

UNIVERSITI KUALA LUMPUR  
Malaysian Institute of Marine Engineering Technology

---

FINAL EXAMINATION  
JANUARY 2016 SESSION  
QUESTIONS

---

SUBJECT CODE : LGB 11303  
SUBJECT TITLE : PRINCIPLES OF ECONOMICS  
LEVEL : BACHELOR  
TIME / DURATION : (3 HOURS)  
DATE/ DAY : 19 MAY 2016-THURSDAY

---

INSTRUCTIONS TO CANDIDATES

---

1. Please read the instructions given in the question paper CAREFULLY.
  2. This question paper is printed on both sides of the paper.
  3. Please write your answers on the answer booklet provided.
  4. Answer should be written in blue or black ink except for sketching, graphic and illustration.
  5. This question paper consists of one (1) section which is Section A. Choose and only answer FOUR (4) questions only.
  6. Answer all questions in English.
  7. Formula booklet is appended.
- 

THERE ARE SEVEN (7) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

---



**INSTRUCTION: Choose and answer only FOUR (4) questions. Please use the answer sheet provided.**

**Questions 1: 25 Marks**

This section is related to economics theories and concepts of the demand and supply and the concepts of aggregate supply and demand.

- a) With a help of a diagram, illustrate how advertisement is used to promote a product, and show how this would affect both the equilibrium price and the equilibrium quantity sold. (5 marks)
- b) Using a demand and supply analysis, construct and explain what might happen to the equilibrium price and quantity for Perodua Ariz car in the following situations:
- i) an increase in the price of petrol. (5 marks)
- ii) an increase in population and income. (5 marks)
- c) Table 1 below shows the relationship between the price of Z and the quantity for K, L and M as consumed by a household. Based on the information from the table below, answer question no c.

Table 1

Price of Z (RM)	Quantity Demanded (Unit)		
	Product K	Product L	Product M
10.00	80	100	100
20.00	60	120	90
30.00	40	140	80
40.00	20	160	70
50.00	0	180	60

- c) If the price of Z decreases from RM40.00 to RM20.00, calculate the Cross Elasticity (EAB) of demand for Z and K, and explain how K is related to Z. (5 marks)

- d) Given that when the income of the household increases from RM1,0000.00 to RM1,400.00, the demand for C decreases from 80 to 60 units. Calculate the Income Elasticity (Ei) of demand for C and explain what type of product C is. (5 marks)

**Question 2: 25 Marks**

This section is related to the concepts of various costs and economics markets structure for Perfect Competition and Monopoly.

- a) Based from Table 2, solve the costs for the followings: (10 marks)
- Total Cost (TC),
  - Average Fixed Cost (AFC),
  - Average Variable Cost (AVC),
  - Average Total Cost (ATC) and
  - Marginal Cost (MC).

Table 2

Quantity (QTY)	Total Costs (RM)		Average Cost (RM)			
	Total Variable Cost (TVC)	(1) Total Cost (TC)	(2) Average Fixed Cost (AFC)	(3) Average Variable Cost (AVC)	(4) Average Total Cost (ATC)	(5) Marginal Cost (MC)
0	0					
1	15					
2	25					
3	30					
4	35					
5	45					
6	65					
7	90					

Note: Total Fixed Cost (FC) is RM20.00

b) Sketch the curve for Perfect Competition to show for PROFIT and indicate the profit area. (5 marks)

c) Differentiate TWO (2) different characteristics for Perfect Competition and Monopoly. (5 marks)

d) Answer this question, based from Figure 1 below:

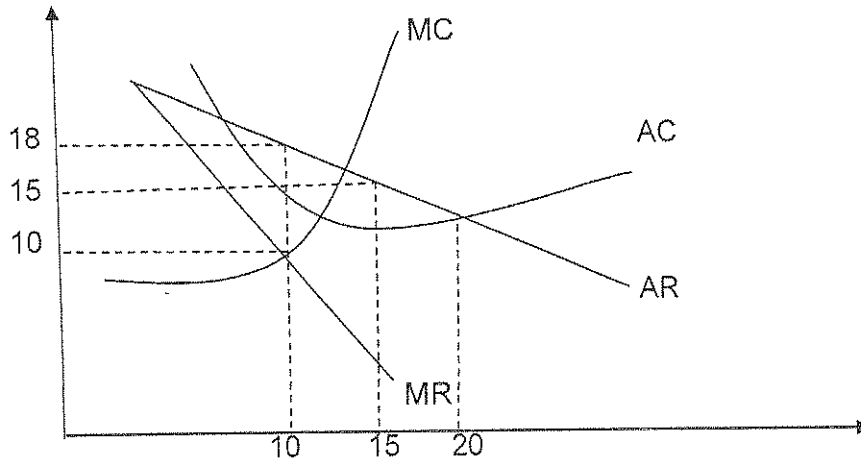


Figure 1

Based from Figure 1 above, calculate the profit earned by the firm, indicate the area of profit and explain what is the type of profit earned. (5 marks)

**Questions 3**

This section is related to the concepts of various costs and economics markets structure for a Monopolistic Competition (MC) and Oligopoly (O).

a) In one diagram, illustrate and differentiate the curves for: (5 marks)

- Total Fixed Cost (TFC),
- Total Variable Cost (TVC) and
- Total Cost (TC).

b) Differentiate TWO (2) different characteristics for Monopoly Competition and Oligopoly. (6 marks)

- c) Based from Figure 2 below, identify the PROFIT and indicate the area of profit. (6 marks)

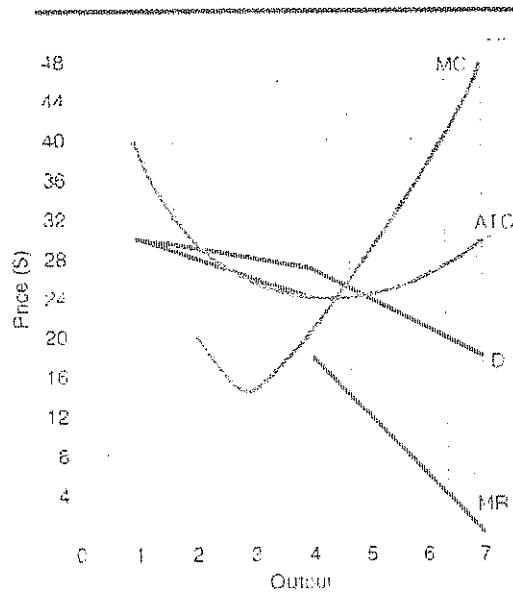


Figure 2

- d) Table 3 below, shows the market share for Oligopoly in the automobile industries. Find the following:

Table 3

Company	Market Share
General Motors	20.5
Ford	16.7
Toyota	16.0
Chrysler	12.3
Honda	10.2
Nissan	7.9
Other Companies	16.4

- i) Concentration Ratio (CR). (4 marks)
- ii) Herfindahl-Hirschman Index (HHI). (4 marks)

**Question 4: 25 Marks**

This section covers on mixed economy, economic growth and productivity.

- a) Outline the Circular Flow Model and interpret the model. (5 marks)
  
- b) Differentiate these **TWO (2)** 'ism'. Include **ONE (1)** example of a related country in your explanation.
  - i) Capitalism. (5 marks)
  - ii) Socialism. (5 marks)
  
- c) Justify how these **TWO (2)** factors significantly affect our Malaysian country current productivity. Convince with **ONE (1)** related example for each factors in your explanation.
  - i) Restrictions on Immigration. (5 marks)
  - ii) The Role of Technological Change. (5 marks)

**Question 5**

This section is related to Income Distribution, Poverty and International Trading.

- a) Explain **TWO (2)** ways what are the actions taken by Malaysian Government to combat poverty issue in Malaysia. Include **ONE (1)** related example in your explanation. (10 marks)
  
- b) Based from Table 4 below, answer the following questions for Comparative Advantage (CA) Theory for Malaysian and China with the two products, cotton and rice.

Table 4: Production Before Specialization

Country	Cotton (tons)	Rice (tons)
Malaysia	60	10
China	20	10
<b>Total</b>	<b>80</b>	<b>20</b>

- i) Explain what are the production before specialization for both countries, based information from Table 4. (5 marks)
  - ii) Calculate the opportunity cost in the production of cotton and rice for both countries. (5 marks)
  - iii) Calculate the production after specialization in the production of cotton and rice for both countries. (5 marks)
- 

END OF QUESTION