Gratia Christian College
宏恩基督教學院

Academic Year 2016-2017
Semester 1
Examination

Course Code & Title	:	MM2201 Microecomomics
Time Allowed	:	2 hours 30 minutes
Student Name	:	_____
Student ID	:	_____

This paper has   __14__   pages (including this cover page).

1. This paper contains three sections: 60 questions in Section A (60%); 3 questions in Section B (24%) and 1 question in Section C (16%).

2. Answer **ALL** questions in Section A, Section B and Section C.

3. Answers to Section A should be marked on the Multiple-choice Answer Sheet.
   Answers to Section B should be written in the Question-answer book.
   Answers to Section C should be written in the Answer Book.　In the Answer Book, start EACH question (not part of a question) on a NEW page.

This is a **closed-book** examination.

Candidates are allowed to use the following materials/aids:
- Noiseless and cordless calculators without communication function.

Materials/aids other than those stated above are not permitted. Candidates will be subject to disciplinary action if any unauthorized materials or aids are found on them.
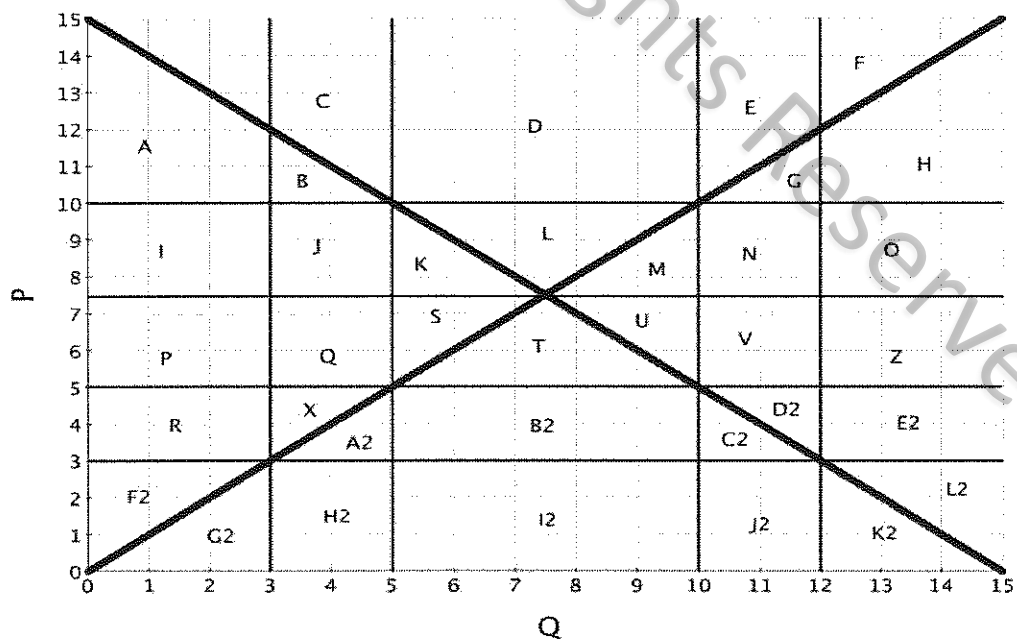

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

Section B (24 marks)

Use the following graph to answer Question 1 to 3.

The following questions should be answered directly in the boxes in front of them. ***Write your answers as summations of the letters in the graph above. No explanations are necessary.*** Example: T+B2+I2. If the answer is ZERO, indicate so by writing "ZERO".

1. Suppose that markets are free, without taxes and closed to international trade. Indicate the areas corresponding to the following values:

    a) Consumer surplus

    | | (2 marks) |

    b) Producer surplus

    | | (2 marks) |

2. Suppose now that the government imposes a **tax on producers of $5 per unit sold**. Indicate the areas corresponding to the following values:

    a) Consumer Surplus

    | | (2 marks) |

    b) Producer Surplus

    | | (2 marks) |

    c) Tax Revenue

    | | (2 marks) |

    d) Deadweight Loss

    | | (2 marks) |

3. Suppose the government stipulates **a price ceiling of $3.** Answer the question below and indicate the areas asked:

    Is the price ceiling binding? If so, will there be a surplus or a shortage? By how many units?

    | | (6 marks) |

    a) Consumer Surplus

    | | (2 marks) |

    b) Producer Surplus

    | | (2 marks) |

    c) Deadweight Loss

    | | (2 marks) |

    (Total: 4 + 8 + 12 = 24 marks)

END OF SECTION B

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Section C (16 marks)

"A basic assumption about consumers in microeconomics is that they have preferences over different baskets of goods."

1. Explain the concepts "preference", "preference order", and "basket of goods".

(16 marks)

- END OF EXAMINATION -