# UNIVERSITI KUALA LUMPUR
## MALAYSIAN INSTITUTE OF MARINE ENGINEERING TECHNOLOGY

## FINAL EXAMINATION
## JANUARY 2017 SEMESTER

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|---|---|
| COURSE CODE | : LGB13203 |
| 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 7 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 (20 Marks)**

**Table 1.** Demand, Supply and Equilibrium

| Price | Quantity Demand | Quantity Supply |
|---|---|---|
| 500 | 1,000 | 62,000 |
| 450 | 3,000 | 59,000 |
| 400 | 7,000 | 54,000 |
| 350 | 12,000 | 48,000 |
| 300 | 19,000 | 40,000 |
| 250 | 30,000 | 30,000 |
| 200 | 45,000 | 16,000 |
| 150 | 57,000 | 7,000 |
| 100 | 67,000 | 2,000 |

Use Table 1 to answer questions for No (a) to (c).

(a) Based from Table 1, illustrate and sketch the demand and supply curves in a new graph paper.

(6 Marks)

(b) Identify the Price and Quantity Equilibrium.

(2 Marks)

(c) In another new graph paper to illustrate using own scale for the new D1 shows an Increase in Demand, and S1 shows a Decrease in Supply. Explain.

(5 Marks)

Use Figure 1 to answer questions for No (d) and (e)

(d) Interpret points from A to F from Production Possibility Curve.

(3 Marks)

(e) Predict point G to show Inefficient, and point H to show Unattainable. Discuss.

(4 Marks)

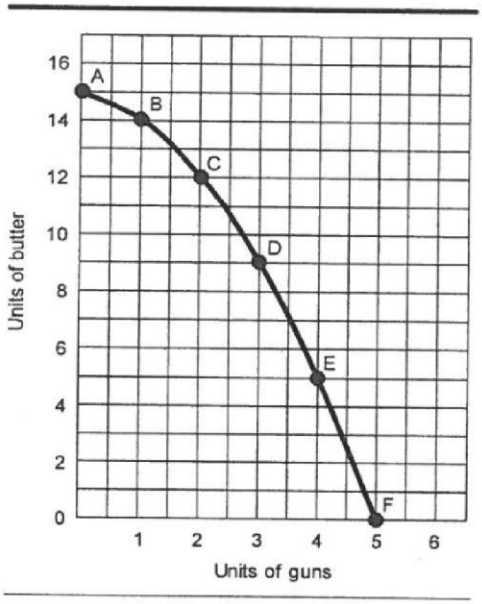


Figure 1. PPC

**Question 2: Elasticity, Theory of Consumer Behaviour and Cost (20 Marks)**

(a) If the price of chicken increases by 20 percent, and the quantity of fish demanded increases by 10 percent, calculate the cross elasticity of demand for these two goods. Explain.

(4 Marks)

(b) Find the elasticity of the demand curve, if the Quantity stays put at 15, but Price has fallen from 20 to 10. Explain.

(4 Marks)

(c) Sketch in a new graph paper for Perfectly Elastic Demand Curve, and interpret it.

(4 Marks)

(d) Suppose that at three units purchased, Marginal Utility is RM8.00, and Total Utility is RM30.00. If the marginal Utility of the fourth unit purchased is RM6.00, solve how much is the Total Utility of four units?

(4 Marks)

(e) Explain Shut Down Point (SDP) and Break Even Point (BEP), support your answer by illustrating the related curves and points in a new graph paper.

(4 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) Differentiate **TWO (2)** characteristics for Perfect Competition and Monopoly. Explain.

(4 Marks)

(b) Based from Figure 2 below, find the Total Profit, and indicate the area of that total profit.

(4 Marks)

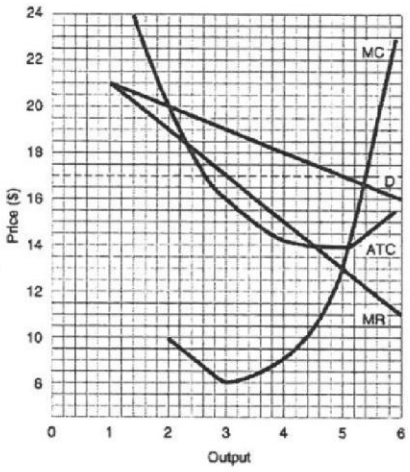


**Figure 2.** Monopoly

Use Figure 3 to answer questions No (c) to (e)

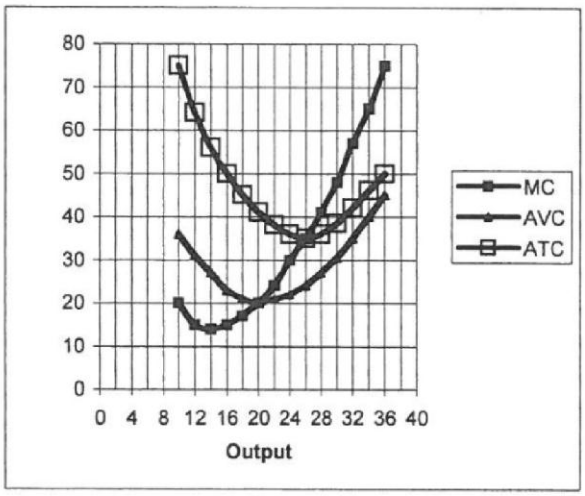


**Figure 3.** Perfect Competition

(c) Identify how much is the most efficient output?

(2 Marks)

(d) If the price is RM55.00, discuss how much is the most profitable output?

(2 Marks)

(e) If the price is RM30.00, justify what will the firm do in the Short Run and Long Run?

(8 Marks)

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

(a) Figure 4 shows a profit maximizing firm in Cutthroat Oligopoly market. Evaluate the firm's profit maximizing, and indicate the area of that profit.

(4 Marks)

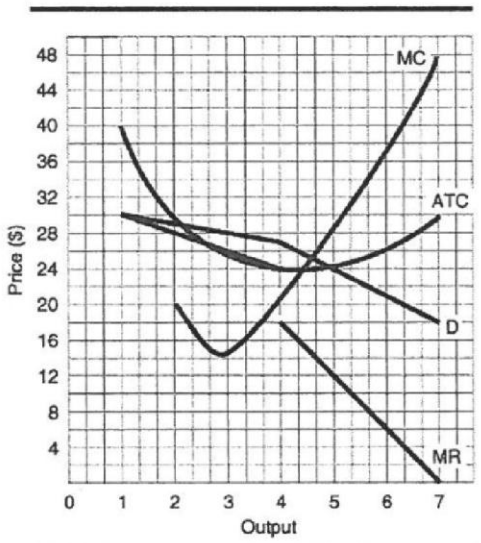


**Figure 4.** Oligopoly Market

(b) Table 2 below shows Oligopoly in the Automobile Industry as The Growing Influence of Foreign Firms in March 2008 data. Calculate and explain the following terms for:

i) Concentration Ratio (CR)

(4 marks)

ii) Herfindahl Hirschman Index (HHI)

(4 marks)

**Table 2.**Oligopoly Market

| 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 |

(c) Explain the Cutthroat Competitor's reasons for not raising or lowering his price, thereby accounting for the kink in his demand curve.

(4 Marks)

(d) Figure 5 shows Monopolistic Competitor taking a loss in the short run, measure how to minimize the lost.

(4 Marks)

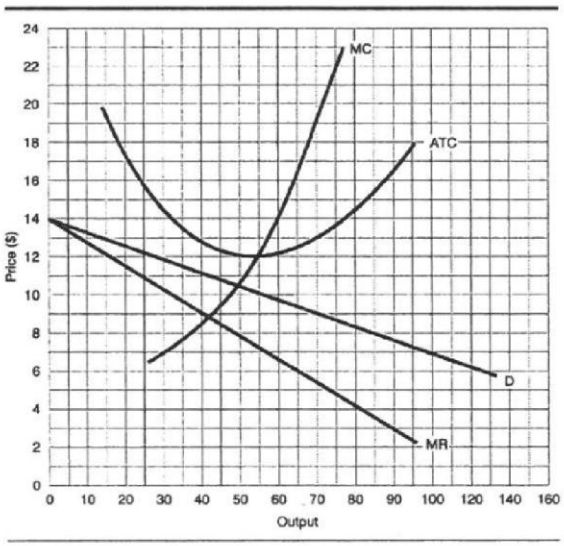


**Figure 5.** Monopolistic Competitor

**Question 5: Gross Domestic Product, Unemployment and Money (20 marks)**

(a) Being unemployed means different between things to different people. Explain this by making up **ONE (1)** example of **THREE (3)** different types of unemployed people.

(9 Marks)

(b) Clarify why is a High Rate of Inflation is bad for the economy?

(4 Marks)

(c) GDP rises from RM20 Trillion in 2015 to RM21 Trillion in 2016, but the price level remains the same. Calculate what percentage did real GDP rise between 2015 and 2016?

(4 marks)

(d) Analyze **ONE (1)** factor influences on the demand for Money. Explain.

(3 Marks)

**Question 6: Economic Growth, Productivity, Poverty and 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. Determine **TWO (2)** Protection on Trade Restriction. Provide **ONE (1)** example in your explanation.

(8 Marks)

(b) Explain **THREE (3)** Theories of the Causes of Poverty. Provide **ONE (1)** example in your explanation.

(9 Marks)

(c) Interpret what is Competitive Advantage. Make up **ONE (1)** example to illustrate this concept.

(3 Marks)

**END OF EXAMINATION PAPER**

**LGB 13203-PRINCIPLES OF ECONOMICS**
**FORMULAES:**

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)

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

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