



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) :

Course Code & Name : **ECO1513 MICROECONOMICS**
 Semester & Year : September-December 2020
 Lecturer/Examiner : Dr Smitha Geetha
 Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- This question paper consists of 2 parts:
PART A (30 marks) : Answer all 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) essay 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 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.

Total Number of pages = 3 (Including the cover page)

PART B : ESSAY QUESTIONS (70 MARKS)

INSTRUCTION(S) : Answer all **FOUR (4)** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

In each of the following situations, discuss what will happen to the equilibrium price and the equilibrium quantity for a particular product, which is an inferior good.

- a. The population increases and productivity increases. (2 marks)
- b. Income increases and the price of inputs decrease. (2 marks)
- c. The number of firms in the market decreases and income increases. (2 marks)
- d. Consumer preference increases and the price of a complement decreases. (2 marks)
- e. The price of a substitute in consumption decreases and the price of a substitute in production decreases. (2 marks)

[Total: 10 marks]

Question 2

- a. Describe the economic concepts represented in the production possibilities model. (8 marks)
- b. Summarize your answer "If Mexico is currently operating at a point beyond its production possibilities frontier, then there are unemployed or misallocated resources in Mexico." Discuss whether this statement true or false. (5 marks)
- c. Explain briefly "If Mexico is currently operating at a point inside its production possibilities frontier, then there are unemployed or misallocated resources in Mexico." Discuss whether this statement true or false. (5 marks)
- d. Interpret what does the vertical intercept of a production possibilities frontier represent. (2 marks)

[Total: 20 marks]

Question 3

- a. Central Grocery in New Orleans is famous for its muffaletta, a large round sandwich filled with deli meats and topped with a tangy olive salad. Suppose the following table represents cost and revenue data for Central Grocery. Fill in the columns for TR, MR, MC, ATC, and profit.

Muffalettas Sold per Day	Price (P)	Total Revenue (TR)	Marginal Revenue (MR)	Total Cost (TC)	Marginal Cost (MC)	Average Total Cost (ATC)	Profit
0	\$15			\$12			
1	14			18			
2	13			20			
3	12			21			
4	11			23			
5	10			26			
6	9			30			
7	8			35			
8	7			42			
9	6			52			
10	5			78			

(10 marks)

- b. Calculate what price should it charge for a muffaletta, what quantity should it sell, and what will be the amount of its total profit, if Central Grocery wants to maximize profit. (3 marks)
- c. Explain the significance of brand management to a firm that has differentiated its product. Comment specifically on the importance of obtaining a trademark. (7 marks)

[Total: 20 marks]

Question 4

- a. Define price discrimination. Discuss the **FOUR (4)** factors, which leads to price discrimination in monopoly market structure. (10 marks)
- b. Explain the structure of the circular flow model. (6 marks)
- c. Illustrate a circular flow diagram with households and firms and without government. Label the markets and the flows in the circular flow diagram. (4 marks)

[Total: 20 marks]

END OF EXAM PAPER