

Course: Foundations of Economics

REVISION FOR ASSESSMENT 1 AND ASSESSMENT 2

Assessment 1: Group coursework

Date/Time for presentations: Week 13 (as per timetable)

Task announcement: Week 6

The Assessment 1 covers Microeconomics topics only. The students are expected to demonstrate their knowledge and understanding of basic economic concepts such as scarcity, choice, opportunity costs, demand and supply, and elasticities. The task is a group assignment, which aims to develop teamwork, organizational and communication skills among students. Students have to work in teams of 3-5 persons. They need to choose a product or service in the city, and collect data relevant to address the coursework requirements. Students are encouraged to use not only secondary data, but also obtain primary data by conducting interviews/surveys on chosen topic.

Students are required to present their project in front of seminar tutor and students. All team members should participate in presentation. Tutor may ask questions on individual members of the team to make sure that all team members worked on the project and are ready to respond questions regarding all parts of the coursework.

The coursework requirements are provided in a separate document (see Week 14 file).

The coursework task will be announced in teaching week 6.

Lecturer and tutor will be available for consultations during office hours.

Assessment 2: Individual final exam

Date/Time: Week 14 (exact date and time will be communicated in due time)

Duration: two hours and fifteen minutes

The final exam may cover all 12 weeks topics. Students are expected to know the basic microeconomic and macroeconomic concepts and to be able to discuss them. **There are 2 sections for total of 100 marks.**

Section A: Answer all questions (50 marks)

Multiple Choice Questions: 10 questions, 3 marks for each correct answer (30 marks) + SHORT-ESSAY QUESTIONS: 2 questions, 10 marks for each (20 marks)

Section B: Choose any TWO out of four questions (50 marks)

Example questions for Section A.

- Do not circle the answers in the Question booklet. You need to provide your correct answers in the Answer booklet. For example, 1. A 2. B 3. C ...
- The student is responsible to write the letters clearly. If two choices are provided, then no mark will be given for that question.

Multiple choice question example:

1. The total costs are £200 and 10 units are produced. The marginal cost of an 11th unit is £130. Which of the following is true?
 - a. The average cost increases from £20 to £30
 - b. The total costs for 11 units are £70
 - c. The average cost for 10 units is £130
 - d. The average cost for 11 units is £130
 - e. The variable cost for 10 units is £130

Short essay question example:

2. The table given below lists the price per unit and output of computers and calculators (the only two goods produced by a nation) for the years 2005 and 2013.

Table 1.2 Production Data

	Prices per Unit		Quantity	
	2005	2013	2005	2013
Computers	\$2,000	\$1,600	100	100
Calculators	\$60	\$70	900	900

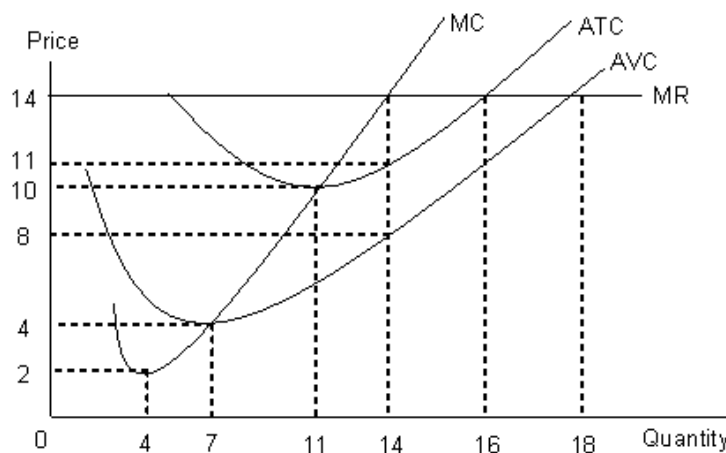
- Refer to Table 1.2. Calculate the nominal GDP for years 2005 and 2013. (Show your work)
- Refer to Table 1.2. What is the constant-dollar real GDP growth from 2005 to 2013 using 2005 as the base year? And what is the value of the GDP deflator in 2013? (Show your work)

Example tasks for Section B.

Question 2. The figure given below shows the revenue and the cost curves of a perfectly competitive firm.

(25 marks)

Figure 10.3



MC: Marginal cost curve
MR: Marginal revenue curve
ATC: Average-total-cost curve
AVC: Average-variable-cost curve

- In Figure 10.3, find the profit maximizing output of the firm (5 marks)
- Refer to Figure 10.3 and calculate the firm's total revenue at the profit maximizing level of output. (5 marks)

- c) Refer to Figure 10.3 and calculate the total fixed cost borne by the firm at the profit maximizing level of the output. (5 marks)
- d) In Figure 10.3, at equilibrium, what is the firm's total profit? (5 marks)
- e) In Figure 10.3, after what level of prices the firm will have to suspend its operations? (5 marks)

Question 3. Suppose the government pursues expansionary fiscal policy.

(25 marks)

- a) How does the resulting budget deficit affect the domestic interest rates initially? (6 marks).
- b) What would happen to the current account of the balance of payments? (6 marks).
- c) What would happen to the financial account of the balance of payments? (6 marks).
- d) What would happen to the exchange rate of the domestic currency? (7 marks).

*** Good luck! ***