

Micro-economics
Practice Made Perfect Workbook

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Abstract: This MICROECONOMICS Practice Made Perfect Workbook is provided as a convenience to new students who have little or no understanding of basic microeconomic theories. This workbook is written and compiled neatly according to the latest Principle of Economics and Microeconomics Course syllabus content for diploma students from various fields especially those studied in Universiti Teknologi MARA. All microeconomic concepts and exercises in this workbook is simplified by the author in accordance with the students' level of understanding and learning. This workbook contains questions that challenge the minds of the students. Answers to questions are provided at the end of each topic as a guideline for students to better understand and appreciate microeconomics.

Keywords: Microeconomics, workbook, economic principles, practical exercises, student guide



MICRO- ECONOMICS

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NORMALA ISMAIL

MICRO-ECONOMICS: Practice Made Perfect Workbook

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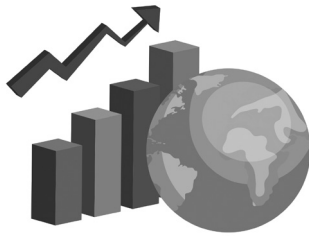
PREFACE

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ACKNOWLEDGEMENT

*This book is dedicated to my beloved FAMILY,
fellow FRIENDS and STUDENTS.*

*Normala binti Ismail
April 2024*



TOPIC 1

INTRODUCTION TO ECONOMICS

MULTIPLE CHOICE QUESTIONS

1. An economic activity is
 - A. the oldest disciplines among humanities.
 - B. categorized as a social science.
 - C. an activity that helps people make economic plans.
 - D. deals with the economic problems of individuals, firms, societies and countries.

2. All the following are the definition of economics except
 - A. a science that studies human behaviour as a relationship between ends and scarce means which have alternative uses.
 - B. a study of how people use their limited resources to try to fulfil unlimited wants and involves alternatives or choices.
 - C. a study of how scarce resources are allocated among alternative uses.
 - D. an activity that helps the people to achieve economic gains, which is valued in terms of money.

3. Economics is the study of
 - A. how society manages its scarce resources.
 - B. how to fully satisfy our limited wants.
 - C. how to reduce our wants until we are satisfied.
 - D. how society manages its unlimited resources.

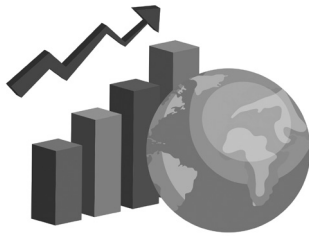


TOPIC 2

DEMAND AND SUPPLY

MULTIPLE CHOICE QUESTIONS

1. The law of demand states that
 - A. the higher the price of a product, the higher is the quantity demanded for the product, *ceteris paribus*.
 - B. the lower the price of a product, the lower is the quantity demanded for the product, *ceteris paribus*.
 - C. the higher the price of a product, the lower is the quantity demanded for the product, *ceteris paribus*.
 - D. all of the above.
2. *Ceteris paribus* means
 - A. intangible things (with value) which cannot be seen or touched.
 - B. holding other factors constant while some other factors change.
 - C. goods that have no production cost.
 - D. things of value that can be seen or touched.
3. The following would cause the demand curve of shawl to shift to the right
 - A. price of shawl decreases.
 - B. price of cotton increases.
 - C. price of shawl increases.
 - D. consumers' income increases.

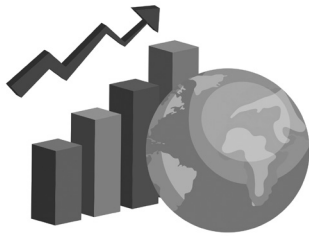


TOPIC 3

ELASTICITY OF DEMAND AND ELASTICITY OF SUPPLY

MULTIPLE CHOICE QUESTIONS

1. A 10 percent increase in the price of beef will reduce its quantity demanded by 15 percent. It can be concluded that the demand for beef is
 - A. inelastic.
 - B. elastic.
 - C. unitary elastic.
 - D. perfectly inelastic.
2. If Puan X income increased by 10 percent and the quantity of mutton Puan X demanded increased by 5 percent, Puan X income elasticity of demand for mutton is
 - A. 5
 - B. 2
 - C. 0.5
 - D. - 2
3. If the government wants to raise tax revenue and shift most of the tax burden to the producers, it will impose a tax on a good with
 - A. an inelastic demand curve.
 - B. a unitary elastic demand curve.
 - C. an elastic demand curve.
 - D. a perfectly elastic demand curve.

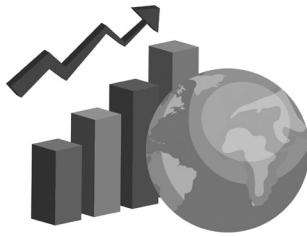


TOPIC 4

MARKET EQUILIBRIUM AND GOVERNMENT INTERVENTION

MULTIPLE CHOICE QUESTIONS

1. The best meaning of a market is
 - A. an institution which brings together buyers and sellers.
 - B. always entails face-to-face contact between buyers and sellers.
 - C. entails the exchange of goods but not services.
 - D. reflects sloping downward demand and upward sloping supply curves.
2. The following would cause the market demand curve of clothes to shift to the right
 - A. price of clothes decreases.
 - B. price of cotton increases.
 - C. price of clothes increases.
 - D. consumers' income increases.
3. Below are the factors that will reduce the market supply of rubber except
 - A. harvesting of rubber during rainy season.
 - B. government decides to send back the foreign workers in the agricultural sector.
 - C. more rubber estates have been converted into oil palm.
 - D. government reduces tax on inputs in the rubber industry.
4. In the market of coffee, we can consider
 - A. tea as complementary good.
 - B. sugar as substitutes good.

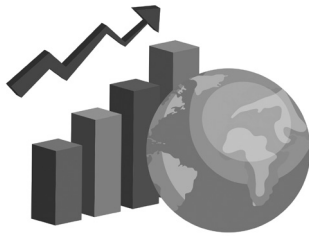


TOPIC 5

THEORY OF PRODUCTION

MULTIPLE CHOICE QUESTIONS

1. Production means
 - A. a person who combines the three factors of production, initiates the process of production and also bears the risk.
 - B. the part of man-made wealth which is used to further produce wealth.
 - C. the transformation of inputs and outputs.
 - D. Physical or mental activities carried out by human beings for monetary value.
2. A group or class of productive resources refers to
 - A. inputs.
 - B. outputs.
 - C. production.
 - D. factors of production.
3. The classification of factors of production consists of
 - A. land, labour, capital and entrepreneur.
 - B. inputs, outputs, production and machines.
 - C. tools, equipment, machines and tractors.
 - D. lecturers, capital goods, consumer goods and doctors.
4. The statement below does not represent a production function except
 - A. the process of using the factors of production to produce goods and services.

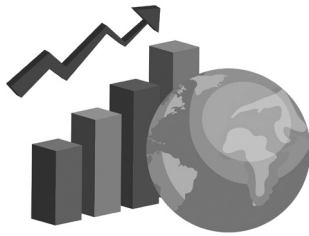


TOPIC 6

COST OF PRODUCTION

MULTIPLE CHOICE QUESTIONS

1. Implicit cost is
 - A. equal to total fixed cost.
 - B. payment for self-employed resources.
 - C. comprised entirely of variable cost.
 - D. always taken into consideration in the computation of accounting profit.
2. The following statement is correct for explicit cost except
 - A. Explicit cost is the value of resources purchased for production.
 - B. Explicit cost is included in economic cost and accounting cost.
 - C. Explicit cost is included in economic cost but excluded in accounting cost.
 - D. Examples of explicit cost are wages and salaries to workers.
3. Total fixed cost refers to the costs of input that are of output
 - A. change.
 - B. inverse.
 - C. dependent.
 - D. independent.
4. The following best describes total cost
 - A. total cost per unit of output.
 - B. sum of fixed and variable costs.

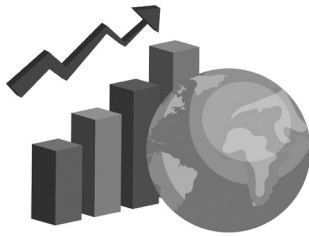


TOPIC 7A

MARKET STRUCTURE: PERFECT COMPETITION AND MONOPOLY

MULTIPLE CHOICE QUESTIONS

1. The statement below best describes the definition of a firm in economics
 - A. an independent unit which produces goods and services for sale.
 - B. a unit engaged in production with the objective of maximizing profits.
 - C. will sell goods in the market at prices where the price of the product must cover the cost of production and also enable the firm to earn at least a marginal profit.
 - D. all of the above.
2. The objective of a firm is
 - A. maximize costs.
 - B. minimize profits.
 - C. profit maximization.
 - D. buys and hires factors of production.
3. A firm is in equilibrium condition
 - i. when it earns maximum profit or minimum losses
 - ii. when it has no tendency to increase or decrease output
 - iii. the method of determining the equilibrium of a firm is marginal approach
 - iv. market demand equals to market supply
 - A. i and ii
 - B. i and iii



TOPIC 7B

MARKET STRUCTURE: MONOPOLISTIC COMPETITION AND OLIGOPOLY

MULTIPLE CHOICE QUESTIONS

1. The firm in monopolistic competitive market has demand curve
 - A. perfectly elastic.
 - B. perfectly inelastic.
 - C. elastic.
 - D. inelastic.
2. In a monopolistically competitive market, there will be
 - A. a product group and a single price.
 - B. a product group and a range of prices.
 - C. a single product and price.
 - D. all of the above.
3. The following best suits monopolistic competition
 - A. many firms producing differentiated products.
 - B. many firms producing standardized products.
 - C. few firms producing differentiated products.
 - D. few firms producing standardized products.
4. The products produced in monopolistic competition are
 - A. differentiated and have no substitutes.
 - B. differentiated and have few substitutes.
 - C. differentiated and many substitutes.

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