Questions On International Trade, Production Period And Monopoly

Question

a) Define international trade. Based on the article state three (3) products that contribute to export expansion. (4 Marks)

International trade refers to government and individual activities on the exchange of capital, goods and services across international borders or territories. There are three products that contribute to export expansion which are,

b) As mentioned in the last paragraph, line 2, ‘Trade surplus was RM6.04bil….’ What is meant by trade surplus? (2 Marks)

A trade surplus is a positive trade balance economic indicator where the exports of a nation exceed its imports. When the result of the above calculation is positive, a trade surplus occurs. A trade surplus is a net inflow of foreign-market domestic currency. It is the opposite of a trade deficit, which is a net outflow, and it happens when the result of the above calculation is negative.

c) With reference to the last paragraph, state the countries that contribute to Malaysia higher trade.

- China
- ASEAN
- Hong Kong
- Taiwan
- South Korean
- The European Union
- Saudi Arabia
- United Arab Emirates

d) Briefly explain three (3) advantages of international trade.

International trade's benefits can be the best use of natural resources. This lets every nation make the best use of their natural resources. Every nation should focus on producing certain products that are best suited to its capital. Second, all kinds of goods are available. It enables a nation to purchase products that it is unable to manufacture or that it does not generate due to higher prices through purchasing at lower costs from other nations. Additionally, price stability. Wild market swings were reduced by international trade. This equalizes the worldwide prices of goods.

e) Define balance of payments (BOP) and briefly explain two (2) items that

fall under the current account in a BOP.

Balance of payments is a country's national account that calculates all financial transactions and currency movements within a span, typically one year, into and out of the economy. Two items coming under the BOP current account are the balance of trade. Trade balance or measurable trade balance calculates the price of the exported goods less the cost of the imported goods. Last, the value in net income. Net income applies to the disparity between foreign income collections and global citizens ' benefit payments

Question

a) Differentiate between short-run and long-run production period. Using example, explain two (2) types of short run production cost. (8 Marks)

The difference between short-run production period and long-run production period. The short-run output role can be interpreted as the time during which the business can not adjust the quantity of all inputs. In the meantime, long-run production function indicates the time period during which the company can change the quantity of all inputs. In fact, the activity level does not alter in the short-term production method, whereas in the long-run production feature, the organization may increase or increasing the activity levels.

The two forms of short-term output expense total fixed costs (TFC). Total fixed cost applies to the short-run expenses that stay unchanged. With the increase of output level, such costs do not change. Rents, interest, and wages, for example. Fixed costs even if an organization's revenue is zero. Such expenses are also referred to as additional costs, indirect costs, overhead costs, traditional costs, and the future costs for increasing output levels remain constant. Hence, the TFC curve slope is a simple horizontal line.

Next, Total Variable costs (TVC). Apply to prices which change as output volume increases. Costs such as buying raw material, hiring labour, and using electricity, have been incurred. Total variable cost is the total of the sums expended on each of the input factor. If the output is zero, then the cost of the variable is zero. Such expenses are also referred to as primary costs, direct costs, and costs that can be minimized.

b) Explain four (4) characteristics of monopolistic competitive firm and monopoly.

The first characteristics of monopolistic competitive firm is relatively large number of sellers. Monopolistic competitive is a market characterized by a comparatively large number of companies. However, in monopolistic competition, the number of firms is no greater than perfect competition. The company has a small market share, or, in other words, the size of each company is small, so no single company can influence the product's market price

Secondly, less control over price. They're less in charge of product prices. An effective price-output plan will be implemented by each business. In other terms, because of product differentiation and possible alternatives for their commodity, monopolistically dominant companies have some or restricted influence over the market price. For example, there is a scenario where consumers prefer a particular product and are willing to pay more to satisfy their

expectations. There is also a scenario where customers can demand a commodity replacement whenever the price rises.

Next, easy entry and exit. Compared to pure monopoly, it is relatively easy for new companies to enter monopolistically competitive industries. Through making replacements for existing products or creating new labels, the presence of new firms in the market is made possible. In monopolistic competition, the entry of new firms into and exit of existing firms is not as easy as in perfect competition. This is because monopolistic competing companies manufacture specialized goods, whereas uniform items are generated by the perfectly competitive firms.

Lastly, advertising is needed. The monopolistic competitors need to advertise their products to create awareness among the consumers about the existence of the products. This is to create and increase and increase demand for the products. This act is known as non-price competition to create brand consciousness

Meanwhile, characteristics for monopoly are single seller and large number of buyers. A pure monopoly exists when a company is the industry's only producer or single seller. The company is the only manufacturer of the goods and services that many buyers buy. Because it's just a seller, it won't face competition and can easily influence the market.

Secondly, unique product. In a monopoly, a firm produces a unique product which has no close substitutes in the market. For example, in Malaysia the only supplier of electricity is Tenaga Nasional Berhad (TNB). There are no other products that can be substitutes of electricity in Malaysia and therefore TNB is a sole producer of electricity in Malaysia.

Next, price maker. In monopoly since the firm face no competition this firm can determine the market price of the goods and services produced. It has full power to control the market price. For example, if the firm experiences an increase in the cost of production, the firm has the market power to increase the price in order to avoid incurring a higher cost of production or making losses.

Lastly, barriers to entry. In monopoly, a firm has no competitors since there are barriers to entry of new firms joining the industry. The barriers are comprised of various forms such as legal, technology, control over raw material, patent and copy right