



ECONOMICS FOR BUSINESS

June 2021

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

- Notes or books are not permitted.
- Non-programmable calculators are permitted.

ANSWER ANY FIVE QUESTIONS FROM THE FOLLOWING EIGHT QUESTIONS

1. (a) Explain the differences between a shift of the supply curve for a product and the movement along the product's supply curve. [10 marks]
(b) Explain why the supply curve for iPhones may shift outwards to the right (an increase in supply at current prices). You must make reference to any **two** factors affecting supply and use a diagram to support your explanation. [10 marks]
2. (a) Explain the difference between the short run and the long run in the context of costs of production. Use examples to support your explanation. [10 marks]
(b) Economists often assume that a company aims to maximise its profits. Explain how profits are maximised when marginal cost equals marginal revenue. Use a diagram to support your explanation. [10 marks]
3. (a) Explain the assumptions on which a monopoly is based. [10 marks]
(b) Explain what is meant by the term price discrimination and the **three** conditions necessary for a firm to practise price discrimination successfully. [10 marks]
4. (a) Discuss the costs of unemployment to individuals, society and the economy as a whole. [8 marks]
(b) Discuss the term demand deficient unemployment (cyclical unemployment). [12 marks]
5. (a) Explain what is meant by the term market failure. [5 marks]
(b) Discuss **three** types of market failure. Use examples to support your discussion. [15 marks]
6. (a) Explain the injections into and leakages (withdrawals) from the circular flow of income. [12 marks]
(b) Discuss the effects on economic activity if there is a fall in private sector investment. [8 marks]
7. Explain the existence of both demand-pull inflation and cost-push inflation in an economy. Use diagrams to support your explanation. [20 marks]
8. (a) Explain the main features of a multinational global enterprise. [8 marks]
(b) Discuss the reasons why a nation with a developing economy would benefit from global multinational activity. [12 marks]

END OF QUESTIONS