KOLEJ POLY-TECH MARA

FINAL EXAMINATION

COURSE	**:**	**MICROECONOMICS**
COURSE CODE	**:**	**PEC1133**
DURATION	**:**	**02 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **THREE (3)** parts : PART A (15 questions)
   PART B (15 questions)
   PART C (03 questions)
2. Answer ALL questions from PART A, PART B and PART C.
   i. Answer PART A in the Objective Answer Sheet.
   ii. Answer PART B in the True/False.
   iii. Answer PART C in the Answer Booklet provided
3. Please check to make sure that this examination pack consists of:
   i. The Question Paper
   ii. An Answer Booklet
   iii. An Objective Answer Sheet
   iv. A True/False Answer Sheet
   v. Appendix
4. Do not bring any material into the examination hall unless permission is given by the invigilator.
5. Please write your answer using a ball-point pen.

MYKAD NO : ____________________

ID. NO. : ____________________

LECTURER : ____________________

SECTION : ____________________

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

The question paper consists of 09 printed pages

PART A: MULTIPLE CHOICE QUESTIONS
Choose the best answer.

1. **(1 point)**

Which factor of production is fixed in the short run?

A. Labour
B. Building
C. Electricity
D. Raw of material

2. **(1 point)**

When the marginal product curve cuts the average product curve, the average product is ______________.

A. increased
B. decreased
C. at its maximum
D. at its minimum

3. **(1 point)**

As the total product increase, the amount of input used remain unchanged. The input refers to ___________.

A. fixed input
B. variable input
C. short run production
D. long run production

4. **(1 point)**

Stages III shows the Law of ___________________Marginal Returns.

A. Positive
B. Negative
C. Increasing
D. Decreasing

5. **(1 point)**

When total product curve is decreasing, the marginal product curve will be ___________.

A. positive

B. negative

C. unchanged

D. at its minimum point

6. **(1 point)**

Long run refers to the time period in which_______________________.

A. all resources are fixed

B. at least one input is fixed

C. all resources are variable

D. there are fixed and variable resources

7. **(1 point)**

In the short run production, when output is zero, total variable cost will be _______________.

A. zero
B. positive
C. constant
D. initially increase then will decrease

8. **(1 point)**

Which of the following is an implicit cost to a firm?

A. fuel bills
B. wages of hiring cleaner
C. cost of buying raw of material
D. warehouse that used by firm but self-owned

9. (**1 point)**

Which of the following statement is **TRUE**?

A. Marginal cost curve cuts average cost curve at the minimum point on average cost curve.

B. Average cost curve cuts marginal cost curve at the minimum point on marginal cost curve.

C. Marginal cost curve cuts average cost curve at the maximum point on average cost curve

D. Marginal cost curve cuts average cost curve at the maximum point on average cost curve.

10. **(1 point)**

Which of the following market structures has a perfectly elastic demand curve?

A. Monopoly
B. Oligopoly
C. Perfect Competition
D. Monopolistic Competition

11. (**1 point)**

All of the following are characteristics of perfect competitive firm, **EXCEPT**__________.

A. price taker
B. mutual interdependent
C. many sellers and buyers
D. easy entry and exit in the market

12. (**1 point)**

In the long run, monopoly firm will earn a supernormal profit due to_____________.

A. barriers to entry
B. free entry and exit
C. the firm is a price taker
D. the firm is a price maker

13. (**1 point)**

Which of the following is the characteristic of a monopolistic competitive firm?

A. There are only a few firms in the market.
B. Products produced are no close substitute.
C. There is a barrier for new firms to enter the market.
D. The firms practice non-price competition to increase the sales.

14. (**1 point)**

A product that is differentiated is also known as________________.

A. complementary products.
B. products without any substitutes.
C. also known as identical products.
D. products with many close substitutes.

15. (**1 point)**

According to the assumption of the kinked demand curve, when a oligopolistic firm increases its price, other oligopolistic firms will________________.

A. increase their prices
B. decrease their prices
C. maintain at the same prices
D. practices non-price strategies

PART B: TRUE/FALSE QUESTIONS

Indicate whether the statement is True or False.

1. **(1 point)**
Short run is a period in which some inputs are fixed and other inputs are variable.

2. **(1 point)**
The total product can be obtained by dividing the average product by workers.

3. **(1 point)**
The total product curve shows the relationship between the quantity of variable input and the total output produced.

4. **(1 point)**
The law of diminishing returns occurs in the stages II of production.

5. **(1 point)**
Average total cost, average variable cost and marginal cost curves are U–shaped cost curves.

6. **(1 point)**
Total variable costs refer to the costs that rise as output increases.

7. **(1 point)**
When total cost increases, average fixed cost will decrease.

8. **(1 point)**
Supernormal profit is obtained when the average revenue is greater than the average cost.

9. **(1 point)**
Perfect competition firms earn supernormal profit in the long run.

10. **(1 point)**
In the perfect competition firms, there are no significant barriers to entry and exit of a new firm.

11. **(1 point)**
The shutdown conditions in perfect competition occurs when average revenue is less than average variable cost.

12. **(1 point)**
Monopolistic competition firms produce differentiated products with many close substitutes.

13. **(1 point)**
A firm which can influence the price of the product is known as price taker.

14. **(1 point)**
The automobile industry is an example of an oligopoly firm.

15. **(1 point)**
An oligopoly firm faces no competition and has freedom of the market.

PART C: Structured Questions
Answer ALL questions.

1. **(10 points)**

Table 1 shows the relationship between input and output for producing television.

Table 1

Capital (units)	Labour	Total Product (TP)	Marginal Product (MP)	Average product (AP)
8	0	0	-	-
8	1	8		
8	2	20		
8	3	33		
8	4	44		
8	5	50		
8	6	54		
8	7	56		
8	8	56		
8	9	54		
8	10	50		

a. Complete the table above. (4 points)
(Instruction: Draw a complete table consisting of MP and AP in the answer booklet)

b. Identify either the firm operates in the short run or long run. Give your reason. (2 points)

c. Define the Law of Diminishing Marginal Returns. (2 points)

d. Determine the number of workers when the Law of Diminishing Return set in. (1 point)

e. For a rational producer, which stage will he choose? (1 point)

2. **(10 points)**
Table 2 shows the cost of production to produce chocolate cakes.

Table 2

Output (units)	Total cost (TC)	Total Fixed Cost (TFC)	Total Variable Cost (TVC)	Average Variable Cost (AVC)	Average Cost (AC)	Marginal Cost (MC)
0	100			-	-	-
1			65	65	165	
2			84			
3			114			
4			137			

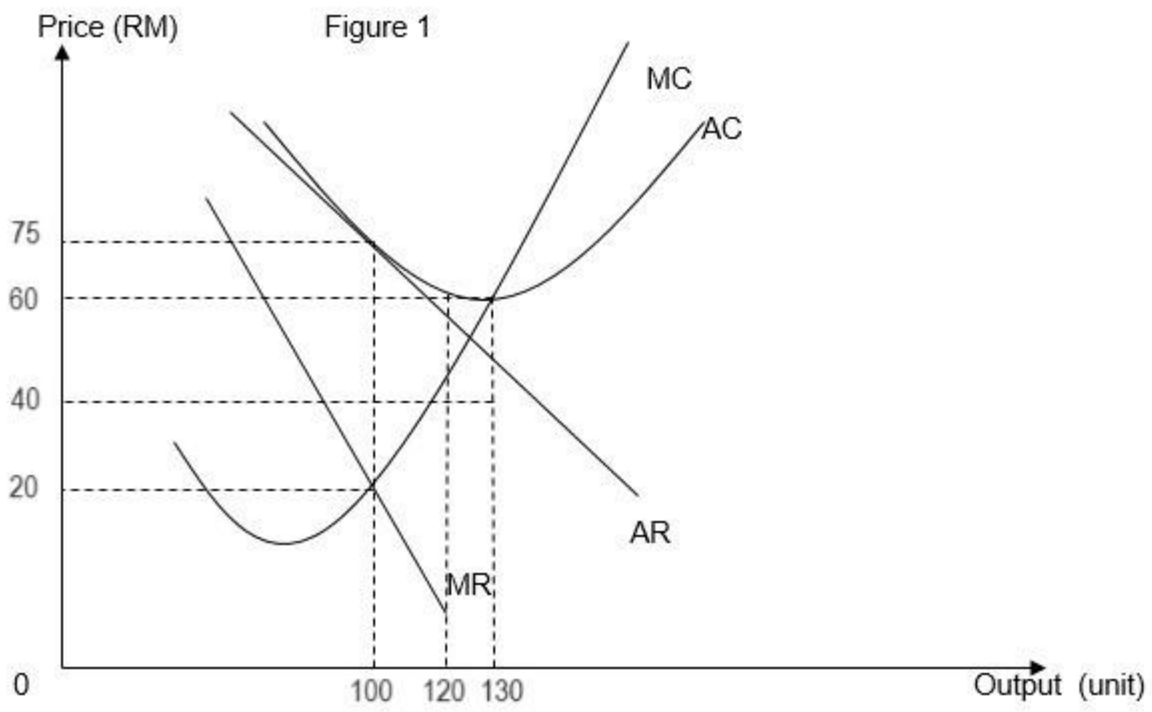
a. Complete the above table. (5 points)

(Instruction: Draw a complete table consisting of TC, TFC, AVC, AC and MC in the answer booklet)

b. Find the value of average fixed cost (AFC) at the 4^{th} output. (1 point)

c. Sketch the Average Cost, Average Fixed Cost, Average Variable Cost and Marginal Cost curves in a diagram. (4 points)

3. **(10 points)**
The diagram shows the profit-maximizing of a monopolistic firm.



a. Determine the profit-maximizing price and output. (2 points)

b. Compute the amount of profit received by the firm at equilibrium. (2 points)

c. Identify the type of profit earned in this market. Give a reason. (2 points)

d. State **TWO (2)** similarities between perfect competition and monopolistic competition. (2 points)

e. Identify the type of profit earned in the long run. Justify your answer. (2 points)

END OF QUESTION PAPER

APPENDIX

LIST OF FORMULA

1. $TP = AP \times Labor$

2. $AP = \frac{TP}{Labor}$

3. $MP = \frac{\Delta TP}{\Delta L}$

4. $TC = TFC + TVC$

5. $AC = AFC + AVC$

6. $TC = \frac{\Delta TC}{\Delta Q}$

7. $AC = \frac{TC}{Q}$

8. $AFC = \frac{TFC}{Q}$

9. $AVC = \frac{TVC}{Q}$

10. $TR = P \times Q$ or $AR \times Q$

11. $MR = \frac{\Delta TR}{\Delta Q}$

12. $AR = \frac{TR}{Q}$

13. $Profit / Loss = TR - TC$