



National College of Ireland

BA Honours in Accounting Year 1
BA (Honours) in Financial Services Year 1
BA (Honours) in Human Resource Management Year 1
BAHACC1 / BAHFINS1 / BAHHRD1
(BAHAHF1)

Semester 2 Examinations – 2006/2007

Wednesday 2nd of May, 2007
2.00pm – 4.00pm

Economics 1

Mary Mosse
Mr. Christian Keeling

Candidates must answer **THREE** questions in total.

ALL CANDIDATES MUST ATTEMPT QUESTION 1 AND TWO OF THE REMAINING FOUR QUESTIONS.

Duration of exam: Two Hours

Attachments: Graph Paper

You should answer **only the required number** of questions.

If you answer **more** than the required number of questions you should **cancel** (put a line through) the question(s) you do not want marked. If you do not cancel extra questions, the examiner will mark the questions **in the order presented** in your answer book until the required number of questions have been marked.

Q2.

- a) What conditions must a market satisfy for it to be considered perfectly competitive?
(10 marks)
- b) With the aid of a diagram(s), explain why many economists consider the outcome in a perfectly competitive market to be efficient.
(20 marks)

Q3.

- a) With the aid of a diagram(s), explain why many economists consider cigarettes an efficient good to tax. Is the tax equitable?
(15 marks)
- b) Assume that the going wage for unskilled labor is €8 per hour. Suppose the government imposes a minimum wage of €10 per hour. With the aid of a diagram(s), explain what effect the minimum wage would have on the quantity of labor employed. Who would benefit from such legislation? Who would lose?
(15 Marks)

Q4.

- a) List and briefly explain the factors / variables that affect the quantity demanded of a good.
(10 Marks)
- b) With the aid of a diagram(s), explain the effects of a price ceiling on the equilibrium price and quantity traded in a market.
(10 Marks)
- c) List and briefly explain the factors that affect the price elasticity of demand (P.E.D.) for a good.
(10 Marks)

Q5.

- a) With the aid of a diagram(s), explain why many economists consider the outcome in a monopolistic market to be inefficient.

(20 marks)

- b) With the aid of a diagram(s), explain the various ways that a natural monopoly might be regulated

(10 Marks)

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