CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
JULY 2025 SEMESTER

COURSE CODE	:	**EIB10203**
COURSE NAME	:	**PRINCIPLES OF ECONOMICS**
PROGRAMME NAME	:	**BACHELOR OF BUSINESS ADMINISTRATION (HONS) BACHELOR IN ISLAMIC FINANCE WITH HONOURS BACHELOR IN TOURISM PLANNING AND DEVELOPMENT (HONS)**
DATE	:	**19 SEPTEMBER 2025**
TIME	:	**9.00AM – 12.00PM**
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, ONE question from Section B.**
5. All questions must be answered in **English** (any other language is not allowed).
6. **This question paper must not be removed from the examination hall.**
7. Only non-programmable calculators are allowed.

THERE ARE FIVE (5) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

SECTION A (Total: 60 marks)
INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

Use supply and demand curves to illustrate how each of the following events would affect the price of butter and the quantity of butter traded:

(a) An increase in the price of margarine.

(4 marks)

(b) A decrease in the number of sellers while the average income levels of consumers increase, assuming butter is a normal good.

(6 marks)

Question 2

Suppose the demand curve for a product is given by $Q = 300 - 2P + 4I$, where I is average income measured in thousands of dollars. The supply curve is $Q = 3P - 50$.

(a) If $I = 25$, find the market clearing price and quantity for the product.

(5 marks)

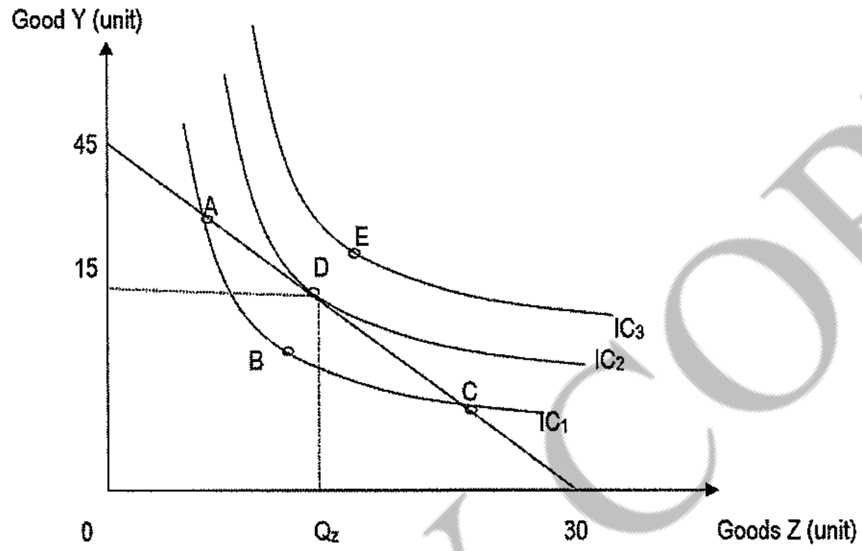
(b) Subsequent to (a), the association of sellers decided to reduce the price of the product to RM50. Explain what is expected to the market equilibrium?

(5 marks)

Question 3

Figure 1 shows the equilibrium of an individual with an income of RM1200, consuming two goods Y and Z.

Figure 1. Consumption of an individual on good Y and good Z



(a) Name the curve IC. What does it represent? (3 marks)

(b) Calculate the price of good Y and Z. Show your calculations. (4 marks)

(c) How many units of good Z are denoted by Q_Z? Show your calculations. (3 marks)

Question 4

(a) Explain production function. How does a short-run production function differ from a long-run production function?

(5 marks)

(b) Explain marginal product (MP) and average product (AP).

(4 marks)

(c) For table 1, fill in the number for **m**, and **n**. (Write the answers to m and n in the answer booklet, there is no need to copy the table.)

Table 1. Input, output, marginal product and average product

Quantity of Variable Input	Total Output	Marginal Product of Variable Input	Average Product of Variable Input
0	0	–	–
1	225	225	225
2	600	**m**	300
3	900	300	**n**

(2 marks)

(d) Explain "marginal rate of technical substitution (MRTS)". Interpret the meaning of MRTS = 4.

(4 marks)

Question 5

(a) Explain economic profit.

(3 marks)

(b) Sketch **TWO** diagrams, one for a firm in perfect competition and one for a monopoly. The diagrams must show the firms are making economic profit. Explain clearly the conditions for the firms to earn economic profit.

(12 marks)

SECTION B (Total: 40 marks)

INSTRUCTION: Answer TWO out of three questions.

Please use the answer booklet provided.

Label the questions you answer correctly.

Question 6

Economic growth is commonly measured by changes in Gross Domestic Product (GDP). Explain how GDP is used as a measure for economic growth. Describe the three approaches to calculating GDP – expenditure, income, and output – including their key components. Finally, discuss whether GDP accurately reflects a country's economic progress and quality of life.

(20 marks)

Question 7 (20 marks)

Inflation is an important factors of a country's macroeconomic performance. Define inflation and explain the main types and causes of each. Then, discuss how inflation can impact individuals, businesses, and the economy as a whole.

(20 marks)

Question 8 (20 marks)

Explain the components of aggregate demand (AD) and aggregate supply (AS), distinguishing between short-run and long-run aggregate supply. Discuss how changes in either AD or AS can lead to macroeconomic equilibrium or disequilibrium. Support your answer with appropriate diagrams and real-world examples.

(20 marks)

END OF QUESTION PAPER.