

Part one: (7 points)

1- KYC enterprise, is considering three countries to become the sole manufacturing site of its new line of sweaters: A, B, and C. All sweaters are to be sold to retail outlets in country B at 32 m.u. per unit. The initial investment is the same in all three countries but the fixed cost and variable cost per sweater differ as follows:

| Country | Total Annual Fixed Costs m.u. | Manufacturing Cost per unit m.u. | Marketing & Distribution Cost per unit m.u. |
|---------|----------------------------------|-------------------------------------|--|
| A | 6,500,000 | 8.00 | 11.00 |
| B | 4,500,000 | 5.50 | 11.50 |
| C | 12,000,000 | 13.00 | 9.00 |

- 1.1- Calculate the breakeven point of KYC in units sold for each country. (1 point)
- 1.2- If KYC sells 800,000 sweaters in 2011, calculate the profit according to the costs of each country. (1 point)
- 1.3- Determine which country would be the most appropriate for manufacturing these sweaters and justify your answer. (1 point)

2- The quantity demanded of a good "A" decreased from 820 units to 680 units as a result of an increase in price from 300 m.u. to 350 m.u. At the same time, the quantity demanded of a good "B" decreased from 1000 units to 800 units.

- 2.1- Calculate the price elasticity of demand of good "A". Analyze the result. (1 point)
- 2.2- Calculate the elasticity of demand of good "B" with respect to the price of good "A". Determine the relation between these two goods. (1 point)

3- Assume that you just won the state lottery. Your prize can be taken either in the form of 40,000m.u. for the next 25 years or as a single amount of 500,000m.u. paid immediately.

- 3.1- If you expect to be able to earn 5% annually on your investments over the next 25 years, determine which alternative should you take. Justify your answer. (1 point)
- 3.2- Determine if your decision would change if you could earn 7% rather than 5% on your investments over the next 25 years and justify your answer. (1 point)

Part two: (3 points)

- 1-
 - 1.1- Referring to three of the characteristics of money, explain why shells were used as money in ancient China and India. (1 point)
 - 1.2- Indicate two reasons why this type of money stopped being used. (0.5 point)
- 2- Explain the evolution of the Trade Balance between 2007 and 2010 specifying the cause of this evolution. (1.5 points)

| In million US \$ | 2007 | 2008 | 2009 | 2010 |
|------------------|-------|--------|--------|--------|
| Imports | 11815 | 16137 | 16242 | 17964 |
| Exports | 2816 | 3479 | 3484 | 4253 |
| Trade Balance | -8999 | -12658 | -12758 | -13711 |

Part three: (4 points) Document

Despite the protracted political and security crisis, Lebanon's economy recovered at a faster pace than originally envisaged: real growth rebounded to 7.5 - 9.3% in 2007-2008, followed by 8.5% in 2009 and 7.50% in 2010. Strong regional demand for Lebanon's goods and services and large inflows of income, transfers and capital have contributed to the country's economic growth. Lebanon's financial market developments have been favorable despite the global financial crisis. Deposits and reserves have risen sharply since 2008 and money supply increased by US\$12 billion (31% of GDP) in 2010. Private sector

lending accelerated and increased by 25%. This trend reflects a sharp rise in the World Bank's resources and Banque du Liban's incentives to promote lending in local currency.

(...) Over the long term, sustaining high growth rates will call for key structural reforms. (...)

The World Bank's strategy focuses on six specific areas over the next four years: (1) Sustained fiscal stability and improved public financial management governance; (2) Attractive business environment (competitive market); (3) Improved basic infrastructure services; (4) Quality public education system and; (5) An expanded, sustainable and inclusive social protection system (social safety nets, pensions, health insurance, and other forms of income protection for the most vulnerable); and (6) Gender and integration within the region.

Source: Lebanon Country brief. Updated April 2011, World Bank Website

Referring to the above document, answer the following questions;

- 1- Extract from the first paragraph of the document a reason of the Lebanese Economic growth. Explain the relation between this cause and economic growth. **(1 point)**
- 2- **2.1-** Name the Economic policy to which the tool mentioned in the areas 2 of the World Bank Strategy belongs. **(0.5 point)**
2.2- Explain the relation between this tool and the objective of the policy. **(1 point)**
- 3- Name the economic system reflected by the document. Justify your answer by one proof from paragraph 1 and another from paragraph 2 **(1.5 point)**

Part Four; (6 points)

Referring to the document mentioned in Part three, discuss, in the form of a text, the strategy suggested, according to the following points:

- Specify one measure for each of the domains 2, 3, 4 & 5 of the strategy.
 - Determine the direct impact of each measure.
- Explain the relation between the implementation of all the measures and the achievement of the general objective of this strategy.