



FINAL
Examination Paper

(COVER PAGE)

Session : April 2018

Programme : Foundation In Business Information Technology (CFPI)

Course : ECO1207: Microeconomics

Date of Examination : 2 August 2018 (Thursday)

Time : 11:00AM – 1:00PM

Duration : 2 Hours Reading Time : -

Special Instructions :

This paper consist of **TWO (2)** Sections:

Section A: Answer all **TWENTY (20)** multiple choice questions in the OMR sheet provided

Section B: Answer any **THREE (3)** out of the **FOUR (4)** questions in the answer booklet provided.

Materials Permitted : Non-Formulated Calculator

Materials Provided : OMR Sheets & Answer Booklet

Examiner(s) : Mr. Khor Kok Chin

Moderator : Dr. Goh Soo Khoon

This paper consists of 8 printed pages, including the cover page.

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FOUNDATION IN BUSINESS INFORMATION TECHNOLOGY PROGRAMME (CFPI)
 ECO1207: MICROECONOMICS
 FINAL EXAMINATION: APRIL 2018 SESSION

Section A (40 marks)

Instructions: This section consists of **TWENTY (20)** questions. Answer **ALL** questions in the OMR sheet provided.

1. Economists sometimes speak of a “free” market, its mean _____.
 A. prices are low
 B. the government is not a buyer or a seller in the market
 C. people do not have to pay admission to the market place
 D. transactions take place with little or no government intervention

2. When the use of resources involves opportunity cost, it can be concluded that _____.
 A. all wants cannot be satisfied
 B. firms care below optimum size
 C. marginal costs of production fall
 D. opportunity cost ratios are constant

3. The three economic fundamentals questions include of _____.
 A. what
 B. how
 C. for whom
 D. all of above

4. The production possibility schedule for cars and tanks is as follows:

Cars	Tanks
16	0
15	1
13	2

The opportunity cost of the second tank in terms of cars is _____.

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

5. A decrease in the number of buyers in an area will result in a _____.
- A. movement up the demand curve
 - B. leftward shift in the demand curve
 - C. movement down the demand curve
 - D. rightward shift in the demand curve
6. Which of the following would cause the demand curve for apples shift to right?
- A. A fall in prices of apples.
 - B. An increase in the prices of pear.
 - C. A fall in the costs of growing apples.
 - D. An increase in transport costs of apples.
7. According to Law of Supply, when price increase, firms will willing to _____.
- A. expand their quantity supply
 - B. contract their quantity supply
 - C. increase their supply
 - D. decrease their supply
8. When government provide extra subsidies to the firms, this would be _____.
- A. discourage firms to increase their supply
 - B. encourage firms to increase their supply
 - C. discourage firms to remain their supply
 - D. encourage firms to decrease their supply
9. In a market equilibrium, when only price increase, this will cause _____.
- A. quantity demand will increase and quantity supply will decrease
 - B. quantity demand will decrease and quantity supply will increase
 - C. quantity demand will remain and quantity supply will decrease
 - D. quantity demand will increase and quantity supply will remain
10. Demand curve shift left and meanwhile supply curve shift right, will cause equilibrium price _____ and equilibrium quantity _____.
- A. increase; ambiguous
 - B. ambiguous; decrease
 - C. ambiguous; increase
 - D. decrease; ambiguous
11. When price of Apple had increased 10%, quantity demanded of Orange increase 15%. What is the relationship between Apple and Orange?
- A. Complementary good.
 - B. Substitute good.
 - C. Normal good.
 - D. Luxury good.

12. Price Elasticity of Demand is define as _____.
- A. measure the responsiveness of quantity demand when there is a change in price
 - B. measure the responsiveness of quantity supply when there is a change in price
 - C. measure the responsiveness of quantity demand when there is a change in income
 - D. measure the responsiveness of quantity demand when there is a change in price of other related good
13. Economies of scale mean that an increase in the scale of production is associated with _____.
- A. decreasing in total cost
 - B. decreasing in fixed cost
 - C. increasing in average cost
 - D. decreasing in average cost
14. If firms can double its output by doubling the size of its operation, it is subject to _____.
- A. economies of scale
 - B. diseconomies of scale
 - C. constant returns to scale
 - D. increasing returns to scale
15. A manufacturing firm has one plant of optimum size. The firm duplicates this plant and discovers that the long run average cost rises. What could account for the changes in the long run average cost?
- A. Economies of scale.
 - B. Increasing returns.
 - C. Diseconomies of scale.
 - D. External economies of scale.
16. Which of the following is not the characteristic of Perfect Competition?
- A. Homogeneous products.
 - B. Price Taker.
 - C. Perfect information.
 - D. High barriers of entries.
17. Firms operating Perfect Competition will produce their output at the level of _____.
- A. average fixed cost equal to marginal cost
 - B. average total cost equal to marginal cost
 - C. average variable cost equal to average fixed cost
 - D. average total cost equal to average fixed cost

18. In conditions of perfect competition, the demand curve for the product of a firm _____.
- A. is perfectly inelastic
 - B. is identical to the firm's marginal revenue curve
 - C. intersects the firm's average fixed cost curve
 - D. intersects the firm's marginal revenue curve at the point where $MC = MR$
19. In a monopoly market, the condition that's necessary for profit maximization is _____.
- A. marginal cost is a minimum
 - B. average costs is at a minimum
 - C. marginal cost equals average cost
 - D. marginal costs equal marginal revenue
20. Which one of the following about price discrimination is **INCORRECT**?
- A. Price discrimination can be practiced only in the imperfect competition.
 - B. Transport costs between two markets could make price discrimination possible.
 - C. Price discrimination can be achieved by separating markets on the basis of geography, age or time.
 - D. An example of price discrimination is the sale of first and second class tickets on a rail journey.

Section B (60 marks)

Instructions: This section consists of FOUR (4) questions. Answer any **THREE (3)** out of the **FOUR** questions. Each question carries 20 marks.

Question 1

Table 1					
Combination	A	B	C	D	E
X-axis, Apple (Million units)	0	1	2	3	4
Y-axis, Orange (Million units)	10	9	7	4	0

- a. Table 1 shows the hypothetical data for the production possibilities of apples and oranges in a country.
- Define the term 'production possibility curve'.
(2 marks)
 - Construct the production possibility curve based on the above data.
(4 marks)
 - Calculate the opportunity cost when point B moves to point D, with appropriate justification.
(2 marks)

Table 2		
Quantity demanded (Units)	Price (RM / unit)	Quantity supplied (Units)
18 000	20 000	9 000
16 000	25 000	10 000
14 000	30 000	11 000
12 000	35 000	12 000
10 000	40 000	13 000
8 000	45 000	14 000
6 000	50 000	15 000

- b. Table 2 illustrates the hypothetical data of the demand and supply for national cars in a month.
- Based on the above table, determine the equilibrium price and quantity of national cars.
(2 marks)
 - Assume the demand for national cars increases. Analyze briefly any **THREE (3)** factors that could have caused an increase in demand for national cars.
(6 marks)
 - Distinguish between a 'shortage' and a 'surplus' with appropriate diagrams.
(4 marks)

(Total: 20 marks)**Question 2**

The table below demonstrates the demand for a product.

Price (RM / unit)	Quantity Demanded
1	110
2	100
3	90
4	80
5	70
6	60
7	50

- Define the term “price elasticity of demand”.
(2 marks)
 - Using mid-point method, calculate the “price elasticity of demand” for the product if the price were to rise from RM6 to RM7 per unit.
(4 marks)
 - Distinguish between an “elastic demand” and an “inelastic demand” with appropriate diagrams.
(6 marks)
 - Based on the value of price elasticity of demand above, what can you conclude about the effect of the price increase on total expenditure?
(2 marks)
 - Explain **THREE (3)** factors that determine the level of elasticity of demand.
(6 marks)
- (Total: 20 marks)**

Question 3

The following table shows a firm’s total cost in the short run

Output	Total Cost (RM)
0	80
1	100
2	115
3	128
4	140
5	150
6	160
7	190
8	230
9	300

- a Calculate the Average Total Cost (ATC), Average Fixed Cost (AFC), Average Variable Cost (AVC) and Marginal Cost (MC) in a new table.
(10 marks)
- b. Define Economies of Scale and Diseconomies of Scale.
(2 marks)
- c. Explain any **FOUR (4)** Economies of Scale with appropriate example.
(8 marks)
(Total: 20 marks)

Question 4

- a. Discuss the **THREE (3)** type of profit that possible earn by the Perfect Competition firm with appropriate graph
(12 marks)
- b. Explain any **FOUR (4)** Monopoly's characteristic with appropriate elaboration.
(8 marks)
(Total: 20 marks)

~ The End ~

ECO1207(F)/April 2018/Khor Kok Chin

