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ONLINE FINAL EXAMINATION

COURSE NAME	:	**MICROECONOMICS**
COURSE CODE	:	**ECO1013**
EXAMINATION	:	**DECEMBER 2021**
DURATION	:	**3 HOURS**

INSTRUCTION TO CANDIDATES

1. This question paper consists of **TWO (2)** parts :   PART A (40 Marks)

                                                                     PART B (60 Marks)

2. Please refer to the detailed instructions in this question paper.

3. Answer ALL questions in the answer sheet which is A4 size paper (or other paper with the consent of the relevant lecturer).

4. Write your details as follows in the upper left corner for each answer sheet:
   - i. Student Full Name
   - ii. Identification Card (I/C) No.
   - iii. Class Section
   - iv. Course Code
   - v. Course Name
   - vi. Lecturer Name

5. Each answer sheet must have a page number written at the bottom right corner.

6. Answers should be **neat and clear in handwritten form**.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO
*This examination paper consists of **6** printed pages including front page*

PART A

This part consist of **TWENTY (20)** questions.

Answer ALL in Answer Sheet.

1. _____ refers to the methods or techniques goods produced in a country.
   A How to produce.
   B What to produce.
   C For whom to produce.
   D How much to produce.

2. Which locations on the production possiblilities curve represents scarcity?
   A A point along the production possibilities curve.
   B A point inside the production possibilities curve.
   C A point outside the production possibilities curve.
   D The movement on the production possibilities curve from Y-axis to X axis.

3. Which of the following types of economy describes the economy of the Germany?
   A Mixed economy.
   B Islamic economy.
   C Socialist economy.
   D Capitalist economy.

4. As the price of normal good increase, the quantity demanded will _____.
   A Increase.
   B Decrease.
   C Be uncertain.
   D Be unchanged.

5. The order of classification for goods from an Islamic economic viewpoint is?
   A *Kamaliyyah, Hajiyyah, Tarafiyyah,* and *Dharuriyyah*.
   B *Kamaliyyah, Tarafiyyah, Dharuriyyah* and *Hajiyyah*.
   C *Dharuriyyah, Kamaliyyah, Hajiyyah,* and *Tarafiyyah*.

    D *Dharuriyyah, Hajiyyah, Kamaliyyah,* and *Tarafiyyah*.

6. Which of the following will cause the demand for product B to change?

    A Number of supplier increase.

    B A change in consumer tastes.

    C An increase in supplier income.

    D An increase in the cost of production.

7. The demand for beef and leather may be interrelated because both are?

    A Supplementary.

    B Complementary.

    C Jointly supplied.

    D Jointly demanded.

8. If the demand for Good B declines as the price of Good C decrease, then Good K and Good Z are_____.

    A Normal good.

    B Inferior good.

    C Substitute good.

    D Complementary good.

9. Surplus refers to a situation in which market price?

    A Is high enough to allow firms to earn a fair profit.

    B Is low enough for consumers to buy all that they want.

    C Is at a level where there is neither a shortage nor a surplus.

    D Is just above the intersection of the market supply and demand curves.

10. Consumer receive more benefits of subsidy when?

    A Supply is perfectly inelastic.

    B Demand is perfectly inelastic.

    C Demand is less elastic than supply.

    D Demand is more elastic than supply.

11. If the price is higher the equlibirium price, there would be the problem of _____
and the price will _____ towards the equilibrium price.

   A surplus; increase.

   B surplus; decrease.

   C shortage; increase.

   D shortage; decrease.

12. In the _____ there is a combination of at least one fixed input with one or
more variable input(s).

   A long run.

   B short run.

   C law of variable propotion.

   D law of diminishing marginal returns.

13. A farm is able to produce 2,000 tons of melons per season on 100 acres.
Assume it adds one more acre and is able to produce 3,000 tons per season.
The marginal product of the additional acre of land for this farm is?

   A 2,000 tons per acre per year.

   B 3,000 tons per acre per year.

   C 1,000 tons per acre per year.

   D 5,000 tons per acre per year.

14. In _____ phase of the laws of returns to scale, TP rises as increasing
rate, MP increase in tandem.

   A returning.

   B constant returns.

   C increasing returns.

   D decreasing returns.

15. Which of the following is not an external sources of economics of scale?

   A Infrastructure.

   B Technical economies.

   C Economic of information.

   D Economic of concentration.

16. In a monopolistic market _____.
    A the demand curve is perfectly elastic.
    B one firm produces the entire market supply.
    C there are large number of sellers in the industry.
    D the firm cannot influence the price of its product.

17. If a perfectly competitive firm produce 100 units of goods at the market price of RM 50.00, the marginal revenue faced by the firm is _____.
    A RM 50.00.
    B RM 100.00.
    C Less than RM 50.00.
    D More than RM 50.00.

18. Which of the following is not the characteristic of a monopoly competitive market?
    A Unique without close substitutes product.
    B A relatively large number of firms.
    C A downwards sloping demand curve.
    D Need minimum advertising.

19. Under which market structure are the conditions of entry the most difficult?
    A Oligopoly.
    B Monopoly.
    C Perfect competition.
    D Monopolistic competition.

20. According to the assumption of the kinked demand curve, when one oligopolistic firm decrease its price, other oligopolistic firms will?
    A Exit from the industry.
    B Decrease their price as well.
    C Increase advertising expenditures.
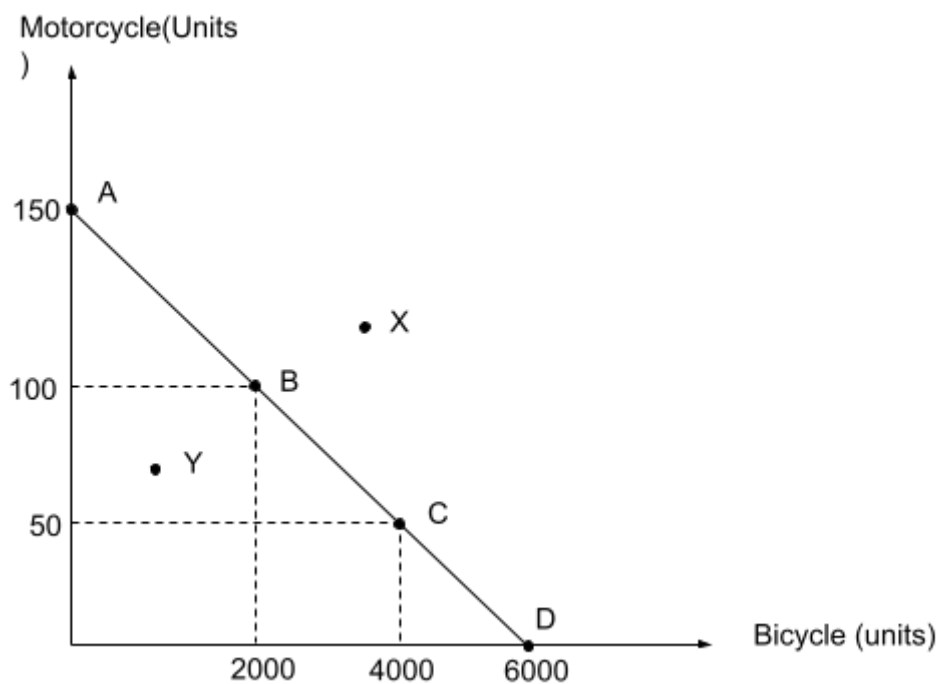   D Not follow, but maintain the same prices as before.

[40 MARKS]

PART B

This part consist of **FOUR (4)** questions.

Answer ALL questions in Answer Sheet.

QUESTION 1

The diagram below depicts the Production Possibilities Curves (PPC) for a nation producing motorcycle and bicycle. The usual assumptions regarding PPC are implied.

a. Define Production Possibility Curve (PPC). List **two (2)** assumptions to construct a PPC.

(4 marks)

b. Calculates the opportunity cost for the first 150 units of motorcycle. State the type of opportunity cost faced by the country. Give a reason to your answer.

(3 marks)

c. List **two (2)** factors that can shift the production possibilities curve outward.

(2 marks)

d. Identify what these points indicate:

   i)   Point C.

   ii)   Point X.

   iii)   Point Y.

(3 marks)

e. Illustrate in separate diagrams the effect of the following situations on the Production Possibilities Curves (PPC).

   i)   The pandemic Coronavirus disease 2019 (COVID-19) spreads throughout the community causing a less people buying bicycle.

   ii)   An introduction of new technology in the productions of motorcycle.

(3 marks)

QUESTION 2

The table below shows the demand and supply schedules of corn per week at Bandar Aman.

Price (RM per unit)	Quantity Supplied (Kg)		Quantity Demanded (Kg)	
	Firm A	Firm B	Buyer A	Buyer B
1.00	20	30	250	180
2.00	40	60	230	160
3.00	60	90	210	130
4.00	80	120	180	100
5.00	100	150	160	90
6.00	120	180	140	70
7.00	140	200	120	50

a. Determine the equilibrium price and quantity of corn.

(2 marks)

b. If consumers' income falls from RM4000 to RM2000, the quantity demanded for corn decrease from 300 units to 200 units. Calculate the income elasticity of demand and identify the type of good for corn.

(3 marks)

c. Suppose the government has intervened in the market and set a price of RM 7.00;

   i.   Name the type of price control implemented by the government.

(1 marks)

   ii.   Determine whether there will be a surplus or shortage of the car.

(1 marks)

   iii.   Calculate how much surplus or shortage of the car.

(2 marks)

d. Briefly explain the effect of the following situation on market equilibrium of corn.

   i.   Subsidy received by the corn farmers on market equilibrium.

(2 marks)

   ii.   Increase in income among resident in Bandar Aman.

(2 marks)

   iii.   New technology in corn harvesting.

(2 marks)

QUESTION 3

A firm uses a fixed number of land and several raw materials to produce its output. Based on the diagram below, answer the following questions.
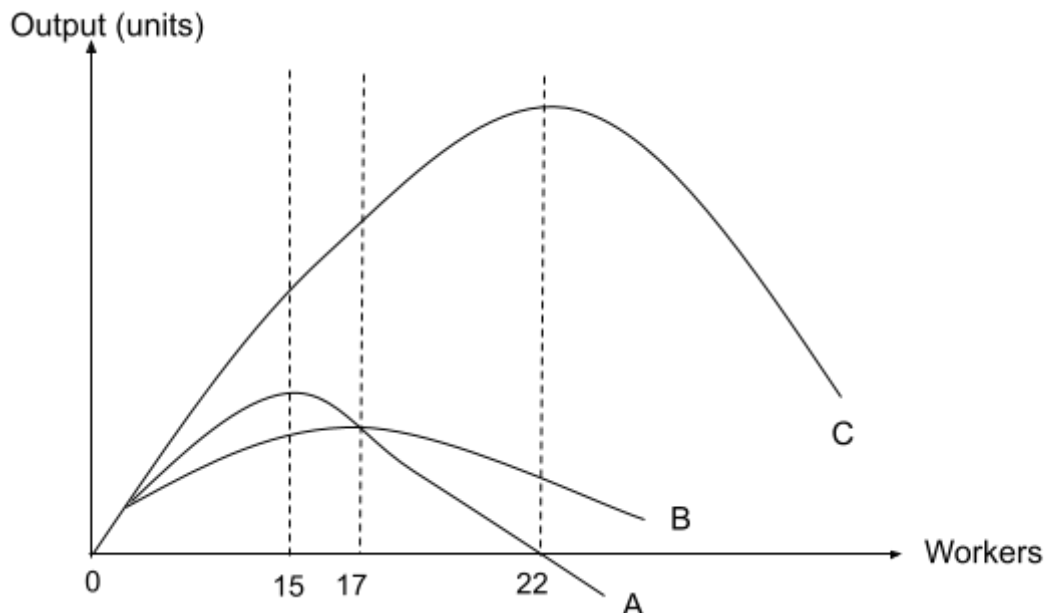
a. Identify what these labels A, B and C indicate.

(3 marks)

b. Define the law of diminishing marginal return and state at what number of workers does the diminishing marginal returns set in.

(3 marks)

c. State the range of number of workers that the firm would most likely hire. Justify your answer why would the firm choose that range.

(2 marks)

d. State whether the firm operating in the short run or long run. Give a reason for your answer.
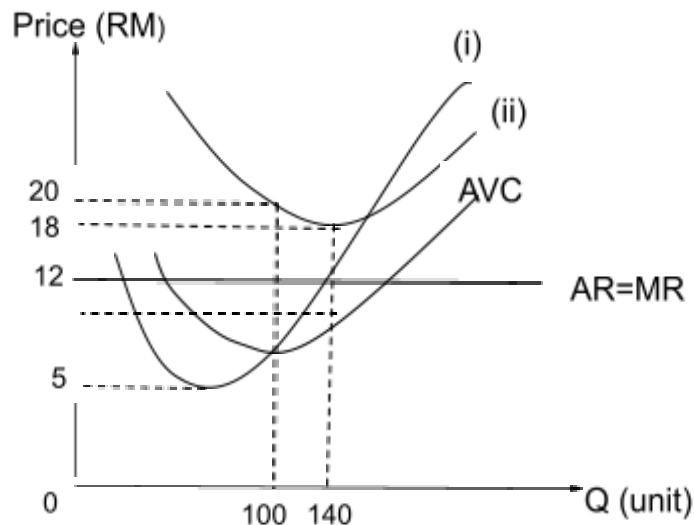
(2 marks)

e. The following table shows the cost schedule for the Adawiyah Sdn. Bhd. in the short run. Complete the table below.

(5 marks)

Total Product (unit)	Total Cost (RM)	Total Variable Cost (RM)	Average Variable Cost (RM)	Average Cost (RM)	Marginal Cost (RM)	Total Fixed Cost (RM)
0	120					
10	150					
20	170					
30	186					
40	210					
50	250					
60	306					
70	370					
80	390					
90	430					

QUESTION 4

The diagram below shows the profit-maximizing condition of a firm.

a. Identify the market structure that the firm is operating in. Give a reason for your answer.

(2 marks)

b. List any **two (2)** characteristics of this market structure.

(2 marks)

c. Label the curve (i) and (ii).

(2 marks)

d. Based on the diagram above;
    i. Determine the profit-maximizing price and quantity of this firm

(2 marks)

    ii. Calculate the profit or loss achieve by this firm.

(3 marks)

    iii. State the type of profit or loss earned.

(2 marks)

e. State whether the firm should continue or shut down its operation. Justify your answer.

(2 marks)

[60 MARKS]

END OF QUESTION PAPER