



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Course Code & Name : **ECO1503 ECONOMICS**
 Trimester & Year : January-April 2021
 Lecturer/Examiner : Dr Smitha Geetha
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:
PART A (30 marks) : Answer all THIRTY (30) multiple-choice questions. Answers are to be shaded in the Multiple Choice Answer Sheet provided.
PART B (70 marks) : Answer all FIVE (5) essay questions. Answers are to be written in the Answer Booklet provided.
- Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
- This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
- Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

PART B**: ESSAY QUESTIONS (70 MARKS)****INSTRUCTION(S)**

: Answer all **FIVE (5)** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

a) Explain how the "invisible hand" makes sure that markets reach equilibrium more quickly than they would if the government sets prices for goods.

(6 marks)

b) Discuss why some firms may suffer diseconomies of scale.

(4 marks)

[Total: 10 marks]**Question 2**

Describe why a monopolist must lower its quantity relative to a competitive market to maximize its profits.

(10 marks)

Question 3

The following table gives information on the aggregate demand (AD) and aggregate supply (AS) of an economy.

Price levels	AD (RM billion)	AS (RM billion)
140	50	250
130	100	200
120	150	150
110	200	100
100	250	50

a. Draw the AD curve and AS curve on the graph paper.

(6 marks)

b. Determine the equilibrium price level and real output /real GDP for this economy.

(2 marks)

c. Examine the possibility for the economy to reach the equilibrium at RM110.

(2 marks)

d. Suppose buyer are willing to buy additional real output worth RM 100 billion at each price level. Illustrate these changes in AD on the graph in (a).

(4 marks)

e. Determine the new equilibrium price is _____ and output is _____.

(2 marks)

f. Explain any **TWO (2)** factors that influence the changes in AD.

(4 marks)

[Total: 20 marks]

Question 4

a) Discuss why the demand for a particular brand of fast food tends to be more elastic than demand for all fast food.

(5 marks)

b) Calculate the price elasticity of supply, if the price of shoes increases from RM 20 to RM 30 and the quantity supplied increases from 40 to 50 units.

(4 marks)

c) Explain what will happen to the equilibrium price and quantity of satellite TV service if the wages of the workers who provide the satellite TV service increase while at the same time the price of cable television service (a substitute for satellite TV service) also increases.

(5 marks)

[Total: 14 marks]

Question 5

Differentiate between the following terms.

a) Fiscal policy and Monetary policy

(4 marks)

b) Maximum price policy and Minimum price policy

(4 marks)

c) Technical efficiency and Economic efficiency

(4 marks)

d) Total revenue and Total cost

(4 marks)

[Total: 16 marks]

END OF EXAM PAPER