CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EBB20703
COURSE NAME	:	MANAGERIAL ECONOMICS
PROGRAMME NAME	:	BACHELOR OF BUSINESS ADMINISTRATION (HONS) IN INTERNATIONAL BUSINESS
DATE	:	23RD JUNE 2026
TIME	:	09.00 AM – 12.00 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 **TWO (2) sections; Section A and Section B.**
4. Answer **ALL** questions.
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-progammable calculator is allowed.

THERE ARE THIRTEEN (13) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

SECTION A (Total: 30 marks)

INSTRUCTION: Answer ALL questions.
Please write all the answers in the answer booklet provided.

1. Mr. Awang starts his bakery business with RM60,000 cash from his personal saving account. The interest forgone for RM60,000 is considered __________.
   A. an explicit cost
   B. an implicit cost
   C. the principal sum
   D. a market supplied resource

2. When economic profit is positive, ______________.
   A. total revenue exceeds total economic costs
   B. foreign firms experience loss of market share
   C. the firm's owners experience a decrease in their wealth
   D. the firm's owner has successfully solved the principal agent problem

3. The payments made to non-owner of firm, such as raw material costs are included in
   A. Implicit cost
   B. Accounting profit
   C. Both accounting and economic profit
   D. Calculation of opportunity cost of owner

4. The principal-agent problem arises when __________.
   A. the principal gives the agent full authority to make decisions
   B. the principal and the agent have different objectives, and principal cannot monitor the behaviour of the agent
   C. the principal and the agent have same interest, but the principal cannot enforce the contract with the agent
   D. the principal cannot decide whether the firm should seek to maximize the expected future profits of the firm or maximize the price for which the firm can be sold

5. At the crossing point of marginal benefit curve and marginal cost curve, _________.
   A. The total cost is minimised
   B. Their values are the same
   C. The marginal cost is higher than the marginal benefit
   D. The marginal benefit is higher than the marginal cost

6. For a linear demand curve, ___________.
   A. the price elasticity of demand equals 1
   B. the price elasticity of demand is less than 1
   C. the price elasticity of demand is more than 1
   D. the price elasticity of demand varies from elastic to inelastic.

7. A manager knows the price elasticity of demand for a product is -2.5. The manager is considering decreasing price by 8%. What is expected to happen?
   A. quantity demanded will rise by 8%.
   B. sales volume will increase by 20%.
   C. Consumers are not responsive to the change in price.
   D. Nothing will happen to the total sales of the product.

8. Price elasticity of supply refers to ____________.
   A. a measure of the responsiveness of quantity supplied when price changes
   B. how much consumers are willing and able to buy when seller increases the price.
   C. the responsiveness of quantity purchased when income increases, all else constant
   D. a measure of the responsiveness of quantity supplied when income changes, holding all other variables constant

9. Suppose that the local hospital is considering a plan in which publics who donate blood can get heart screening for RM75 instead of the usual RM150. If both revenues for heart screening and blood donations increase under this plan, which of the following is **TRUE**?
   A. The demand for heart screening is price elastic.
   B. The demand for heart screening is price inelastic.
   C. The demand for blood donations is price elastic.
   D. The demand for blood donations is price inelastic.

10. In the price range of RM45 and RM50, an increase in price results in a lower total revenue, while a decrease in price results in a higher total revenue. The demand for this price range is __________.

A. unit elastic

B. price elastic

C. price inelastic

D. perfectly elastic

11. A production function measures the relation between __________.

A. input prices and output prices

B. the quantity of inputs and input prices

C. input prices and the quantity of output

D. the quantity of inputs and the quantity of output

Refer to figure 1 and answer question 12 and 13.

Figure 1. Total Output from Various Combinations of Labour and Capital

		Units of Capital			
		1	2	3	4
Units of Labour	1	80	100	120	140
	2	180	220	260	280
	3	270	330	390	420
	4	340	420	500	600
	5	390	490	590	650
	6	410	530	650	700

12. If labour is fixed at 5 units, how much does the 4th unit of capital add to total output?

A. 490 C. 60

B. 390 D. 100

13. If capital is fixed at two units, what is the marginal product of the 3rd unit of labour?

A. 60 C. 90

B. 80 D. 110

14. Ali found that when his factory produces 1,000 units of output, it uses 50 workers. Marginal cost is $10, the wage rate is $100, and total fixed cost is $10,000. When output is 1,000 units, ____________.
    A. average variable cost is decreasing
    B. average variable cost is increasing
    C. average total cost is increasing.
    D. average total cost is constant.

15. The marginal rate of technical substitution is ___________.
    A. the rate at which the firm can substitute labor for capital while holding total cost constant
    B. the rate at which the firm can substitute labor for capital while holding output constant
    C. the slope of the isocost curve
    D. the slope where two isoquants cross each other

16. If the cost of capital is $100, and the intercept of isocost on the capital axis is 20, what is the total cost incurred?
    A. $1000
    B. $2000
    C. $5
    D. $100

17. At the optimum where isoquant is tangent to isocost, ___________.
    A. the slope of the isocost is greater than the slope of the isoquant.
    B. the slope of the isoquant is greater than the slope of the isocost.
    C. marginal rate of technical substitution equals the ratio of input prices.
    D. marginal rate of technical substitution equals every dollar spent on the input.

18. Which of the following is **NOT** a characteristic of long-run equilibrium for a perfectly competitive firm?
    A. Firm is suffering economic loss.
    B. Firm earns zero economic profit.
    C. Price is equal to long-run marginal cost.
    D. Price is greater than long-run average cost.

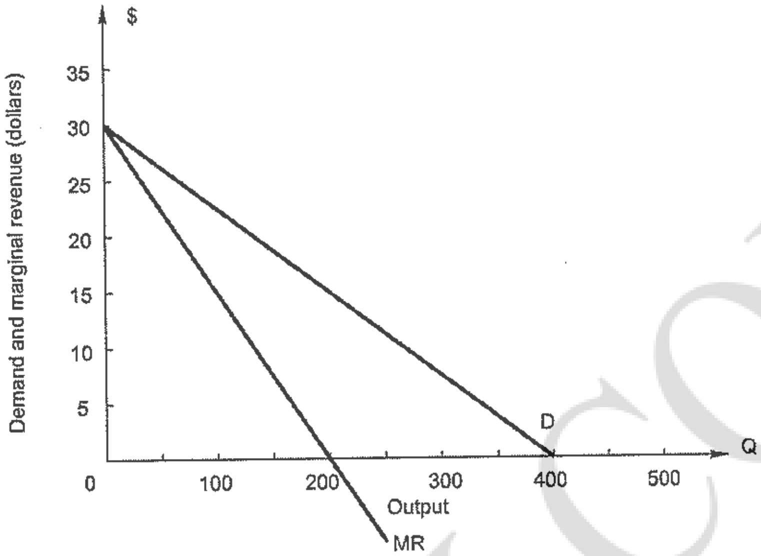
19. For a price-taking firm, marginal revenue ________________.
    - A. is always increasing
    - B. is equal to price at any level of output
    - C. decreases as the firm produces more output
    - D. is the addition to total revenue by using one more unit of input

20. Which of the following is a characteristic of a monopoly market?
    - A. one firm is the only supplier of a product for which there are no close substitutes
    - B. entry into the market is blocked
    - C. the firm can influence market price
    - D. all of the above

21. A firm with market power will maximise profit by hiring the amount of an input at which the ____________.
    - A. last unit of input hired adds the same amount to total revenue as to total cost.
    - B. additional revenue from the last unit of the input hired exceeds the additional cost of the last unit by the largest amount.
    - C. last unit of the input hired adds the same amount to total output as to total cost.
    - D. additional output from the last unit of the input hired exceeds the additional cost of the last unit by the largest amount.

22. Refer to figure 1, which shows demand and marginal revenue for a monopoly.

Figure 1: Demand and Marginal Revenue for a Monopoly



At any price below $______ demand is inelastic.

A. $35
B. $25
C. $20
D. $10

23. The marginal revenue of a monopoly is always below the price. The marginal revenue curve has a slope _________ times the slope of the demand curve.

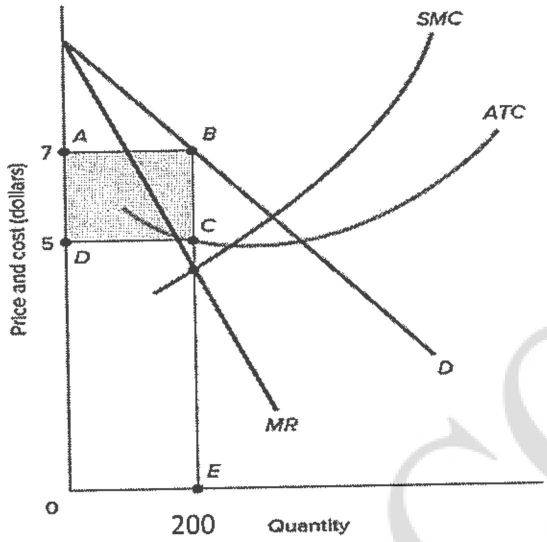
A. 2
B. 3
C. 1/2
D. 4

24. The main difference between monopolistic competition and monopoly is _________.

A. Monopolistic competition has a few sellers while a monopoly has only one seller
B. Monopolistic competition firms are price takers while monopoly is price setter
C. There are many buyers in monopolistic competition but a few buyers in monopoly
D. Barriers to entry for monopolistic competition are much lower than those of a monopoly

25. Referring to figure 2, calculate the profit earned by the monopoly firm.

Figure 2. Costs curves of a monopoly firm



A. 0
B. 200
C. 400
D. -100

26. Actions taken by oligopolists to plan for and react to actions of rival firms represent ________.

A. strategic behavior
B. interdependence
C. cooperative behavior
D. game theory

27. One reason a firm might charge a price lower than its profit-maximizing price is ____________.

A. to follow a tit-for-tat strategy
B. a signal of weak competition
C. to erect multiproduct barriers to entry
D. to discourage the entry of new firms

28. What is the most unique feature of firms competing in an oligopoly market?

    A. Low barriers to entry.
    B. Firms have market power.
    C. Interdependence of profit.
    D. Products can be either homogenous or differentiated.

29. A monopoly can practice price discrimination. For a market with higher price elasticity of demand, ________.

    A. The monopoly will charge a lower price
    B. The monopoly will charge a higher price
    C. There is no incentive for the monopoly to practice price discrimination
    D. There is a tendency for other firms to enter the market and compete with the monopoly

30. A drugstore offers a discount on prescriptions to senior citizens. This is an example of __________.

    A. Marginal cost pricing
    B. First-degree price discrimination
    C. Third-degree price discrimination
    D. Second-degree price discrimination

SECTION B (Total: 70 marks)

INSTRUCTION: Answer ALL FIVE (5) Questions.
Please use the answer booklet provided.

Question 1 (10 marks)

(a) Explain 'constrained optimisation' with an example.

(4 marks)

(b) Explain 'marginal benefit' and 'marginal cost' of performing an activity. Under what condition is the activity considered 'optimum'?

(6 marks)

Question 2 (15 marks)

A firm in a perfectly competitive market is facing a market price of RM15 per unit. The firm is currently producing 50 units of output. At this output level, the marginal cost (MC) is RM15, average total cost (ATC) is RM15, and average variable cost (AVC) is RM8.

(a) What is the marginal revenue (MR) of this firm? Explain.

(5 marks)

(b) Sketch a diagram showing the MC, ATC, AVC and MR.

(5 marks)

(c) Is the firm maximising profit at this level of output? Explain.

(5 marks)

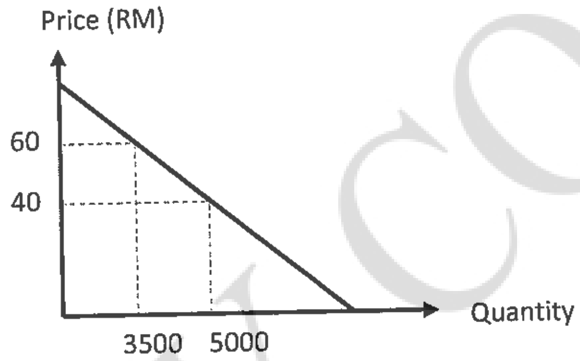
Question 3 (15 marks)

(a) Explain any **TWO** factors that influence the price elasticity of demand for a product.

(6 marks)

(b) Calculate the price elasticity of demand between RM40 and RM60 based on figure 3. Show formula and calculation steps. Interpret the result.

Figure 3. Demand curve



(5 marks)

(c) To increase the total revenue, should you increase the price or decrease the price based on the calculation in (b) above? Justify your answer.

(4 marks)

Question 4 (15 marks)

(a) Explain the difference between the short run and the long run in production.

(4 marks)

(b) A factory currently has two machines. Due to financial constraints, it is not able to install more machine, however, is able to hire more workers. Refer to table 2 and calculate the average product and marginal product for L = 3 and L = 6. Show the formula and calculation steps. Write the answers for **m, n, p** and **q.**

Table 2. Change in total product and change in number of workers using two machines for production.

Number of workers (L)	Total product (Q)	Average product	Marginal product
0	0	-	-
1	52	52	52
2	112	56	60
3	170	**m**	**n**
4	220	55	50
5	230	51.6	38
6	220	**p**	**q**

(8 marks)

(c) Explain 'economies of scale'.

(3 marks)

Question 5 (15 marks)

(a) Describe the characteristics of firms in perfect competition and a firm operating as a monopolist. Analyse why a monopolist is able to spend on research and innovation whereas a firm in a perfectly competitive market cannot do so.

(9 marks)

(b) Explain **TWO** pricing strategies used by firms with market power. Provide a suitable example for each.

(6 marks)

END OF EXAMINATION PAPER