



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Course Code & Name : **ECO 1513 MICROECONOMICS**
 Trimester & Year : Sept-Dec 2018
 Lecturer/Examiner : Dr Smitha Geetha
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. 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) : SEVEN (7) short essay 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 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 : SHORT ESSAY QUESTIONS (70 MARKS)

INSTRUCTION(S) : Answer all **SEVEN (7)** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

Using the production possibility curve, examine the concepts of scarcity, choice and opportunity cost. (10 marks)

Question 2

Describe the features and characteristics of competitive and non-competitive markets. (10 marks)

Question 3

Based on the data below, you are required to answer the following questions.

Quantity	Total Variable Cost	Total Fixed Cost	Total Cost	Marginal Cost	Average Total Cost	Average Variable Cost	Average Fixed Cost
0			360				
1			540				
2			600				
3			630				
4			675				
5			780				
6			990				

a) Complete the table above. (8 marks)

b) What is the fixed cost incurred by the firm? (2 marks)

Question 4

a) Distinguish between income elasticity and cross elasticity of demand. (4 marks)

b) When the price of four- star hotel rooms rose from \$160 to \$180, quantity demanded fell from 3200 to 2800 rooms per week. Calculate the price elasticity of demand. (6 marks)

Question 5

A survey indicated that chocolate is Americans' favourite ice cream flavour. For each of the following, indicate the possible effects on demand, supply or both as well as equilibrium price and quantity of chocolate ice cream.

- a) A severe drought in the Midwest causes dairy farmers to reduce the number of milk-producing cattle in their herds by a third. These dairy farmers supply cream that is used to manufacture chocolate ice cream.
- b) A new report by the American Medical Association reveals that chocolate does, in fact, have significant health benefits.
- c) The discovery of cheaper synthetic vanilla flavoring lowers the price of vanilla ice cream.
- d) New technology for mixing and freezing ice cream lowers manufacturers' costs of producing chocolate ice cream.

(10 marks)

Question 6

Explain how economies and diseconomies of scale determine the shape of a firm's long run average cost curve.

(10 marks)

Question 7

List and explain **FIVE (5)** factors affecting aggregate demand curve to shift right and left.

(10 marks)

END OF EXAM PAPER