

UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL

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

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COURSE CODE : EGB10903  
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 TWO sections.
4. Answer ALL questions for Section A.
5. Section B consist of four questions. Answer THREE (3) questions only.
6. Please write your answer on the answer booklet provided.
7. Please answer all questions in English only.
8. Please answer MCQ/EMQ questions using OMR sheet.  *Tick if applicable*
9. Refer to the attached Formula/ Appendes.  *Tick if applicable*

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THERE ARE 6 PAGES OF QUESTIONS INCLUDING THIS PAGE

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SECTION A (Total: 40 marks)

Answer ALL questions.

Please use the answer booklet provided.

Question 1

The diagram below depicts a profit-maximising firm.

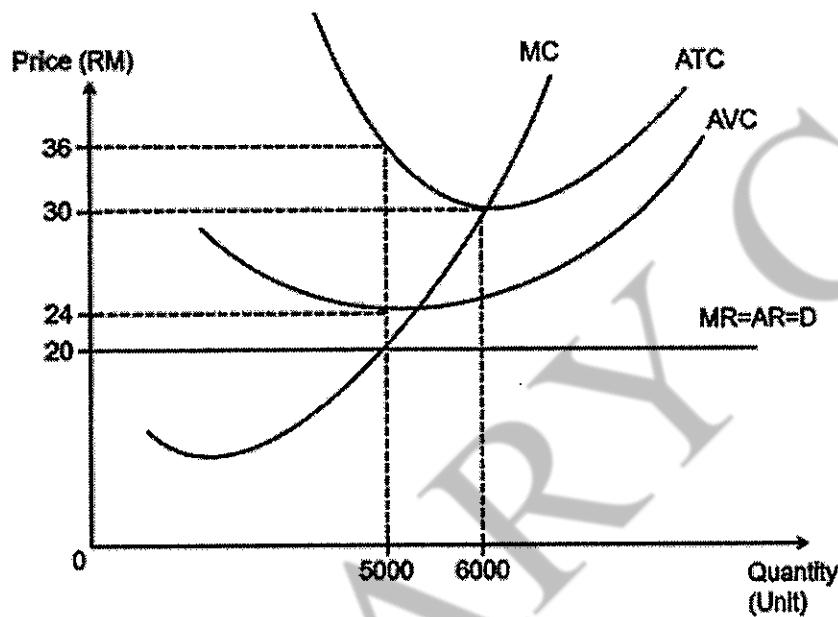


Figure 1: Profit Maximising Firm

- (a) i. In which market structure is the firm operating? Justify your answer. (3 marks)
- ii. Determine the profit-maximising price and quantity. (4 marks)
- iii. Does the firm experience profit or loss? State the value. (5 marks)

iv. Should the firm shut down or continue its operation? Why?

(3 marks)

(b) Compare and contrast the market structure between perfect competition and monopoly.

(5 marks)

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## Question 2

Answer all questions related to Consumer Behaviour and Utility Maximisation

**Table 1: Combination of Fish and Meat Consumption**

Indifference Curve I		Indifference Curve II	
Fish (kg)	Meat (kg)	Fish (kg)	Meat (kg)
80	10	80	20
60	15	60	25
40	25	40	40
25	40	30	55
15	60	20	75
10	90	18	90

- (a) Using the data from Table 1, draw the consumer's two indifference curves on graph paper, with meat on the y-axis and fish on the x-axis. (6 marks)
- (b) Define an indifference curve and describe what the two curves in the diagram show about the consumer's preferences. (4 marks)
- (c) Suppose a consumer has an income of RM800. The price of fish is RM10 per kilogram, and the price of meat is RM16 per kilogram. Draw the consumer's budget line and determine the quantities of fish and meat consumed at the consumer's equilibrium. (5 marks)
- (d) Assuming the price of meat decreases by RM6.00 a kilogram. What happens to the budget line? What is the quantity of fish and meat consumed by the consumer at the equilibrium point? (5 marks)

**SECTION B (Total: 60 marks)**

**Answer THREE (3) questions only.**

**Please use the answer booklet provided.**

**Question 1**

You are required to answer ALL questions.

- (a) Explain the characteristics of public goods and why they are subject to the free-rider problem. Suggest ways the government can ensure adequate provision of such goods.

(10 marks)

- (b) Explain the law of diminishing returns and how it affects short-run production costs. Use examples such as a small bakery or a factory to illustrate your answer."

(10 marks)

**Question 2**

You are required to answer ALL questions.

- (a) How can the government use taxes to reduce negative externalities such as pollution? Explain.

(10 marks)

- (b) Explain why the short-run cost curves (AVC, AFC, ATC, MC) are typically U-shaped. Use real-world examples, such as factories, hotels, or logistics companies, to show how costs per unit change as output increases.

(10 marks)

**Question 3**

You are required to answer ALL questions.

- (a) A factory pollutes a river used by fishermen. Explain why the market outcome may not be socially efficient.  
(10 marks)
- (b) Explain the difference between explicit and implicit economic costs. Using examples such as opening a bakery, running a small tuition centre, or starting a YouTube channel, describe why opportunity cost is important in decision-making.  
(10 marks)

**Question 4**

You are required to answer ALL questions.

- (a) Explain the concept of information failure. How can it lead to inefficient market outcomes? Give examples, like used car markets or online product reviews.  
(10 marks)
- (b) Explain how external factors like higher electricity costs, supply chain problems, or rising wages can change a firm's costs in the short run and long run. Give examples from manufacturing, retail, or service industries.  
(10 marks)

**END OF EXAMINATION PAPER**