

**POLITEKNIK**  
Jabatan Pengajian Politeknik

EXAMINATION AND EVALUATION DIVISION  
DEPARTMENT OF POLYTECHNIC EDUCATION  
(MINISTRY OF HIGHER EDUCATION)

COMMERCE DEPARTMENT

FINAL EXAMINATION  
JUNE 2012 SESSION

**PB102: MICROECONOMICS**

**DATE : 21 NOVEMBER 2012 (WEDNESDAY)**  
**DURATION : 2 HOURS (8.30AM – 10.30AM)**

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This paper consists of **ELEVEN(11)** pages including the front page.

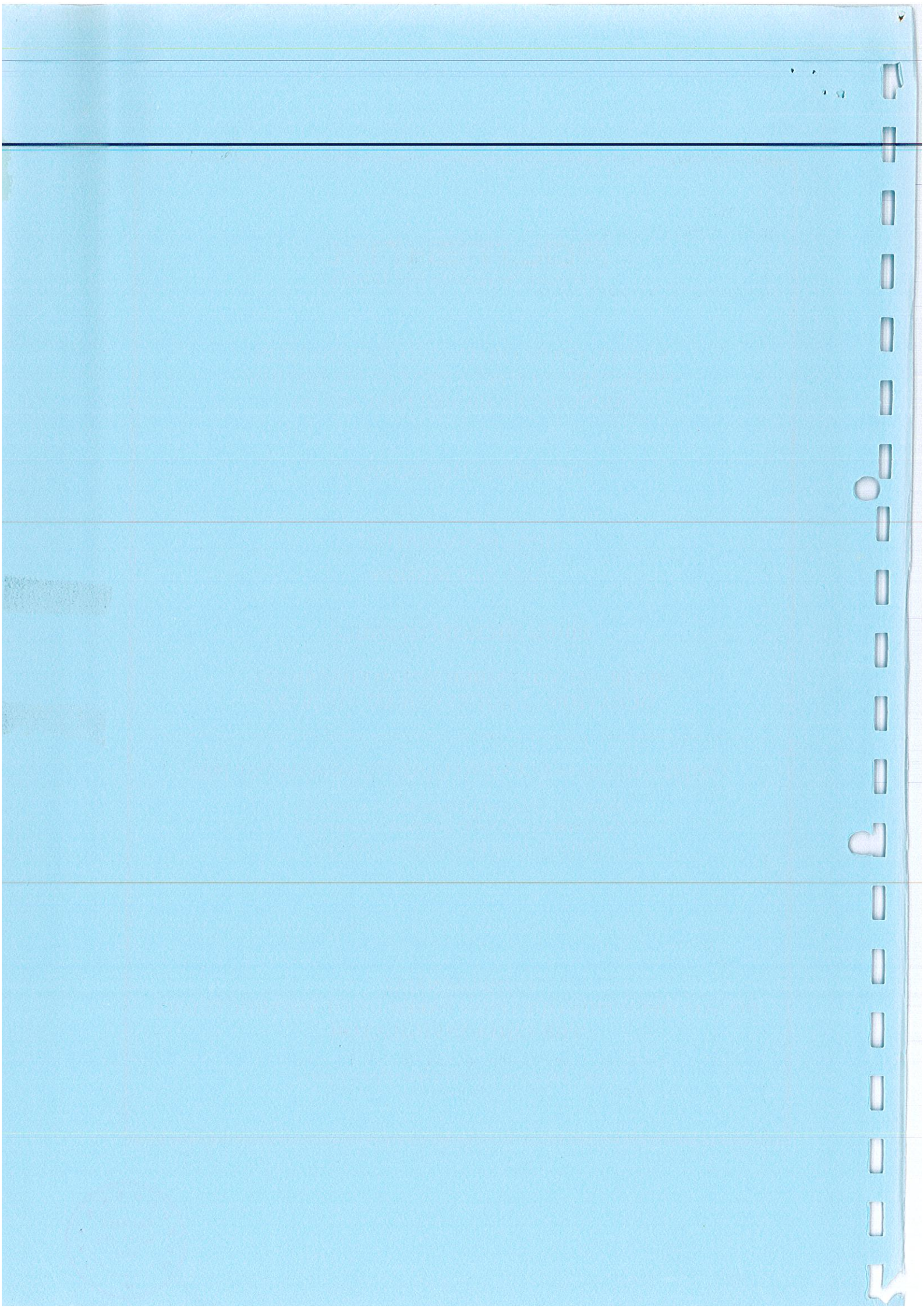
- Section A: Objective (20 questions – answer all)
- Section B: Structured (2 questions – answer all)
- Section C: Essay (2 questions – answer all)

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**THE CHIEF INVIGILATOR**

(The CLO stated is for lectures reference only)





**SECTION A**  
**OBJECTIVES (20 marks)**

Instruction: This section consists of **TWENTY (20)** objective questions. Answer **ALL** the questions in the answers booklet.

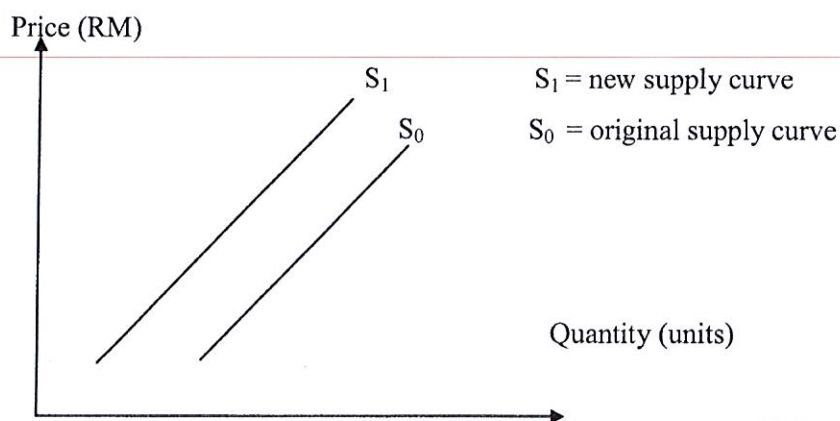
1. Microeconomics is the study of economics from the viewpoint of CLO1:C1
  - A. The entire economy
  - B. Government unit.
  - C. Individual economic units.
  - D. All the firm.
  
2. Which of the following **DO NOT** illustrate opportunity cost? CLO1:C1
  - A. If I spent more on food, I must spend less on clothes.
  - B. If I buy computer, I must do without a 29' television.
  - C. If I study today, I must give up going to the football game.
  - D. If I buy a pencil, I also have to buy a pen.
  
3. A point inside the Production Possibility curve may indicate \_\_\_\_\_. CLO1:C1
  - A. all productive resources are efficiently utilized
  - B. inefficient allocation of productive resources
  - C. full employment of scarce resources
  - D. technological efficiency
  
4. In a socialism economy, the problem of how much a good should be produced is solved by \_\_\_\_\_. CLO1:C1
  - A. market mechanism
  - B. market mechanism and government intervention
  - C. determined through central planning institutions
  - D. the quantity of factors of production in the economy

5. Which of the following is the characteristic of free market economy?

CLO1:C1

- A. Central planning authority
- B. Private ownership of resources
- C. Public ownership of resources
- D. Promotes social justice

6. The shift in the supply curve from  $S_0$  to  $S_1$  below shows :



CLO 1:C1

- A. an increase in supply
  - B. a decrease in supply
  - C. an expansion in supply
  - D. a contraction in supply
7. According to the law of supply \_\_\_\_\_.
- A. more of a good is supplied as the price falls
  - B. more of a good is supplied as the price rises
  - C. more of a good is desired as the price falls
  - D. more of a good is supplied as the price rises

CLO1:C1

8. A movement along a demand curve can be influenced by \_\_\_\_\_ .  
CLO1:C1
- A. tastes
  - B. population
  - C. the product's price.
  - D. consumer's income
9. Which of the followings is **NOT** a general determinant of supply for most products?  
CLO1:C1
- A. Income
  - B. Taxes
  - C. Technology
  - D. Level of input prices
10. A short-term demand function for an item is  $Q_d = 50P$  with the  $Q_d$  is quantity demanded while  $P$  is the price. The demand curve shown by the function is \_\_\_\_\_ .  
CLO3:C3
- A. vertical
  - B. horizontal
  - C. slope downward from left to right
  - D. slope upward from left to right

11. “The quantity demanded will decrease when income increases”.  
This statement refers to the \_\_\_\_\_. CLO1:C1
- A. Normal goods
  - B. Substitute goods
  - C. Complement goods
  - D. Inferior goods
12. If technology improves in producing computers, what will happen to the equilibrium price and quantity of computers? CLO3:C1
- A. Both the equilibrium price and quantity will increase
  - B. Both the equilibrium price and quantity will decrease
  - C. The equilibrium price will increase and the equilibrium quantity will decrease
  - D. The equilibrium price will decrease and the equilibrium quantity will increase
13. The value of price elasticity of supply is perfectly inelastic when \_\_\_\_\_. CLO2:C1
- A. equal to zero
  - B. less than one
  - C. one
  - D. infinity
14. Price elasticity of demand measures the responsiveness of quantity demanded due to a change in \_\_\_\_\_. CLO1:C1
- A. its price
  - B. income
  - C. the product
  - D. the service

15. Assume that the price of product Y decrease by 5% and the quantity supplied decrease by 2%.. The coefficient of price elasticity of supply for good Y is: CLO2:C2
- A. Negative and therefore Y is inferior good
  - B. Less than one and therefore Y is inelastic
  - C. More than one and therefore supply is elastic
  - D. Negative and therefore the supply curve is downward sloping
16. The Law of Diminishing Marginal Utility implies that as a person consumes more and more of a given good states \_\_\_\_\_. CLO2:C1
- A. marginal utility will decline
  - B. marginal utility becomes negative
  - C. total utility will fall and then rise
  - D. total utility will decline
17. Total utility is maximum when marginal utility is \_\_\_\_\_. CLO2:C1
- A. Positive
  - B. Maximum
  - C. Zero
  - D. Negative
18. Which of the following statements concerning the relationship between total product (TP), average product (AV) and marginal product (MP) is **INCORRECT**? CLO1:C1
- A. The AP continues to rise as long as the TP is rising
  - B. The AP reaches a maximum before the TP reaches a maximum
  - C. The TP reaches a maximum when the MP of the variable input becomes zero
  - D. The MP cuts the AP at the maximum point on the AP

19. The marginal product curve and the average product curve intersect \_\_\_\_\_.

CLO1:C1

- A. at the maximum point of the marginal product curves.
- B. where the total product is at its maximum.
- C. where the marginal product equals zero.
- D. at the maximum point of the average product curves.

20. The following table shows output quantities at several levels of labour quantity

| Labour quantity<br>(people) | Outputs<br>(units) |
|-----------------------------|--------------------|
| 2                           | 80                 |
| 3                           | 76                 |
| 4                           | 70                 |
| 5                           | 66                 |

At the level of four labourers, average production is \_\_\_\_\_.

CLO1:C3

- A. 10.4 units
- B. 17.5 units
- C. 25.3 units
- D. 28.3 units



**SECTION B****STRUCTURED (30 marks)**

Instruction: This section consists of **TWO (2)** structured questions. Answer **ALL** questions.

**QUESTION 1**

The table below shows the relationship between price, quantity demand, and quantity supply.

| Price (RM) | Quantity Demand (Units) | Quantity Supply (Units) |
|------------|-------------------------|-------------------------|
| 1          | 280                     | 40                      |
| 2          | 260                     | 80                      |
| 3          | 240                     | 120                     |
| 4          | 220                     | 160                     |
| 5          | 200                     | 200                     |
| 6          | 180                     | 220                     |
| 7          | 160                     | 240                     |

- a) State the equilibrium price and quantity? CLO1:C1  
(2 marks)
- b) Based on the information above, draw demand and supply curves. From the diagram, determine the equilibrium price and equilibrium quantity. CLO1:C1  
(5 marks)
- c) Derive the demand function and supply function. CLO3:C2  
(5 marks)
- d) Why RM6 is not an equilibrium price? State your reason. CLO1:C1  
(3 marks)

**QUESTION 2**

The schedule below shows Marginal Utility of food X and Y. The price of good X is RM 1 and the price of good Y is RM 2. The consumer's income is RM 14.

| GOOD X |    |      | GOOD Y |    |      |
|--------|----|------|--------|----|------|
| Q      | MU | MU/P | Q      | MU | MU/P |
| 1      | 10 |      | 1      | 16 |      |
| 2      | 9  |      | 2      | 14 |      |
| 3      | 8  |      | 3      | 12 |      |
| 4      | 7  |      | 4      | 10 |      |
| 5      | 6  |      | 5      | 8  |      |
| 6      | 5  |      | 6      | 6  |      |
| 7      | 4  |      | 7      | 4  |      |

- a) Calculate marginal utility per ringgit of good X and Y. CLO2:C3  
(7 marks)
- b) How many units of goods X and Y will the consumer buy to maximize his utility with the income of RM14? CLO2:C2  
(6 marks)
- c) Assuming that the consumer's income decreased from RM 14 to RM 11, state the new utility maximizing combination of goods X and Y? CLO2:C1  
(2 marks)

**SECTION C****ESSAY (50 marks)**

Instruction: This section consists of **TWO (2)** essay questions. Answer **ALL** questions.

**QUESTION 1**

- a) Explain **FOUR (4)** factors of production with appropriate example.  
CLO1:C1  
(8 marks)
- b) (i) State **TWO (2)** types of input with suitable examples CLO 1: C1  
(4 marks)
- (ii) State the formula of Average Product (AP) and Marginal Product (MP)  
CLO 1: C1  
(2 marks)
- c) Give definition of the Law of Diminishing Marginal Returns. CLO 1: C2  
(2 marks)
- d) Using a diagram, illustrate the curve of Total Production (TP), Average Production (AP) and Marginal Production (MP). Label the **THREE (3)** stages of production.  
CLO 1: C3  
(9 marks)

**QUESTION 2**

- a) Explain briefly **FIVE(5)** characteristics of a perfectly competitive market.

CLO1:C2

(10 marks)

- b) State **TWO (2)** merits and **TWO (2)** demerits of a monopolistic competitive market.

CLO2:C1

(8 marks)

- c) In short run, a monopoly can generate normal profit where average revenue equal to average cost ( $AR = AC$ ). Using a diagram, illustrate and label the curve.

CLO2:C3

(7 marks)