UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION

MARCH 2026 SEMESTER

COURSE CODE	:	EGB10403
COURSE TITLE	:	INTERMEDIATE MICROECONOMICS
PROGRAMME NAME	:	BACHELOR OF SCIENCE (HONOURS) IN ANALYTICAL ECONOMICS
DATE	:	27 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 6 PAGES OF QUESTIONS INCLUDING THIS PAGE

SECTION A (Total: 100 marks)

Answer FOUR (4) questions.

Please use the answer booklet provided.

Question 1

Asymmetric information leads to issues of "adverse selection" and "moral hazards". Explain the concepts of asymmetric information, adverse selection and moral hazards with suitable examples. Discuss **TWO** possible solutions to solve adverse selection.

(25 marks)

Question 2

A monopoly firm produces advanced semiconductor testing machine. The market demand function for the machine is given as

$Q = 5{,}000 - 10P$

where Q is the quantity of machine demanded, P is the price per machine (RM).

The firm's total cost function is

$TC = 0.05Q^2 + 50{,}000$.

Answer **ALL** questions.

(a) Derive the firm's inverse demand function and determine the firm's total revenue (TR) function.

(5 marks)

(b) Determine the marginal revenue (MR) and marginal cost (MC) functions.

(4 marks)

(c) Using the rule for profit maximisation, determine the monopoly equilibrium output and price. Show all calculations clearly.

(6 marks)

(d) Calculate average cost (AC) and total profit (TP) earned by the monopoly firm at the profit-maximising output.

(6 marks)

(e) Based on your answer in part (c), explain why a monopoly firm does not produce at the point where P = MC.

(4 marks)

Question 3

Answer all the questions pertaining to perfect competition.

(a) In a perfectly competitive market, increase in demand increases the price which creates profit for the existing firms. Profit attracts new entry, which means more firms enter the market. If the market has plenty of resources, the entrants do not have any effect on the prices of resources. Use suitable cost curves of a typical firm in a perfectly competitive market, illustrate and explain the adjustments of a firm operating in a constant-cost industry as a result of new firms entering the market.

(18 marks)

(b) Given demand for product C is $Q_c = 80 - 1.5P + 0.02I$, where P is price of product C, I is consumer income. Assume that P = \$30 and I = \$3000, calculate income elasticity of demand for product C at the given values. Based on your result, classify product C as normal or inferior good with explanation.

(7 marks)

Question 4

Answer **ALL** questions related to general equilibrium analysis.

(a) Assume an economy produces two goods, X and Y, using two inputs, capital (k) and labour (l). Sketch an Edgeworth Box diagram for production, analyse how an efficient allocation of inputs between the two industries is achieved. Explain the diagram clearly.

(10 marks)

(b) Using suitable economic reasoning, explain how the production efficiency points obtained from the Edgeworth Box production contract curve is related to the Production Possibility Frontier (PPF).

(5 marks)

(c) "In general equilibrium theory, prices are determined simultaneously across all interrelated markets in the economy."
Discuss the meaning of the statement above and analyse how general equilibrium analysis differs from partial equilibrium analysis in terms of assumptions and market interactions.

(10 marks)

Question 5

Answer ALL the questions pertaining to market for factor inputs.

(a) Explain the concept of monopsony in the labour market. Provide **TWO** distinct real-world examples.

(8 marks)

(b) When wages increase, workers may adjust their allocation of time between labour (working hours) and leisure. Explain the substitution effect and the income effect of a wage increase on labour supply. Use **TWO** separate well-labelled diagrams (indifference curve - budget constraint framework) to illustrate a case where substitution effect dominates and a case where the income effect dominates. Clearly state the difference in the change in working hours.

(17 marks)

END OF EXAMINATION PAPER