

EXAMINATION AND EVALUATION DIVISION
DEPARTMENT OF POLYTECHNIC EDUCATION
(MINISTRY OF HIGHER EDUCATION)

COMMERCE DEPARTMENT

FINAL EXAMINATION
DECEMBER 2011 SESSION

PB102 : MICROECONOMICS

DATE : 25 APRIL 2012 (WEDNESDAY)
DURATION : 2 HOURS (8.30 AM – 10.30 AM)

This paper consists of **TEN (10)** pages including the front page.
Section A: Objective (20 questions – answer all)
Section B: Structure (2 questions – answer all)
Section C: Essay (2 questions – answer all)

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THE CHIEF INVIGILATOR

(CLO stated at the end of each question is referring to the learning outcome of the topic assessed. The CLO stated is only for lectures' references.)

SECTION A

OBJECTIVE (20 marks)

Instruction: This section consists of 20 objective questions. Answer all questions.

1. Which of the following is studied in microeconomics?
 - A. The output of the entire economy
 - B. The output and price of meat in Malaysia
 - C. The general level of prices in the Malaysian economy
 - D. The total number of workers employed in a country

2. The figure below shows a production possibilities curve for the production of food and clothing. The points that indicate achievable production levels are points

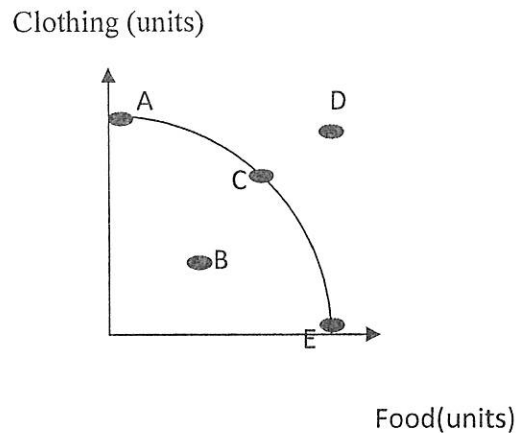


Figure 1.0 : Production Possibilities Curve

- A. A, D and C
 - B. A,C and E
 - C. A and E
 - D. A, B and E
-
3. The following are disadvantages of capitalism **EXCEPT**
 - A. Inflation and high unemployment rate.
 - B. Misallocation of resources.
 - C. Economic freedom.
 - D. Social costs.

4. The Law of Demand shows the relationship between
 - A. consumer income and demand
 - B. the number of residents and demand
 - C. demand and supply
 - D. price and demand

5. The law of supply states that
 - A. the higher the income, the higher the quantity supplied and vice versa
 - B. the higher the demand for the goods, the higher the quantity that will be supplied, and vice versa
 - C. the higher the price, the higher the quantity that will be supplied and vice versa
 - D. the lower the price, the higher the quantity that will be demanded

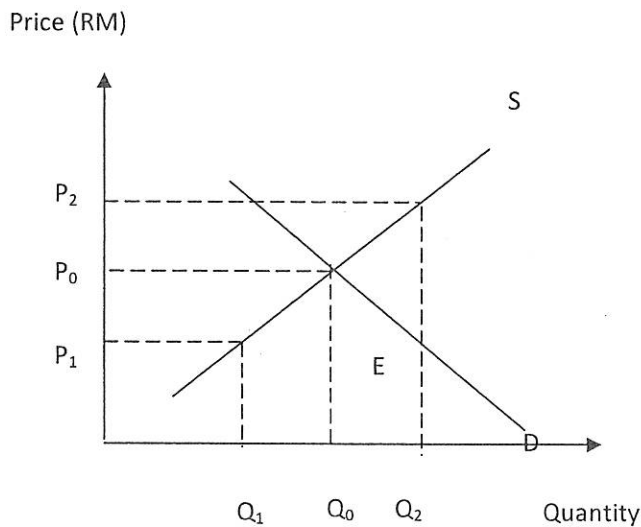
6. The functions of market demand and market supply for goods are as follows:

$$Q_d = 28 - 6P$$

$$Q_s = 8 + 4P$$

Determine the equilibrium price and quantity

- A. $P = \text{RM } 2, Q = 10$ units
 - B. $P = \text{RM } 2, Q = 16$ units
 - C. $P = \text{RM } 10, Q = 2$ units
 - D. $P = \text{RM } 16, Q = 2$ units
-
7. The diagram below shows the market equilibrium for goods X. Price and Quantity equilibrium is OP and OQ .



If the government gives subsidies at P_1P_2 at each quantity goods, so the quantity demands will

- A. increase at Q_1Q_2
 B. decrease at Q_1Q_0
 C. increase at Q_0Q_2
 D. decrease at Q_1Q_2
8. Demand for agricultural products in general are
- A. elastic
 B. elastic 1
 C. not elastic
 D. perfectly elastic
9. When consumer's income increases from RM800 to RM1600, quantity demand of goods X decreases from 20 units to 5 units. Calculate the income elasticity of demand and state the type of goods.
- A. 0.75 and normal goods
 B. -0.75 and Giffen Goods
 C. 1.5 and Luxury goods
 D. -1.5 and Giffen Goods
10. If the value of cross elasticity of demand is negative, goods C and D are
- A. tea and coffee
 B. camera and film
 C. film and shoes
 D. shoes and camera
11. The following table shows the quantity demanded for goods B, C and D when the price of goods A increases from RM 2.40 to RM 2.80

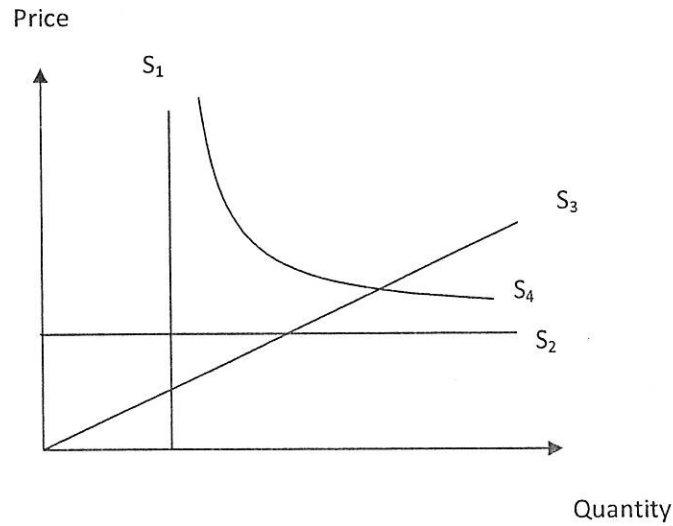
Price of Goods A (RM)	Quantity demanded (units)		
	Goods B	Goods C	Goods D
RM 2.40	12	12	20
RM 2.80	8	20	20

Table 1.1 : Price and quantity demanded for goods B,C and D

Calculate the value of cross elasticity of demand of Goods C

- A. 1
 B. 2
 C. 3
 D. 4

12. The diagram below shows the supply elasticity for goods Z.



Which of the supply elasticity curve value is 1?

- A. S₁
 - B. S₂
 - C. S₃
 - D. S₄
13. Labour consists of
- A. skilled and unskilled labours that supply physical and mental energy to the production of goods and services
 - B. skilled and unskilled labours that supply only physical energy to the production of goods and services
 - C. skilled and unskilled labours that supply only mental energy to the production of goods and services
 - D. skills that supply physical and mental energy to the production of goods and services
14. A long run refers to a time period in which _____
- A. all inputs can be increased
 - B. at least one variable input
 - C. at least one fixed input
 - D. all inputs cannot be increased
15. Which of the following curves is not U-shaped?
- A. Marginal cost
 - B. Average fixed cost
 - C. Average variable cost
 - D. Average cost

16. A perfectly competitive firm can be identified by the fact that
- A. there are other firms in the industry producing close substitutes.
 - B. it is a market only for normal profit in the short run.
 - C. its average revenue equals marginal revenue
 - D. it experiences diminishing marginal returns.
17. The table below showed the determination of the output level that will maximize profit

Production Q (units)	Price P (RM)	Total Revenue (RM)	Marginal Revenue (RM)	Total Fixed Cost (RM)	Total Variable Cost (RM)	Total Cost (RM)	Marginal Cost (RM)	Profit/Loss (RM)
0	8	0	8	10	0	10	-	-10
1	8	8	8	10	5	15	5	-7
2	8	13	8	10	9	19	4	-3
3	8	24	8	10	11	21	2	3
4	8	32	8	10	12	22	1	10
5	8	40	8	10	16	26	4	14

Table 1.2 : Concepts of production cost

Which statement doesn't reflect the above result?

- A. Between 0 units and 2 units, the firm experiences losses because the total cost is greater than the total revenue
 - B. The firm generates a profit between 3 units and 5 units because total revenue is greater than total cost
 - C. The firm's profits increase from 3 units of production
 - D. The firm experiences loss at 5 units of production
18. The rationale for the existence of oligopolies are as follows **EXCEPT**.
- A. Economist of scale through large-scale production
 - B. Firm in a profitable position in terms of absolute cost due to ownership of certain raw materials
 - C. Large financial capital
 - D. Firm does not strive to improve the quality and design of their products
19. When the monopolist's demand curve is elastic, marginal revenue is _____
- A. unity
 - B. negative
 - C. positive
 - D. zero

20. A monopolist will maximize profits in the short run when the marginal cost is equal to the _____
- A. average variable cost.
 - B. average total cost.
 - C. marginal revenue.
 - D. total revenue.

SECTION B

STRUCTURED QUESTIONS (30 marks)

Instruction: This section consists of 2 structured questions. Answer both questions.

QUESTION 1

The table below shows the relationship between quantity labour used with quantity product X from firm A.

Quantity Labour (Unit)	Total Production Goods X (unit)
0	0
1	120
2	280
3	320
4	520
5	600
6	600
7	560
8	480

- (a) Calculate the Average Production (AP) and Marginal Production (MP) of firm A.
(10 marks)
- (b) State the factors of production that are involved in the production process.
(2 marks)
- (c) Which stage of production will a rational producer choose? Give a reason to support your answer.
(3 marks)

QUESTION 2

The following table shows the cost information for a firm.

Production (units)	Total cost (RM)
0	15
1	24
2	23
3	39
4	45
5	52
6	60
7	69
8	79
9	90

- (a) Define marginal cost and average cost (2 marks)
- (b) At each level of production, calculate (10 marks)
- (i) Average variable cost
 - (ii) Average fixed cost
 - (iii) Average cost
 - (iv) Marginal cost
- (c) State whether the firm is operating in the short run or long run. Give a reason to support your answer. (3 marks)

SECTION C**ESSAY (50 marks)**

Instruction: This section consists of 2 essay questions. Answer both questions.

QUESTION 1

- (a) Give the definition of demand and supply. (5 marks)
- (b) Using graphs, describe the laws of demand and supply. (10 marks)
- (c) The increase in petrol price will reduce the demand of petrol. Give your opinion. (10 marks)

QUESTION 2

- (a) Explain (**THREE**) 3 characteristics of a monopoly market. (9 marks)
- (b) Explain (**TWO**) 2 merits of monopolistic market competition. (4 marks)
- (c) Compare between a perfectly competitive market and monopoly market on these aspects:
 - i) Price
 - ii) Production
 - iii) Profit (12 marks)