



Gratia Christian College
宏恩基督教學院

Examination

Programme : Higher Diploma in Transformative Business Management
Academic Year (Semester) : 2023 - 2024 (Semester 2)
Course Code : HTM101
Course Title : Microeconomics
Date : 22 April 2024 (Monday)
Time : 10:00 am – 1:00 pm
Time Allowed : 3 hours
Weighting : 30%

Student ID No. : _____

This paper has 5 pages (including this cover page).

Instructions to candidates:

1. This question paper consists of 5 questions.
2. Answer Question 1 in Section A and any three questions in Section B in the answer book provided.
3. This paper carries 100 marks which are allocated to each question as indicated.
4. This is a closed-book examination.

No materials or aids are allowed during the whole examination. If any unauthorized materials or aids are found on a candidate during the examination, the candidate will be subject to disciplinary action.

**Do not turn this page until you are told to do so.
You should hand in this question paper after the examination.**

Section A (25 marks)

Answer ALL questions in Question 1 (compulsory)

Question 1 (25 marks)

- (a) What are the main factors that influence the price elasticity of demand for a particular good? (4 marks)
- (b) List 3 factors that affect labour mobility. (3 marks)
- (c) Define and explain with six examples (1.5 marks / example) of barriers to entry. (9 marks)
- (d) Compare the 4 types of market structures in terms of
- 1) The number of suppliers;
 - 2) Price; and
 - 3) Barriers to entry.

(9 marks)

(Total: 25 marks)

Section B (75 marks)

Answer any THREE questions from this section.

Question 2 (25 marks)

The table below shows the price and demand for dark chocolates produced by “The Premium” chocolate shop. The production cost per pack of dark chocolates remains unchanged at HK\$70.

Price (HK\$ per pack)	Quantity demanded (packs per month)
150	0
140	300
130	600
120	750
110	800

Required:

- (a) Work out a table listing price, quantity demanded, total cost, total revenue and marginal revenue for each price level. (12 marks)
- (b) At what output level and price will “The Premium” maximise its profit? Determine the maximum profit. (6 marks)
- (c) Based on the revenue figures in the table in (a) above, at what range of price is demand elastic? Briefly explain your answer. (4 marks)
- (d) Suppose the local government is going to impose a fixed tax on “The Premium.” At what maximum amount of tax can “The Premium” breakeven? (3 marks)

(Total: 25 marks)

Question 3 (25 marks)

The following table summarises the demand and supply conditions in the EKEO's commercial rental properties market.

Quantity demanded (square foot in million)	Quantity supplied (square foot in million)	Rental (HK\$ per square foot)
10,000	5,000	60
9,000	6,500	70
8,000	8,000	80
7,000	9,500	90

Required:

- (a) Identify and explain the equilibrium in the EKEO's commercial rental properties market. Analyse the economic nature of demand for commercial rental properties. (9 marks)
- (b) Calculate the price elasticity of demand for commercial rental properties between the rental HK\$70 to HK\$80. Explain two factors that may influence the price elasticity of demand for commercial rental properties. (8 marks)
- (c) Evaluate the possible impact on the market if the local government imposes a rental ceiling at HK\$70 per square foot. What are your arguments against the imposition of a rental ceiling in a free market economy? (8 marks)
- (Total: 25 marks)

Question 4 (25 marks)

- (a) What is a profit-maximising monopolist? You are required to draw a diagram to illustrate super-normal profits, deadweight loss, optimal price and output choice of a profit-maximising monopolist. (10 marks)
- (b) “Monopolies are not all bad - they have both advantages and disadvantages.” Evaluate this statement considering the arguments on both sides of the debate. (15 marks)
- (Total: 25 marks)

Question 5 (25 marks)

- (a) Briefly describe the meaning of market failure. What are the obstacles to efficiency that bring market failure? (10 marks)
- (b) Explain the steps that governments can take to remedy the effects of market failure. (15 marks)
- (Total: 25 marks)

END OF PAPER