

**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 :** \_\_\_\_\_

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

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

## PART A: MULTIPLE CHOICE

Instruction: Answer ALL questions.

1. Production function shows the relationship between \_\_\_\_\_.
  - A. cost and input
  - B. debt and sales
  - C. input and output
  - D. wages and profit
  
2. The short run is a time period in which \_\_\_\_\_.
  - A. all the inputs are fixed
  - B. all the output are fixed
  - C. all the inputs are variable
  - D. at least one input is fixed
  
3. An example of variable resources in the short run is \_\_\_\_\_.
  - A. land
  - B. building
  - C. fertilizer
  - D. machinery
  
4. The law of diminishing marginal returns states that beyond some points, \_\_\_\_\_.
  - A. the total output produced will eventually fall
  - B. the average output produced will eventually fall
  - C. there will be no more resources to produce goods and services
  - D. adding more variable inputs eventually gives smaller extra output
  
5. When total product is at maximum \_\_\_\_\_.
  - A. the average product of labor is zero
  - B. the marginal product of labor is zero
  - C. the average product of labor is negative
  - D. the marginal product of labor is negative

6. Marginal cost is the change of total cost resulting from change unit of \_\_\_\_\_.  
A. labour  
B. fixed cost  
C. total product  
D. variable input
7. If producing 5 units of output, the average fixed cost is RM100 and total cost is RM5000, then the variable cost at this output level is \_\_\_\_\_.  
A. RM500  
B. RM4500  
C. RM4900  
D. RM5100
8. Cost of input that is dependent on output refer to \_\_\_\_\_.  
A. total fixed cost.  
B. total variable cost.  
C. average fixed cost.  
D. average variable cost.
9. Which of the following short-run cost remains unchanged as output increases?  
A. Total fixed cost.  
B. Total variable cost.  
C. Average fixed cost.  
D. Average variable cost.
10. Which of the following curves is U-shaped?  
A. AP  
B. MP  
C. ATC  
D. AFC

11. Which of the following rewards of factors of production is **CORRECT**?
- A. Rent is the returns on land.
  - B. Profit is the returns on capital.
  - C. Interest is the returns on labour.
  - D. Wage is the returns on entrepreneurship.
12. The \_\_\_\_\_ is also a demand curve of labour.
- A. total revenue product
  - B. total productivity of labour
  - C. marginal revenue product
  - D. marginal product of labour
13. The difference between labour and an entrepreneur is that an entrepreneur is able to \_\_\_\_\_ and \_\_\_\_\_.
- A. minimize sales; cost
  - B. maximize cost; sales
  - C. take risk; maximize profit
  - D. gain revenue; maximize cost
14. Interest is determined by a \_\_\_\_\_ according to the theory of interest.
- A. firm
  - B. central bank
  - C. commercial bank
  - D. government agencies
15. If the marginal revenue product of labour is greater 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

16. Which market structure produces both homogeneous and differentiated products?
- A. Oligopoly.
  - B. Monopoly.
  - C. Perfect competitive.
  - D. Monopolistically competitive.
17. A perfect competition firm will continue its production in the short run if \_\_\_\_\_.
- A.  $P < AC$
  - B.  $P > AC$
  - C.  $P < AVC$
  - D.  $P > AVC$
18. What type of profit will a monopoly firm earn in long run?
- A. Normal profit.
  - B. Economic profit.
  - C. Subnormal profit.
  - D. Supernormal profit.
19. Which of the industries is the best example of a monopolistic competition?
- A. Perfume industry.
  - B. Copper industries.
  - C. Electricity suppliers.
  - D. Agricultural industries.
20. For a profit maximizing oligopolist, output is produced where \_\_\_\_\_.
- A. marginal revenue equals average cost
  - B. marginal revenue equals marginal cost
  - C. average revenue is greater than marginal cost
  - D. marginal revenue is greater than marginal cost

(TOTAL: 20 MARKS)

**PART B: STRUCTURED**

**Instruction: Answer ALL questions.**

1. Table 1 shows the amount of output produced by company Kencana using two types of inputs. Assume that 10 acres of land are used in the production.

**Table 1**

| <b>Labour Quantity<br/>(units)</b> | <b>Total<br/>Production<br/>(TP)</b> | <b>Average<br/>Product<br/>(AP)</b> | <b>Marginal<br/>Product<br/>(MP)</b> |
|------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|
| 0                                  | 0                                    |                                     |                                      |
| 1                                  | 9                                    |                                     |                                      |
| 2                                  | 21                                   |                                     |                                      |
| 3                                  | 54                                   |                                     |                                      |
| 4                                  | 98                                   |                                     |                                      |
| 5                                  | 128                                  |                                     |                                      |
| 6                                  | 146                                  |                                     |                                      |
| 7                                  | 160                                  |                                     |                                      |
| 8                                  | 160                                  |                                     |                                      |
| 9                                  | 158                                  |                                     |                                      |

- a. Complete the Table 1. (5 marks)
- b. Is the firm operating in the short run or long run? Give your reason. (2 marks)
- c. At what stage of production will a rational producer choose to produce? Justify your answer. (2 marks)
- d. Total Product is maximized by the \_\_\_\_\_ worker. (1 mark)
- (Total: 10 marks)

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

Table 2

| Output<br>(Unit) | TC<br>(USD) | TVC<br>(USD) | AC<br>(USD) | AFC<br>(USD) | AVC<br>(USD) | MC<br>(USD) |
|------------------|-------------|--------------|-------------|--------------|--------------|-------------|
| 1                | 540         | 180          |             |              |              |             |
| 2                | 600         | 240          |             |              |              |             |
| 3                | 630         | 270          |             |              |              |             |
| 4                | 675         | 315          |             |              |              |             |
| 5                | 735         | 500          |             |              |              |             |
| 6                | 975         | 615          |             |              |              |             |

- a. Complete the Table 2. (6 marks)
- b. Determine the total fixed cost for this company. (1 mark)
- c. In one diagram, sketch the Total Cost (TC), Total Variable Cost (TVC) and Total Fixed Cost (TFC) curves. (3 marks)

(Total: 10 marks)

3. Table 3 shows a perfectly competitive firm which sells long pants at the price of RM100 each.

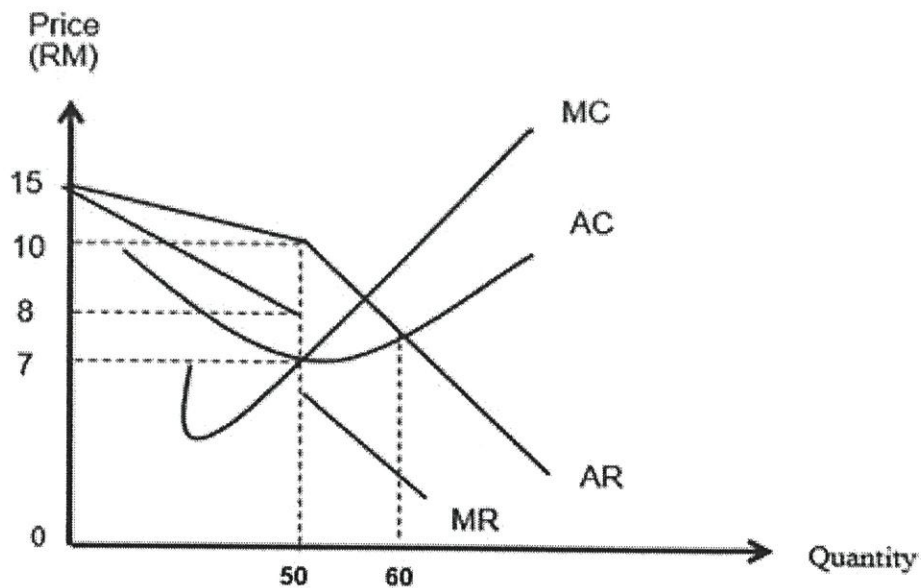
Table 3

| Labour | Total Physical Product (TPP) | Price (RM) | Average Physical Product (APP) | Marginal Physical Product (MPP) | Marginal Revenue Product (MRP) |
|--------|------------------------------|------------|--------------------------------|---------------------------------|--------------------------------|
| 1      | 20                           |            |                                |                                 |                                |
| 2      | 39                           |            |                                |                                 |                                |
| 3      | 57                           |            |                                |                                 |                                |
| 4      | 74                           |            |                                |                                 |                                |
| 5      | 90                           |            |                                |                                 |                                |
| 6      | 105                          |            |                                |                                 |                                |

- a. Complete the Table 3. (6 marks)
  - b. Suppose the wage rate is RM1700, how many workers will the firm hire to maximize profit? (1 mark)
  - c. If the wage rate increases to RM1900, how many workers would the firm hire? (1 mark)
  - d. Sketch a diagram to show the equilibrium of both situation in (b) and (c). (2 marks)
- (Total: 10 marks)

4. Figure 1 shows the revenue and cost curves for firm AIZ CORPORATION.

Figure 1



- Based on the Figure 1, identify the market structure in which the firm operates. Justify your answer. (2 marks)
- Determine the profit maximizing price and quantity. (2 marks)
- Calculate the total profit or loss earned by the firm at equilibrium. State the type of profit. (3 marks)
- State **THREE (3)** examples of different industries in this market structure. (3 marks)

(Total: 10 marks)

(TOTAL: 40 MARKS)

## PART C: SHORT ESSAY

Instruction: Answer only TWO (2) questions.

1. a. Explain **FOUR (4)** factors of production with appropriate examples.  
(10 marks)
- b. Using diagram, explain the **THREE (3)** stages of production in the short run.  
(10 marks)  
(Total: 20 marks)
2. a. With suitable examples, differentiate the concept below:
  - i. Implicit and explicit cost  
(5 marks)
  - ii. Fixed and variable cost  
(5 marks)
- b. Using an appropriate diagram, explain the relationship between marginal cost and average cost curves.  
(10 marks)  
(Total: 20 marks)
3. a. Describe **FOUR (4)** barriers to entry the monopoly market.  
(10 marks)
- b. Discuss **FOUR (4)** differences characteristics between monopolistic and perfect competition.  
(10 marks)  
(Total: 20 marks)

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

END OF QUESTION PAPER