



STAMFORD COLLEGE

SCHOOL OF BUSINESS

DIPLOMA IN CORPORATE ADMINISTRATION (SEMESTER 2)

DCA 108: MICROECONOMICS

Date : 10 October 2006 (Tuesday)

Time : 2.00 pm – 4.00 pm

Duration: 2 hours

Instructions to Candidates

Section A is compulsory. Answer ONE out of THREE questions from Section B.

Please ensure that this examination paper contains FIVE questions on TWO printed pages before you start the examination.

Books, papers and other written materials are not allowed to be brought into the examination hall. A candidate who violates the examination rules of Stamford College or commits a malpractice will be disqualified from the examination.

Candidates may use calculators provided the calculators give no printout, have no work display facilities, are silent and cordless.

Write your Examination Index Number on each page of your answer booklet.

SECTION A (Compulsory)

Question 1

Define:

- (a) scarcity (2 Marks)
- (b) opportunity cost (2 Marks)
- (c) demand (2 Marks)

Question 2

Explain and illustrate the concept of price mechanism. (6 marks)

Question 3

Explain THREE factors which affect the price elasticity of demand. (6 marks)

Question 4

Explain and illustrate with graph, the concept of the production possibility frontier. (6 marks)

Question 5

Define and provide the formula for:

- (a) Average Total Cost (2 marks)
- (b) Average Variable Cost (2 marks)
- (c) Marginal Cost (2 marks)

(Total = 30 marks)

SECTION B

Answer ONE out of THREE questions.

Question 6

- (a) Briefly outline FIVE characteristics of a monopolist. Illustrate with a diagram the type of profits made by a monopolist in the long run. (10 marks)
- (b) Why is the oligopolist's price always rigid? (10 marks)
(Total = 20 marks)

Question 7

Using appropriate supply and demand diagrams, analyse the effects on the market equilibrium price and quantity traded for bottled mineral water following:

- (a) A fall in the price of bottled mineral water. (5 marks)
- (b) An accident that poisons the local natural water supply. (7 marks)
- (c) A reduction in the tax paid by producers of bottled mineral water. (8 marks)
- (Consider each event separately.) (Total = 20 marks)

Question 8

- (a) What are the restrictions that can be imposed by existing firms in an industry in order to block the entry of new firms? (10 marks)
- (b) State FIVE advantages and FIVE disadvantages of specialisation. (10 marks)
(Total = 20 marks)

– END OF PAPER –