UNIVERSITI KUALA LUMPUR
MALAYSIAN INSTITUTE OF MARINE ENGINEERING TECHNOLOGY

FINAL EXAMINATION
JANUARY 2017 SEMESTER

COURSE CODE	: LGB11303
COURSE NAME	: PRINCIPLES OF ECONOMICS
PROGRAMME NAME (FOR MPU: PROGRAMME LEVEL)	: BACHELOR OF MARITIME OPERATIONS (HONS)
DATE	: 06/07/2017 THU
TIME	: 9.00 AM - 12.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please read CAREFULLY the instructions given in the question paper.
2. This question paper has information printed on both sides.
3. This question paper consists of TWO (2) sections; Section A and Section B. Answer ALL questions in Section A and THREE (3) questions from Section B.
4. Please write yours answers on the answer booklet provided.
5. Write your answers only in BLACK or BLUE ink.
6. Answer all questions in English.

THERE ARE 6 PAGES OF QUESTIONS, INCLUDING THIS PAGE.

SECTION A (Total: 40 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer sheet provided.

Questions 1: Resource Utilization, Demand, Supply, Equilibrium &Elasticity (20 Marks)

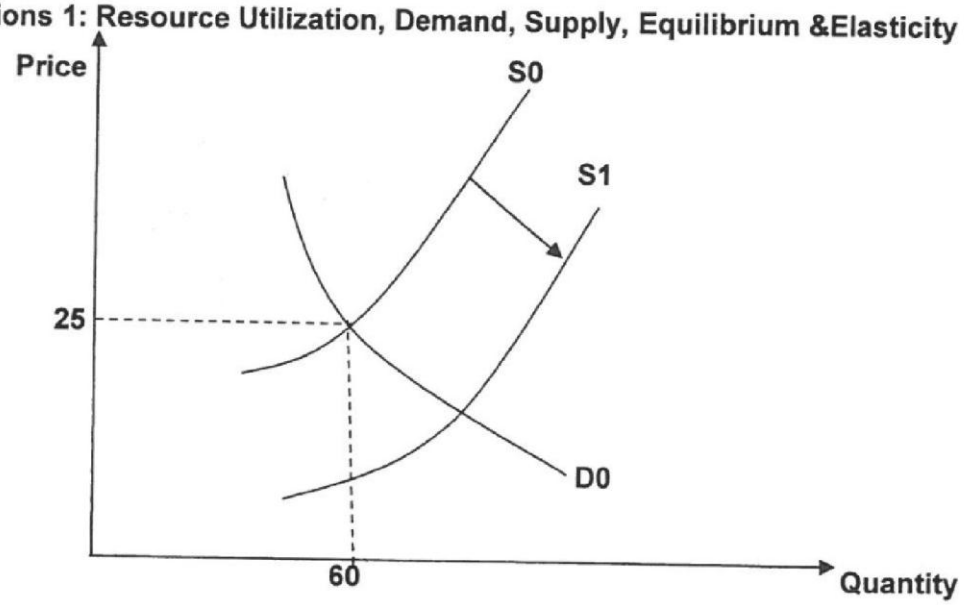

Figure 1: Equilibrium

(a) i. From Figure 1, find the old Price Equilibrium and the old Quantity Equilibrium.

(3 Marks)

ii. New S1 shows an increase in Supply (SS). Discuss **THREE (3)** causes affect supply. Provide **ONE (1)** example for each cause.

(6 marks)

(b) With the aid of one diagram in a new graph paper by using own scale, sketch the new decrease in Production Possibility Curve (PPC) for only one production either in Y Axis or X Axis. Explain.

(3 marks)

(c) As marine consumers, your consumption responsive over the price changes are much reflected in the elasticity degree.

In terms of applied marine economic, examine **TWO (2)** determinants of Price Elasticity (Ep) of consumer marine demand.

(8 marks)

Question 2: Theory of Consumer Behaviour and Cost. (20 Marks)

(a) Table 1 shows the demand schedule for Samsung Hand Phone.

Table 1: Demand Schedule

Model	Price (USD)	Quantity Demanded in unit
Samsung Galaxy J2	$120.09	1
Samsung Galaxy Alpha	166.49	2
Samsung Galaxy Tab A	178.95	3
Samsung Galaxy J7 Dual Sim	217.98	4
Samsung Galaxy S5 16 GB	218.95	5

i) Identify Total Utility (TU) from Third Samsung

(2 marks)

ii) Find Marginal Utility (MU) from the Fourth Samsung.

(2 marks)

iii) If the price for Samsung is USD218.95, estimate total Consumer Surplus (CS).

(3 marks)

(b) Refer to Table 2. Assume Fixed Cost (FC) is RM1500.00, calculate these cost and complete this table. Transfer the answers in the answer booklet.

(10 marks)

Table 2. Cost

Output (Q)	Variable Cost (VC) RM	Total Cost (TC) RM	Average Fixed Cost (AFC) RM	Average Variable Cost (AVC) RM	Average Total Cost (ATC) RM	Marginal Cost (MC) RM
10	2200					
20	3100					
30	4500					
40	5600					
50	8300					
60	12550					
70	19750					

(c) In one new graph paper by using own scale, illustrate the points for Shut Down Point (SDP) and Break Even Point (BEP). Explain.

(3 marks)

SECTION B (Total: 60 marks)

INSTRUCTION: Answer only THREE (3) questions ONLY.
Please use the answer sheet provided.

Questions 3: Cost, Perfect Competition and Monopoly (20 marks)

(a) Explain **TWO (2)** different characteristics between Perfect Competition and Monopoly.

(4 marks)

(b) If ATC is RM76.00, Price is RM68.00 and Quantity is 55, find the Total Profit (TP).

(4 marks)

(c) Illustrate these costs curves in one new graph paper by using own scale to show Monopolist is taking a Loss, and calculate that Loss.

(6 marks)

- Demand (D)
- Average Total Cost (ATC)
- Marginal Revenue (MR)
- Marginal Cost (MC)

(d) Refer to Table 3. Complete these table. Transfer the answer in the answer booklet.

(6 marks)

Table 3. Monopoly Cost

Output of Water (Q)	Price (P)	Total Revenue (TR)	Average Revenue (AR)	Marginal Revenue (MR)
0	11			
1	10			
2	9			
3	8			
4	7			
5	6			
6	5			
7	4			
8	3			

Question 4: Cost, Monopolistic and Oligopoly. (20 marks)

Figure 2 shows a profit maximizing firm in Monopolistic market.

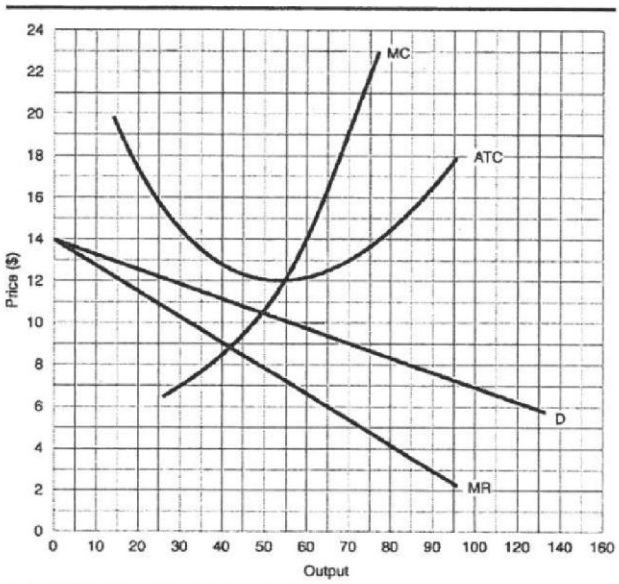

Figure 2. Monopolistic Market

i. Calculate the firm's to minimize loss. (2 marks)

ii. Identify the firm's output. (2 marks)

iii. Indicate the firm area of Loss. (2 marks)

(b) Contrast the following terms. Explain and provide **ONE (1)** example for each of the following terms.

i) Concentration Ratio (CR) (4 marks)

ii) Herfindahl Hirschman Index (HHI) (4 marks)

(c) Explain these Oligopoly concepts. Include **ONE (1)** example.

i) Cutthroat Competition (3 marks)

ii) Cartel (3 marks)

Question 5: Gross Domestic Product, Unemployment, Money & Banking (20 marks)

(a) Distinguish **TWO (2)** differences between Frictional Unemployment and Structural Unemployment.

(4 marks)

(b) Interpret **TWO (2)** jobs/ functions of money. Provide **ONE (1)** example.

(8 marks)

(c) If the Rate of Inflation is 7.5%, the Prime Rate of Interest is 9.2%, and the Unemployment Rate is 6.3%, calculate the Misery Index (MI).

(4 Marks)

(d) If consumer spending is $3 Trillion, investment is $800 Billion, government spending is $1 trillion, imports are $1.2 Trillion, and exports are $900 Billion. Identify how much is GDP?

(4 marks)

Question 6: Economic Growth, Poverty and International Trading (20 Marks)

(a) The global economics has changed the paradigm in economic international trading. An international trading exercises allows capital mobility and foreign investment in a country. Even though international trade provides a greater increase in output and income for the country, however most of the countries face some restriction to protect local products from other countries competitions.

i. Differentiate between Theory of Absolute Advantage (AA) and Comparative Advantage (CA).

(4 marks)

ii. Analyse **TWO (2)** protection on Trade Restriction. Provide **ONE (1)** example.

(6 marks)

(b) There are various multitude factors affecting our productivity. Integrate **TWO (2)** factors affect to our productivity growth from 1980s until present. Provide **ONE (1)** example.

(6 marks)

(c) Explain **TWO (2)** causes to the Poverty. Provide **ONE (1)** example.

(4 marks)

END OF EXAMINATION PAPER

LGB 11303-PRINCIPLES OF ECONOMICS
FORMULAE:

1. Demand + Supply = Equilibrium

2. DD + SS= EQ

3. Elasticity = $\frac{\text{Percentage change in Quantity Demanded (QDD)}}{\text{Percentage change in Price (P)}}$

4. Total Sales- Total Costs =Total Profit

5. Total Profit (TP)= Total Revenue (TR) – Total Cost (TC)

6. Total Revenue (TR)= Price (P) X Quantity (Qty)

7. Total Cost (TC)= Fixed Cost (FC) + Variables Cost (VC)

8. Marginal Cost = $\frac{\text{Changes in Total Cost (TC)}}{\text{Changes in Output (Q)}}$

9. Average Fixed Cost (AFC) = $\frac{\text{Fixed Cost (FC)}}{\text{Output (Q)}}$

10. Average Variables Cost (AVC) = $\frac{\text{Variable Cost (VC)}}{\text{Output (Q)}}$

11. Average Total Cost (ATC) = $\frac{\text{Total Cost (TC)}}{\text{Output (Q)}}$

12. Marginal Revenue (MR) = $\frac{\text{Changes in Total revenue (TR)}}{\text{Changes in Output (Q)}}$

13. Marginal Cost (MC) = $\frac{\text{Changes in Total Cost (TC)}}{\text{Changes in Output (Q)}}$

14. Total Profit (TP) = (Price – ATC) X Output

15. M1+ M2= M3

16. M1= currency + demand deposits + traveler's check + other checkable deposits

17. M1 + saving + small denomination time deposits + money market funds = M2

18. M2 + saving + large denomination time deposits + money market funds = M3

19. The Expenditure Approach: GDP= C + I + G + Xn

20. GDP =Wages and Salaries + Rent + Interest + Dividend + Profits

21. GDP (Gross Domestic Product) – Depreciation= NDP (Net Domestic Product)

22. NDP – Indirect business taxes and subsidies = DI (Domestic Income)

23. GDP (Gross Domestic Product) - Depreciation=NDP(Net Domestic Product)

24. NDP – Indirect business taxes and subsidies = DI (Domestic Income)

25. DI (Domestic Income) – Earnings not received + Receipts not earned = PI (Personal Income) – Personal Taxes = Disposable Personal Income

26. Marginal Utility (MU) = Price (P)

27. Total Utility (TU) = Changes in TU / Changes in Q

28. Marginal Utility (MU) / Price (P) = 1

29. $\% \text{ Change} = \frac{(\text{New Number} - \text{Original Number})}{\text{Original Number}}$

30. $\text{Per Capita GDP} = \frac{\text{GDP}}{\text{Population}}$

31. $\text{Unemployment Rate (UR)} = \frac{\text{Number of Unemployed}}{\text{Labor Force}} \times 100\%$

32. $\text{Percentage change} = \frac{\text{Change}}{\text{Original Number}} \times 100\%$

33. $E_p = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$

34. $E_p = \frac{Q2 - Q1}{Q2 + Q1} \times \frac{P2 + P1}{P2 - P1}$

35. $Ei = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in income}}$

36. $E_{AB} = \frac{\text{Percentage change in } Q_A \text{ demanded}}{\text{Percentage change in price of B}}$