BERJAYA
UNIVERSITY COLLEGE
OF HOSPITALITY

FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures)   :

Student ID (in Words)   :

Subject Code & Name   : **ECO1513 MICROECONOMICS**
Semester & Year   : September – December 2021
Lecturer/Examiner   : Suhada Binti Ishak
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) problem solving 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 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 = 9 (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

The table below shows the demand and supply schedules for compact discs (CD) for a month.

Price (RM)	Quantity demanded (units)		Quantity supplied (units)	
	Household demand	Market demand	Individual supply	Market supply
2.00	20		30	
2.50	18		40	
3.00	15		50	
3.50	12		55	
4.00	10		60	
4.50	7		68	

There are 50 households purchasing and 15 sellers selling the CDs in the market.

a. For each price, determine the market demand and the market supply of the CDs.

(6 marks)

b. Using a diagram, plot the market demand and market supply curves for the CDs.

(4 marks)

c. Determine the equilibrium price and equilibrium quantity for the CDs in the market.

(2 marks)

d. The government decided to impose a ceiling price of RM 1 below the equilibrium price.
  i. State the new equilibrium price.
  ii. Calculate the shortage or surplus that could be.
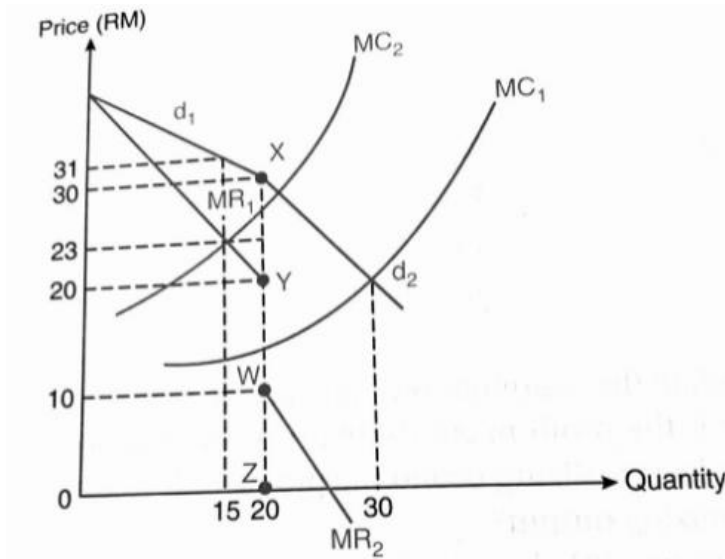
(3 marks)

[Total: 15 marks]

Question 2

a. Based on the following table, answer the questions.

Price of Good A (RM)	Quantity demanded for Good B (kg)	Quantity demanded for Good C (kg)	Consumers income
20	200	200	2,000
25	160	300	1,800
30	120	400	1,600
35	80	500	1,400

i.   Determine the cross elasticity of demand for Good B when the price of Good A increases from RM 25.00 to RM 35.00 per kg.

(2 marks)

ii.   Determine the relationship between Good B and Good A.

(2 marks)

iii.   Calculate the income elasticity of demand for Good C when income increases from RM 1,600 to RM 2,000.

(2 marks)

iv.   Based on question (iii) above, Good C is a(n) _____ good.

(2 marks)

b.   The following graph shows a profit maximizing firm in an oligopoly market.

i.   If the marginal cost curve is at MC_1, determine the profit maximizing price and quantity.

(2 marks)

ii.   If the marginal cost curve shifts from MC_1 to MC_2, identify the new equilibrium price and output.

(2 marks)

iii.   State what will happen to equilibrium price and quantity, if the marginal cost shifts in the gap between Y and W. Name the price called.

(2 marks)

iv.   State **THREE (3)** characteristics of oligopoly market.

(6 marks)

[Total: 20 marks]

Question 3

a. Define long-run average cost. (2 marks)
b. Using a graph, discuss why long-run average cost curve of a firm is U-shaped.

(13 marks)
[Total: 15 marks]

Question 4

Discuss the **FOUR (4)** differences for each, between changes in quantity supplied and changes in supply. Provide the curve for each one.

(20 marks)

END OF EXAM QUESTIONS