



FINAL EXAMINATION

COURSE : MICROECONOMICS

COURSE CODE : PEC1133

DURATION : 2 HOURS

INSTRUCTIONS TO CANDIDATES :

1. This question paper consists of **THREE (3)** parts : PART A (23 questions)
: PART B (11 questions)
: PART C (3 questions)
2. Answer ALL questions from PART A, PART B and PART C.
3. Please check to make sure that this examination pack consists of :
i. The Question Paper
4. The answer must be in handwriting. Please write your answer using a ball-point pen on foolscap paper. The answer need to be submitted to your respective lecturer using:
 - i. Upload the PDF file via Google Classroom **OR**,
 - ii. Upload the PDF file via email **OR**,
 - iii. Upload the PDF file via WhatsApp **OR**,
 - iv. Upload the PDF file via OLES.
5. Plagiarism, copying and cheating will not be tolerated where no marks will be given and disciplinary actions can be taken.

MYKAD NO : _____

ID. NO. : _____

LECTURER : _____

SECTION : _____

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

The question paper consists of 11 printed pages

MARCH2022/C/PEC1133**PART A: MULTIPLE CHOICE QUESTIONS**

Choose the best answer.

1. (1 point)

_____ is the process of transforming the factors of production to produce goods and services.

- A. Marketing
- B. Production
- C. Equilibrium
- D. Consumption

2. (1 point)

An increase in total production due to an increase of one unit of variable input is known as _____.

- A. total product
- B. marginal product
- C. average product
- D. variable product

3. (1 point)

The marginal product curve is above the average product curve when the average product is _____.

- A. zero
- B. negative
- C. increasing
- D. decreasing

4. (2 points)

Table 1

Labor	Average product
1	20
2	25
3	40
4	30
5	20

Based on Table 1, at which level of labor will the total product reach its maximum?

- A. 2.
- B. 3.
- C. 4.
- D. 5.

5. (1 point)
In the short run production, at which stage of production will a rational producer choose to operate?

A. Stage 1.
B. Stage 2.
C. Stage 3.
D. Stage 4.
6. (1 point)
Implicit cost is_____.

A. the cost of fixed input
B. the cost of variable input
C. the cost of factor of production that is owned by a company
D. the cost that a firm cannot recover from the expenditure it has made
7. (1 point)
In the short run, there are_____.

A. both fixed and variable costs
B. variable cost only
C. fixed cost only
D. None of the above.
8. (1 point)
Total fixed cost refers to_____.

A. explicit cost
B. cost of the firm's fixed inputs
C. cost that rise as output increases
D. cost associated with the production of goods
9. (1 point)
Marginal cost is_____.

A. all the costs of the fixed inputs
B. all the costs that vary with output
C. all the costs of production of goods
D. the change in the total cost resulting from a one-unit change in output
10. (1 point)
Average total cost are total cost divided by_____.

A. total output
B. total fixed cost
C. total variable cost
D. the total number of workers employed

11. (1 point)
As output increase, total variable cost will_____.
- A. increase
 - B. constant
 - C. decrease
 - D. initially fall and then increase
12. (1 point)
To maximize profit, a firm should adjust its output until_____.
- A. price equals cost
 - B. marginal revenue equals marginal cost
 - C. marginal revenue equals average cost
 - D. marginal revenue is greater than marginal cost
13. (1 point)
Which of the following statements regarding the perfect competition market is **TRUE**?
- A. $P = MR = AR = D$
 - B. $P = MR = AR = D$
 - C. $P = MR = AR = D$
 - D. $P = MR = AR = D$
14. (1 point)
In perfect competitive industry, a permanent increase in demand creates a temporary economic_____and some firms will_____the industry.
- A. loss; joint
 - B. profit; joint
 - C. loss; exit from
 - D. profit; exit from
15. (1 point)
If a single firm owns key resources for the production processes of a particular product, it means the firm is a_____.
- A. Oligopolist
 - B. Monopolist
 - C. Perfect competitor
 - D. Monopolistic competition

16. (1 point)
Assuming that a monopoly firm's demand curve is downward sloping, its total revenue_____.
- A. increases
 - B. decreases
 - C. none of the above
 - D. either increases or decreases
17. (1 point)
The exclusive rights granted to a composer of music or an author of books is one type of barrier to entry, called a_____.
- A. patent
 - B. copyright
 - C. government license
 - D. None of the above
18. (1 point)
The following are key features of a monopoly **EXCEPT**_____.
- A. diseconomies of scale
 - B. no close substitutes
 - C. control over price
 - D. barriers to entry
19. (1 point)
If firms in monopolistically competitive industries earn an economic profit,_____
- A. firms will neither enter nor exit the industries
 - B. firms will either enter or exit the industries
 - C. other firms will enter or join the industries
 - D. some firms will leave the industries
20. (1 point)
Which of the following statements of an oligopolistic firm is **FALSE**?
- A. It maximizes profit at the point where the marginal revenue equals marginal cost.
 - B. It has influence over the market price.
 - C. It is independent of others' actions.
 - D. It faces a kinked demand curve.

21. (1 point)

In an oligopoly, a kinked demand curve shows_____.

- A. price taker
- B. price maker
- C. price rigidity
- D. the ideal price

22. (1 point)

An industry consists of one large firm with a large cost advantage over its few smaller competitors is known as_____.

- A. oligopoly
- B. monopoly
- C. perfect competition
- D. monopolistic competition

23. (1 point)

Which of the following businesses operates in an oligopoly market in Malaysia?

- A. Electricity.
- B. Food stalls.
- C. Book publisher.
- D. Telecommunication

PART B: TRUE FALSE QUESTIONS

Indicate whether the statement is true or false.

1. (1 point)
In the short run production, all inputs are considered to be variable inputs.
2. (1 point)
The increasing returns to scale refers to any additional in variable input causes the marginal product to decline after a certain point.
3. (1 point)
When total product is at it maximum, marginal product becomes negative.
4. (1 point)
Allowance for depreciation is an example of variable cost.
5. (1 point)
If marginal cost curve is below average total cost, then average total cost is decreasing. .
6. (1 point)
Average fixed cost curve slopes downward as output increases because of the spreading of fixed costs.
7. (1 point)
In a perfect competition market, anyone can participate and there are no restrictions on leaving it.
8. (1 point)
A price taker refers to a seller of a product or resource that can affect or influence the price of the product or resource by changing the amount it sells.
9. (1 point)
In oligopoly, when there is a small change in the marginal cost, there would be no change in price and quantity at equilibrium.
10. (1 point)
The demand curve schedule for a monopolistically competitive faced by the firm is less elastic.
11. (1 point)
An oligopoly is dominated by a few firms that often act interdependently.

PART C: STRUCTURED QUESTIONS

Answer ALL questions.

1. (5 points)

Table 2 shows the total product for Damai Maju Sdn. Bhd.

Table 2

Land (acres)	No. of workers	Total Product (TP)	Average Product (AP)	Marginal Product (MP)
3	0	0	-	-
3	1	80		
3	2	180		
3	3	300		
3	4	400		
3	5	400		
3	6	380		

- a. Calculate the Average Product (AP), and Marginal Product (MP) for the above table. (3 points)
(Instruction: Draw a complete table that consists of AP and MP in the answer booklet)
- b. Is the firm operating in the short run or long run? Justify your answer. (2 points)

2. (10 points)

Table 3 shows the output and cost of a firm with fixed cost of RM 12.

Table 3

Output (Q)	Total Variable Cost (TVC)	Total Cost (TC)	Average Fixed Cost (AFC)
0		12	
1		40	
2		56	
3		66	
4		74	
5		80	
6		87	
7		96	

- Calculate the value of total variable cost (TVC) and average fixed cost (AFC) in the above table. (4 points)
(Instruction: Draw a complete table that consists of TVC and AFC in the answer booklet)
- At 2 units of output, calculate the average variable cost (AVC). (2 points)
- Compute the average total cost (ATC) of the firm at 6 units of output. (2 points)
- Sketch the total cost (TC), total fixed cost (TFC), and total variable cost (TVC) curves in a diagram. (2 points)

3. (20 points)

- a. Table 4 shows some data regarding the firm's operation costs incurred by Keretapi Tanah Melayu Berhad (KTMB). The fixed cost of operation is RM30.

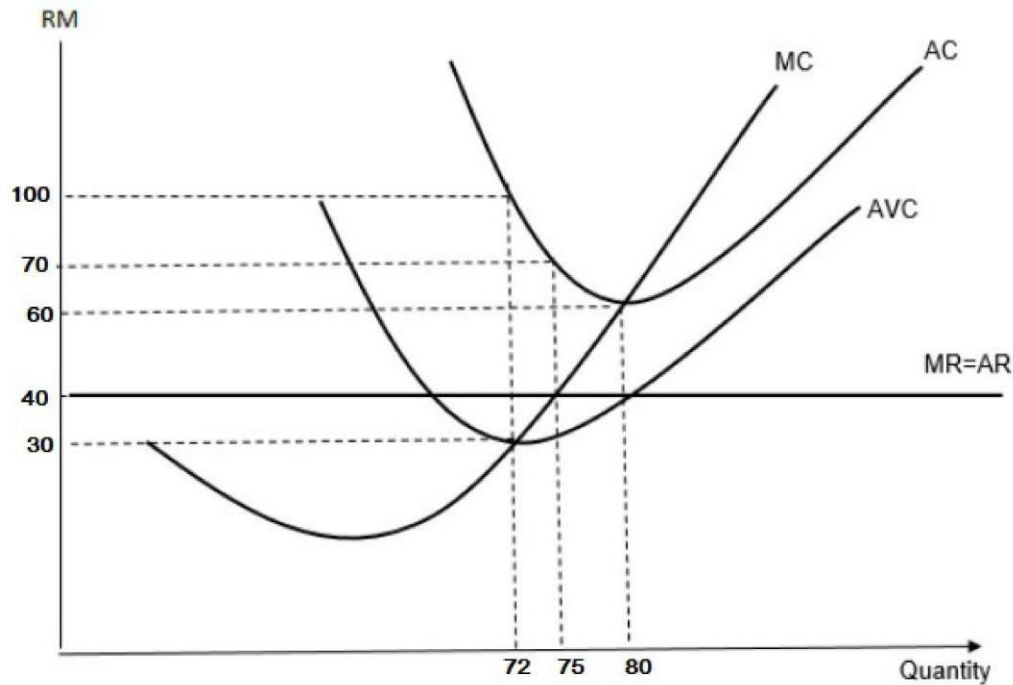
Table 4

Quantity demanded (Qd)	All figures in Ringgit Malaysia (RM)					
	Price (P)	Total Variable Cost (TVC)	Total Cost (TC)	Total Revenue (TR)	Marginal Cost (MC)	Marginal Revenue (MR)
1	40	15	45		-	-
2	36	25				
3	31	45				
4	26	56				
5	24	76				
6	23	100				
7	19	128				

- i. Complete the above table. (5 points)
(Instruction: Draw a complete table that consists of TC, TR, MC and MR in the answer booklet)
- ii. Determine the profit maximizing price and output for the firm at the equilibrium. (2 points)
- iii. Determine the amount of profit at equilibrium. State the type of profit earned by the firm. (3 points)
- iii. What type of profit does this firm earned in the long run? (3 points)
Without scale, illustrate your answer.

- b. The figure below illustrates the cost of production of Alif-Ba-Ta Sendirian Berhad in the short run production.

Figure 1



- State why the demand curve for Alif-Ba-Ta Sendirian Berhad is perfectly elastic. (1 point)
- State the equilibrium price and output produced by the firm. (2 points)
- Calculate profit or loss earned by the firm. State the type of profit at the equilibrium. (3 points)
- State **TWO (2)** examples of these firms in Malaysia. (1 point)