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UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EAB11703
COURSE TITLE	:	PRINCIPLES OF MICROECONOMICS
PROGRAMME NAME	:	BACHELOR OF SCIENCE (HONOURS) IN ANALYTICAL ECONOMICS
DATE	:	20 JUNE 2026
TIME	:	2:00PM - 5:00PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

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*

THERE ARE 3 PAGES OF QUESTIONS INCLUDING THIS PAGE

SECTION A (Total: 100 marks)

Answer FOUR (4) questions.

Please use the answer booklet provided.

Question 1

Suppose the government provides tax incentives to firms producing smart home appliances, reducing production costs for manufacturers. At the same time, rising household income increases consumers' preference for smart home technology. Analyse the impact of these changes on the equilibrium price and quantity in the smart home appliance market. Use appropriate demand and supply diagram(s) to support your answer.

(25 marks)

Question 2

Using appropriate diagrams, analyse the short-run and long-run equilibrium outcomes of firms operating under monopolistic competition. Explain how these outcomes differ in terms of price, output, market power, profit levels, and efficiency.

(25 marks)

Question 3

Answer the following questions

(a) Briefly explain the concept of price elasticity of demand (PED) and discuss the FOUR (4) determinants of elasticity.

(10 marks)

(b) A firm increases the price of its product from RM15 to RM18. As a result, quantity demanded falls from 120 units to 96 units. Calculate the price elasticity of demand using the midpoint method and interpret the result.
(15 marks)

(15 marks)

Question 4

Answer the following questions :

(a) Explain the Law of Diminishing Marginal Utility and how it relates to the law of demand. Using the marginal utility approach, state and explain the conditions for consumer equilibrium.

(10 marks)

(b) A university student consumes two types of meals: cafeteria meals priced at RM10 per meal and Cup O' Soup priced at RM2 per meal. His weekly food budget is RM80. His initial consumption bundle is 20 Cup O' Soup and 4 cafeteria meals. The price of Cup O' Soup then increases to RM5 per meal. The student continues to spend RM30 on cafeteria meals. Determine the student's new consumption bundle after the price change. Using a budget line diagram, explain how the change in price affects the budget constraint.

(15 marks)

Question 5

Answer the following questions :

(a) Explain THREE (3) characteristics of monopoly and compare them with oligopoly and perfect competition.

(15 marks)

(b) Noncollusive oligopoly is theorised to have a kinked demand curve. Discuss the mechanism of such a curve. Illustrate with relevant diagram(s) to support your answer.

(10 marks)

END OF EXAMINATION PAPER