



Principles of Business

Term 3 course n°7

Mockup exam and Q&A

BA 1st Year – 12/05/2020

About the Mock Exam

First, there is a vocabulary problem in the first question : *What would be a shortfall of market economy ?*

Shortfall was understood in the sense “shortage” by nearly all students.

I meant shortfall in the sense of lack, deficiency.

Rephrased : *What would be an inconvenience of market economy ?*

My bad.

Secondly, there is a **mistake in the correction about Ricardo.....**

	Hours of work			Production (in units)	
	Car	Wheat	Total hours of work	Car	Wheat
France	30	10	40	1	1
Germany	25	15	40	1	1

The right correction text is : “France has a **absolute advantage** in Wheat (it takes less hours of work to produce 1 unit of Wheat in France than in Germany) and Germany has an absolute advantage in Car (it takes less hours of work to produce 1 unit of Car in Germany than in France). According to Ricardo's theory of absolute advantage France should specialize in Wheat and Germany in Car, and then trade with each other.”

About the Mock Exam

	Hours of work			Production (in units)	
	Car	Wheat	Total hours of work	Car	Wheat
France	30	10	40	1	1
Germany	25	15	40	1	1

Generally many students wrongly understood this table.

Reading is : “France need 30 hours of work to produce 1 unit of Car and 10 hours of work to produce 1 unit of Wheat. Germany need 25 hours of work to produce 1 unit of Car and 15 hours of work to produce 1 unit of Wheat.”

The less hours of work for producing the same 1 unit is the better !

Then, be complete in your answer : trading alone isn't sufficient, countries need to specialize first then trade.

In short : absolute advantage is when each country is better at 1 production. Relative advantage is when 1 country is better as both but the other is “less bad” at one of the 2 production.

General advises

GIVE A COMPLETE ANSWER TO THE QUESTION

When question is *how a left shift in demand curve would affect price and quantity ?*

“Price will go down” isn’t answering completely the question.

QUOTE **SOURCES** !

“Global GDP will fall 3%” = INSUFFICIENT

“Global GDP will fall 3% according to IMF” = CORRECT BUT LAZY

“Global GDP will fall 3% according to Gita Gopinath, IMF chief economist (“The Great Lockdown: Worst Economic Downturn Since the Great Depression”, April 14, 2020).” = PROFESSIONAL, WHAT WE EXPECT FROM YOU.

USE CONCEPTS FROM THE COURSE

Teachers loves **keywords** like “absolute advantage” or “relative advantage” from Ricardo or “M form structure” from organization course.

TIME MANAGEMENT

Dedicate time in proportion with points : % points = % time (be rational !)

From my empirical observations students tend to over-allocate time to numerical questions (a psychological bias for sure). Don’t give up a question before “investing” a small part of the time that should be spent on the question.