THE HONG KONG POLYTECHNIC UNIVERSITY

HONG KONG COMMUNITY COLLEGE

Subject Title : Economics and Society (for Non-Business Students) **Subject Code** : CCN1042

Session : Semester Two, 2017/18

Numerical Answers

Question B1

(a) For magazine, the price elasticity of demand is [(500-300)/400] / [(300-200)/250] = 1.25.
For textbook, the price elasticity of demand is [(8,000-6,000)/7,000] / [(300-200)/250] = 0.71.

Question B4

(b) The CPI in 2015 is 100 because 2015 is the reference base year.

CPI in 2016 = $\frac{(1{,}000*\$60+100*\$12{,}000+400*\$15{,}000)}{(1{,}000*\$50+100*\$10{,}000+400*\$15{,}000)}$ x 100 = 103

Question B5

(b) Unemployment rate = 5 million / (5+38) million x100% = 11.63%

Question C3

(a) Government purchases = $(124 + 160) million
= $284 million
Net exports of goods and services = $(1,540 + 2,680 - 3,260) million
= $960 million
Net investment = $(533 + 80 – 55) million
= $558 million
Gross national product = $(1,498 + 533 + 80 + 284 + 960 + 300 – 200) million
= $3,455 million

Question C4

(a)(i) The opportunity cost of shoes is 30/600 = 0.05 unit of computer in the United States and 20/500 = 0.04 unit of computer in China.
The opportunity cost of computer is 600/30 = 20 pairs of shoes in the United States and 500/20 = 25 pairs of shoes in China.