UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2025 SEMESTER

COURSE CODE	:	**EGB10903**
COURSE NAME	:	**PRINCIPLES OF MICROECONOMICS**
PROGRAMME NAME	:	**BACHELOR OF SCIENCE (HONOURS) IN ANALYTICAL ECONOMICS**
DATE	:	**28 JUNE 2025**
TIME	:	**2.00 PM – 5.00 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 **FOUR (4) Questions.**
4. Answer **ALL** questions.
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 FOUR (4) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

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SECTION A (Total: 100 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

(a) Consider the market for electric cars. Suppose a technological breakthrough significantly reduces the cost of manufacturing batteries used in electric cars and at the same time a significant increase in gasoline prices makes traditional gasoline-powered cars more expensive to operate. Predict the overall impact on the equilibrium price and quantity of electric cars in the market. Illustrate and explain the effect of each event on the supply and demand curves for electric cars.

(15 marks)

(b) Suppose Maria's preferences for eggs and milk can be described by the following marginal utility schedules. Both eggs and milk cost $4; Maria has allocated $16 to the purchase of these two products.

Table 1: Marginal utility of eggs and milk

	Eggs	**Milk**
Units of Product	**Marginal Utility**	**Marginal Utility**
1st	24	36
2nd	20	30
3rd	16	24
4th	12	18
5th	8	12
6th	4	6

i. How should Maria allocate her $16 between eggs and milk to achieve maximum utility? What is the quantity of milk and eggs she should buy?

(8 marks)

ii. Verify that the marginal utility per dollar of each good is the same as the utility maximising bundle.

(2 marks)

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Question 2

(a) Explain the differences between perfectly inelastic demand and perfectly elastic demand. In your answer, provide examples and illustrate with separate graphs for perfectly inelastic demand and perfectly elastic demand.

(9 marks)

(b) Table 2 below shows the relationship between the price of product A and the quantity demanded for product A, product B, and the income of consumers.

Table 2: Quantity demanded for product A, product B, and income of consumers

Price of A (RM)	Quantity Demanded for A (kg)	Quantity Demanded for B (kg)	Consumers' Income (RM)
6.00	100	20	2,000
6.50	90	30	1,800
7.00	70	50	1,600
7.50	40	70	1,400
8.00	10	85	1,200

i. Using the midpoint formula, calculate the price elasticity of demand (ϵd) for A if the price increases from RM7.00 to RM8.00 per kg and indicate whether the demand is elastic or inelastic?

(4 marks)

ii. Using the midpoint formula, calculate the cross-price elasticity of demand (ϵx) for B when the price of A decreases from RM7.50 to RM6.50. Are A and B complements or substitutes?

(4 marks)

iii. When the income of consumers increases from RM1,400 to RM1,800, calculate the income elasticity of demand (ϵy) by using the midpoint formula for A and B. What type of products are A and B respectively?

(8 marks)

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Question 3

(a) A firm in a perfectly competitive market faces the following cost schedule:

Table 3: Cost for a perfectly competitive firm

Output (Units)	Total Cost (RM)
0	50
1	70
2	90
3	120
4	160

Given that the market price is RM50 per unit:

i. Calculate the firm's total revenue at each output and state the profit-maximizing output level.

(5 marks)

ii. Determine whether the firm should shut down in the short run. Justify your answer.

(4 marks)

(b) Explain how firms in perfect competition determine their price and output in the short run and long run. Illustrate your answer with separate graphs clearly showing the different conditions of economic profit or loss.

(10 marks)

(c) State and explain THREE characteristics of a perfectly competitive market?

(6 marks)

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Question 4

(a) Using appropriate diagrams, analyse the long-run equilibrium outcomes for both a monopolistically competitive firm and a monopoly. Explain the key differences between these two market structures in terms of price and output decision, efficiency, and profit outcome.

(10 marks)

(b) Illustrate and explain the concept of "kinked demand curve" in an oligopoly. How does it affect price stability?

(6 marks)

(c) Explain TWO major features of oligopoly as compared to monopoly and monopolistic competition.

(9 marks)

END OF EXAMINATION PAPER

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