

**LABASA SANGAM (SKM) COLLEGE**  
**ECONOMICS – YEAR 13**  
**WORKSHEET**

**STRAND 1: INTRODUCTION TO ECONOMICS**

1. Use the Resource List given below and your own knowledge to answer the questions that follow:

|                                                                                                                                                                                                 |
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| <p><b><u>Resource List</u></b></p> <p><b><u>Economic Schools of Thought</u></b></p> <ul style="list-style-type: none"> <li>• Classical</li> <li>• Keynesian</li> <li>• Neo-classical</li> </ul> |
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Identify the economic school of thought associated with each of the distinguishing features given below. Each economic school of thought is to be used **only once**.

- (i) The market mechanism on its own could not always cure itself of a recessionary period due to market failure or inflexible prices and wages. The implication of this was that there was a role for active management of aggregate spending by government.
  - (ii) The movement of prices and wages would ensure that free market economies would always restore themselves, and quite quickly, after periods of 'glut'.
  - (iii) Major contributions were the role of rational expectations, with the implication that active policies were ineffective because people would adjust their beliefs and behaviours accordingly and real variables are insensitive to active demand management.
2. State the difference between the **Deduction** and **Induction** Methods as far as the scope and methodology of economics is concerned.
- 3.

**X** refers to the 'big picture' study of economics, so looking at concepts like industry, country, or global economic factors.

*Source: <http://www.businessdictionary.com/>*

- (i) Identify concept 'X' from the article above.
  - (ii) State an example of concept 'X' in Fiji.
4. Differentiate between **positive** economics and **normative** economics.
5. How is an economic theory developed?

## **STRAND 2: MICROECONOMICS**

1. Use the information given below and your own knowledge to answer questions (i) to (iii).

The market situation and condition for Good Y is given by the following equations where price is given in dollars.

|             |                |
|-------------|----------------|
| Equation 1: | $Q = 240 - 4P$ |
| Equation 2: | $Q = 4P$       |

- (i) Which equation denotes the market demand curve? Give a reason for your choice.
- (ii) Calculate the market equilibrium price and quantity.
- (iii) If the government of the day provides a subsidy on Good Y, which equation will be directly affected by this subsidy given?

2. Use the information given below to answer questions (i) and (ii).

Melchior, a worker at the Kumar's Retailing outlet in Ba, has an income of \$80 a month to spend on the consumption of Diet Pepsi and Macaroni Cheese. The price of Macaroni Cheese is \$8 and the price of a case of Diet Pepsi is \$16.

- (i) Complete Melchior's Consumption Possibilities Schedule given below by computing the missing figures for (I) right through to (IV).

| <b>Consumption Possibility</b> | <b>Diet Pepsi (cases per month)</b> | <b>Macaroni Cheese (per month)</b> |
|--------------------------------|-------------------------------------|------------------------------------|
| A                              | 0                                   | (I)                                |
| B                              | 1                                   | 8                                  |
| C                              | 2                                   | (II)                               |
| D                              | 3                                   | (III)                              |
| E                              | 4                                   | 2                                  |
| F                              | 5                                   | (IV)                               |

- (ii) State the **purpose** of the Indifference Curve.
3. Differentiate between **total utility** and **marginal utility**.
  4. What is **ecotourism**?
  5. State one **significance** of price elasticity of supply.
  6. State the mid-point formula to calculate PES.

***THE END!***