



**FINAL EXAMINATION
NOVEMBER 2023**

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| COURSE TITLE | PRINCIPLES OF MICROECONOMICS |
| COURSE CODE | TECO2113 |
| DATE/DAY | 22 FEBRUARY 2024 / THURSDAY |
| TIME/DURATION | 09:00 AM - 11:00 AM / 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*****

There are **THREE (3)** questions in this paper. Answer **ALL** questions in the answer booklet provided. **[100 MARKS]**

QUESTION 1

a) Table 1 below shows the price of good A and quantity demanded of goods A, B and C.

| Price of good A (RM) | Quantity demanded of good A (units) | Quantity demanded of good B (units) | Quantity demanded of good C (units) |
|----------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 2.30 | 90 | 110 | 110 |
| 3.00 | 70 | 130 | 100 |
| 3.30 | 50 | 150 | 90 |
| 4.00 | 30 | 170 | 80 |
| 4.30 | 0 | 190 | 70 |

Table 1

Based on the table above,

- i. compute the price elasticity of demand for good A when price increases from RM 2.30 to RM 3.30 and interpret your answer. (5 marks)
 - ii. compute the cross-price elasticity of demand for good B and good A when price of good A increases from RM 3.00 to 4.00 and state the relationship between good A and good B. (5 marks)
 - iii. compute the cross-price elasticity for good C and good A when price of good A increases from RM 4.00 to RM 4.30 and state the relationship between the two goods. (5 marks)
 - iv. suppose that the income level has increased from RM 7000 to RM 8000. The purchase of good B has changed from 130 units to 150 units. Compute the income elasticity of demand for good B and indicate the type of good B. (5 marks)
- b) Explain any **FOUR (4)** determinants of price elasticity of demand and explain your answer using appropriate examples. (10 marks)
- c) Suppose that an automobile is currently selling at RM 40,000, RM 5,000 higher than before and the number of units sold is 20,000 units. Given the price elasticity of demand for automobile is 1.4. What is the number of units sold when the price was cheaper by RM 5,000? (10 marks)

QUESTION 2

Diagram 1 below shows the revenue and cost curves for a firm in a monopoly competition market.

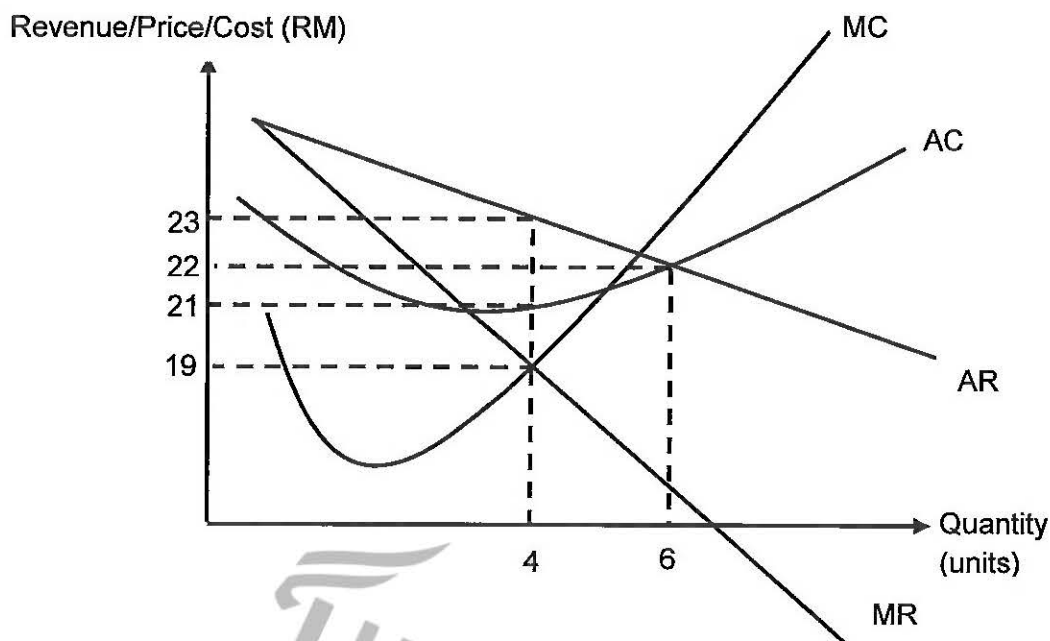


Diagram 1

Based on the diagram above,

a) suppose that the firm produces at equilibrium output level, compute

- i. the total revenue (5 marks)
- ii. the total cost (5 marks)
- iii. the profit or loss generated (5 marks)
- iv. the variable cost given the fixed cost is RM 10 (5 marks)

b) Define price discrimination and explain the **THREE (3)** types of price discrimination.

(10 marks)

QUESTION 3

- a) Table 2 below shows the total production of a firm as the quantity of labor increases. The quantities of other inputs are kept constant.

| Labor (unit) | Total product (unit) | Marginal product (unit) | Total cost (RM) | Variable cost (RM) | Average fixed cost (RM) |
|--------------|----------------------|-------------------------|-----------------|--------------------|-------------------------|
| 0 | 0 | | 1000 | | |
| 1 | 10 | | 1900 | | |
| 2 | 22 | | 2400 | | |
| 3 | 27 | | 3000 | | |
| 4 | 33 | | 3700 | | |
| 5 | 34 | | 4500 | | |
| 6 | 34 | | 5400 | | |

Table 2

- i. Compute the marginal product, variable cost and average fixed cost. (18 marks)
- ii. Based on your answer in (i), determine the level of input where diminishing returns to labor occur. (2 marks)
- b) Define the concept of economies of scale and diseconomies of scale and explain **TWO (2)** factors that contribute to each of the concepts. (10 marks)

*** END OF QUESTION PAPER ***