



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION
DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION CODES: 07BECO, 07BACC, 07MARB, 07BBMA, 07BENT, 07BSMN, 07BTAR, 06DIPS, 07BOAC, 08BOPS, 07BHRM, 07BACO, 07BLAM, 07BOQS, 07BPMN	LEVEL: 7
COURSE CODE: PMI511S	COURSE NAME: PRINCIPLES OF MICROECONOMICS
SESSION: JUNE 2024	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

2ND OPP. EXAMINATION JULY PAPER	
EXAMINER(S)	Ms. Precious Mwikanda Mr. Mally Likukela
MODERATOR:	Mr. Eslon Ngeendepi

INSTRUCTIONS
<ol style="list-style-type: none">1. This question paper consists of 17 pages plus 1 answer sheet attached.2. The attached ANSWER sheet must be detached, completed and submitted to the invigilators.3. Answer on the answer sheet provided, DO NOT ANSWER ON THE QUESTION PAPER.4. Indicate your student number and shade it legibly.5. Shade (pencil/ black pen) your answers clearly and visibly.6. Items permissible: calculator, pens, pencil.

SECTION A 43 MARKS

Instructions:

- Read all questions carefully
 - Answer all questions on the provided sheet by shading one correct answer on each number
-

- 1. When marginal is negative, it must be true that** [1]
- A. The average is positive
 - B. The average is negative
 - C. The total is decreasing
 - D. The total is negative
- 2. The utility is generally related to** [1]
- A. Satisfaction
 - B. Necessary
 - C. Useless
 - D. Useful
- 3. Which of the following statements about the demand curve is true?** [1]
- A. The slope of the demand curve is upward from left to right
 - B. The slope of the demand curve is downward from left to right
 - C. The slope of the demand curve is parallel to the X-axis
 - D. The slope of the demand curve is parallel to the Y-axis
- 4. The term 'marginal' in economics means** [1]
- A. Additional
 - B. Unimportant
 - C. Minimum Unit
 - D. None of the above
- 5. In the market structures, a firm can achieve equilibrium when its** [1]
- A. $MC = MR$
 - B. $MC = AC$
 - C. $MR = AR$
 - D. $MR = AC$

6. If a 5% increase in price leads to an 8% decrease in quantity demanded, demand is [2]
- A. perfectly elastic
 - B. elastic
 - C. unit elastic
 - D. inelastic
7. When the price of coffee rises, the demand for tea _____ [1]
- A. Falls
 - B. Rises
 - C. Stays the same
 - D. None of the above
8. Unit elastic demand occurs when [1]
- A. a one-unit increase in price leads to a one-unit decrease in quantity demanded.
 - B. a 1% increase in price leads to a one-unit decrease in quantity demanded.
 - C. price elasticity of demand is positive.
 - D. price elasticity of demand is exactly -1.
9. The elasticity for the demand of durable goods is _____. [1]
- A. Zero
 - B. Equal to unity
 - C. Greater than unity
 - D. Less than unity
10. Luxury goods are usually [1]
- A. price inelastic
 - B. income inelastic
 - C. income elastic
 - D. goods with negative income elasticity
11. If price elasticity of demand is -0.5, [2]
- A. 1% decrease in quantity demanded leads to a 0.5% decrease in price
 - B. a 1% decrease in price leads to a 0.5% increase in quantity demanded
 - C. a 50% decrease in price leads to a 1% increase in quantity demanded
 - D. demand is elastic

12. Suppose a firm sells its product at a price lower than the opportunity cost of the inputs used to produce it. Which is true? [1]
- A. The firm will earn accounting and economic profits.
 - B. The firm will face accounting and economic losses.
 - C. The firm will face an accounting loss, but earn economic profits.
 - D. The firm may earn accounting profits, but will face economic losses.
13. Suppose that a firm produces 200,000 units a year and sells them all for N\$10 each. The explicit costs of production are N\$1,500,000 and the implicit costs of production are N\$300,000. The firm has an accounting profit of: [2]
- A. N\$500,000 and an economic profit of N\$200,000.
 - B. N\$400,000 and an economic profit of N\$200,000.
 - C. N\$300,000 and an economic profit of N\$400,000.
 - D. N\$200,000 and an economic profit of N\$500,000.
14. During the 2010-15, Facebook has gained 40 percent more customer accounts (Facebook accounts). During this time period, Facebook has also bought file sharing platform Instagram and mobile messaging application WhatsApp. Facebook's cost of maintaining each account has dropped by 50% during this period. This is an example of: [2]
- A. economies of scale.
 - B. economies of scope.
 - C. diseconomies of scope.
 - D. both (a) and (b).

Use the following information to answer the following questions (15, 16, 17, 18-21)

Table 1: Cost schedule of ABC Inc. Widgets Factory

Measure of Cost for ABC Inc. Widget Factory			
Quantity of Widgets	Variables Costs	Total Costs	Fixed Costs
0			N\$ 10
1	N\$ 1		
2	N\$ 3	N\$ 13	
3	N\$ 6	N\$ 16	
4	N\$ 10		
5		N\$ 25	
6	N\$ 21		N\$ 10

15. Refer to Table 1. The average fixed cost of producing five widgets is [2]

- A. N\$1.00.
- B. N\$2.00.
- C. N\$3.00.
- D. None of the above are correct.

16. Refer to Table 1. The average variable cost of producing four widgets is [2]

- A. N\$2.00
- B. N\$2.50
- C. N\$3.33
- D. N\$5.00

17. Refer to Table 1. The average total cost of producing one widget is [2]

- A. N\$1.00
- B. N\$10.00
- C. N\$11.00
- D. N\$22.00

- 18. Refer to Table 1. The marginal cost of producing the sixth widget is** [2]
- A. N\$1.00
 - B. N\$3.50
 - C. N\$5.00
 - D. N\$6.00
- 19. Refer to Table 1. What is the variable cost of producing zero widgets?** [2]
- A. N\$0
 - B. N\$1.00
 - C. N\$10.00
 - D. N\$10.00
- 20. Refer to Table 1. What is the marginal cost of producing the first widget?** [2]
- A. N\$1.00
 - B. N\$10.00
 - C. N\$11.00
 - D. It can't be determined from the information given.
- 21. Refer to Table 1. What is the variable cost of producing five widgets?** [2]
- A. N\$13.00
 - B. N\$14.00
 - C. N\$15.00
 - D. It can't be determined from the information given.
- 22. When a firm has little ability to influence market prices it is said to be in what kind of a market?** [1]
- A. a competitive market
 - B. a strategic market
 - C. a thin market
 - D. a power market

Use table 2 below to answer questions 23-27

Table 2: Cost and Revenue schedule

Quantity	Total Revenue	Total Cost
0	0	10
1	9	14
2	18	19
3	27	25
4	36	32
5	45	40
6	54	49
7	63	59
8	72	70
9	81	82

23. Refer to Table 2. At a production level of 4 units which of the following is true? [2]

- A. Marginal cost is N\$6.
- B. Total revenue is greater than variable cost.
- C. Marginal revenue is less than marginal cost.
- D. All of the above are correct.

24. Refer to Table 2. At which quantity of output is marginal revenue equal to marginal cost [2]

- A. 3
- B. 6
- C. 8
- D. All of the above are correct.

25. Refer to Table 2. If this firm chooses to maximize profit it will choose a level of output where marginal cost is equal to: [2]

- A. 6.
- B. 7
- C. 8
- D. 9

26. Refer to Table 2. The maximum profit available to this firm is [2]

- A. N\$5
- B. N\$4
- C. N\$3
- D. N\$2

27. Refer to Table 2. If the firm finds that its marginal cost is NS\$11, it should [2]

- A. Increase production to maximize profit.
- B. Increase the price of the product to maximize profit.
- C. Advertise to attract additional buyers to maximize profit.
- D. None of the above are correct.

SECTION B
57 MARKS

Instructions:

- Read all questions carefully
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-

28. According to the principle of diminishing marginal utility, [1]

- A. marginal utility remains the same
- B. total utility remains the same
- C. marginal utility decreases with each additional unit of a good
- D. that that is consumed.

29. Jen consumes 5 CDs and 2 tacos. She receives 500 units of utility from her 5th CD and 200 units of utility from her 2nd taco. The price of a CD is \$10, the price of a taco is \$4, and she is spending her entire budget. Which of the following is true regarding Jen's choices?

[2]

- A. Jen is maximizing utility.
- B. Jen is operating on her demand curve for tacos.
- C. Jen is operating on her demand curve for CDs.
- D. All of the above.

30. If the quantity demanded of a commodity is unresponsive to change in prices, then the demand of that commodity is _____. [1]

- A. Perfectly inelastic
- B. Elastic
- C. Unit elastic
- D. Inelastic

31. Which of the following scenarios will not shift the demand curve for a particular product?

[1]

- A. A change in the income of the consumers of that product
- B. Effective advertising campaign by producers of a substitute good
- C. A reduction in the price of the raw material for that product
- D. A widely publicised study that says the product is harmful to the health of consumers

36. Which of the following is a sign of a free economy? [1]

- A. The prices are regulated.
- B. The prices are partly regulated.
- C. The prices are determined with the help of the forces of demand and supply.
- D. None of these.

37. The degree of response of demand to change in price is [1]

- A. Income elasticity of demand
- B. Cross-elasticity of demand
- C. Price elasticity of demand
- D. All the above.

38. Which of the following statements about the production possibility curve is true? [1]

- A. If a point falls inside the production possibility curve, it indicates that the resources are over utilised
- B. If a point falls inside the production possibility curve, it indicates that the resources are underutilised
- C. If a point falls inside the production possibility curve, it indicates that there is adequate employment in the economy
- D. If a point falls inside the production possibility curve, it indicates that there is inadequate employment in the economy

Use table 4 below to answer questions 39-44

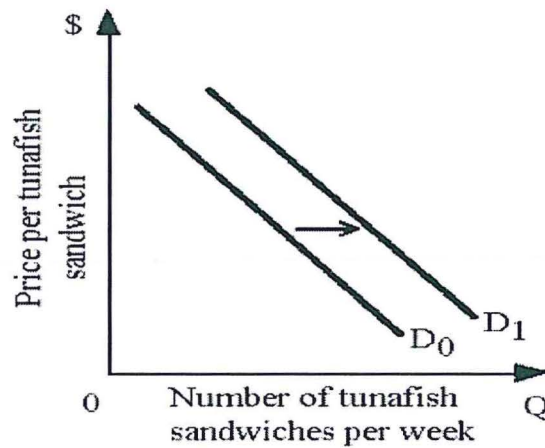
Table 4: John's utility (MU) schedule for rice and meat.

TU rice	MU rice	MU/P rice	Quantity	TU meat	MU meat	MU/P meat
0	-	-	0	0	-	-
660			1	900		
1 260			2	1 710		
1 800			3	2 430		
2 280			4	3 060		

39. What is John's MU for rice at the 1st quantity? [2]
- A. 600
 - B. 660
 - C. 500
 - D. 900
40. What is John's MU for rice at the 2nd quantity? [2]
- A. 600
 - B. 300
 - C. 250
 - D. 150
41. What is John's weighted MU for rice at the 2nd quantity? [2]
- A. 110
 - B. 30
 - C. 69
 - D. 50
42. What is John's weighted MU for meat at the 1st quantity? [2]
- A. 30
 - B. 90
 - C. 60
 - D. 50
43. What is John's weighted MU for meat at the 3rd quantity? [2]
- A. 12
 - B. 24
 - C. 42
 - D. 21
44. John will be in consumer equilibrium when he buys the following combination of rice and meat: [2]
- A. 4 Rice and 3 meat
 - B. 2 Rice and 2 meat
 - C. 3 Rice and 3 meat
 - D. 3 Rice and 4 meat

Use figure 1 below to answer question 45 below

Figure 1: Demand curve for Tunafish Sandwiches



45. Refer to Figure 1 above. If a consumer income falls, the demand for tuna fish sandwiches shifts from D_0 to D_1 . This implies that tuna fish sandwiches are: [2]
- A. a normal good.
 - B. an inferior good.
 - C. a substitute good.
 - D. a complementary good.
46. Which of the following is a microeconomic topic? [1]
- A. The reasons for a decline in average prices
 - B. The reasons why Kathy buys less orange juice
 - C. The cause of why total employment may decrease
 - D. The effect of the government budget deficit on inflation
47. Which of the following is NOT a factor of production? [1]
- A. the water used to cool a nuclear power plant.
 - B. the wages paid to workers.
 - C. the effort of farmers raising cattle.
 - D. the management skill of a small business owner.

- 48. The opportunity cost of any action is** [1]
- A. The time required but not the monetary cost.
 - B. All the possible alternatives forgone.
 - C. The highest-valued alternative forgone.
 - D. the monetary cost but not the time required.
- 49. The term "ceteris paribus" means** [1]
- A. Using market mechanisms.
 - B. The study of scarcity and choice.
 - C. All other things remaining constant or equal.
 - D. Value free and testable.
- 50. In which economy do consumers and producers make choices based on market forces of supply and demand?** [1]
- A. Market economy
 - B. Open economy
 - C. Controlled economy
 - D. Command economy
- 51. When the price of a product falls by 10% and its demand rises by 30%, then the elasticity of demand is _____.** [2]
- A. 13
 - B. 3
 - C. 10
 - D. 30
- 52. Which of the following is not a cause of the shift in demand for a product?** [1]
- A. Change in the price of substitutes
 - B. Change in the income of a consumer
 - C. Change in the price of a product
 - D. None of the above

Use the following schedule to answer question 53-60

Table 5: Product schedule

Units of Labour	Total Product	Marginal Product
0		
1	100	100
2	195	
3		80
4		

53. What is the Avg. Product when 1 Unit of labour is employed? [2]

- A. 80
- B. 100
- C. 180
- D. 200

54. What is the marginal product of the 2nd Unit of labour? [2]

- A. 95
- B. 195
- C. 295
- D. 80

55. What is the Total product of the first three units of labour? [2]

- A. 295
- B. 95
- C. 195
- D. 275

56. If Optimum level of output results at end of 4th unit of labor, TP & MP shall be [2]

- A. 100 & 100 respectively
- B. 195 & 0 respectively
- C. 0 & 100 respectively
- D. 275 & 0 respectively

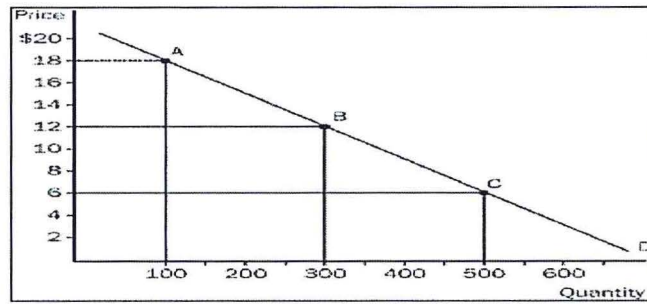
57. If you know that with 8 units of output, average fixed cost is N\$.12.50 and average variable cost is N\$.81.25, then total cost at this output level is: [2]

- A. N\$.93.75
- B. N\$.97.78
- C. N\$.750
- D. N\$.880

58. With fixed costs of N\$.400, a firm has average total costs of N\$.3 and average variable costs of N\$.2.50. Its output is: [2]
- A. 200 units.
 - B. 400 units.
 - C. 800 units.
 - D. 1,600 units.
59. At a price of N\$11.00, quantity demanded is 90; and at a price of N\$9.00, quantity demanded is 110. The price elasticity of demand is: [2]
- A. 0.1
 - B. -0.82
 - C. -1
 - D. -1.22
60. A 10% increase in the price of movie ticket in Westridge 8 movie theatre leads to a 15% decrease in the number of tickets sold. This indicates that the demand for movie tickets in Westridge 8 is: [2]
- A. elastic.
 - B. inelastic.
 - C. unit elastic.
 - D. Can not tell from the information given
61. Suppose there is a 6 percent increase in the price of good X and a resulting 6 percent decrease in the quantity of X demanded. Price elasticity of demand for X is [2]
- A. 0.
 - B. 1.
 - C. 6.
 - D. 36

Use figure 2 to answer the following question

Figure 2: A Demand curve



62. Refer to Figure 2 above. The price elasticity of demand between point A and point B, using the midpoint method, is [2]

- A. 1.
- B. 1.5
- C. 2
- D. 2.5

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100 Marks

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- 1 (A) (B) (C) (D) 24 (A) (B) (C) (D) 47 (A) (B) (C) (D) 59 (A) (B) (C) (D)
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- 3 (A) (B) (C) (D) 26 (A) (B) (C) (D) 49 (A) (B) (C) (D) 61 (A) (B) (C) (D)
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- 5 (A) (B) (C) (D) 28 (A) (B) (C) (D) 51 (A) (B) (C) (D) 63 (A) (B) (C) (D)
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- 23 (A) (B) (C) (D) 46 (A) (B) (C) (D)

Student ID

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9	9	9	9	9	9	9	9	9	9

B

A	B
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