CIMAPRO17-BA1-X1-ENG^Q&As

BA1 - Fundamentals of Business Economics Question Tutorial

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QUESTION 1

Setting a minimum wage above the equilibrium wage:

A. has no effect on unemployment, and setting a minimum wage below the equilibrium wage results in increased unemployment.

B. results in increased unemployment, and setting a minimum wage below the equilibrium wage has no effect on unemployment.

C. results in decreased unemployment, and setting a minimum wage below the equilibrium wage results in increased unemployment.

D. results in increased unemployment, and setting a minimum wage below the equilibrium wage results in decreased unemployment.

Correct Answer: C

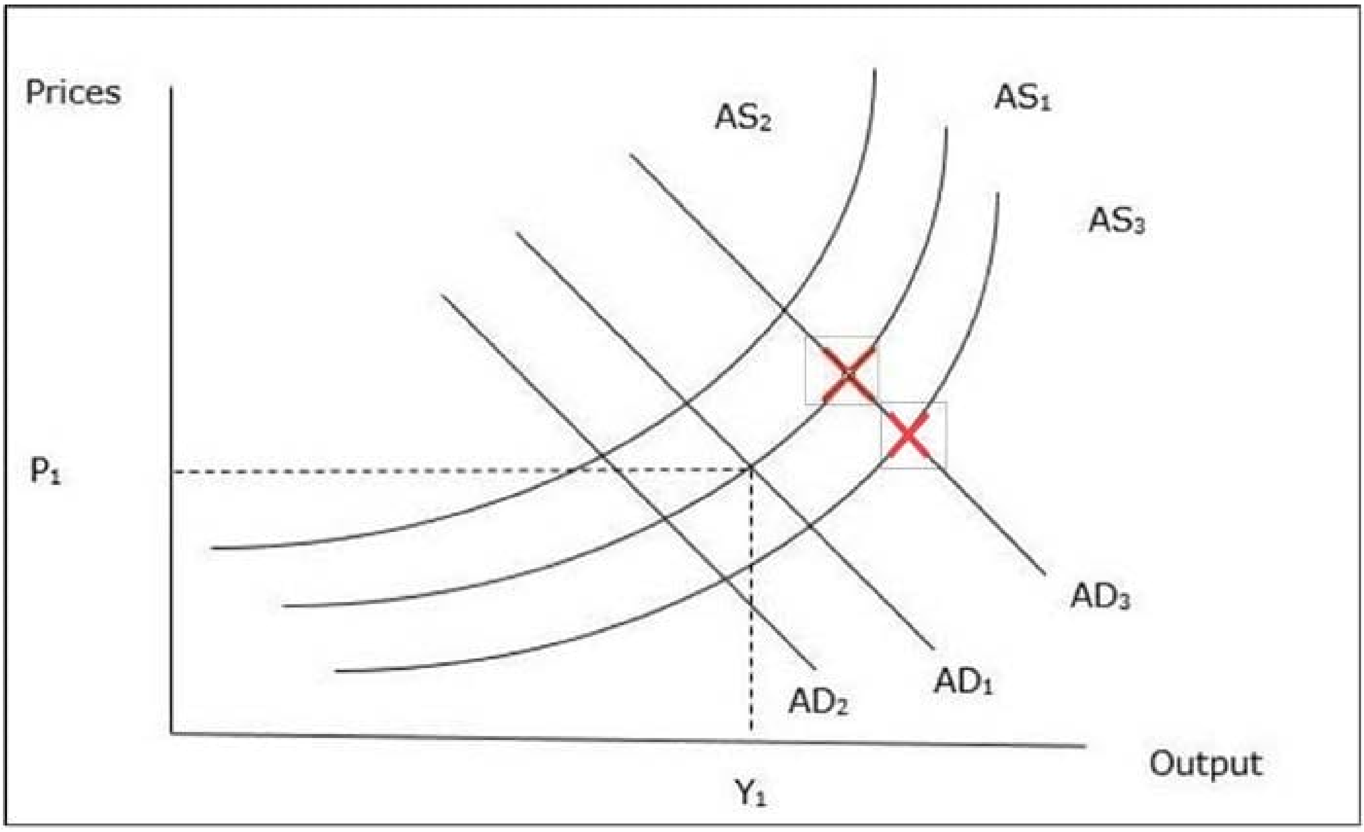
QUESTION 2

HOTSPOT

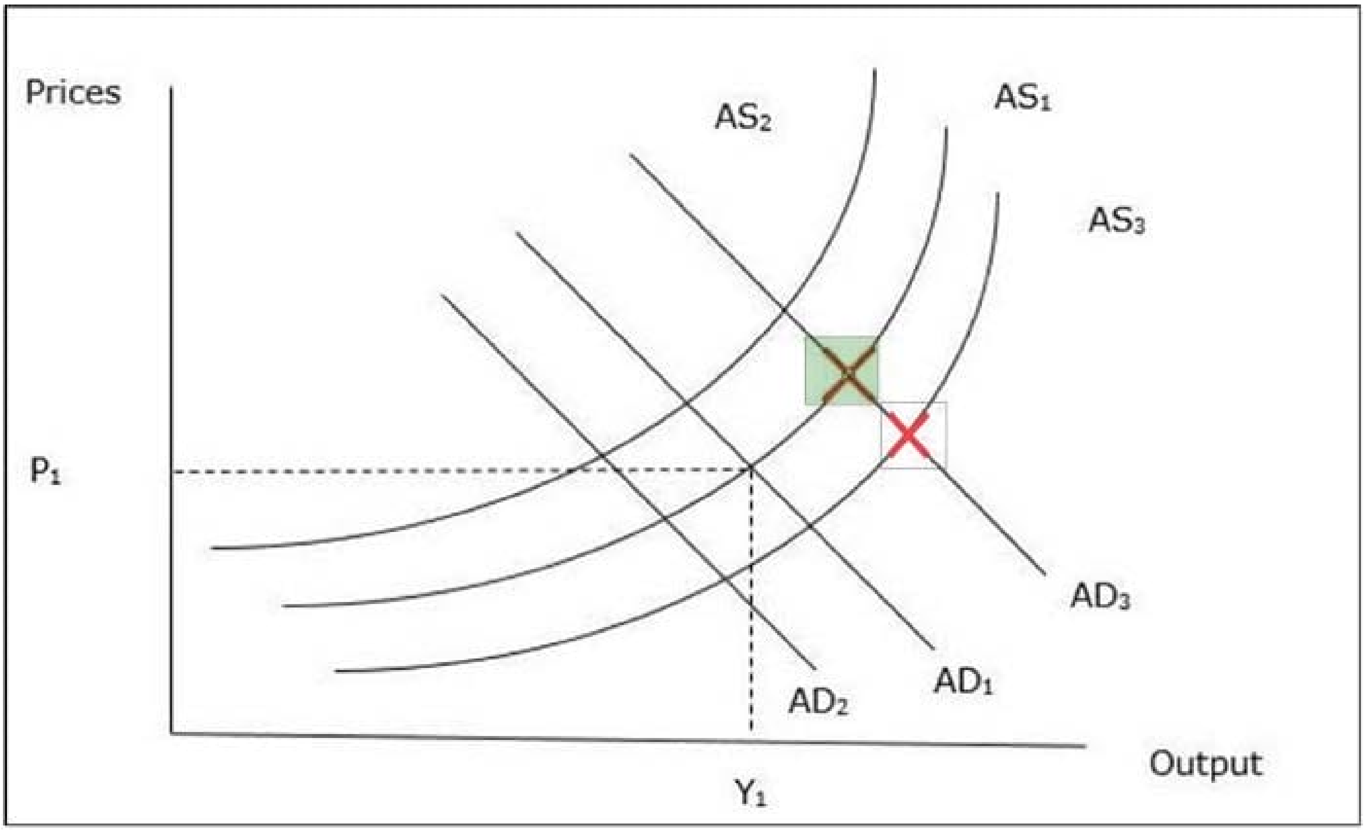
The economy of Country V is initially in equilibrium at a level of national income and employment denoted by Y at price level denoted by P1.

If there is an increase in aggregate demand, indicate on the graph below the new equilibrium point in the economy.

Hot Area:



Correct Answer:



QUESTION 3

Quantitative easing, the purchase of government or private securities by the central banks from investors, is an example of:

A. contractionary monetary policy.

B. contractionary fiscal policy.

C. expansionary fiscal policy.

D. expansionary monetary policy.

Correct Answer: D

Reference: https://www.investopedia.com/ask/answers/040115/what-are-some-examples-expansionary-monetary-policy.asp

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QUESTION 4

A company currently sells 10,000 bottles of "bright pink" nail varnish every year at $5 per bottle. If the price is reduced to $4.50 per bottle it is expected that the company will sell an extra 2,000 bottles.

What is the price elasticity of demand of the nail varnish?

A. -2.0

B. +2.0

C. -0.5

D. +0.5

Correct Answer: B

QUESTION 5

DRAG DROP

Complete the table inputting the relevant effect for each of the scenarios listed.

Select and Place:

Scenario	Effect on the exchange rate
If an economy has high inflation it will	
If there is an increase in the market interest rate it will	
If a country has a trade deficit it will	
If a national government sells currency on the international markets to improve export performance it will	
If speculators expect the value of a currency to increase it will	

Effect on the exchange rate
Weaken the exchange rate
Strengthen the exchange rate

Correct Answer:

Scenario	Effect on the exchange rate
If an economy has high inflation it will	
If there is an increase in the market interest rate it will	Strengthen the exchange rate
If a country has a trade deficit it will	Weaken the exchange rate
If a national government sells currency on the international markets to improve export performance it will	Strengthen the exchange rate
If speculators expect the value of a currency to increase it will	Strengthen the exchange rate

Effect on the exchange rate
Weaken the exchange rate
Strengthen the exchange rate