



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION

JANUARY 2016 SEMESTER

SUBJECT CODE : EEB 20703
SUBJECT TITLE : MANAGERIAL ECONOMICS
LEVEL : BACHELOR
TIME / DURATION : 9:00 AM – 12:00 AM (3 HOURS)
DATE : 27 MAY 2016

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 consists of SEVEN (7) questions. Answer ALL questions.
4. Please write your answers in the answer booklet provided.
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.

THERE ARE THREE (3) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

Question 1

Please define the following terminologies.

- a. The law of demand.
- b. Cross price elasticity of demand.
- c. Market demand.

(15 marks)

Question 2

For each of the following situations, determine whether the manager is concerned with a short-run or a long-run production decision. Explain briefly in each case.

- a. A petroleum drilling manager on an offshore drilling platform decides to add an extra eight-hour shift each day in order to keep the drill rig running 24 hours per day.
- b. The vice CEO of offshore petroleum drilling operation in the Gulf of Siam chooses to deploy three more offshore drilling petroleum platforms in the Gulf.
- c. After studying a demographic report on future increases in birthrates, a hospital director decides to add a new pediatric wing to the hospital.

(15 marks)

Question 3

Grocery stores in a large city would appear to be examples of competitive market: there are numerous relatively small sellers, each seller is a price-taker, and the products are quite similar.

- a. How could we argue that this market is NOT competitive?
- b. Could each firm face a demand curve that is NOT perfectly elastic?
- c. How profitable do you expect grocery stores to be in the long-run?

(15 marks)

Question 4

The following table contains information for a price taking competitive firm.

Output (Q)	Total Cost (TC)	Marginal Cost (MC)	Fixed Cost (FC)	Average Cost (AC)	Total Revenue (TR)	Average Revenue (AR)	Marginal Revenue (MR)
0	5	--		--	0	--	--
1	7				10		
2	11				20		
3	17				30		
4	27				40		
5	41				50		
6	61				60		

Note: Please re-write the above table into your answer sheet.

- Fill in the blanks in the table.
- Determine the profit maximizing level of output (round your answer to the nearest whole number). Please explain your answer.

(15 marks)

Question 5

A monopolist faces the following demand and cost schedules:

Price (RM)	Quantity	Total Cost (RM)
20	7	36
19	8	45
18	9	54
17	10	63
16	11	72
15	12	81

- How much output should the monopolist produce? Please reveal your calculation.

- b. What price should the firm charge? Please explain.
- c. What is the maximum amount of profit that this firm can earn? Please show your calculation.

Question 6

(15 marks)

Use an appropriate diagram to explain why would a firm that incurs losses in the short-run choose to produce rather than shut down?

(15 marks)

Question 7

- a. Explain **TWO (2)** differences in characteristics of monopoly and monopolistically competitive markets.
- b. Suppose all firms in a monopolistically competitive industry were merged into one large firm. Would that new firm produce as many different brands? Would it produce only a single brand? Please explain.

(10 marks)

[Total: 100 marks]

END OF QUESTION PAPER