

**FINAL**  
Alternative Assessment

(COVER PAGE)

Session : April 2020

Programme : Foundation in Business Information Technology (CFPI)

Course : ECO1207: Microeconomics

Date of Examination : 2 August 2020 (Sunday)

Time : 2:00pm – 4:30pm Reading Time : Nil

Duration : 2 hours 30 minutes

Special Instructions :

There are **FOUR (4)** questions. Answer **ALL** questions. Each question carries equal marks.

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Materials permitted : Nil

Materials provided : Nil

Examiner(s) : Ms. Diane Janet A/P Alphonse Joseph

Chief Moderator : Mr. Khor Kok Chin

*This paper consists of 5 printed pages, including the cover page.*

FOUNDATION IN BUSINESS INFORMATION TECHNOLOGY (CFPI)  
ECO1207: MICROECONOMICS  
FINAL ALTERNATIVE ASSESSMENT: APRIL 2020 SESSION

**Instructions: There are FOUR (4) questions. Answer ALL questions. Each question carries equal marks.**

**Question 1**

Komag Malaysia produces two commodities: disk driver and electro-chip. The following schedule indicates some of the points on Komag's production possibilities frontier.

COMBINATION	Electro-Chip	Disk Driver
A	105	0
B	100	20
C	95	30
D	75	40
E	55	50
F	30	60
G	0	70

- a) Illustrate production possibilities curve based on the table above. (3 marks)
- b) Explain the assumption used to derive the curve. (4 marks)
- c) Suppose Komag is operating at Point C but would like to alter the production to Point D. What would be the per-unit opportunity cost of producing more disk driver? (2 marks)
- d) Suppose Komag is operating at Point C but would like to alter the production to Point B. What would be the per-unit opportunity cost of producing more electro chip? (2 marks)
- e) What will happen to Komag's production possibility curve if there is a loss of 10 units of disk driver at every production combination due to the failure of the machine? Using the same graph in (a), draw Komag's new production possibility curve. (5 marks)
- f) Describe **THREE (3)** reasons for KOMAG PPC to shift outwards with relevant example. (9 marks)

**Question 2**

Ms. May goes shopping at ‘TESCO Supermarket’ every week. The following table shows the price changes of the goods at ‘TESCO’ and the quantity of goods bought by Ms. May this week:

Product	Original Price (\$)	New Price (\$)	Quantity Bought by Ms. May
Juice	\$700	\$750	Decrease in consumption: From 2 bottle to 1 bottle
Orange	\$4	\$5	Decrease in consumption: From 12 pieces to 10 pieces
Apple	\$2	\$1.5	Increase in consumption: From 10 pieces to 18 pieces
Coffee	\$20	\$25	Constant consumption at 2 cans
Tissue Pack	\$30	\$10	Increase in consumption: From 1 to 3 pack

- a) Calculate the demand elasticity for the above **FIVE (5)** products using midpoint formula. (10 marks)
- b) Explain the difference between explicit and implicit cost with examples. (4 marks)
- c) Dee begin providing entrepreneurial ability to a new firm by making some initial organizational decisions. Dee decided to work full time at a new business, so she quit her old job that paid her \$22,000 per year. She invested \$20,000 of savings that has been earning \$1,000 per year .While her cost of production has incurred an expenses of \$40,000 with a \$5000 bills of utilities. Further, she decided that her new firm will occupy a small retails space that her own and had been previously renting out for \$5,000 per year. Finally she decide to hire one clerk (Jim) to help her in the store. Jim agrees to work with Dee for \$18,000 per year.
- i) Find Dee’s accounting profit. (4 marks)
  - ii) Find Dee’s economic profit. (4 marks)
- d) Describe the law of diminishing returns to a firm’s short run production costs. (3 marks)

**Question 3**

- a) The table below shows the production of fizzy drinks for a soft drinks factory. Fixed cost for the factory is \$100. Fill in the missing figure. (10 marks)

QTY	ATC (\$)	P (\$)	TC (\$)	MC (\$)	TR (\$)	MR (\$)	PROFIT/LOSS (\$)
0	-	12					
3	40.0	11.5					
10	14.0	11					
24	6.7	10.5					
36	5.0	10					
40	5.0	9.5					
42	5.2	9.2					
43	5.6	9					

- b) What is the amount of profit maximization output and price level? (2 marks)
- c) Briefly explain how you derive the answer in question (b). (1 mark)
- d) Using diagrams, explain what happen to the orange industry and orange individual firm if there is a significant increase in the price of apples. (Assume orange and apple are substitute good) (12 marks)

**Question 4**

Fitch Ratings has affirmed gaming conglomerate GENTING BHD's rating at 'A-' due to its monopoly position in gaming in Malaysia and robust market share in Singapore while the outlook is stable.

*(Source: <https://www.thestar.com.my/business/business-news/2018/11/29/fitch-affirms-genting-bhd-a-minus-outlook-stable>, last accessed on 6th Feb, 2020)*

- a) The monopoly position of Genting is due to high barriers of entry. Explain **THREE (3)** barriers of entry into any industry. (9 marks)
- b) Using a diagram, explain the reason and equilibrium of a monopolist who is earning a supernormal profit in both the short run and long run theoretically. (6 marks)
- c) Discuss another two types of profits that are earned by the monopoly firm with appropriate graphs in short run. (10 marks)