

**UNIVERSITY OF BOLTON**

**GREATER MANCHESTER BUSINESS SCHOOL**

**BA(HONS) ACCOUNTANCY**

**SEMESTER TWO EXAMINATIONS 2022/2023**

**PRINCIPLES OF ECONOMICS**

**MODULE NO: ACC4015**

Date: Tuesday 9 May 2023

Time: 10.00 – 12.00

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**INSTRUCTIONS TO CANDIDATES:**

Part 1 consists of 30 multiple choice questions and Part 2 essay questions

Answer all of the multiple-choice questions and choose any two essay questions to answer.

All of the essay questions carry equal marks.

Please write all your answers in the answer booklet.

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BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Part 1 - Multiple Choice questions**

**Write your correct option in the answer booklet**

**Q1: Which of the following is not a factor of production as the term is used by economists?**

- a) Labour
- b) Cash in a bank account
- c) Buildings and machinery
- d) Farmland

**Q2: Which one of the following is a positive statement?**

- a) Income inequality in the UK has increased over the last 30 years
- b) Nurses working in the National Health Service should have a maximum working week of 50 hours per week
- c) The national minimum wage rate should be increased to £5 per hour
- d) The rate of unemployment is too high

**Q3; Individuals and businesses must make choices because:**

- a) Of the law of diminishing returns
- b) Of resource scarcity
- c) They must act rationally
- d) None of the above

**Please turn the page**

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BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Q4: Opportunity cost is best defined as:**

- a) The cost of a choice measured by the cost of products bought
- b) The cost of a choice measured by the next best alternative forgone
- c) The cost of a choice measured by the time taken to consume
- d) The cost of buying an additional unit of a good or service

**Q5: A possible advantage of a planned economy is that:**

- a) The state can better provide a range of goods for collective consumption
- b) There is greater consumer choice of products
- c) Identification with the state may be a better work incentive than the profit motive
- d) Resources are allocated via the price mechanism

**Q6 The production possibility schedule for vans and lorries is as follows:**

Vans	Lorries
16	0
15	1
14	2
13	3
11	4
9	5
7	6
0	7

The opportunity cost of the second lorry in terms of vans is

- a) 1
- b) 2
- c) 7
- d) 14

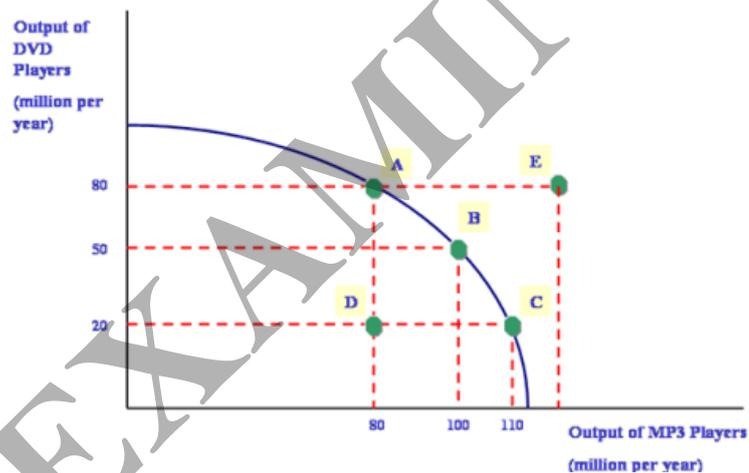
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Greater Manchester Business School  
BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Q7. True or False: In a market economy, prices provide incentives to help the economy use scarce resources efficiently.**

- a) True
- b) False

**Q8:**



**Which combinations of output of DVD players and MP3 players are feasible given the PPF that a country faces above?**

- a) A, B, C, D and E
- b) A, B, C and D
- c) E only
- d) A, B and C

Please turn the page

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Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Q9. In a free market economy, market prices**

- a) Reflect the relative scarcity of the product
- b) Communicate information to producers about how much to supply
- c) Provide incentives for consumers about how much to purchase
- d) All of the above

**Q10. True or False: As price falls, quantity demanded for a normal good will fall**

- a) True
- b) False

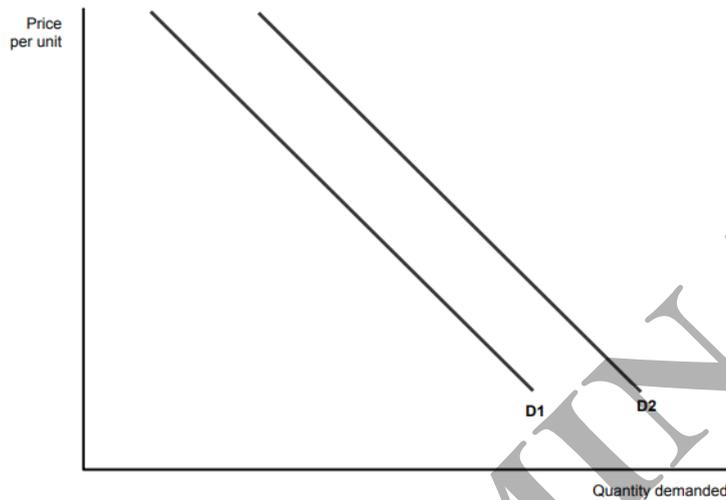
**Q11. True or False: A change in consumers' income will normally cause a shift in the demand Curve**

- a) True
- b) False

**Please turn the page**

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BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Q12.**



**The shift of the demand curve from D1 to D2 in the diagram above could have been caused by**

- a) An increase in the price of the good itself
- b) A decrease in the price of the good itself
- c) A fall in interest rates
- d) A fall in real incomes of consumers if the good is a normal good

**Q13. As consumers have become more concerned about the amount of saturated fat in their diet, the demand for chicken has increased whilst the demand for beef has fallen. The result of this is likely to be:**

- a) An increase in the quantity supplied of beef
- b) A rise in the market price of beef
- c) A rise in the market price of chicken
- d) A decrease in the quantity supplied of chicken

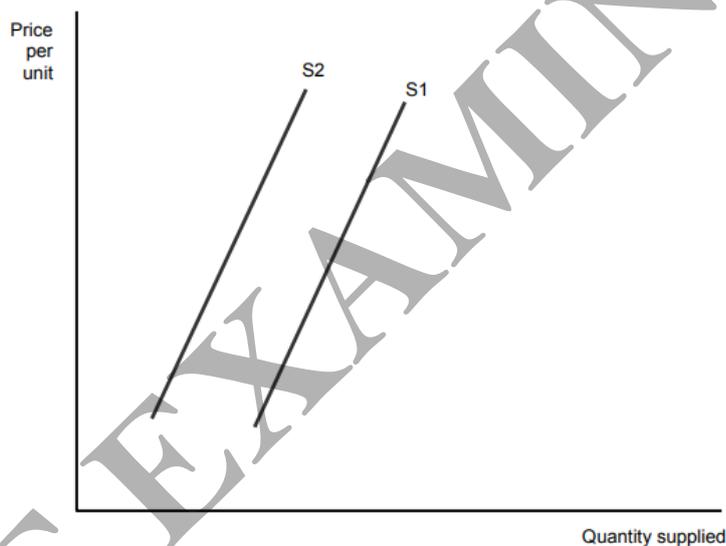
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Greater Manchester Business School  
BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Q14. The market demand curve for overseas holiday cruises will NOT shift when there is a**

- a) Rise in consumers real incomes
- b) Successful advertising campaign
- c) Fall in the price of a cruise in the brochures
- d) Increase in the price of land-based holidays (a substitute for cruises)

**Q15.**



**The change in supply curve of the product from S1 to S2 shown in the diagram above could have been due to**

- a) A government subsidy to producers
- b) A fall in the exchange rate causing a rise prices of imported components
- c) An improvement in production technology
- d) An increase in the real incomes of consumers

**Please turn the page**

University of Bolton  
Greater Manchester Business School  
BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

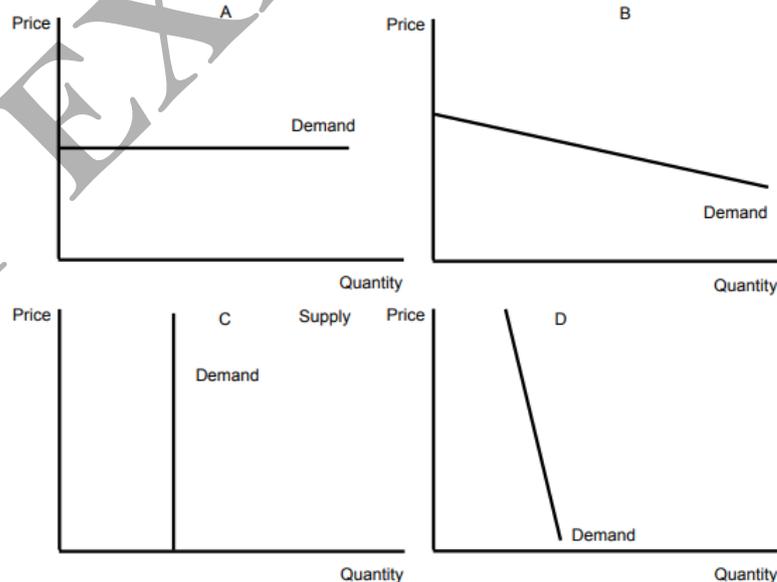
**Q16 True or False: The price elasticity of demand is greater for goods that have several rather than fewer close substitutes**

- a) True
- b) False

**Q17. Suppose that price of Good X rises by 30 per cent and demand for Good X falls by 10 per cent. Elasticity of demand is**

- a) -3
- b) -30
- c) -0.33
- d) -1.33

**Q18: Which one of the diagrams above, A, B, C or D shows a demand curve that is perfectly elastic?**



**Question 18 continued over the page**

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BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Question 18 continued**

- a) A
- b) B
- c) C
- d) D

**Q19. True or False: If two products are complements, the cross-price elasticity of demand is likely to be positive**

- a) True
- b) False

**Q20. The government is concerned that, without any change to its current economic policy, the rate of growth of the economy will fall below the trend rate. Which of the following policy changes is most likely to prevent this from happening?**

- a) A reduction in the level of unemployment benefits
- b) An increase in interest rates
- c) An increase in government capital spending
- d) A reduction in the target for the rate of inflation

**Q21. The money value of goods and services produced in a year within the geographical boundaries of a country is known as**

- a) Gross National Product
- b) The Balance of Payments
- c) Gross Domestic Product
- d) The Consumer Price Index

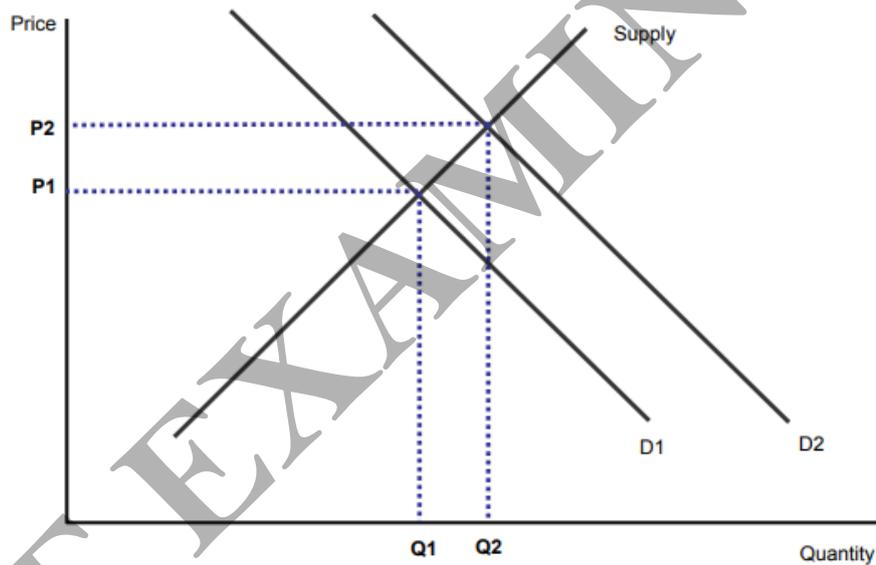
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University of Bolton  
Greater Manchester Business School  
BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Q22. True or False: The official measure of Gross Domestic Product understates the true level of national income because of the existence of the “shadow” or informal economy**

- a) True
- b) False

**Q23:**



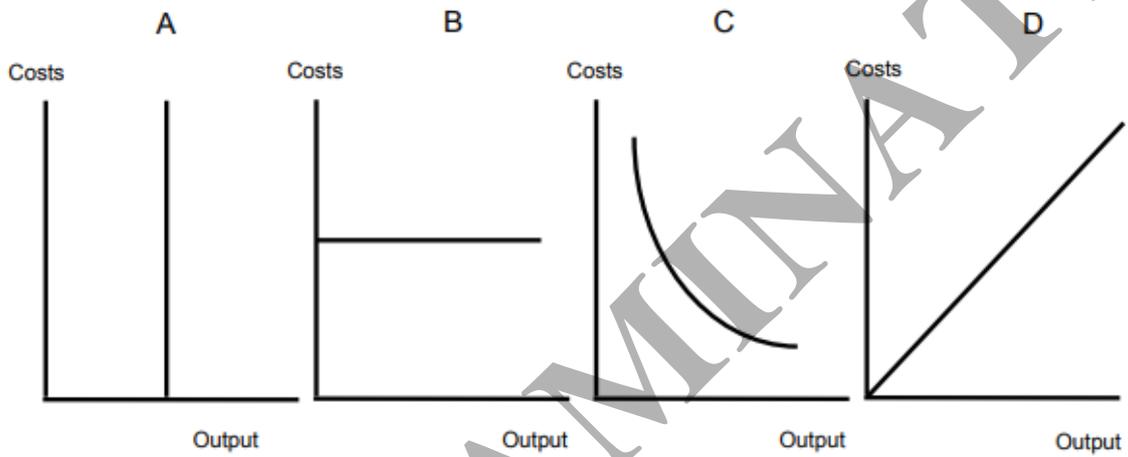
**The change in demand shown in the diagram above might have been caused by**

- a) A fall in the costs of production
- b) The introduction of a government subsidy for producers
- c) A fall in income for a normal good
- d) An increase in the price of a substitute good

**Please turn the page**

University of Bolton  
Greater Manchester Business School  
BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Q24. Which diagram below shows the relationship between total fixed costs and its level of output in the short run?**



- a) A
- b) B
- c) C
- d) D

Please turn the page

University of Bolton  
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BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Q25. Which one of the following is a characteristic of a merit good?**

- a) It is always provided free of charge to low-income consumers
- b) Once the good has been supplied to one consumer, there is no extra cost in supplying it to others
- c) It may not be provided by the market in sufficient quantities
- d) It tends to be provided by the government because of the problem of non-excludability

**Q26. All other factors held constant a decrease in market demand for new cars will lead to**

- a) Decreased price and decreased quantity
- b) Increased price and decreased quantity
- c) Increased price and increased quantity
- d) Decreased price and no change in quantity

**Q27. True or False: A bakery employs 20 workers and finds that total output is 3000 loaves per day. As a result of adding another worker to the labour-force, total output rises to 3100 loaves per day. The average productivity of adding a worker has increased.**

- a) True
- b) False

**Please turn the page**

University of Bolton  
Greater Manchester Business School  
BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Q28 Which one of the following is a major macroeconomic objective of the government?**

- a) Sustained economic growth
- b) Low and stable inflation
- c) High levels of employment
- d) All of the above

**Q29. If national output in one year is measured at Euro 300 billion and a year later it is measured at Euro 315 billion, then the rate of growth in that year is:**

- a) 2 per cent
- b) 5 per cent
- c) 10 per cent
- d) 15 per cent

**Q30. Real GDP is not a good indicator of economic welfare because it**

- a) Excludes the value of income and spending in the shadow or "black" economy
- b) Does not make an adjustment for the external costs and benefits created by externalities
- c) Measures the value of time spent working in producing goods and services but not the value of leisure time
- d) All of the above

**Total: 30 marks**

**Please turn the page**

University of Bolton  
Greater Manchester Business School  
BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Part 2 - Answer any TWO questions from this section.**

(You are encouraged to use diagrams where appropriate)

**Question 1: International Trade**

A) What does the term 'Natural Advantage' mean?  
(10 marks)

B) What does the term 'Comparative Advantage' mean?  
(10 marks)

C) 'Globalisation has created opportunity and increased living standards across the globe since 1945'- discuss.  
(15 marks)

**Total 35 marks**

**Question 2: The Business Cycle**

A) What does the term 'the Business Cycle' mean?  
(10 marks)

B) What economic and social problems are caused by the Business Cycle?  
(10 marks)

C) Discuss the policy options that a government can employ to mitigate the effects of the Business Cycle.  
(15 marks)

**Total 35 marks**

**Please turn the page**

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BA (Hons) Accountancy  
Semester 2 Examination 2022/2023  
Principles of Economics  
Module No. ACC4015

**Question 3: Economic Growth**

A) Define the term “economic growth”

**(10 marks)**

B) Why is economic growth seen as a positive phenomenon?

**(10 Marks)**

C) What has the UK’s recent experience of growth been, and why do you think this is the case?

**(15 marks)**

**Total 35 marks**

**Question 4: Inflation and Unemployment.**

A) What do the terms ‘Inflation’ and ‘Unemployment’ mean?

**(10 marks)**

B) Why is inflation a problem for society?

**(10 marks)**

C) Who is responsible for controlling inflation in the UK, what measures are they using to do so and what do critics say about this?

**(15 marks)**

**Total 35 marks**

**END OF QUESTIONS**