SECTION A

OBJECTIVES (20 marks)

INSTRUCTION:

This section consists of **TWENTY (20)** objective questions. Answer **ALL** the questions in the answers booklet.

1.   Microeconomics is the study of economics from the viewpoint of   CLO1:C1

    A.   The entire economy

    B.   Government unit.

    C.   Individual economic units.

    D.   All the firm.

2.   Which of the following **DO NOT** illustrate opportunity cost?   CLO1:C1

    A.   If I spent more on food, I must spend less on clothes.

    B.   If I buy computer, I must do without a 29' television.

    C.   If I study today, I must give up going to the football game.

    D.   If I buy a pencil, I also have to buy a pen.

3.   A point inside the Production Possibility curve may indicate _____. CLO1:C1

    A.   all productive resources are efficiently utilized

    B.   inefficient allocation of productive resources

    C.   full employment of scarce resources

    D.   technological efficiency

4.   In a socialism economy, the problem of how much a good should be produced is solved by _____   CLO1:C1

    A.   market mechanism

    B.   market mechanism and government intervention

    C.   determined through central planning institutions

    D.   the quantity of factors of production in the economy

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POLiTEKNiK
Jabatan Pengajian Politeknik

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

COMMERCE DEPARTMENT

FINAL EXAMINATION
JUNE 2012 SESSION

PB102: MICROECONOMICS

DATE : 21 NOVEMBER 2012 (WEDNESDAY)
DURATION : 2 HOURS (8.30AM – 10.30AM)

This paper consists of **ELEVEN**
(11) pages including the front page.

Section A: Objective (20 questions – answer all)
Section B: Structured (2 questions – answer all)
Section C: Essay (2 questions – answer all)

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(The CLO stated is for lectures reference only)

8.   A movement along a demand curve can be influenced by _____ .

                                                                CLO1:C1

      A.   tastes

      B.   population

      C.   the product's price.

      D.   consumer's income

9.   Which of the followings is **NOT** a general determinant of supply for most
      products?   CLO1:C1

      A.   Income

      B.   Taxes

      C.   Technology

      D.   Level of input prices

10.   A short-term demand function for an item is $Qd = 50P$ with the Qd is quantity
      demanded while P is the price. The demand curve shown by the function is
      _____ .   CLO3:C3

      A.   vertical

      B.   horizontal

      C.   slope downward from left to right

      D.   slope upward from left to right

5.   Which of the following is the characteristic of free market economy?

                                                                CLO1:C1

      A.   Central planning authority

      B.   Private ownership of resources

      C.   Public ownership of resources

      D.   Promotes social justice

6.   The shift in the supply curve from S0 to S1 below shows :

      S_1 = new supply curve

      S_0 = original supply curve
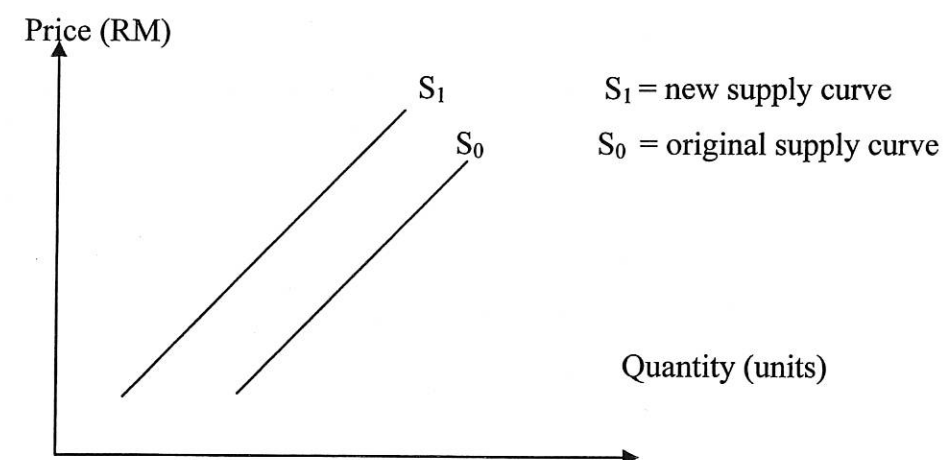
                                                                CLO 1:C1

      A.   an increase in supply

      B.   a decrease in supply

      C.   an expansion in supply

      D.   a contraction in supply

7.   According to the law of supply _____.   CLO1:C1

      A.   more of a good is supplied as the price falls

      B.   more of a good is supplied as the price rises

      C.   more of a good is desired as the price falls

      D.   more of a good is supplied as the price rises

15. Assume that the price of product Y decrease by 5% and the quantity supplied decrease by 2%,. The coefficient of price elasticity of supply for good Y is:

CLO2:C2

A. Negative and therefore Y is inferior good
B. Less than one and therefore Y is inelastic
C. More than one and therefore supply is elastic
D. Negative and therefore the supply curve is downward sloping

16. The Law of Diminishing Marginal Utility implies that as a person consumes more and more of a given good states _____.   CLO2:C1

A. marginal utility will decline
B. marginal utility becomes negative
C. total utility will fall and then rise
D. total utility will decline

17. Total utility is maximum when marginal utility is _____   CLO2:C1
A. Positive
B. Maximum
C. Zero
D. Negative

18. Which of the following statements concerning the relationship between total product (TP), average product (AV) and marginal product (MP) is **INCORRECT?**   CLO1:C1

A. The AP continues to rise as long as the TP is rising
B. The AP reaches a maximum before the TP reaches a maximum
C. The TP reaches a maximum when the MP of the variable input becomes zero
D. The MP cuts the AP at the maximum point on the AP

"The quantity demanded will decrease when income increases".

11. This statement refers to the_____.   CLO1:C1
A. Normal goods
B. Substitute goods
C. Complement goods
D. Inferior goods

12. If technology improves in producing computers, what will happen to the equilibrium price and quantity of computers?   CLO3:C1

A. Both the equilibrium price and quantity will increase
B. Both the equilibrium price and quantity will decrease
C. The equilibrium price will increase and the equilibrium quantity will decrease
D. The equilibrium price will decrease and the equilibrium quantity will increase

13. The value of price elasticity of supply is perfectly inelastic when _____.   CLO2:C1
A. equal to zero
B. less than one
C. one
D. infinity

14. Price elasticity of demand measures the responsiveness of quantity demanded due to a change in _____.   CLO1:C1
A. its price
B. income
C. the product
D. the service

19. The marginal product curve and the average product curve intersect _____.

CLO1:C1

   A.   at the maximum point of the marginal product curves.

   B.   where the total product is at its maximum.

   C.   where the marginal product equals zero.

   D.   at the maximum point of the average product curves.

20. The following table shows output quantities at several levels of labour quantity

Labour quantity (people)	Outputs (units)
2	80
3	76
4	70
5	66

At the level of four labourers, average production is _____.

CLO1:C3

   A.   10.4 units

   B.   17.5 units

   C.   25.3 units

   D.   28.3 units

SECTION B

STRUCTURED (30 marks)

INSTRUCTION:

This section consists of **TWO (2)** structured questions. Answer **ALL** questions.

QUESTION 1

The table below shows the relationship between price, quantity demand, and quantity supply.

Price (RM)	Quantity Demand (Units)	Quantity Supply (Units)
1	280	40
2	260	80
3	240	120
4	220	160
5	200	200
6	180	220
7	160	240

a) State the equilibrium price and quantity?   CLO1:C1

(2 marks)

b) Based on the information above, draw demand and supply curves. From the diagram, determine the equilibrium price and equilibrium quantity.

CLO1:C1

(5 marks)

c) Derive the demand function and supply function.   CLO3:C2

(5 marks)

d) Why RM6 is not an equilibrium price? State your reason.   CLO1:C1

(3 marks)

SECTION C

ESSAY (50 marks)

INSTRUCTION:

This section consists of TWO (2) essay questions. Answer ALL questions.

QUESTION 1

a)   Explain FOUR (4) factors of production with appropriate example.

                                                        CLO1:C1

                                                        (8 marks)

b)   (i)   State TWO (2) types of input with suitable examples   CLO 1: C1

                                                        (4 marks)

        (ii)   State the formula of Average Product (AP) and Marginal Product (MP)

                                                        CLO 1: C1

                                                        (2 marks)

c)   Give definition of the Law of Diminishing Marginal Returns.   CLO 1: C2

                                                        (2 marks)

d)   Using a diagram, illustrate the curve of Total Production (TP), Average
        Production (AP) and Marginal Production (MP). Label the THREE (3) stages of
        production.   CLO 1: C3

                                                        (9 marks)

QUESTION 2

The schedule below shows Marginal Utility of food X and Y. The price of good X
is RM 1 and the price of good Y is RM 2. The consumer's income is RM 14.

GOOD X			GOOD Y		
Q	MU	MU/P	Q	MU	MU/P
1	10		1	16	
2	9		2	14	
3	8		3	12	
4	7		4	10	
5	6		5	8	
6	5		6	6	
7	4		7	4	

a)   Calculate marginal utility per ringgit of good X and Y.
                                                        CLO2:C3

                                                        (7 marks)

b)   How many units of goods X and Y will the consumer buy to maximize his
        utility with the income of RM14?   CLO2:C2

                                                        (6 marks)

c)   Assuming that the consumer's income decreased from RM 14 to RM 11,
        state the new utility maximizing combination of goods X and Y?

                                                        CLO2:C1

                                                        (2 marks)

QUESTION 2

a)   Explain briefly **FIVE (5)** characteristics of a perfectly competitive market.

                                                                                    CLO1:C2

                                                                                    (10 marks)

b)   State **TWO (2)** merits and **TWO (2)** demerits of a monopolistic competitive
       market.

                                                                                    CLO2:C1

                                                                                    (8 marks)

c)   In short run, a monopoly can generate normal profit where average revenue equal
       to average cost (AR =. AC). Using a diagram, illustrate and label the curve.

                                                                                    CLO2:C3

                                                                                    (7 marks)