

Date: 12/06/16

Time allowed: 3 hours



Answer the following questions. The allocation of marks among sub-questions is indicated in the margins of each question.

**1<sup>st</sup> Question: Fill in the gaps with the appropriate terms. (35)**

1. ....is the deviation of actual output from potential output. (1)
2. ....is an extremely severe or protracted recession. (1)
3. ....is the end of a recession which marks the low point of economic activity prior to a recovery. (1)
4. When  $Y > Y^*$  (positive output gap), it is called.....gap. (1)
5. The "price" in the labour market is the.....paid to workers in exchange for their services. (1)
6. ....is called deflation where the prices of most goods and services are falling over time. (1)
7. ....is a key indicator of short-term economic fluctuations. (1)
8. Real wage = nominal wage/..... (1)
9. The most important factor affecting, shifting, the supply of labour is the..... (1)
10. In a .....the actual (total) unemployment rate,  $u$ ,.....the natural unemployment rate,  $u^*$ , so cyclical unemployment is positive. (2)
11. Based on Okun's law if cyclical unemployment increases from 1 percent to 2 percent of the labour force, the recessionary gap will increase from....percent to.... percent of.....GDP. (2)
12. The.....of each worker is the extra production that is gained by adding one more worker. (1)
13. ....is a quantity that is measured in terms of its current dollar value, while.....is a quantity that is measured in physical terms (in terms of quantities of goods and services). (2)
14. ....is the annual percentage increase in the nominal value of a financial asset. (1)
15. Industries that produce durable goods such as cars, houses, and capital equipment are.....affected than others by recessions and booms. In contrast, industries that provide services and nondurable goods like food are.....sensitive to short-term fluctuations. (2)
16. ....is the annual percentage increase in the purchasing power of a financial asset. (1)
17. Inflation-protected bonds are bonds that pay a.....interest rate each year equal to a fixed.....rate plus the actual rate of inflation during that year. (2)

18. "shoe-leather" costs are the.....resources that are wasted as people try to.....on cash holdings. (2)
19. Potential output, also called.....-employment output, is the maximum sustainable amount of output (real GDP) that an economy can produce. (1)
20. ....is the part of the total unemployment rate which is attributable to frictional and structural unemployment; equivalently, the unemployment rate that prevails when cyclical unemployment is..... (2)
21. All else being equal, an increase in the size of the working-age population raises the quantity of labour supplied at each real age, shifting the labour supply curve to the..... (1)
22. Okun's law indicates the relationship between the.....gap and the amount of .....unemployment in the economy. (2)
23. Fisher effect is the tendency for.....interest rates to be high when inflation is .....and vice versa. (2)
24. ....is the beginning of a recession. It represents the high point of economic activity prior to a downturn. (1)
25. Other things equal, higher expected future output raises expected future.....and raises.....for investment in new capacity, the insight of the accelerator model of investment. (2)

### 2<sup>nd</sup> Question (25)

*Borrowing abroad by developing-country governments may be reasonable and responsible:*

- a. Indicate the forms of international lending and borrowing. (15)
- b. Indicate the regular means of escape from debt difficulties when they arise. (10)

### 3<sup>rd</sup> Question (25)

*The world's income is divided unequally between the rich industrial countries and the poor, less developed countries:*

Indicate, in detail, the problems (obstacles) of development faced by countries with very low incomes.

*Best Wishes*



Kafrelsheikh University  
Faculty Of Commerce  
2<sup>nd</sup> Semester exam2014/3015  
Lecturer Name: Dr .Mahmoud A.Hafez

Course:economics  
Grade: 85 Marks  
Time: 3 Hours  
Date:8-6-2016

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### First Page

#### Answer the questions

1- First Question :Define the following Economic Terms?

- A – Economics science                      B – marginal rate of substitution(MRS)  
C - Economic systems                      D - Indifference Curves  
E-Consumer Surplus

2- Second Question:State whether the following statements are true or false with justification?(Using graphs in your answer)

- Opportunity cost is the next best alternative.
- Unemployment and consumption are macroeconomic aspects while inflation and prices are microeconomic aspects.
- When the percentage change in quantity demanded is greater than the percentage change in price, the demand for the good is inelastic.
- If the marginal utility is equal zero, then Total utility for this commodity decreases.
- price of petrol rises 30%, the quantity of petrol purchased falls by 6%. The demand for petrol is elastic.

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## Second Page

### 3-Third Question : (Using graphs in your answer)

- A- Draw a production possibilities frontier for a society that produces food and clothing. Show an efficient point, an inefficient point, an infeasible point, And Show the effects of Technology.?
- B- Explain why indifference curves cannot intersect?
- C- Draw and Explain THE CIRCULAR-FLOW DIAGRAM ?
- D- Explain the consumer equilibrium Using indifference curves ?
- E- What is the difference between the positive and the normative economics?
- F- Draw and Explain how to Using Consumer Surplus (CS ) to measure Welfare Change?.
- G- Complete the missing columns?

Shift factor	Demand or supply	Shift	Left or right	Price will be	Output will be
Population increase	demand	Shift	right	higher	Higher
sales tax are decrease	.....	Shift	.....	.....	.....
Average income fall	.....	Shift	.....	.....	.....
Technology improves	.....	Shift	.....	.....	.....
Product become more cheap	.....	Shift	.....	.....	.....

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