

Section A

1	2	3	4	5	6	7	8	9	10
A	A	B	D	D	B	D	B	B	B
11	12	13	14	15	16	17	18	19	20
B	C	A	B	D	C	B	B	B	A
21	22	23	24	25	26	27	28	29	30
A	C	D	D	D	D	C	D	D	D

\*MC mostly wrong questions: 2,5,7,10,11,21,24,28,29,30

Section B

1. Income maximization refers to the maximization of income subject to constraints.

收入最大化是指在局限條件下爭取最大收入。

1

Wealth maximization refers to the maximization of wealth subject to constraints.

財富最大化是指在局限條件下爭取最大財富。

1

If there is market interest rate, the future income flows can be discounted and present value can be used to explain the consumption behavior and career choice.

在有市場利率下，將來的收入可以被折現，現值可以被用作解釋消費行為及職業選擇。

2

Income is a flow concept and it cannot easily be maximized since we cannot specify which period of income we are referring to. Income maximization is less useful than wealth maximization.

收入是流量概念，由於不能夠介定那一段時段的收入，收入不容易被最大化，這較財富最大化沒有效用。

2

However, if income refers to annuity income, the implications derived from income maximization and wealth maximization is the same.  
但是，如果收入是指年金收入，收入最大化與財富最大化的含意是相同。

2

However, if there is no market interest rate, wealth cannot be derived and wealth maximization cannot be used to explain human behavior. While income is the product of wealth and market interest rate, income will not exist if there is no market interest rate and income maximization cannot be used to explain human behavior.

但是，在沒有市場利率下，財富不可以被引申，財富最大化不可以用作解釋人類行為。而收入是財富與利率的積，在沒有市場利率的情況下，收入最大化不可以解釋人類行為。

3

#### Comment

- Only 3-4 students defined the income maximization and wealth maximization correctly with the key phrase 'subject to constraints'.
- Many students gave examples of how to decide the consumption or career choice but they did not point out the key word 'present value'. No mark will be given for that.
- Students failed to mention that it is the future income flows can be discounted with the existence of market interest rate. Many of them wrote total income/ income stream/income etc. without mentioning market interest rate. However, this time is lenient enough that 1 mark is still given for students writing the word 'discounted'.
- Majority of students wrongly said that income maximization is better than wealth maximization in the absence of market interest rate, they did not realize that income is the product of wealth and market interest rate. Income will not exist without market interest rate. Thus, both wealth and income maximization will not exist without market interest rate.

2. Price discrimination refers to the practice of charging different individuals different prices for the same goods.

價格分歧是指向不同的個人收取不同的價格，但有關物品是相同的。

2

Different price elasticity of demand is the reason for price discrimination. For individuals with higher price elasticity of demand, they are charged lower price and vice versa.

不同的價格需求彈性是價格分歧的原因，如果一個人的價格需求彈性較高，他被收取的價格會較低。

2

Different information cost is another reason for price discrimination. For individuals with higher information cost, they are charged higher price.

不同的資訊費用是價格分歧的另一個原因，如果一個人的資訊費用較高，他被收取的價格會較高。

2

They can be reconciled if the individuals with lower price elasticity of demand are subjected to higher information cost or individuals with higher price elasticity of demand are subjected to lower information cost.

兩個原因可以被協調，如果一個有較高價格需求彈性的人有較低的資訊費用，或一個有較低價格需求彈性的人有較高的資訊費用。

2

#### Comment

- Some students gave examples of price discrimination e.g. MTR fee, film tickets for adult/students, rather than conditions.
- Many students mentioned different use value, separate market, choice of people etc. which are not appropriate in answering this question.
- Some students wrongly explained the conditions for perfect price discrimination such as low TC, knowing MUV of different users etc.
- Many students simply ignored the second part of the question, only 3-4 student were able to answer whether the two conditions could be reconciled. Students may not know what the meaning of 'reconciled' is, they wrote something which was totally irrelevant.
- No mark will be given for saying it can be reconciled without elaboration.
- No mark will be given for saying having information cost instead of different information cost.

3. Law of diminishing marginal product states that when adding more variable factors into fixed factor, the marginal product of variable factors diminishes, given technology constant.

邊際產量遞減定律是指在不斷加入可變生產因素於固定生產因素之中，在技術不變的情況下，可變生產因素的邊際產出最終下跌。

2

Supply curve of price taker is the part of marginal cost curve above minimum point of average variable cost.

受價者的供給曲線是邊際成本曲線高於平均可變成本曲線最低點的部份。

2

If the LDMP holds, the marginal product curve is downward sloping while marginal cost curve is upward sloping given factor price constant.

如果有關定律成立，邊際產出曲線向右下移，在固定的生產要素價格下，邊際成本曲線是向右上移。

2

However, if the factor price is not constant, the marginal cost curve may not be upward sloping and the supply curve will not be upward sloping.

但是，如果生產要素價格不是固定，邊際成本曲線不一定是向右上移，供給曲線不一定向右上移。

2

#### Comment

- Many students wrongly said that the supply curve is the MC curve. The correct definition is the MC curve above the minimum point of average variable cost curve. Some students even said that it was the upward sloping point of the MP curve.
- Majority of students failed to define LDMP properly. Law of diminishing marginal product states that when adding more variable factors into fixed factor, the marginal product of variable factors diminishes, given technology constant. One mark is still given for saying other things being constant.
- Many students wrongly used the long run case such as increasing cost, constant cost, volume effect, etc. to explain.
- Only a few students were able to answer in term of factor price.
- Please read the question carefully. Some students use a long paragraph to derive a downward sloping supply curve when the LDMP does not hold. However, the question is asking why there is a downward sloping supply curve if the LDMP holds.

4. Monopoly is one of price searchers and it faces downward sloping demand curve.

壟斷是覓價者而它面對向右下移的需求曲線。

2

If there is only one seller and he faces downward sloping demand curve, he is monopoly and it can affect price or quantity sold.

如果只有一個賣方，它面對向右下移的需求曲線，它是壟斷者及可以影響價格或數量。

2

However, if there is potential threat and the sole seller faces a horizontal demand curve, it cannot sell the product at the price higher than market level and expected to survive. It is not monopoly even there is only one seller.

但是，如果有潛在威脅，單一賣家可以面對橫向的需求曲線，它不可以把物品的售價定高於市場水平面又可以生存，它不是壟斷。

4

#### Comment

- Many students simply wrote down the conditions for how to be a monopoly such as patent, huge capital investment etc. which are not relevant for this question.
- Only a few students have mentioned the monopoly could affect price or quantity sold.

5. Imposition of tax may not attenuate income rights for two reasons,  
徵稅可能會削弱收入權的原因如下：

First, the income tax can be viewed as the payment to services provided by the government, especially for the services have public goods features.  
第一，入息稅可以視為向政府提供服務的支付，特別是有關服務涉及共用物品的特質。

3

Second, the right of using income tax revenue is appropriated by the government.

第二，使用入息稅的權利被政府佔用了。

2

Imposition of tax may attenuate income rights for one reason,  
徵稅不會削弱收入權的原因如下：

Government officials are not the owner of income tax revenue and they have no incentive to make efficient use of income tax revenue.  
政府官員不是入息稅的擁有者，他們沒有動機善用有關收入。

3

#### Comment

- Majority of students answered that the amount of income for individual has been reduced so the income right is attenuated. However, the question does not indicate the income rights are own by the individuals.
- Some students wrongly said that it depended on which type of tax was collected by the government, proportional, regressive or progressive.
- Some even said that it depended on the type of income, whether it was disposable or not. The right would not be attenuated if the tax is not imposed on disposable income.

Section C

6. a. They are capital since it can generate potential income flow in the future.

它是資本，因為它可以引伸收來的收入流。

2

b. If there is no congestion, the marginal cost of serving an extra user is zero. Marginal cost pricing cannot be used to generate any income.

如果沒有交通擠塞，向額外一個使用者提供服務的邊際成本是零，邊際成本訂價不可以用作賺取收入。

2

The price is set according to the sum of the average direct cost and expected rent derived from providing services to user.

價格的制訂是根據平均直接成本與提供服務的預期租值加總。

2

c. The reasons are,  
原因是：

There is an increasing demand for transportation services.

對交通服務的需求不斷增長。

2

There is no democracy in mainland China and the land collection process can be shortened.

在中國大陸沒有民主，收地程序可以縮短。

2

Comment

- Capital can generate potential income flow in the future. Only one mark will be given for missing the word 'future'.
- If there is no congestion, the marginal cost of serving an extra user is zero. No mark will be give for marginal cost, marginal cost of operating/using/producing.
- Some students were able to point out marginal cost of serving is zero but they said that MC pricing would be adopted. Price will be set at zero with  $ED=1$ .
- Only 1 student answered the price is set according to the sum of the average direct cost and expected rent from providing services to user.

7. a. If perfect price discrimination is adopted, the museum can generate more incomes.

如果完全價格分歧被採用了，它可以賺取更多收入。

1

However, the information cost of knowing the MUV of each individual and enforcement cost of practicing such arrangement are too high, such arrangement is not adopted.

但是，知道每一個人的MUV成本及有關政策的執行成本十分之高，這個政策沒有被採用。

2

- b. The waiting time of this time cannot affect the watching time since the waiting time is sunk cost and all expenditure are paid before watching.

這次的等候時間不可以影響這次的觀賞時間，因為這次的等候時間是歷史成本，所有支出是已付的。

2

However, the waiting time of this time reflects the waiting time of the next time and it may affect the individual's choice of watching time since he does not want to wait for such a long time in the future.

但是，這次的等候時間反映下次的等候時間，這會影響個人這次觀賞時間的決定，因為他不想在下次等候一段長時間。

2

Comment

- For part (a), many students mentioned transaction costs but they should specify which type of transaction costs.
- Most of the students gave the answer that different people had different preferences, different MUVs and different time costs. The waiting time should be depended on it. Also, they should depend of the size of the exhibition, amount of the painting, route or number of people.
- Many of them were not able to answer the waiting time of this time reflects the waiting time of the next time and affect the individual's choice.

8. a. It can benefit from demonstration effects.  
這可帶來示範作用。 2
- The resistance from vested interest group is too large.  
既得利益的團體阻力十分之大。 2
- b. Gain:
- Consumer can enjoy a better quality services at a lower price.  
消費者可以以較低價格得到服務。 2
- More competitive service provider can enjoy a better return for its service.  
較有競爭力的服務提供者可以得到較佳的回報。 2
- Loss:
- Existing services provider with vested interest suffers for a decline in business.  
現在有既得利益的服務提供者面對收入減少。 2

Comment

- Only 1 student talked about the demonstration effect.
- For part (a), students wrongly focus on why the government privatised those industries rather than why it privatized those industries gradually and partially. Many of them answered this part in term of the benefits of privatization.

9. a. Benefit:

It can reduce the cost of recruiting and training new staff.

這可減低聘用及培訓新員工的成本。

2

It can avoid the leakage of skills and expertise.

這可避免技術及專門知識的流出。

2

It can support the academic freedom.

這可鼓勵學術自由。

2

Loss:

It cannot promote and enhance effectiveness and innovation.

這不可提高生產力。

2

It reduces the chance of promoting new and upcoming staff.

這減低提升新晉員工的機會。

2

- b. The reason is the staffs are paid at a low salary and it does not create a burden to the firm.

原因是有關員工的薪酬較低，不會為公司帶來負擔。

2

- c. Employees are paid according to their marginal revenue product and it can promote continuous learning and skills improvement. Wealth maximization is implied.  
僱員根據他們的邊際生產收入訂價，這可鼓勵持續學習及技能提升，這間不財富最大化。  
2
- Employees can better understand their value, i.e. wage and they will face a short waiting time for a new job. Unemployment rate is lower.  
僱員較清楚自己的價值，等候新工作的時間較短，失業率較低。  
2
- d. First, the interests of low- skilled workers are better protected if they can get a job easier with lower information cost if there is freedom in making contracts.  
第一，如果有選擇的自由，資訊費用較低，低技術員工較容易找到工作，利益較易獲得保障。  
2
- Second, the low-skilled workers are often unable to get the job under labour legislation and restriction deprives them of job opportunity.  
第二，在新勞動法下，低技術工人較易失業。  
2

Comment

- For part (a), none of the students could answer permanent post could support academic freedom.
- Only a few students mentioned to avoid the leakage of skills and expertise.
- Only mark will be given for saying staff would become lazy/reduce efficiency/productivity. Only 2-3 students mentioned reduced in innovation and promotion opportunities.
- For part (b), only 2 students could answer correctly. Many students gave interesting answers like Japan people are hardworking/having higher sense of belongings/higher morale/special characteristics/like stability etc.
- Majority of students scored zero mark for part (c) and (d)