



ECONOMICS FOR BUSINESS

December 2018

Time allowed

Three hours

Instructions

- Write the question number next to each answer in your answer booklet.
- You are not required to rewrite the question in your answer booklet.
- Ensure that you pay particular attention to words in **bold**.

Information

- Different questions may carry a different number of marks.
- Marks for each question are shown in [].

Advice

- Read each question carefully before you start to answer it.
- Use the full time permitted and check all your answers.

Materials

- No other computer equipment, notes or books are permitted.
- For those exams for which numeracy skills are required:
 - a) Non-programmable calculators are permitted.
 - b) Data tables are included at the back of the paper.



ICM

ANSWER FIVE QUESTIONS FROM EIGHT.

1. (a) Describe the economic problem in terms of **scarcity**, **choice** and **opportunity cost**. [10 marks]
(b) Explain, with the help of a suitable diagram, the **production possibility curve** and analyse its relationship with **opportunity cost**. [10 marks]
2. (a) Distinguish between a shift of the supply curve for a product and the movement along the product's supply curve. [10 marks]
(b) With reference to any **two** factors affecting supply, explain why the supply curve for iPhones may shift outwards to the right (an increase in supply at current prices). Use a diagram to support your answer. [10 marks]
3. (a) Explain, with examples, the difference between the **short run** and the **long run** in the context of costs of production. [10 marks]
(b) Economists usually assume that a firm wishes to maximise its profits. Explain with the aid of a suitable diagram how profits are maximised when marginal cost equals marginal revenue. [10 marks]
4. (a) Explain the assumptions on which a monopoly is based. [10 marks]
(b) Define the term **price discrimination** and outline the **three** conditions necessary for a firm to practise price discrimination successfully. [10 marks]
5. Discuss the main supply side measures used in a developed economy to restore the influence of market forces. [20 marks]
6. (a) 'The reason why governments place importance on reducing unemployment is because unemployment imposes great costs on the economy.' Discuss the costs to individuals, society and the economy as a whole. [8 marks]
(b) Discuss the term **demand deficient unemployment** (sometimes called cyclical unemployment). [12 marks]
7. Outline and critically analyse the arguments in favour of protectionism in international trade. [20 marks]
8. (a) Outline, using examples, the main elements of the current account of the balance of payments. [10 marks]
(b) Discuss what is meant by a **deficit** on current account of the balance of payments and indicate briefly **two** ways in which a government might seek to reduce the deficit. [10 marks]

END OF QUESTIONS