



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
MARCH 2024 SEMESTER**

COURSE CODE	: EEB20703
COURSE NAME	: MANAGERIAL ECONOMICS
PROGRAMME NAME	: BACHELOR OF BUSINESS ADMINISTRATION (HONS) INTERNATIONAL BUSINESS
DATE	: 6 JULY 2024
TIME	: 9.00 AM – 12.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **FOUR (4)** questions.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE THREE (3) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

When markets for goods or services gain access to the Internet, more consumers and more businesses participate in the market. Use supply and demand analysis to predict the effect of e-commerce on equilibrium output and equilibrium price of products gaining a presence on the Internet. Explain your answer by sketching a graph showing the appropriate demand and supply analysis.

(25 marks)

Question 2

Assume that the demand for cosmetic or plastic surgery is price inelastic. Are the following statements true or false? Explain your answer.

- (a) When the price of plastic surgery increases, the number of operations decreases.
- (b) The percentage change in the price of plastic surgery is less than the percentage change in quantity demanded.
- (c) Changes in the price of plastic surgery do not affect the number of operations.
- (d) Quantity demanded is quite responsive to changes in price.
- (e) If more plastic surgery is performed, expenditures on plastic surgery will decrease.

(25 marks)

Question 3

The chief economist for Argus Corporation, a large appliance manufacturer, estimated the firm's short-run cost function for vacuum cleaners using an average variable cost function of the form:

$$AVC = a + bQ + cQ^2$$

where AVC = dollars per vacuum cleaner and Q = number of vacuum cleaners produced each month. Total fixed cost each month is \$180,000. The following results were obtained:

DEPENDENT VARIABLE: AVC		R-SQUARE	F-RATIO	P-VALUE ON F
OBSERVATIONS: 19		0.7360	39.428	0.0001
VARIABLE	PARAMETER ESTIMATE	STANDARD ERROR	T-RATIO	P-VALUE
INTERCEPT	191.93	54.65	3.512	0.0029
Q	-0.0305	0.00789	23.866	0.0014
Q2	0.0000024	0.00000098	2.449	0.0262

- Are the estimates a, b, and c statistically significant at the 2 percent level of significance?
- Do the results indicate that the average variable cost curve is U-shaped? How do you know?
- If Argus Corporation produces 8,000 vacuum cleaners per month, what is the estimated average variable cost? Marginal cost? Total variable cost? Total cost?
- At what level of output will average variable cost be at a minimum? What is minimum average variable cost?

(25 marks)

Question 4

- a) Explain the key difference between perfect competition and monopolistic competition.
- b) In the short run, firms that seek to maximise their market share will tend to charge a lower price for their products than firms that seek to maximise their profit. Do you agree with this statement? Explain your answer.

(25 marks)

END OF EXAMINATION PAPER