

This exam consists of THREE PARTS (100 points, one hour):

- ✓ PART ONE – compulsory question - 25 points, 15 minutes;
- ✓ PART TWO – two elective questions - 50 (25 per each) points, 30 (15 per each) minutes;
- ✓ PART THREE – two numerical problems - 25 (10+15) points, 15 (5+10) minutes.

One page per question is sufficient. Do not write more than two pages per question.

After you are finished with all THREE questions (PART ONE and PART Two) and both problems (PART THREE) you may consider answering additional question and/or sub-question(s) for an EXTRA CREDITS.

PART ONE: Answer THIS compulsory question (25% of the total grade, 15 minutes):

With the help of graphs, charts, tables, and/or formulas describe the market demand:	25%
A. law of demand	5%
B. individual and market demand	5%
C. movements along and shifts in demand	5%
D. determinants of demand	10%

PART TWO: Answer TWO of the following FOUR optional questions (50%=25%+25% of the total grade, 30=15+15 minutes)

1. Describe alternative types of economic systems:	25%
A. what types of economic systems do you know ?	5%
B. state major features of each system	10%
C. what are their comparative advantages and/or disadvantages ?	10%
2. Characterize economic concept of production, inputs & outputs	25%
A. explain what are factors and outputs of production	5%
B. give written and diagrammatic explanation of a production possibilities frontier (PPF)	10%
C. briefly explain economic and technical efficiency of production	10%
3. Provide basic definitions and descriptions of markets	25%
A. what is a market and what kinds of markets exist ?	10%
B. who are major participants and what are their roles in the markets ?	5%
C. draw a diagram (graph) of a market, provide basic explanations of main curves (schedules) and their equilibrium.	10%
4. Give definitions and explanations of the price elasticity of supply:	25%
A. define the price elasticity of supply	5%
B. show the shapes and explain the implications for the supply curve when it is elastic, unit-elastic, inelastic, perfectly elastic/inelastic	10%
C. what are the determinants of the price elasticity of supply ?	10%

PART THREE: Solve the following TWO problems (10%+15%=25% of the total grade, 15=10+15 minutes)

1. Calculate equilibrium price (PE) and equilibrium quantity (QE) for the following demand (QD) and supply (QS)	10%
$QD = 116 - 12P$	
$QS = 11 + 3P$	5%
How equilibrium price (PE) and equilibrium quantity (QE) change, if the supply (QS) changes to:	
$QS = 26 + 3P$	5%
2. CEoD=2 of falafel for shawarma (substitutes). Currently 400 shawarma are sold in the market. How many shawarma will be sold, if price of falafel drops from \$4 to \$3?	15%

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- ✓ PART THREE – two numerical problems - 25 (10+15) points, 15 (5+10) minutes.

One page per question is sufficient. Do not write more than two pages per question.

After you are finished with all THREE questions (PART ONE and PART TWO) and both problems (PART THREE) you may consider answering additional question and/or sub-question(s) for EXTRA CREDITS.

PART ONE: Answer THIS compulsory question (25% of the total grade, 15 minutes):

With the help of graphs, charts, tables, and/or formulas describe the market supply:	25%
A. law of supply	5%
B. individual and market supply	5%
C. movements along and shifts in supply	5%
D. determinants of supply	10%

PART TWO: Answer TWO of the following FOUR optional questions (50%=25%+25% of the total grade, 30=15+15 minutes)

1. Write short notes on each of the following:	25%
A. basic economic problem: scarcity, choice, and opportunity costs	10%
B. three basic economic questions	5%
C. main economic functions of the government in the market economy	10%
2. Explain market mechanism by:	25%
A. showing how equilibrium price & quantity is attained	10%
B. discussing the results of departures from the equilibrium price	5%
C. explaining consequences of price ceilings and a price floors	10%
3. Give definitions and explanations of the price elasticity of demand:	25%
A. define the price elasticity of demand	5%
B. show the shapes and explain the implications for the demand curve when it is elastic, unit-elastic, inelastic, perfectly elastic/inelastic	10%
C. what are the determinants of the price elasticity of demand ?	10%
4. Briefly define and explain each of the following:	25%
A. cross-elasticity of demand: substitutes, complements, and independent goods	10%
B. income elasticity: normal & inferior goods	5%
C. consumer surplus	10%

PART THREE: Solve the following TWO problems (10%+15%=25% of the total grade, 15=10+15 minutes)

1. Calculate equilibrium price (PE) and equilibrium quantity (QE) for the following demand (QD) and supply (QS)	10%
$QD = 116 - 12P$	
$QS = 11 + 3P$	5%
How equilibrium price (PE) and equilibrium quantity (QE) change, if the supply (QS) changes to:	
$QS = 26 + 3P$	5%
2. Currently 200 shawarma are sold in the market with IEOD=.5 (normal good, necessity). How many shawarma will be sold, if average income increases from \$100 to \$120?	15%

