



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Subject Code & Name : **BBM1301 MICROECONOMICS**
 Semester & Year : January – April 2016
 Lecturer/Examiner : JOEL THAM
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:
 PART A (30 marks) : Answer all THREE (3) short answer questions. Answers are to be written in the Answer Booklet provided.
 PART B (70 marks) : Answer all THREE (3) problem solving 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 of Hospitality 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 of Hospitality.

Total Number of pages = 6 (Including the cover page)

PART A

Answer ALL questions

Question 1

Indicate whether each of the statement is microeconomics or macroeconomics.

- a) Boyish Limited has increased the production of their shoe line since 2015.
- b) The number of workers in the metallurgy industry has increased by 12% this year.
- c) The inflation rate in Indonesia has increased since 2010.
- d) The price of duck has increased as a result of shortage supply.
- e) It is anticipated that the demand for exported goods will increased due to the fall of exchange rate.
- f) The inflation rate of Vietnam should be hitting 5% in the year 2015.
- g) The import of luxury goods from USA has increased as domestic consumption rises.
- h) The demand for skilled workers is increasing recently due to the economic boom.
- i) The exchange rate of ringgit to SGD this year was RM3.2 to 1SGD.
- j) The price of crude oil has increased leading to new suppliers entering the market.

(10 marks)

Question 2

Indicate whether each of the statement is positive or normative statements.

- a) The government should raise taxes rates for alcohol consumption.
- b) The move to increase the subsidy for biotechnology will encourage the development of the sector.
- c) An increase in the exchange rate of the country will lead to the increase in operating costs.
- d) A more expansionary monetary policy should be embraced by the government as part of economic development policy.
- e) The government should increase spending on Human Resources development.
- f) The government move to improve financial markets has led to an increase in financial development.
- g) Banks have increase interest rate in compliance to the directive from central bank.
- h) Companies should plan ahead in anticipation of a booming economy.
- i) Government should subsidies local companies to improve their competitiveness in the rubber industry.
- j) The gaming industry has suffered a decline in business revenue by 7% in 2011.

(10 marks)

Question 3

The following costs are incurred by a toy factory in the short run. Indicate whether each one is fixed cost or variable cost.

- a) Salary of Front Office Manager.
- b) Rental of showroom.
- c) The cost of steel in producing cars.
- d) Marketing Fees.
- e) Cost of utilities in running the manufacturing machinery.
- f) Cost of toiletries used in office.
- g) Salaries of operators employed for production.
- h) Salaries of internal audit staff.
- i) Salaries of office manager employed by a local factory.
- j) Front Office workers in the front office department.

(10 marks)

PART B

ANSWER ALL QUESTIONS

QUESTION 1

The table below shows the production cost of a company called Super-duper Corporation.

Quantity (Unit)	TFC	TVC	TC	MC	AFC	AVC	ATC
0			60				
1				100			
2							120
3						80	
4			400				
5		500					

a) Complete the above table.

(6 marks)

b) Determine whether the firm is operating in the short run or long run. Justify your answer.

(2 marks)

c) Sketch the following curves on a single diagram

- Average fixed cost
- Average variable cost
- Average cost
- Marginal cost

(2 marks)

d) Distinguish between implicit cost and explicit cost.

(4 marks)

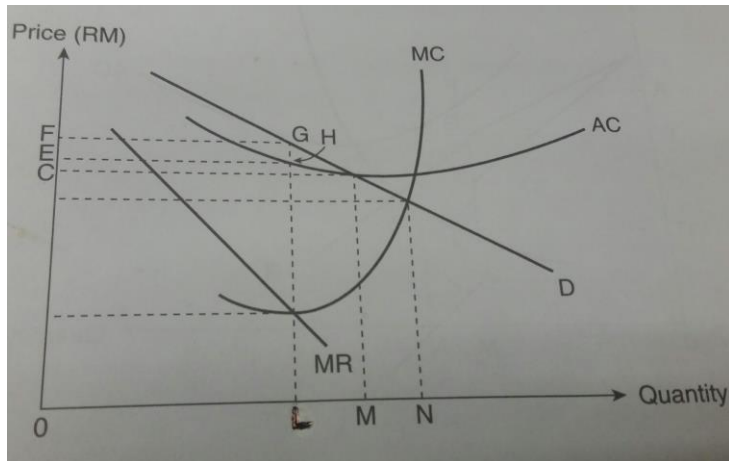
e) Distinguish between economies of scale and diseconomies of scale.

(9 marks)

[Total: 23 marks]

QUESTION 2

The diagram below shows a profit maximizing firm in a monopolistically competitive market.



- a) How much output will be produced by this firm? (2 marks)
- b) At this output level (refer to question a), what will be the price? (2 marks)
- c) What type of profit does the firm experience at this output level? Identify the profit area. (3 marks)
- d) Would you consider this to be a short-run equilibrium or long-run equilibrium? Explain your reasoning. (4 marks)
- e) Explain what is meant by market failure. List down and explain the causes of market failure. (9 marks)
- f) Provide **Two (2)** advantages of a mixed economy system. (4 marks)

[Total: 24 marks]

QUESTION 3

a)

Country	Original	New	Original Tax	New tax
Latveria	RM10000	RM15000	RM1500	RM2250
Somalia	RM13000	RM16000	RM1300	RM1440
Baveria	RM12000	RM18000	RM1320	RM2340

Using relevant computations and the information from the table above determine the tax structure of each of the three countries.

(6 marks)

b)

ITEM	RM (MILLIONS)
Wages and salaries	500
Income from rent, dividend and interest	100
Profit	200
Transfer payment	100
Corp tax	80
Depreciation	50
Private Investment	1,000
Personal Income Tax	20
EPF	50
Net Factor Income Abroad	400

Based on the information above, compute the following

- GDP
- GNP
- NATIONAL INCOME
- PERSONAL INCOME
- DISPOSABLE INCOME

(10 marks)

c) With the help of a diagram illustrate and explain the circular flow of income and the economic integration between four sectors in the economy.

(7 marks)

[Total: 23 marks]

END OF QUESTION PAPER