



# CIMAPRO17-BA1-X1-ENG<sup>Q&As</sup>

BA1 - Fundamentals of Business Economics Question Tutorial

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### QUESTION 1

FILL BLANK

A magazine currently has a circulation of 500,000 copies per year at a price of \$5 per copy. Following a market survey it has been suggested that the price of each copy should be reduced to \$4.50. It is expected this will lead to an increase in

circulation of 25,000 copies per year.

What is the price elasticity of demand of the magazine?

A. +0.5

Correct Answer: A

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### QUESTION 2

Market price refers to:

A. the price that is determined by demand and supply.

B. the price that includes tax.

C. the value that is adjusted for inflation.

D. the price that maximizes profits.

Correct Answer: A

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### QUESTION 3

DRAG DROP

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

Select and Place:



Scenario	Effect on the exchange rate	Effect on the exchange rate
If an economy has high inflation it will		Weaken the exchange rate
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		
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		

Correct Answer:

Scenario	Effect on the exchange rate	Effect on the exchange rate
If an economy has high inflation it will		Weaken the exchange rate
If there is an increase in the market interest rate it will	Strengthen the exchange rate	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	

#### QUESTION 4

Which of the following would tend to make the market supply of a good price inelastic?

- A. There are few barriers to entry into the industry.
- B. Many firms in the industry have unused production capacity.
- C. Most firms in the industry have high stock levels of finished goods.
- D. Newly employed workers in the industry require high levels of initial training.

Correct Answer: C



Reference: [http://www.cimaglobal.com/Documents/Student%20docs/2011\\_CBA/C04\\_crudeoil\\_march2005.pdf](http://www.cimaglobal.com/Documents/Student%20docs/2011_CBA/C04_crudeoil_march2005.pdf)

### QUESTION 5

Which of the following are the likely consequences, in the domestic economy of a country, of an increase in interest rates?

1.

A rise in demand for capital goods.

2.

A fall in demand for consumer goods.

3.

A fall in demand for housing.

4.

A rise in the exchange rate.

A. 2, 3 and 4

B. 1, 3 and 4

C. 1, 2 and 4

D. 1, 2 and 3

Correct Answer: C

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