



UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL

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**FINAL EXAMINATION**  
**OCTOBER 2025 SEMESTER**

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COURSE CODE : EAB11703  
COURSE TITLE : PRINCIPLES OF MICROECONOMICS  
PROGRAMME NAME : BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS  
DATE : 23 JANUARY 2026  
TIME : 9:00AM - 12:00PM  
DURATION : 3 HOURS

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**INSTRUCTIONS TO CANDIDATES**

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1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consist of ONE sections.
4. Section A consist of five questions. Answer FOUR (4) questions only.
5. Please write your answer on the answer booklet provided.
6. Please answer all questions in English only.
7. Refer to the attached Formula/ Appendies.  Tick if applicable

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THERE ARE 5 PAGES OF QUESTIONS INCLUDING THIS PAGE

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**SECTION A (Total: 100 marks)**

**Answer FOUR (4) questions.**

**Please use the answer booklet provided.**

**Question 1**

Consider the market for online food delivery services. Suppose a rise in work from home (WFH) arrangements reduces the number of people eating out and at the same time, new delivery-optimisation software greatly lowers the operating costs for delivery platforms. Predict the overall impact on the equilibrium price and quantity of online food delivery services. Illustrate and explain how each event affects the demand and supply curves.

(25 marks)

**Question 2**

Using appropriate diagrams, analyse the long-run equilibrium outcomes of firms operating in perfect competition, monopolistic competition, and monopoly. Explain how these outcomes differ in terms of price, output, market power, and profit levels. Based on your analysis, evaluate the allocative and productive efficiency of each market structure

(25 marks)

**Question 3**

Answer the following questions :

- (a) A firm sells 30,000 units when the price is RM18, and 40,000 units when the price falls to RM12. Using the midpoint formula, determine the price elasticity of demand over this price range. Based on your result, state whether demand is elastic or inelastic.

(8 marks)

- (b) Explain FOUR (4) main factors that influence the price elasticity of demand for a product. Provide examples of goods and services in Malaysia to illustrate how each factor affects elasticity.

(8 marks)

- (c) A university student has two options for snacks: buying sandwiches at RM8 per sandwich or a packet of chips for RM2 per packet. His weekly snack budget is RM64. His current consumption bundle is 16 packets of chips and 4 sandwiches. Suppose the price of a packet of chips rises to RM4. The student now spends only RM32 on sandwiches. Determine his new consumption bundle after the rise in the price of chips. Draw the budget line before and after the price change, and explain how the change reflects the income and substitution effects.

(9 marks)

## Question 4

Answer the following questions :

- (a) Distinguish between fixed costs, variable costs, and total costs, and give one example of each.

(9 marks)

- (b) Suppose Jamal's preferences for coffee and muffins can be described by the following marginal utility schedules. Both coffee and muffins cost \$2 each. Jamal has \$14 to spend on these two products.

*Refer Below - Table1 : Marginal Utility for Muffins and Coffee .*

Table 1: Marginal Utility for Muffins and Coffee

	Muffins	Coffee
Units of Product	Marginal Utility	Marginal Utility
1st	18	24
2nd	15	20
3rd	12	16
4th	9	12
5th	6	8
6th	3	4

- i. How should Jamal allocate his RM14 between coffee and muffins to maximise utility? What is the quantity of each product he should buy? Show all workings.

(12 marks)

- ii. Briefly explain TWO (2) reasons why marginal utility tends to decrease as more units of a good are consumed.

(4 marks)

**Question 5**

Answer the following questions :

- (a) An industry currently has 100 firms, each of which has fixed costs of RM18 and an average variable cost of follows :

*Refer Below - Table2 : Quantity and Average Variable Cost .*

Table 2: Quantity and Average Variable Cost

Quantity	Average variable cost
1	1
2	2
3	3
4	4
5	5
6	6

- i. Compute the firm's marginal cost and average total cost for each quantity.  
(6 marks)
- ii. The equilibrium price is currently RM12. How much does each firm produce?  
What is the total quantity supplied in the market?  
(5 marks)
- iii. As the market makes the transition to its long-run equilibrium, explain the changes in terms of price, quantity demanded, as well as of individual quantity supplied.  
(6 marks)
- (b) Explain TWO (2) characteristics of an oligopoly and compare them with monopoly and perfect competition.  
(8 marks)

**END OF EXAMINATION PAPER**