



FINAL
Examination Paper

(COVER PAGE)

Session : August 2018

Programme : CERTIFICATE IN BUSINESS STUDIES (CBSI)

Course : ECO1001: Principles of Economics

Date of Examination : 7 December 2018 (Friday)

Time : 2:00PM – 4:00PM

Duration : 2 Hours Reading Time : -

Special Instructions :

This paper consist of **THREE (3)** Section: A, B and C. Answer all **TWENTY FIVE (25)** multiple choice questions in Section A, choose any **ONE (1)** questions in Section B and choose any **ONE (1)** questions in Section C.

Materials Permitted : Nil

Materials Provided : OMR Sheets, Answer Booklet

Examiner(s) : Mr. Khor Kok Chin

Moderator : Dr. Goh Soo Khoon

This paper consists of 9 printed pages, including the cover page.

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 CERTIFICATE IN BUSINESS STUDIES (CBSI)
 ECO1001: PRINCIPLES OF ECONOMICS
 FINAL EXAMINATION: AUGUST 2018 SESSION

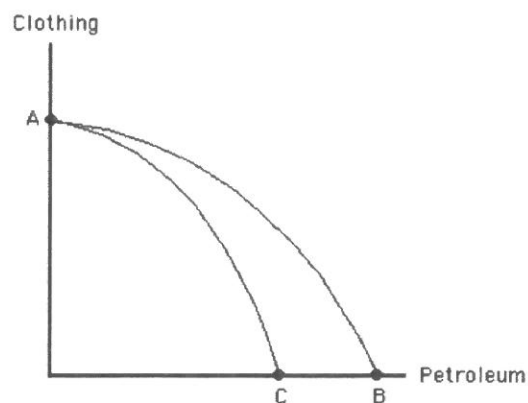
SECTION A (50 marks)

Instructions: This section consists of 25 multiple choice questions. Answer ALL the questions in the OMR sheet provided. Each question carries 2 marks.

1. Resources are _____ .
 - A. scarce for households but plentiful for economies
 - B. plentiful for households but scarce for economies
 - C. scarce for households and scarce for economies
 - D. plentiful for households and plentiful for economies

2. What you give up to obtain an item is called your _____.
 - A. opportunity cost
 - B. explicit cost
 - C. monetary cost
 - D. direct cost

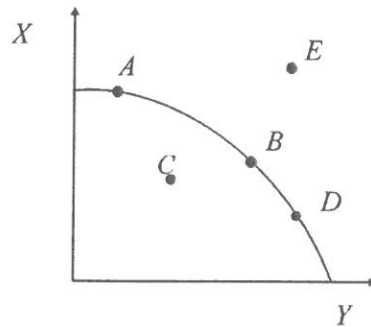
3. Which of the following could explain the shift in the production possibilities frontier from AC to AB shown in the figure below?



- A. Technical improvements in both petroleum and clothing production.
- B. A productive improvement in clothing production that has no effect on petroleum production.
- C. A decrease in the size of the labor force that can produce either petroleum products or clothing.
- D. Major oil reserves are discovered at the coast of Africa.

4. Which of the following concepts cannot be illustrated by the production possibilities frontier?
- A. efficiency
 - B. opportunity cost
 - C. equality
 - D. trade-offs.

5. Point C in below diagram would most likely represent _____.



- A. an unattainable point
 - B. inefficiency
 - C. the best possible choice
 - D. an equally acceptable alternative available to society
6. An increase in the supply of a good will cause _____.
- A. an increase in equilibrium price and quantity
 - B. a decrease in equilibrium price and quantity
 - C. an increase in equilibrium price and a decrease in equilibrium quantity
 - D. a decrease in equilibrium price and an increase in equilibrium quantity
7. Which of the following statements is correct?
- A. Buyers determine supply, and sellers determine demand.
 - B. Buyers determine demand, and sellers determine supply.
 - C. Buyers determine both demand and supply.
 - D. Sellers determine both demand and supply
8. "Other things equal, when the price of a good rises, the quantity demanded of the good falls, and when the price falls, the quantity demanded rises." This relationship between price and quantity demanded is referred to as _____.
- A. equilibrium
 - B. the law of demand
 - C. the relationship between supply and demand
 - D. the definition of an inferior good

9. Equilibrium quantity must decrease when demand _____.
- A. increases and supply does not change, when demand does not change and supply decreases, and when both demand and supply decrease.
 - B. increases and supply does not change, when demand does not change and supply increases, and when both demand and supply decrease.
 - C. decreases and supply does not change, when demand does not change and supply increases, and when both demand and supply decrease.
 - D. decreases and supply does not change, when demand does not change and supply decreases, and when both demand and supply decrease
10. A decrease in price will increase total revenue of the good in the market if _____.
- A. supply is price elastic
 - B. demand is price elastic
 - C. supply is price inelastic
 - D. demand is price inelastic
11. When the income elasticity of demand for a good is 0.5, then demand varies _____.
- A. inversely with income
 - B. directly with income, but by a larger percentage
 - C. directly with income, but by a smaller percentage
 - D. directly with income, and by the same percentage
12. The price elasticity of demand for goods will be less _____.
- A. when there is a lot substitute for it
 - B. in the long run than in the short run
 - C. if there are few or no substitutes available
 - D. if a big portion of the budget will be spent on it
13. The quantity of apples demanded has fallen by 8% in the face of 8% increase in its price. The demand for apples is apparently _____.
- A. elastic
 - B. inelastic
 - C. unit elastic
 - D. upward sloping
14. Marginal cost is _____.
- A. the extra total cost incurred from increasing output by one unit
 - B. total cost divided by output
 - C. variable cost divided by output
 - D. a cost that was tie up to the taxes of firms

15. A firm's fixed cost refers to costs that _____.
- A. can never be changed
 - B. can only be changed in the short run
 - C. do not change as the firm's output changes
 - D. do not change as the price of a good changes
16. When the firm produces zero output, its variable cost is _____.
- A. zero
 - B. the same as price
 - C. the same as total cost
 - D. the same as fixed cost
17. Economies of scale imply that increases in the scale of operation are associated with _____.
- A. decreasing total cost
 - B. decreasing fixed cost
 - C. increasing average total cost
 - D. decreasing average total cost
18. Suppose that the note pad industry is perfectly competitive. Also, assume that the market price for note pad is RM10 per note pad. The demand curve faced by each firm in the industry is _____.
- A. a horizontal line at \$10 per note pad
 - B. a vertical line at \$10 per note pad
 - C. the same as the market demand curve for note pad
 - D. always higher than the firm's marginal curve.
19. Which of the following statements applies to a purely competitive producer?
- A. It will advertise its product.
 - B. Its product will have a brand name.
 - C. In long run equilibrium it will earn normal profit.
 - D. Its product is slightly different from those of its competitors.
20. What is the most important characteristic of perfect competition?
- A. Sellers can control the price.
 - B. There are many buyers and a few sellers.
 - C. Each seller has at least one powerful competitor to worry about.
 - D. Every buyer and seller is a price taker – none has the power to set price

21. Monopoly price can decreased and output increased through _____.
- A. price discrimination rules
 - B. market supply
 - C. government regulations
 - D. strike
22. In a monopoly market, the condition that is 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
23. Which of the following is a feature of a monopoly market?
- A. A price setter.
 - B. Product differentiation.
 - C. Freedom to entry and exit of firms.
 - D. A large number of firms in the industry
24. Below which will be the characteristic for Public Goods?
- A. Non-excludable and Non-Rivalry
 - B. Excludable and Rivalry
 - C. Non-excludable and Rivalry
 - D. Excludable and Non-Rivalry
25. Imposing tax able to assist government to solve _____.
- A. positive externalities
 - B. negative externalities
 - C. sideways externalities
 - D. central externalities

SECTION B (25 marks)

Instructions: This section consists of **TWO (2)** short answer questions. Answer any **ONE (1)** out of **TWO (2)** questions.

Question 1

- a) Answer the following questions based on the production possibilities table below.

Production Combination	A	B	C	D	E
Donuts	0	2	4	6	8
Machines	30	27	21	12	0

- i) Draw the Production Possibilities Curve with Donuts at the X-axis. (6 marks)
- ii) Calculate the opportunity cost the following:
- Point A moves to Point C (2 marks)
 - Point E moves to Point B (2 marks)
- b) Given a hypothetical market data as per below:

Price (RM)	Quantity Demanded	Quantity Supplied
1	120	0
2	100	20
3	80	40
4	60	60
5	40	80
6	20	100
7	0	120

- i) Illustrate the market equilibrium with a diagram based on the data above. (5 marks)
- ii) Assume that quantity demanded had increased 20 units and quantity supplied had increased 60 units for each price level. Using a new table identify the new equilibrium price and quantity. (4 marks)
- iii) Illustrate the new demand and supply curve in the diagram b (i). (4 marks)
- iv) Identify the new equilibrium price and quantity. (2 marks)

Question 2

a) Calculate the elasticity for each of the statement below:

i) Jim willing to increase his demand from 10 units to 12 units for his weekly hamburgers consumption when the price drop from RM4.00 to RM3.80 (please use mid-point method).

(4 marks)

ii) Sarah had bought an extra 2kg (initially 10kg) of rice for her whole family on the month when she enjoys her 5% salary increment.

(4 marks)

iii) The total sales of Coke had increase from 400 units to 450 units when price of Pepsi had increase 1%.

(4 marks)

b) The table below shows the relationship between Total Cost and Total Product of a firm.

Total Products (units)	Total Cost (RM)	Variable Cost (RM)	Marginal Cost (RM)	Average Total Cost (RM)	Average Fixed Cost (RM)	Average Variable Cost (RM)
0	40					
1	75					
2	101					
3	121					
4	144					
5	174					
6	213					
7	268					
8	338					
9	425					

i) Calculate the Variable Cost, Marginal Cost, Average Total Cost, Average Fixed Cost and Average Variable Cost for each level of production.

(10 marks)

ii) List down the relationship between Marginal Cost and Average Total Cost.

(3 marks)

SECTION C (25 marks)

Instructions: This section consists of **TWO (2)** essay questions. Answer any **ONE (1)** out of TWO (2) questions.

Question 1

- a) Explain **FOUR (4)** factors of production with appropriate examples. (16 marks)
- b) Explain any **THREE (3)** internal economies of scale in the long run production (9 marks)

Question 2

- a) Using appropriate diagrams, explain the short run and long run profit for perfect competition market. (13 marks)
- b) Explain Positive Externalities and Negative Externalities with appropriate example and diagram. (12 marks)

-The End-

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