

National Higher National Diploma Exam – June-July 2013 Session

Specialty: ACY-BF-IN-MK-MG-ESS

Paper: Economic Science

Coeff: 2

Duration 3 hours

Instructions: Answer all question each carries 20 marks

1. The following information concerns the demand and supply of mangoes

Price	Quantity demanded (kg)	Quantity supplied (kg)
400	1,700	0
700	800	1,200
800	500	1,700
500	1,400	200
600	1,100	700

- a) On the graph paper provided, determine the equilibrium price and quantity
 - b) If the Cameroon government guarantees a price of 700 francs per Kg of mangoes, what will be the likely consequences
 - c) Suppose that demand increases by 50% using the same graph, what will be the new equilibrium price and quantity
 - d) Calculate the arc elasticity of demand if price were to increase by 50 francs from the equilibrium determined in (a)
2. Explain the concepts of arc and point elasticity of the demand curve for a commodity. What is the problem in using the arc elasticity? How can this problem be resolved?
 3. What is production function? Discuss the fixed proportions and variable proportions production functions. Explain the concept of isoquant and the types of isoquants?
 4. What are the various theories of firm?
 5.
 - a) A real estate cost 2,400,000 FCFA. Upon purchase one third of this amount is paid immediately and the rest is amortized with equal monthly payments over a period of two years. If interest is charged 1.5% per month. On the unpaid balance,
 - i) What is the monthly payment?
 - ii) How much interest will be paid for the two years period