CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2025 SEMESTER

COURSE CODE	:	EIB10203
COURSE NAME	:	PRINCIPLE OF ECONOMICS
PROGRAMME NAME	:	BACHELOR OF SCIENCE (HONOURS) IN ANALYTICAL ECONOMICS
DATE	:	1 JULY 2025
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 **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 THREE (3) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 60 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

(a) Define the following terms.

i. Total Cost

(2 marks)

ii. Variable Cost

(2 marks)

(b) With the aid of a diagram, briefly explain the relationship between Marginal Cost (MC) and Average Total Cost (ATC) in the short run. Your diagram must be clearly labelled and explained.

(8 marks)

(9 Galimpung Company observes that its Marginal Cost (MC) is lower than its Average Cost (AC) at the current output level. Based on Table 1, calculate the Average Total Cost (ATC) and Marginal Cost (MC) for each additional output level. Briefly explain the relationship between ATC and MC.

(8 marks)

Table 1: Output and Total Cost for Galimpung Company

Output	Total Cost
0	1000
250	2650
375	3245
425	4165

Question 2

A person has RM100 to spend on two things: pizza (RM10 each) and Pepsi (RM5 each). Based on the statement provided, kindly answer the following questions.

(a) Draw the budget line to show all the ways they can spend RM100 on pizza and Pepsi. Then explain the budget line.

(6 marks)

(b) Draw an indifference curve to show the different combinations of pizza and Pepsi that give the same level of happiness. Then explain the indifference curve.

(6 marks)

(c) Suppose the person's income increases to RM150, and at the same time, the price of pizza goes down from RM10 to RM5. Explain how these two changes affect the person's choice of what to buy.

(8 marks)

Question 3

(a) What is short-run aggregate supply?

(2 marks)

(b) Explain whether each of the following events shift the short-run aggregate-supply curve, the aggregate demand curve, both, or neither

i. Households decide to save a larger share of their income.

(6 marks)

ii. Florida orange groves suffer a prolonged period of below-freezing temperatures.

(6 marks)

iii. Increased job opportunities overseas cause many people to leave the country

(6 marks)

SECTION B: ESSAY QUESTIONS (Total: 40 marks)

INSTRUCTION: Answer ALL questions

Please use the answer booklet provided.

Question 4

Explain five main characteristics of a perfectly competitive market and discuss how each characteristic affects the behavior of buyers and sellers.

(20 marks)

Question 5

FreshBite sells pre-portioned meal kits but faces three challenges: price-sensitive consumers are switching to cheaper grocery shopping due to economic uncertainty, production costs have risen due to supply chain issues, and a recession has reduced household spending. Using relevant economic concepts, suggest and explain strategies that FreshBite can use to appeal to budget-conscious consumers during a recession.

(20 marks)

END OF EXAMINATION PAPER