UNIVERSITI KUALA LUMPUR
Malaysian Institute of Marine Engineering Technology

FINAL EXAMINATION

SEPTEMBER 2016 SEMESTER

COURSE CODE	:	LGB 11303
COURSE NAME	:	PRINCIPLES OF ECONOMICS
PROGRAMME NAME	:	BACHELOR OF MARITIME OPERATION
DATE	:	16 JANUARY 2017
TIME	:	9.00am-12.00noon
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please CAREFULLY read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. Please write your answers on the answer booklet provided.
4. This question paper consists of TWO (2) sections. Section A and B.
5. Answer ALL questions in Section A. For Section B, answer THREE (3) questions ONLY.
6. Please write your answers on the answer booklet provided.
7. Answer should be written in BLUE or BLACK ink except for sketching, graphic and illustration.
8. Answer all questions in English language ONLY.
9. Formula booklet has been appended for your reference.

THERE ARE SIX (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 and Demand, Supply, Equilibrium and Elasticity (20 Marks)

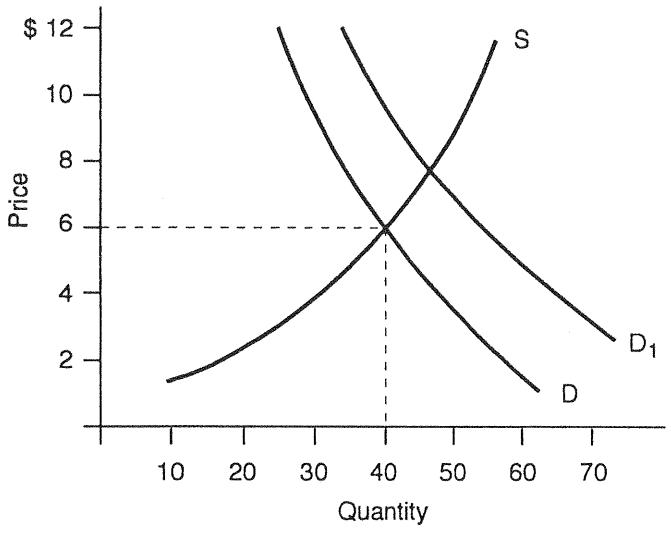

Figure 1: Equilibrium

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

(4 Marks)

ii. The new D1 shows an increase in demand. Discuss **THREE (3)** causes affect that changes, and provide **ONE (1)** example for each cause.

(6 marks)

(b) With the aid of one diagram in a graph paper, sketch the new increase in the Production Possibility Curve (PPC) for both productions. Explain.

(2 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 of consumer marine demand.

(8 marks)

Question 2: Theory of Consumer Demand, Cost and Perfect Competition (20 Marks)

(a) The following Table 1 shows the demand schedule for I Phone 6.

Table 1: Demand Schedule

Model	Price (USD)	Quantity Demanded in unit
Refurbished Apple I Phone	$499.99	1
Refurbished Apple I Phone 6 Gold	487.11	2
Refurbished I Phone 6 Plus	432.99	3
Straight Talk Apple I Phone 6	399.00	4
Apple I Phone 6s Plus	199.99	5

i) Identify Total Utility (TU) from fourth I Phone.

(2 marks)

ii) Find Marginal Utility (MU) from the fourth I Phone.

(2 marks)

iii) If the price for I Phone is $199.99, estimate total Consumer Surplus (CS).

(3 marks)

(b) Refer to Table 2. Assume Fixed Cost (FC) is RM500.00, determine and calculate these cost.

(10 marks)

Table 2. Cost

Output (Q)	Variable Cost (VC)	Total Cost (TC)	Average Fixed Cost (AFC)	Average Variable Cost (AVC)	Average Total Cost (ATC)	Marginal Cost (MC)
1	RM200					
2	300					
3	420					
4	580					
5	800					
6	1200					
7	1900					

(c) In one graph paper, illustrate profit for The Perfect Competition market in the Long Run. Find the profit.

(3 marks)

SECTION B (Total: 60 marks)

INSTRUCTION: Answer only THREE (3) questions ONLY.

Please use the answer sheet provided.

Questions 3: Cost and Monopoly (20 marks)

(a) Explain **TWO (2)** characteristics for Monopoly.

(4 marks)

(b) If ATC is RM42.00, Price is RM55.00 and Quantity is 32, find the total profit.

(3 marks)

(c) Illustrate these costs curves in one graph paper to show Monopolist is taking a Loss and calculate the Loss.

(5 marks)

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

(d) Refer to Table 3. Assess and complete these table.

(8 marks)

Table 3. Monopoly Cost

Output	Price (P)	Total Revenue (TR)	Marginal Revenue (MR)	Total Cost (TC)	Average Total Cost (ATC)	Marginal Cost (MC)
1	RM19			25		
2	18			40		
3	17			50		
4	16			58		
5	15			65		
6	14			74		
7	13			87		

Question 4: Mixed Economics, Gross Domestic Product and Unemployment (20 marks)

(a) Distinguish **TWO (2)** differences between Hyper Inflation and Creeping Inflation. (4 marks)

(b) There are four major basic resources involves in economics in producing goods or services from business firm to households. Each components completed the circular flow model of income in an open economy.

Illustrate the complete Circular Flow Model and provide **ONE (1)** relevant example. (4 marks)

(c) If the rate of inflation is 5%, the prime rate of interest is 6%, and the unemployment rate is 7%, calculate the Misery Index.

(3 Marks)

(d) Maintaining a low and stable rate of inflation has become one of the challenges to face by most of the countries in macroeconomic management.

Justify **TWO (2)** ways how high inflation rate can reduce the unemployment rate. Include **ONE (1)** relevant example in your explanation.

(8 marks)

Question 5: Money and Banking, Poverty and International Trading (20 Marks)

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

i. Contrast Theory of Absolute Advantage (AA) and Comparative Advantage (CA). (4 marks)

ii. Argue **TWO (2)** protection on Trade Restriction. Provide **ONE (1)** example in your Explanation. (8 marks)

(b) Interpret **TWO (2)** jobs/ functions of money. Provide **ONE (1)** example in your explanation. (5 marks)

(c) Discover and explain on Employment Discrimination. Provide **ONE (1)** example. (3 marks)

Question 6: Cost and Oligopoly (20 marks)

(a) Figure 2 shows a profit maximizing firm in a Oligopoly market.

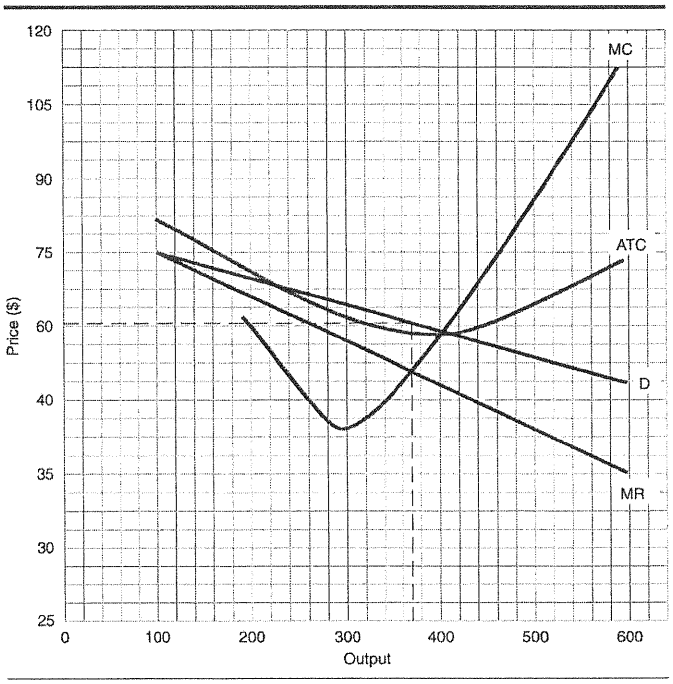

Figure 2. Oligopoly Market

i. Calculate the firm's profit maximizing. (3 marks)

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

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

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

i) Concentration Ratio (CR) (4 marks)

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

(c) Explain the concept of these terms in Oligopoly. Include **ONE (1)** example in your explanation.

i) Open Collusion (2.5 marks)

ii) Price Leadership (2.5 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)

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

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