fish in the ocean
 - iv) National defense
 - v) Congested nontoll roads
 - vi) Cable TV
 - vii) The environment
 - viii) Fire protection
 - ix) Ice-cream cones
 - x) Uncongested toll roads
3. Explain the following:
 - a. The production function depicts a relationship between which two variables? Also, draw a production function that exhibits diminishing marginal product and explain.

- b. If the average total cost curve is falling, what is necessarily true of the marginal cost curve?
If the average total cost curve is rising, what is necessarily true of the marginal cost curve?
Explain with a diagram.
4. Give two reasons why the long-run industry supply curve in a perfectly competitive market may slope upward. Use an example to demonstrate your reasons.
5. Draw a production possibilities frontier showing increasing opportunity cost for hammers and horseshoes. **(2.5 marks for each part.)**
- On a graph, identify the area of feasible outcomes and the area of infeasible outcomes.
 - On the graph, label a point that's efficient as point "E" and a point that is inefficient as point "I".
 - On a graph, illustrate the effect of the discovery of a new vein of iron ore, a resource needed to make both horseshoes and hammers, on this economy.
 - On a graph for hammers and horseshoes, illustrate the effect a new computerized assembly line in the production of hammers would have.
6. Suppose that instead of a supply-demand diagram, you are given the following information:
- $$Q_s = 100 + 3P$$
- $$Q_d = 400 - 2P$$
- From this information compute equilibrium price and quantity.
 - Now suppose that a tax is placed on buyers so that

$$Q_d = 400 - (2P + T)$$
 If $T = 15$, solve for the new equilibrium price and quantity. (Note: P is the price received by sellers and $P + T$ is the price paid by buyers.) Compare these answers for equilibrium price and quantity with your first answers. What does this show you?

ECON 1000 V – MULTIPLE CHOICE ANSWER SHEET

Name:

Signature:

Student Number:

Write the letter that corresponds to your answer in CAPITAL letters. Make sure your answers are CLEARLY LEGIBLE.

Question Number	Answer
1.	
2.	
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