



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2024 SEMESTER**

COURSE CODE : EAB11703
COURSE NAME : PRINCIPLES OF MICROECONOMICS
PROGRAMME NAME : BACHELOR IN ACCOUNTING (HONS)
DATE : 5 FEBRUARY 2025
TIME : 2.00 PM – 5.00 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 FOUR (4) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 100 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

- (a) Consider the following events: scientists reveal that eating oats can result in glowing skin and healthy hair, and at the same time, wages for oats production rose due to an increase in minimum wage. Illustrate using diagrams and explain what effect these changes have on the equilibrium price and quantity of oats. (10 marks)
- (b) The table below shows that there are 50 households purchases and 15 sellers selling fried chicken in the market.

Table 1: Quantity Demanded and Quantity Supplied of Fried Chicken

Price (RM)	Quantity Demanded (Units)		Quantity Supplied (Units)	
	Household Demand	Market Demand	Individual Supply	Market Supply
2.00	20		30	
2.50	18		40	
3.00	15		50	
3.50	12		55	
4.00	10		60	
4.50	7		68	

For each price, determine the market demand and market supply of fried chicken.

(6 marks)

- i. Draw a diagram for the market demand and market supply of fried chicken.

(5 marks)

- ii. What is the equilibrium price and quantity of fried chicken in market?

(2 marks)

- iii. Describe the situation at the price of RM2.00 and RM4.00. What will occur?

Please show using the same diagram at (ii).

(2 marks)

Question 2

- (a) The following table summarises the short-run relationship between a firm's total labour input and its total output.

Table 2: Total Product, Marginal Product and Average Product of a Firm

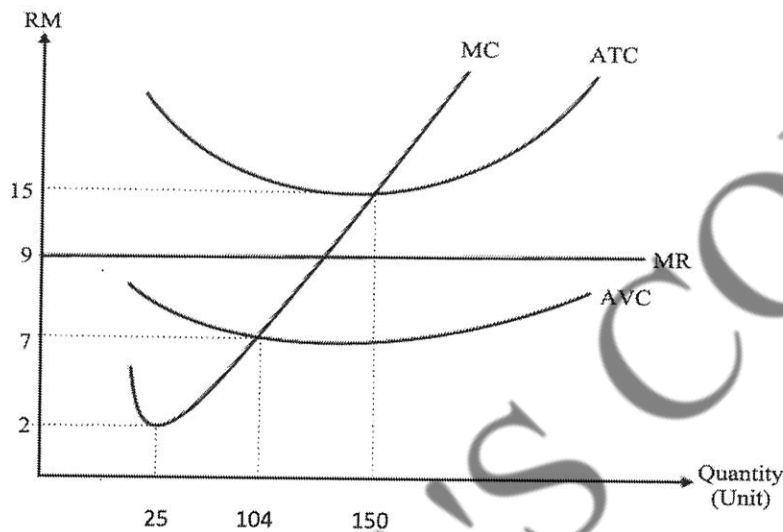
Labour Input	Total Product	Marginal Product	Average Product
0	0		
1	20		
2	46		
3	75		
4	102		
5	125		
6	138		
7	140		
8	136		

- i. What are the firm's Marginal Product and Average Product for each labour input?
(8 marks)
 - ii. Over what range of labour input does the firm experience increasing marginal returns? Diminishing marginal returns? Negative marginal returns?
(3 marks)
 - iii. Comparing marginal products to average products, under what circumstances will average product rise? Under what circumstances will the average product fall?
(2 marks)
- (b) Suppose a firm is currently producing 10 units. Its fixed costs are \$100, and its variable costs are \$40.
- i. At an output level of 10 units, what are the firm's current Total Cost, Average Fixed cost, Average Variable Cost and Average Total Cost?
(4 marks)
 - ii. If the total cost of producing 11 units is \$147, what is the marginal cost of the eleventh unit?
(2 marks)
 - iii. Is the average total cost rising or falling? Explain.
(3 marks)
 - iv. Is the average variable cost rising or falling? Explain.
(3 marks)

Question 3

- (a) The diagram below shows the price, marginal cost and average cost curve of a firm.

Graph 1: Price, Marginal Cost and Average Cost of a Firm

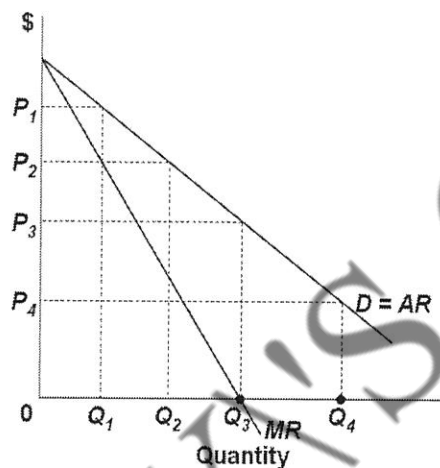


- i. Identify the type of market structure the firm is operating in and justify your answer. (2 marks)
 - ii. What is the profit maximizing price and output for this firm? Is this firm operating in the short-run or long-run? (3 marks)
 - iii. Calculate the amount of profit or loss at the equilibrium point and state the type of profit. (4 marks)
 - iv. Determine the value of average variable cost (AVC) at the profit maximizing level of output. (1 mark)
- (b) Briefly explain **FIVE** (5) characteristics of pure competition market structure. (10 marks)
- (c) Explain why the demand curve in oligopoly is kinked. (5 marks)

Question 4

- (a) Why is a monopolist a price maker? (2 marks)
- (b) How does price elasticity affect the price-quantity combination and segment of the demand curve that the monopolist would prefer for price and output? (4 marks)

Graph 2: Price and Marginal Revenue for a Pure Monopolist Firm



- (c) Use the graph above to answer these questions for a pure monopolist:
- What price should the monopolist charge to maximize revenue? (2 marks)
 - What is the elastic and inelastic portion of the demand curve? (3 marks)
- (d) Explain two major features of monopolistic competition compared to pure competition and pure monopoly. (6 marks)
- (e) Explain and illustrate the cost curves and demand conditions for a monopolistically competitive firm in both the short run and the long run. Label the axes, curves, and profits for both scenarios and explain the major differences between the two. (8 marks)

END OF EXAMINATION PAPER