KERTAS SOALAN PEPERIKSAAN
PROGRAM SARJANA

PEPERIKSAAN PERTENGAHAN
SEMESTER MEI 1999/2000

PERPUSTAKAAN SULTANAH BAHYAH
UNIVERSITI UTARA MALAYSIA
06010 UUM SINTOK
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UNIVERSITI UTARA MALAYSIA

PEPERIKSAAN PERTENGAHAN
PROGRAM SARJANA
SEMESTER MEI 1999/2000

KOD KURSUS : EG5013 MANAGERIAL ECONOMICS
TARIKH : 08 AUGUST 1999
MASA : 3.00 PETANG – 5.00 PETANG
TEMPAT : SUNGAI PETANI

ARAHAN

Attemp any three questions
Write answers in the Q Booklet

NO. MATRIK :
NO. KAD PENGENALAN :
NAMA PENSYARAH : PROF. MADYA DR. DAWOOD M.MITHANI

JANGAN BUKA SOALAN INI
SEHINGGA DIBERI ARAHAN

SULIT
N.B: Attempt any three questions.

Q.1. [20 Marks]

a) What is law of demand? What are the exceptions to it?

[6 Marks]
b) Explain using diagrams the difference between ‘extension of’ and ‘increase in’ demand.

[4 Marks]
c) How would the sales revenue change, when the price is raised in the case of:

i) Unitary elastic demand  
ii) Elasticity efficient is less than one  
iii) $e > 1$

[3 Marks]

d) Specify the demand function for Producu Russa van Malaysia.

[2 Marks]
e) What are the determinants of market demand for products in general?

[5 Marks]
Q.2. [20 Marks]

(a.) What is meant by elasticity or demand? Define price, income, cross and advertising elasticities of demand.

[5 Marks]
(b.) Malaysian Electric Co. (MEC) is developing a new design for its electric hair-dryer. Test market data indicates demand for the new hair-dryer as follows:

\[ Q = 30,000 - 5,000 P \]

Where \( Q \) = hair-dryer sales,
\( P \) = price

i) How many hair-dryer could MEC sell at RM35 each?

ii) What price would MEC have to charge to sell 20,000 hair-dryer?

iii) At what price would hair-dryer sales be zero? What could be the maximum price to sell at least one hair-dryer?

iv) Calculate point price elasticity of demand at price RM35.

v) Is the demand elastic at price RM 30?

[10 Marks]
(c.) A firm increased advertising outlays from RM6,000 to RM7,000 last month which resulted into expansion of sales of its product from 25,000 to 26,000 units. Estimate point and are advertising electricity of demand and give you comment.

[5 Marks]
Q.3. [20 Marks]

(a.) Export sales of Adam Enterprise for the current decade are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>sales (in '000 units)</th>
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<tbody>
<tr>
<td>1991</td>
<td>90</td>
</tr>
<tr>
<td>1992</td>
<td>110</td>
</tr>
<tr>
<td>1993</td>
<td>160</td>
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<td>1997</td>
<td>210</td>
</tr>
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<td>1998</td>
<td>190</td>
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Using method of moving average project the trend of sale for the year 2000 with graphical presentation.

OR

Estimate the linear trend using the least square method. [8 Marks]
(b.) A company has estimated the following demand function for its product $X$, assuming $Q_x = \text{quantity of } X$, $P_x = \text{price of } X$, $R = \text{price of substitute}$, $A = \text{advertising expenses}$

$$\log Q_x = 5.111 - 2.2 \log P_x$$

\begin{align*}
&\quad \quad (-0.5) \\
&+ 0.9 \log P_y + 1.3 \log A \\
&\quad \quad (1.1) \quad (0.3)
\end{align*}

Adjusted $R$-square = 0.899
(parentheses represent standard errors)

i) Comment on the fitness of the model
ii) State the significance of the determinants in influencing the demand for $X$.
iii) State the price, cross and advertising elasticities of demand.

[6 Marks]
(c.) What are the factors determining elasticity of demand?

[ 6 Marks]
Q.4. [20 Marks]

(a.) What is production function? State short run and long run production function

[3 Marks]
(b.) Alibaba Car Wash unit has the following production function:

\[ Q = 20L - 2L^2 \]

Where

- \( Q \) = Number of car washes
- \( L \) = Number of washes

Wage rate is RM10. Charges per car wash are fixed at RM6. How many workers should be optimally employed in this unit?

[5 Marks]
(c.) Diagrammatically explain the relationship between average product and marginal product of a variable factor in the short run.

[ 4 Marks]
(d.) \[ Q_X = 1.4 \cdot L^{0.8} K^{0.5} \]

Where \( Q_x \) = output of X
L = labour units
K = capital units if \( L = 100 \) and \( K = 50 \)

Work out average and marginal product of labour and capital.

[2 Marks]

(e.) Define output elasticity \((eQ)\).
How will you infer increasing returns from the output elasticity?

[2 Marks]

(f.) If:
\[ Q = 50L + 8L^2 - 2L^3 \]

Work out average and marginal product for 10 employees.

[2 Marks]
UNIVERSITI UTARA MALAYSIA

PEPERIKSAAN AKHIR
PROGRAM MBA
SEMESTER: MEI, SESI 1999/2000

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JANGAN BUKA SOALAN INI
SEHINGGA DIBERI ARAHAN

SULIT
MASTER OF BUSINESS ADMINISTRATION

Question 1 : [25 Marks]

a) The Chief Executive Officer of Petronas has been advised by one of his advisers to increase the price of oil as much as he likes, since the demand for oil is very inelastic.

(i) Do you agree with his adviser? In your explanation, discuss the concepts of price elasticity and cross elasticity of demand.

(ii) Would your answer differ if cars using electrical batteries instead of petrol were designed and produced in large quantities?

[6 Marks]
b) The market demand for playing cards in a region is given by the equation:

\[ Q_x = 6,000,000 - 1,000,000P_x \]

Where,

- \( Q_x \) = the number of decks of cards demanded each year;
- \( P_x \) = the price in Ringgit

For a price increase from RM2 to RM3 per deck, what is the arc price elasticity? How much will be the contraction of demand, if the price is increased by 10%?

[6 Marks]
c) Jelita Publishing House is a publisher of novels. The business economist estimated the following demand function for the firm's novels ($Q_x$):

$$Q_x = 12000 - 5000P_x + 5M + 500P_c$$

Where,

- $P_x$ = the price charged for the Jelita novels;
- $M$ = income per capita; and
- $P_c$ = the price charged by the competitors.

Initial values of $P_x = \text{RM 5}$, $M = \text{RM 10,000}$ and $P_c = \text{RM 6}$.

On the basis of this information:

(i) Determine what effect a price increase would have on total revenues.

[Contd.: next page]

[3 Marks]
(ii) Evaluate how sale of the novels would change during recession.

[3 Marks]

(iii) Access the probable impact if competitors raise their prices by 10%.

[3 Marks]
d) On the basis of data for the period 1975 - 1995, sales trend equation for product x is estimated as:

\[ S_x = 27.8 + 2.72t \]

Where,
\[ S_x \] = sales value of x in million ringgit
\[ t \] = time-element

Give sales forecast for the product in 2000.

[4 Marks]
Question 2: [25 Marks]

a) Using diagrams explain the behaviour of short-run per unit costs with the increase in output. Specify the relationship between marginal cost and average cost. [7 Marks]
b) What are the cost economies to increasing scale of output?

[6 Marks]
c) If: \( TC = 100Q + 50Q^2 \)

At what stage of returns to scale the firm is operating in producing 15 units of a product? Justify your answer by measuring the scale economy index.

[6 Marks]
d) If: $TR = 100Q$ and

$TC = 2000 + 50Q$,

determine the break-even output volume, break-even output value and contribution margin per unit of output.

[6 Marks]
Question 3: [25 Marks]

a) What is perfect competition? Is it a realistic phenomenon? Why?

[6 Marks]
b) Using diagram, explain the profit-maximising rate of output of a competitive firm in the long run.

[6 Marks]
c) The Manager of Pizza Plaza has estimated the following monthly cost function:

\[ TC = 1000 + 2Q + 0.01Q^2 \]

(i) To maximise total profit, how many pizzas should be produced each month?

(ii) In the short-run, how much economic profit will the business earn each month?

Assume average price of pizza at RM10 as a given competitive price.

[6 Marks]
d) Cheetah Bicycle Manufacturing firm faces perfectly elastic demand curve. Its cost function is:

\[ TVC = 150Q - 20Q^2 + Q^3 \]

Where \( Q \) is the number of bicycle produced. 
Below what price should the firm shut down its business? 
Explain the shut down condition by using diagram. 

\[ [7 \text{ Marks}] \]
Question 4: [25 Marks]

a) If total fixed cost is RM5000, average variable cost is RM3, price is RM11, and output for product x is 1000 units, what is the profit elasticity?

[5 Marks]
b) What are the barriers to entry that give rise to monopoly power?

[6 Marks]
c) Product differentiation is a distinct feature of monopolistic competition. Discuss giving meaning, forms and implications of the concept.

[7 Marks]
d) Given the price and product, trace selling cost equilibrium of a firm.

[7 Marks]
Question 5: [25 Marks]

a) Monopolists have great opportunities for price discrimination. Illustrate how it is done in practice. Show equilibrium of a discriminating monopoly.

[9 Marks]
b) Explain the meaning and theoretical use of kinked demand curve hypothesis.

[6 Marks]
c) Why and how should government intervene in a market economy?

[10 Marks]
Question 6: [25 Marks]

The Malaysian economy is on the path of recovery in 1999. Do you agree? Justify your answer.