

KOLEJ UNIVERSITI TUNKU ABDUL RAHMAN
FACULTY OF ACCOUNTANCY, FINANCE AND BUSINESS

ACADEMIC YEAR 2017/2018

JANUARY/FEBRUARY EXAMINATION

BBBE1013 MICROECONOMICS

MONDAY, 29 JANUARY 2018

TIME: 9.00 AM – 11.00 AM (2 HOURS)

BACHELOR OF BUSINESS (HONOURS) IN ENTREPRENEURSHIP
BACHELOR OF BUSINESS (HONOURS) IN HUMAN RESOURCE MANAGEMENT
BACHELOR OF BUSINESS (HONOURS) IN INTERNATIONAL BUSINESS
BACHELOR OF BUSINESS (HONOURS) IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT
BACHELOR OF BUSINESS (HONOURS) IN MARKETING

BACHELOR OF ACCOUNTING (HONOURS)

BACHELOR OF BUSINESS ADMINISTRATION (HONOURS)

BACHELOR OF BUSINESS (HONOURS) ACCOUNTING AND FINANCE

Instruction to Candidates:

Answer **FOUR (4)** out of five (5) questions.

All questions carry equal marks.

BBBE1013 MICROECONOMICS

Answer **FOUR (4)** out of five (5) questions.

Question 1

- (a) With appropriate examples, describe the **FOUR (4)** resources used to produce goods and services. (12 marks)
- (b) Explain any **THREE (3)** economic concepts shown by the Production Possibilities Frontier (PPF) framework. (9 marks)
- (c) Using a demand and supply diagram, illustrate the effects on the equilibrium price and quantity in the market for coffee when scientists found a better method of harvesting coffee beans. (4 marks)
- [Total: 25 marks]

Question 2

- (a) The quantity demanded of good X rises from 130 units to 145 units as income rises from RM2,000 to RM2,500 a month.
- (i) Using the midpoint approach, calculate the coefficient of income elasticity of demand. (3 marks)
- (ii) Based on your answer in part (i), interpret the income elasticity of demand. (2 marks)
- (iii) Determine the type of good X. (2 marks)
- (b) Using an appropriate example, explain why the price elasticity of demand for a good will change when its definition is changed from narrow to broad. (6 marks)
- (c) Differentiate between “income effect” and “substitution effect” when there is a fall in the price of a good. (8 marks)
- (d) Using an appropriate example, explain the law of diminishing marginal utility. (4 marks)
- [Total: 25 marks]

BBBE1013 MICROECONOMICS**Question 3**

- (a) Explain diseconomies of scale and state **TWO (2)** main reasons for its existence. (5 marks)
- (b) Using appropriate diagrams, explain what would happen to a firm's marginal physical product (MPP) and marginal cost (MC) when it continues to increase output in the short run. (10 marks)
- (c) Distinguish the following terms:
- (i) "Fixed input" and "variable input"; (4 marks)
- (ii) "Normal profit" and "negative economic profit". (4 marks)
- (d) Define 'sunk cost.' (2 marks)
- [Total: 25 marks]

Question 4

- (a) Using an appropriate diagram, explain kinked demand curve theory. (4 marks)
- (b) Compare and contrast the oligopoly and monopolistic competition market structures. (8 marks)
- (c) The following table shows the price and total cost of a firm at various quantities of output:

| Price (RM) | Quantity (unit) | Total Cost | Marginal Cost | Marginal Revenue |
|------------|-----------------|------------|---------------|------------------|
| 7 | 0 | 5 | - | - |
| 7 | 1 | 10 | | |
| 7 | 2 | 17 | | |
| 7 | 3 | 29 | | |
| 7 | 4 | 45 | | |

- (i) Calculate the fixed cost for this firm. (2 marks)
- (ii) Calculate the marginal cost and marginal revenue for each output level. (8 marks)
- (iii) What quantity of output should the firm produce at the profit maximising level? Explain. (3 marks)
- [Total: 25 marks]

BBBE1013 MICROECONOMICS**Question 5**

- (a) Explain any **TWO (2)** factors affecting the demand for labour. (6 marks)
- (b) Define the following terms:
- (i) Marginal Factor Cost (MFC); (3 marks)
 - (ii) Economic rent; (2 marks)
 - (iii) Roundabout method of production. (4 marks)
- (c) Using a labour demand and labour supply diagram, illustrate the effects on the equilibrium wage and quantity of labour in education industry for each of the following events:
- (i) Wage rates in other labour markets increase. (5 marks)
 - (ii) The invention of labour-saving technology with the use of online virtual learning. (5 marks)

[Total: 25 marks]