UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
OCTOBER 2024 SEMESTER

COURSE CODE	:	**EGB10903**
COURSE NAME	:	**PRINCIPLES OF MICROECONOMICS**
PROGRAMME NAME	:	**BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS**
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 **TWO (2) Sections; Section A and Section B**.
4. Answer **ALL** questions in **Section A and Section B**.
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 FIVE (5) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

SECTION A (Total: 40 marks)

INSTRUCTION: Answer **ALL** questions in this section in the answer booklet provided. Each question carries 20 marks.

Question 1

Pure competition and pure monopoly are two of the four main market structures in the microeconomic analysis. Each of the structure has its own salient features that differentiates each other.

(a) What are the rules on profit-maximising mechanism for both structure? (4 marks)

(b) Diagrammatically, analyse the profit-maximising conditions on both structure under the marginal approach. (8 marks)

(c) Analyse the efficiency of both purely competitive structure and pure monopoly power on **productive** and **allocative** efficiencies. (8 marks)

Question 2

Analyse the features of monopolistic competition and oligopoly based on the following aspect:

(a) number of firms
(b) type of product
(c) control over price
(d) conditions on entry
(e) nonprice competition

(20 marks)

SECTION B (Total: 60 marks)

INSTRUCTION: Answer **ALL** questions in this section in the answer booklet provided. Each question carries 30 marks.

Question 3

(a) Sketch a diagram for a market that is guided by the following information.:

- Draw two curves, one of which is a demand curve while the other to be the supply curve. Label both curves with D_0 and S_0, respectively
- The slope of the supply curve is more elastic than the slope of the demand curve
- After that, draw another demand curve, such that this curve is parallelly drawn on the right of the existing demand curve, D_0. Label this new demand curve as D_1.
- The equilibrium point, with which $D_0 = S_0$ is indicated by the price of $20 and the quantity to be 400 units.
- Meanwhile, the new equilibrium point, for which $D_1 = S_0$ is indicated by the price of $30 and the quantity to be 1000 units.

(4 marks)

(b) Based on your answer in (a), analyse **TWO (2)** factors that result in the shift from D_0 to D_1. (6 marks)

(c) Explain the concept of externalities and illustrate how positive and negative externalities disrupt the market equilibrium. (10 marks)

(d) Taxation is understood to be causing inefficiencies by distorting multiple market equilibria. Explain the effects of taxation on the market equilibrium on the following conditions:

(i) an inelastic demand curve (5 marks)

(ii) an inelastic supply curve (5 marks)

Question 4

The following table shows the utilities of Mr James on two types of fruits namely rambutan and soursop. Consider his income of $45 is to be spent only on these two goods only.

Table 1

Unit	Rambutan			Soursop			Purchase Decision	Income Consumed ($)	Balance Income
	Utility	Marginal Utility	MU/$ ($5)	Utility	Marginal Utility	MU/$ ($5)			
0	0	n/a	n/a	0	n/a	n/a	n/a	n/a	45
1	10	10	2	12	12	2.4	Soursop	5	40
2	25			30					
3	35			38					
4	43			45					
5	50			51					
6	55			56					
7	57			58					
8	57			58					
9	50			50					

(a) Fill in the blank area in the table above in your answer booklet appropriately. (11 marks)

(b) Based on your answer in (a), how many rambutan(s) and soursop(s) that Mr James can afford to maximise his utility? (1 mark)

(c) Analyse your answer in (a) and (b) through the diagram of indifference curve-budget line schedule. Label your diagram accordingly. (5 marks)

(d) Suppose that there is an increase in Mr James' income that amounts to $60, and the utility-maximising bundle of rambutan and soursop for Mr James has increased to seven rambutans and five soursops. Show this change in the same diagram that you have drawn in (c). (4 marks)

(e) From your answer in (c) and (d), illustrate **separately** the individual demand curve for Mr James on rambutan and soursop. (3 marks)

(f) Explain your answer in (e). (6 marks)

END OF EXAMINATION PAPER