



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Subject Code & Name : **ECO1513 MICROECONOMICS**
Semester & Year : May - August 2017
Lecturer/Examiner : Ms. Tey Sheik Kyin
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:**
PART A (30 marks) : THIRTY (30) multiple-choices questions. Answers are to be shaded in the Multiple Choice Answer Sheet provided.
PART B (70 marks) : FOUR (4) structure-type 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 = 11 (Including the cover page)

PART B : STRUCTURE-TYPE QUESTIONS (70 MARKS)

INSTRUCTION(S) : FOUR (4) structure-type questions. Answer ALL questions in the Answer Booklet(s) provided.

Question 1

- a. Using a production possibility curve (PPF), distinguish between 'productive efficiency' and 'productive inefficiency'. (6 marks)

- b. Table 1 shows the prices, quantity demanded and quantity supplied for good A.

Prices	Quantity demanded (Qd)	Quantity supplied (Qs)
10	580	220
12	500	260
14	420	300
16	340	340
18	260	380

- i. Find the equations for demand and supply. (4 marks)
- ii. Determine the equilibrium price and quantity. (1 marks)
- iii. Calculate the price elasticity of demand for good A when price increase from 14 to 16 and interpret the coefficient of price elasticity of demand. (4 marks)
- iv. Based on answers in part (iii), examine the decision to increase the price of the good A in terms of its effect on total revenue and profits, assuming costs are unchanged. (2 marks)
- v. If the government is considering imposing a maximum price of RM18, identify what type of price control the government is using and analyze the impact on the market outcomes. (3 marks)

[Total: 20 marks]

Question 2

Mary's Frozen Yogurt is a small shop that sells cups of frozen yogurt in a town. Mary owns three frozen-yogurt machines. Her other inputs are refrigerators, frozen-yogurt mix, cups, sprinkle toppings and workers. She estimates that her daily production function when she varies the number of workers employed (and at the same time, of course, yogurt mix, cups and so on) is as shown in the accompanying table. Mary pays each of her workers RM80 per day. The cost of her other variable inputs is RM0.50 per cup of yogurt. Her fixed cost is RM100.

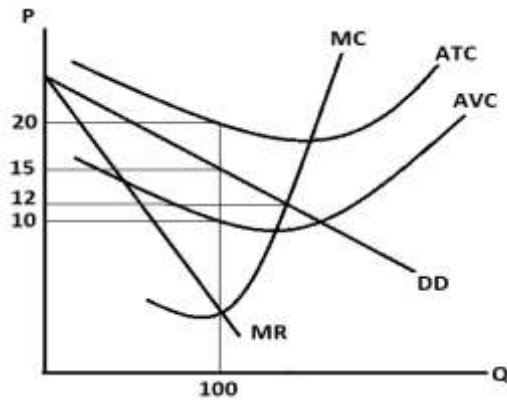
Quantity of labor (workers)	Quantity of frozen yogurt (cups)
0	0
1	110
2	200
3	270
4	300
5	320
6	330

- a. What are the fixed inputs and variable inputs in the production of cups of frozen yogurt?
(2 marks)
- b. For each of the given levels of output, calculate Mary's marginal product. What principle explain why marginal product per worker declines as the number of workers employed increases?
(4 marks)
- c. For each of the given levels of output, calculate the total variable cost (TVC), total cost (TC), average fixed cost (AFC) and marginal cost (MC)
(14 marks)
- [Total: 20 marks]**

Question 3

- a. Compare and explain **THREE (3)** differences between monopolistic competitive firm and oligopolist.
(9 marks)

b.



- i. Determine whether this firm is making profit or losses. (3 marks)
- ii. Based on (i), propose to the owners whether this firm should continue business or shutdown. Explain your answer. (3 marks)

[Total: 15 marks]

Question 4

- a. "Haze from open burning by farmers in Kalimantan causes children in East Malaysia to suffer from cough and asthma."
 - i. Identify and explain the type of the externality describe above. (2 marks)
 - ii. Using an appropriate diagram, illustrate and explain how the above externality leads to inefficiency (5 marks)
- b. Distinguish the differences between contractionary and expansionary monetary policies. (8 marks)

[Total: 15 marks]

END OF QUESTION PAPER