



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Subject Code & Name : **ECO1113 MICROECONOMICS**
Semester & Year : September - December 2016
Lecturer/Examiner : Ms. Tey Sheik Kyin
Duration : 2 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:**
PART A (30 marks) : THIRTY (30) multiple choice questions. Answers are to be shaded in the Multiple Choice Answer Sheet provided.
PART B (70 marks) : Answer ALL 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. The table below shows the economy's production possibility table for pineapples and apples.

Combination	Pineapples (kg)	Apples (kg)
A	21	0
B	20	2
C	15	4
D	6	6
E	0	8

- i. If the economy moves from point A to point B, what is the opportunity cost per unit of fruit?
(2.5 marks)
- ii. If the economy moves from point A to point C, what is the opportunity cost per unit of fruit?
(2.5 marks)
- b. Using demand and supply curves, explain the effects on equilibrium quantity and price of sugar in each of the following cases.
- i. A decrease in the price of coffee (sugar and coffee are complement goods).
(5 marks)
- ii. Producers expect that the price of sugar will increase next month.
(5 marks)
- iii. An increase in income (assume that sugar is normal good).
(5 marks)

[Total: 20 marks]

Question 2

- a. Suppose a seller increases the price of magazine from RM8 to RM10. This causes the quantity demanded to fall from 550 units to 430 units.
- i. Calculate the price elasticity of demand for cakes and interpret the coefficient you obtained from part (i) (6 marks)
 - ii. If the seller’s objective is to increase total revenue, should he increase the price? Why? (4 marks)

- b. Consider the following payoff matrix for duopoly ABC and XYZ

		XYZ's Decision	
		High Price	Low Price
ABC's Decision	High Price	RM100 billion profit for ABC	RM25 billion profit for ABC
		RM100 billion profit for XYZ	RM140 billion profit for XYZ
	Low Price	RM140 billion profit for ABC	RM80 billion profit for ABC
		RM25 billion profit for XYZ	RM80 billion profit for XYZ

- i. Define dominant strategy. (2 marks)
 - ii. What are the strategies that firms would pursue in this game? (2 marks)
- [Total: 14 marks]**

Question 3

- a. Briefly explain **FOUR(4)** assumptions of monopolistic competition. (12 marks)
 - b. Briefly explain the difference between price taker and price searcher (6 marks)
- [Total: 18 marks]**

Question 4

Output (unit)	Total Variable Costs (RM)	Total Cost (RM)	Average Total Cost (RM)	Total Revenue (RM)	Marginal Cost (RM)	Marginal Revenue (RM)
0	0	10	-	-	-	-
1	20	()	()	60	()	()
2	50	()	()	110	()	()
3	90	()	()	150	()	()
4	140	()	()	180	()	()
5	200	()	()	200	()	()
6	270	()	()	210	()	()

- a. What is the total fix cost of this firm? (2 marks)
- b. Calculate the total cost, average total cost, marginal revenue, and marginal cost for each level of product. (12 marks)
- c. What quantity of output should the firm produce? Explain (4 marks)
- [Total:18 marks]**

END OF QUESTION PAPER