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 (14 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 A 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 1
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)

The relationship between output and input is known as _____.

A. consumption function
B. production function
C. utilization function
D. sales function

2. (1 point)

Which of the following is describes the characteristics of stage 3 of production?

A. The law of Increasing returns.
B. Diminishing returns.
C. Average product increases.
D. Marginal product becomes negative.

3. (1 point)

Which of the following is **NOT** a factor of production?

A. Land.
B. Labor.
C. Money
D. Entrepreneur.

4. (1 point)

Which factor of production is fixed in the short run?

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

5. (1 point)

In the long run, a firm can adjust _____.

A. both fixed inputs and variable inputs
B. neither fixed nor variable outputs
C. only variable inputs
D. only fixed costs

The average variable cost can be calculated by _____.

A. total cost divided by total output
B. marginal cost divided by total output
C. total fixed cost divided by total output
D. total variable cost divided by total output

7. (1 point)

Marginal cost is defined as_____.

A. additional total cost of producing one more unit of output
B. total variable cost plus total fixed cost
C. total fixed cost divided by total output
D. total cost divided by total output

8. (1 point)

Which of the following is **NOT** the relationship between marginal cost (MC) and average variable cost (AVC)?

A. MC is greater than AVC, AVC increase.
B. MC is less than AVC, AVC decrease.
C. MC intersects AVC, AVC is at its minimum point.
D. MC is less than AVC, AVC is at its maximum.

9. (1 point)

Diseconomies of scale occur when a firm's long-run average cost_____.

A. increases as output increases
B. decreases as output increases
C. increases as output decreases
D. remains constant even as output increases

10. (1 point)

In the long run, a monopolistic competitive firm will earn a normal profit because of _____.

A. price rigidity
B. barriers to entry
C. free entry and exit
D. mutual interdependence

At a profit maximizing point, monopoly and perfect competition is similar when _____.

A. MR = MC
B. MR > MC
C. MR < MC
D. MR > AVC

12. (2 points)

Assume a perfectly competitive firm increases production from 9 to 10 units. If the market price is RM30 per unit, total revenue for 10 units is _____.

A. RM30
B. RM10
C. RM100
D. RM300

13. (1 point)

A monopolist earns a subnormal profit when _____.

A. marginal cost (MC) equals average revenue (AR)
B. marginal revenue (MR) equals average revenue (AR)
C. average total cost (ATC) equals average revenue (AR)
D. average total cost (ATC) more than average revenue (AR)

14. (1 point)

Monopoly and oligopoly firms are similar in terms of _____.

A. number of sellers
B. non-price competition
C. kinked demand curve analysis
D. supernormal profit in the long run

PART B: TRUE /FALSE QUESTIONS
Indicate whether the statement is True or False.

1. (1 point)
The law of diminishing marginal returns states that as more units of variable input are added to a fixed input, the marginal product of the variable input will eventually decline.

2. (1 point)
Marginal product measures the change in input resulting from a one unit change in output.

3. (1 point)
In the short run production, all inputs are considered to be variable inputs.

4. (1 point)
Total variable cost will change when output changes.

5. (1 point)
Average total cost is equal to marginal cost when the marginal cost is at its minimum.

6. (1 point)
Total revenue refers to the total amount of money received from the sale of goods and services.

7. (1 point)
Explicit cost is the payment made for factors of production that are purchased for production.

8. (1 point)
In the perfect competition, marginal revenue curve is horizontal.

9. (1 point)
A price taker means that a firm in the market cannot influence the price of the goods it produced.

10. (1 point)
A pure monopolist can be defined as a one-firm industry.

11. (1 point)
PETRONAS is an example of a monopoly in Malaysia.

12. (1 point)
The marginal revenue (MR) curve of a monopolistic firm lies below the average revenue (AR) curve.

13. (1 point)
In long-run equilibrium, the average revenue (AR) of a monopolistic firm will equal to average cost (AC).

14. (1 point)
Oligopoly is a market structure where there are many sellers.

15. (1 point)
Oligopoly industries are characterized by firms that are interdependent.

PART C: STRUCTURED QUESTIONS
Answer ALL Questions

1. (20 points)
Table 1 shows the production of a company that is involved in the production of shirts.

Table 1

Capital (units)	Labour	Total Product (TP)	Marginal Product (MP)	Average product (AP)
10	0	0	-	-
10	1	8		
10	2	18		
10	3	36		
10	4	48		
10	5	55		
10	6	60		
10	7	63		
10	8	63		
10	9	61		
10	10	57		

a. Complete the table above. (5 points)

(Instruction: Draw a complete table in the answer booklet to show the values for MP and AP)

b. At what number of labors is the total product at its maximum? (1 point)

c. In a diagram, sketch the average product (AP), marginal product (MP) and total product (TP) curves and indicate the **THREE (3)** stages of production. (4 points)

2. (20 points)

Table 2 shows the cost of production for Hany Enterprises.

Table 2

Output (units)	Total Cost (TC)	Total Fixed Cost (TFC)	Total Variable Cost (TVC)	Average Total Cost (AC)	Average Variable Cost (AVC)	Marginal Cost (MC)
0	8	8	0	-	-	-
1	60	8				
2	70	8				
3	96	8				
4	110	8				
5	123	8				
6	154	8				
7	192	8				

a. Complete the table above. (7 points)

(Instruction: Draw a complete table in the answer booklet to show the values for TVC, ATC, AVC, and MC)

b. In a diagram, sketch the average total cost (AC), average variable cost (AVC) and marginal cost (MC). (3 points)

3. (10 points)

Table 3 shows the production costs and revenues for Ayang's Bistro.

Table 3

Output (units)	Price (RM)	Total Cost (RM)	Marginal Cost (units)	Total Revenue (RM)	Marginal Revenue (RM)
0	80	80	-	0	-
1	72	82		72	
2	64	88		128	
3	56	100		168	
4	48	124		192	
5	40	160		200	

a. Complete the above table. (4 points)
(Instruction: Draw a complete table in the answer booklet to show the values for MC and MR).

b. State the equilibrium price and output for the firm. (2 points)

c. At the profit-maximizing output, compute the profit or loss earned by the firm. (3 points)

d. Based on answer 3 (c), identify the type of profit earned by this firm. (1 point)

END OF QUESTION PAPER

APPENDIX 1

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

7. $MC = \frac{\triangle TC}{\triangle Q}$

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

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

10. $TR = P \times Q \text{ or } AR \times Q$

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

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

13. $Profit/Loss = TR - TC$