



Private & Confidential

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Subject Code & Name : **ECO1503 Economics**
Semester & Year : January – April 2017
Lecturer/Examiner : Ms. Chong Poh Ling
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (30 marks) : THIRTY (30) multiple choice questions. Answer ALL questions. Shade your answers in the Multiple Choice Answer Sheet provided.
PART B (70 marks) : FOUR (4) essay questions. Answer ALL questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. 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.
4. 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.

PART B : ESSAY QUESTIONS (70 MARKS)

INSTRUCTION(S) : FOUR (4) essay questions. Answer ALL questions. Answers are to be written in the Answer Booklet provided.

QUESTION 1

- a) List the four factors of production and give a brief description of each. (8 Marks)
- b) A firm is trying to decide which combination of factors of production to use for the production of Good X. There are three combinations which the firm can choose as follows:

	Prices of resources/factors of production	Units of factors of production		
		Combination-1	Combination-2	Combination-3
Land	\$1	6	3	4
Labor	2	4	3	3
Capital	3	3	4	6
Entrepreneurship	4	2	4	1

- i. Calculate the total cost of production for each combination. Which combination is the most efficient? Why? (6 Marks)
- ii. Suppose the price of capital falls to \$1 without any other prices changing. Which of the methods will the firm now choose? Why? (6 Marks)

[Total: 20 Marks]

QUESTION 2

- a) i) Define and explain marginal cost and marginal product. (4 Marks)
- ii) What is the relationship between marginal cost and marginal product? (3 Marks)
- b) Why does the short-run marginal-cost curve eventually increase for the typical firm? (3 Marks)

[Total: 10 Marks]

QUESTION 3

- a) What effect does the increase of the price of corn have on the cost curves of a firm which produce items like corn-based cereal or tortillas? Explain the effect on short-run average variable cost, marginal cost and average total cost. How will this affect the cost curves? (4 Marks)
- b) Explain how the Internet has affected the average fixed cost of a daily print newspaper. (6 Marks)

- c) In the table below you will find a schedule of a firm's fixed cost and variable cost. Complete the table by computing total cost, average fixed cost, average variable cost, average total cost, and marginal cost. Copy the whole table into the answer booklet and write your answer in the answer booklet.

(10 Marks)

Total product	Total fixed cost (RM)	Total variable cost (RM)	Total Cost (RM)	Average fixed Cost (RM)	Average variable Cost (RM)	Average total Cost (RM)	Marginal cost (RM)
0	RM100	0	_____	—	—	—	—
1	100	100	_____	_____	_____	_____	_____
2	100	180	_____	_____	_____	_____	_____
3	100	240	_____	_____	_____	_____	_____
4	100	320	_____	_____	_____	_____	_____
5	100	440	_____	_____	_____	_____	_____
6	100	600	_____	_____	_____	_____	_____
7	100	800	_____	_____	_____	_____	_____
8	100	1040	_____	_____	_____	_____	_____
9	100	1340	_____	_____	_____	_____	_____
10	100	1800	_____	_____	_____	_____	_____

[Total: 20 Marks]

QUESTION 4

- a) Macroeconomics is the study of the structure and performance of national economies and of the policies that governments use to try to affect economic performance. Describe and explain **FIVE (5)** issues that are being addressed by macroeconomists.

(15 marks)

- b) What policy will the Central Bank use if the economy is going through inflation? What are the **THREE (3)** means which the Central Bank will use to reduce the reserves of commercial banks?

(5 marks)

[Total: 20 Marks]

END OF EXAM PAPER