

**FINAL EXAMINATION****BACHELOR OF BUSINESS ADMINISTRATION (HONOURS)****COURSE : MICROECONOMICS****COURSE CODE : ECO2163****DURATION : 3 HOURS****INSTRUCTIONS TO CANDIDATES:**

1. This question paper consists of **THREE (3)** parts. : PART A (20 questions)
: PART B (4 questions)
: PART C (3 questions)
2. Answer ALL questions from PART A and PART B. Answer TWO (2) questions from PART C.
 - i. Answer PART A in the Objective Answer Sheet.
 - ii. Answer PART B and C in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
 - i. The Question Paper
 - ii. An Answer Booklet
 - iii. An Objective Answer Sheet
4. Do not bring any material into the examination hall. Students are NOT allowed to take this question paper out of the examination hall. The use of calculator is allowed.
5. Please write your answer using permanent ink.

MY KAD/PASSPORT NO : _____**ID NUMBER :** _____**LECTURER :** _____**SECTION :** _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

This question paper consists of 10 printed pages including the front page

PART A: MULTIPLE CHOICE

Instruction: Answer ALL questions.

1. Production is the transformation of resources into _____.
 - A. services but not goods
 - B. goods but not services
 - C. either goods or services
 - D. capital goods but not consumption goods

2. The law of diminishing returns refers to the situation in which _____.
 - A. total product decreases
 - B. average product decreases
 - C. marginal product decreases
 - D. total and marginal product decrease

3. When average product falls, _____.
 - A. average product rises
 - B. total product also falls
 - C. marginal product remains constant
 - D. nothing happens to total product and average product

4. Stage 1 in the production process experiences _____ returns.
 - A. positive
 - B. negative
 - C. increasing
 - D. decreasing

5. Which of the following statements concerning the relationship between total product (TP), average product (AP), and marginal product (MP) is **INCORRECT**?
 - A. MP cuts AP at the maximum AP.
 - B. AP continues to rise so long as TP is rising.
 - C. TP reaches a maximum when the MP is negative.
 - D. AP reaches a maximum before TP reaches a maximum point.

6. The cost of factors of production that is totally not owned by a company is called _____.
- A. implicit cost
 - B. explicit cost
 - C. economic profit
 - D. accounting profit
7. As output increases, the slope of a curve showing a firm's average fixed cost is _____.
- A. always positive
 - B. always negative
 - C. first positive, then negative
 - D. first negative, then positive
8. Which of the following cost curve slopes downward as output increases?
- A. Average cost curve.
 - B. Marginal cost curve.
 - C. Average fixed cost curve.
 - D. Average variable cost curve.
9. When average fixed cost (AFC) is falling _____.
- A. marginal cost (MC) must be falling
 - B. average total cost (ATC) must be falling
 - C. average variable cost (AVC) must be rising
 - D. average variable cost (AVC) may either rising or falling
10. XYZ firm is a shoe producing company. Currently, it is producing 1,000 pairs of shoes. If its average variable cost (AVC) is RM5.00 and average fixed costs (AFC) is RM0.80, the firm's total cost (TC) is _____.
- A. RM800
 - B. RM1,700
 - C. RM5,000
 - D. RM5,800

11. According to the theory of loanable funds, interest rate is determined _____.
A. reserve of commercial banks
B. market for government bonds
C. mutual agreement between the bank and the borrower
D. intersection between the demand for and supply of money
12. Which one of the following is the reward of capital?
A. Rent.
B. Profit.
C. Wage.
D. Interest.
13. If the marginal revenue product of labour is lower than the wage rate, then _____.
A. the firm is facing losses
B. the firm is experiencing profit
C. less labour should be employed
D. more labour should be employed
14. _____ is measured in terms of money value.
A. Real wage
B. Gross wage
C. Actual wage
D. Nominal wage
15. The supply of land is _____.
A. upward sloping
B. perfectly elastic
C. perfectly inelastic
D. downward sloping

16. Which of the following statements describe to a perfect competitive firm?
- A. It will not advertise its product.
 - B. Its product will have a brand name.
 - C. In long-run equilibrium, it will earn an economic profit.
 - D. Its product is slightly different from those of its competitors.
17. The goods produced under monopolistic firms are _____.
- A. standardized goods
 - B. differentiated goods
 - C. close substitute goods
 - D. complementary goods
18. Monopoly often earns positive economic profit because _____.
- A. they have high cost
 - B. monopoly risks are high
 - C. they receive government subsidies
 - D. barriers to entry prevent price declines
19. Monopolistic competition firm will get a subnormal profit if _____.
- A. Average Revenue (AR) = Average Cost (AC)
 - B. Average Revenue (AR) < Average Cost (AC)
 - C. Average Revenue (AR) > Average Cost (AC)
 - D. Marginal Revenue (MR) = Average Revenue (AR)
20. Which of the following characteristics differentiates oligopoly from any other market structures?
- A. Nature of products.
 - B. Ability to control price.
 - C. Mutual interdependence.
 - D. Number of firms in the market.

(TOTAL: 20 MARKS)

PART B: STRUCTURED

Instruction: Answer ALL questions.

1. Table 1 shows the total product produce by Firm X. The firm produces canned food with 2 factors only, capital which is fixed supply and labour which is variable.

Table 1

Labour Quantity (units)	Total Production (TP)	Average Product (AP)	Marginal Product (MP)
1		40	
2		45	
3		42	
4		37.5	
5		33	
6		29	
7		25	
8		20	

- a. Complete the Table 1. (4 marks)
- b. In one diagram, sketch (without scale) total product, average product and marginal product curves. (4 marks)
- c. At what stage of production will a rational producer choose to produce? Give a reason for your answer. (2 marks)
- (Total: 10 marks)

2. Table 2 shows the production cost for the Blueberry company.

Table 2

Output (Unit)	TC (USD)	TVC (USD)	AC (USD)	AFC (USD)	AVC (USD)	MC (USD)
1				30	12	
2				15	9	
3				10	8	
4				7.5	8.5	
5				6	11.2	
6				5	15	

- a. Complete the Table 2. (6 marks)
- b. Is the firm operating in the short run or long run? Give your reason. (2 marks)
- c. Describe **TWO (2)** relationships between average cost and marginal cost. (2 marks)

(Total: 10 marks)

3. Table 3 show the information on Tiara Firm, which operates in a perfectly competitive labour market. Suppose the price of product sold at RM0.50 each.

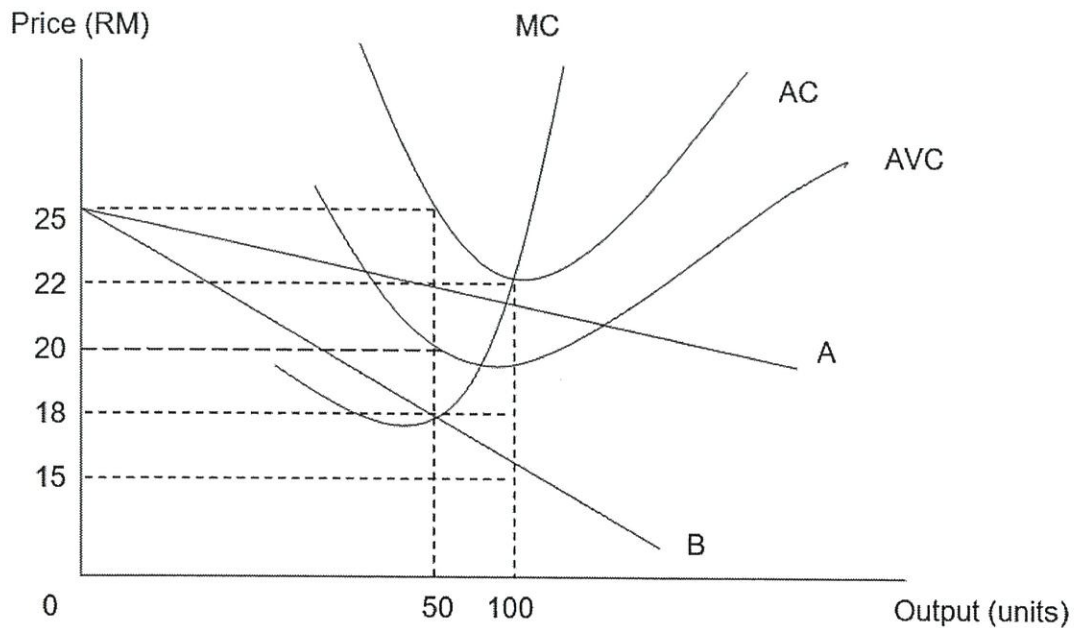
Table 3

Labour	Total Product (Unit)	Marginal Product of Labour (Unit)	Average Product of Labour (Unit)	Total Revenue (RM)	Marginal Revenue Product (MRP)
1		60			
2		50			
3		40			
4		30			
5		20			
6		10			

- a. Complete the Table 3. (6 marks)
- b. Assuming the wage rate is RM15 per worker, how many workers should the firm hire to maximize profit? (1 mark)
- c. Assuming the wage rate increases to RM25 per worker, how many workers should the firm hire to maximize profit? (1 mark)
- d. Prepare a diagram to show the equilibrium of both situation in (b) and (c). (2 marks)
- (Total: 10 marks)

4. Figure 1 below shows the cost and revenue curves of a firm.

Figure 1



- Based on the Figure 1, identify the market structure in which the firm operates. Justify your answer. (2 marks)
- Label curves A and B. (2 marks)
- Calculate the total profit or loss earned by the firm at equilibrium. State the type of profit this firm is earning in the long run. (4 marks)
- Should the firm shut down or continue its operation? Why? (2 marks)

(Total: 10 marks)

(TOTAL: 40 MARKS)

PART C: SHORT ESSAY

Instruction: Answer only TWO (2) questions.

1. a. With examples, differentiate between fixed input and variable input. (5 marks)
b. With examples, explain any **TWO (2)** factors of production. (5 marks)
c. Using an appropriate diagram, explain the relationship between Total Product (TP) and Marginal Product (MP). (10 marks)
(Total: 20 marks)
2. a. With the aid of a diagram, describe the shape of total cost, fixed cost and variable cost curves. Properly label all the curves. (10 marks)
b. Using an appropriate diagram, explain the relationship between product curves and cost curves. (10 marks)
(Total: 20 marks)
3. a. Describe any **FOUR (4)** characteristics of monopoly market. (10 marks)
b. Explain **TWO (2)** similarities and **TWO (2)** differences between perfect competition and monopolistic competition. (10 marks)

(Total: 20 marks)

(TOTAL: 40 MARKS)
(TOTAL: 100 MARKS)

END OF QUESTION PAPER