UNIRAZAK
UNIVERSITI TUN ABDUL RAZAK

FINAL EXAMINATION

MARCH 2024

COURSE TITLE	**MICROECONOMICS**
COURSE CODE	TECO1113D
DATE/DAY	19 JUNE 2024 / WEDNESDAY
TIME/DURATION	02:00 PM - 04:00 PM / 02 Hour(s) 00 Minute(s)

INSTRUCTIONS TO CANDIDATES :

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 4 Printed Pages including front page)

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

This question paper consists of TWO (3) sections. Answer ALL questions in the answer booklet provided.   **[100 MARKS]**

SECTION A   **(30 Marks)**

There are FIVE (5) questions in section A. Answer ALL questions.

1. What is the definition of price elasticity? Determine the reason why elasticity of demand has negative relationship.   (6 marks)

2. Define perfectly elastic demand and provide **TWO (2)** examples of the goods.   (6 marks)

3. Demand for product X is perfectly elastic, what will be the change in price if demand rises from 50 per unit to 70 per unit?   (4 marks)

4. When the price of a commodity X falls by 10 percent, its demand rises from 150 units to 180 units. Calculate its price elasticity of demand. How much should be the percentage fall in its price so that its demand rises from 150 to 210 units?   (6 marks)

5. Diagram 1 below shows the Production Possibility Frontier (PPF).

Diagram 1: Production Possibility Frontier for Product A and Product B
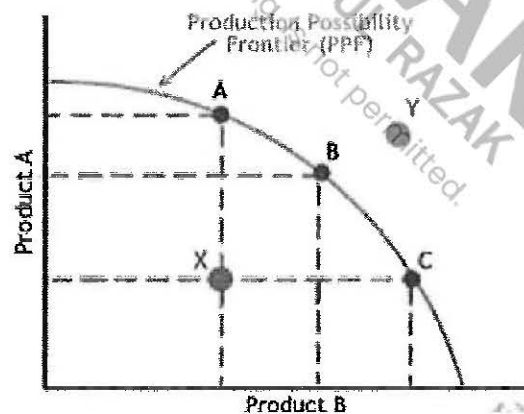
Based on the following diagram above;

a) define PPF   (2 marks)

    b) name the following,

        I. A, B, C point   (2 marks)

        II. point Y   (2 marks)

        III. point X   (2 marks)

SECTION B   (45 Marks)

There are FOUR (4) questions in section B. Answer ALL questions.

1. Explain **THREE (3)** characteristics of the perfect competition market structure.   (5 marks)

2. *"Z Firm is an industry dominated by a few firms that, by virtue of their individual size, are large enough to influence the market price."*

   Based on the statement, determine;

   a) the type of the market structure   (5 marks)

   b) any **THREE (3)** characteristics of the market   (5 marks)

3. Zee's productions is a musical theater production company. Their latest production is called "A woman" and the total cost of this production is RM 200,000. With the price per ticket is RM 40 and the theater can accommodate 300 seats, the company aims for revenue maximization. If this is achieved, revenue from ticket sales will cover 30% of total costs. Charitable donations contribute 12.5% towards the total cost, and the government's subsidy ensures all of the costs.

   a) Calculate the total revenue assuming it is shown only five times, all at full capacity. You are advised to show your working.   (8 marks)

   b) Calculate the value of the government's subsidy for this company to cover all of its costs.   (8 marks)

4. Explain the principles of taxation.   (14 marks)

SECTION C
(25 Marks)

There are TWO (2) questions in section C. Answer all questions.

1. Explain the differences between fixed and variable costs.
(5 marks)

2. Production at Anand's center shows the following relationship between number of workers and the number of phone calls handled (per day).

Quantity of Variables Input Labor	Quantity of Output Calls	Marginal Return to Additional Labor	Fixed Cost (RM)	Variable Cost (RM)	Total Cost (RM)
0	0				
1	100				
2	180				
3	240				

by using the table above, fills in the column and calculate;

a) the marginal return gained from the addition of each worker
(5 marks)

b) fixed cost if Anand has entered a long-term lease for an office space and telephones. The long-term lease cost him RM 50.00 per day and this is the only fixed cost in the company.
(5 marks)

c) Anand pays each worker RM 80.00 per day, and this is his only variable cost.
(5 marks)

d) total cost corresponding to each level of production.
(5 marks)

*** END OF QUESTION***