UNIVERSITI UTARA MALAYSIA

FINAL EXAMINATION
SEMESTER AUGUST 2001/2002

COURSE CODE : EG5013 MANAGERIAL ECONOMICS

DATE       : 7 OCTOBER 2001
TIME       : 11:00 a.m – 2:00 p.m
PLACE      : IKIP/KUANTAN

INSTRUCTIONS:

1. Attempt any FOUR Questions
2. Write your answers in the space provided in the question booklet.
   (20 pages)

NAME : 

MATRIX NO. : 

I/C. NO : 

NAME OF LECTURER : PROF. MADYA DR. DAWOOD M. MITHANI

DO NOT TURN THE PAGES UNTIL YOU ARE INSTRUCTED TO DO SO.

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Question: 1

(a) 'Profit maximisation is the sole objective of a business firm in modern times'. Comment.

[10 Marks]
(b) Explain the economic conditions of profit maximising firm in a competitive market and monopoly model.

[10 Marks]
(c) Work out break-even quantity for a firm when its total fixed cost is RM4000 average variable cost is RM60 and price is RM30.

[5 Marks]
Question 2 [25 Marks]

(a) What are the characteristics of perfect competition?

[5 Marks]
(b) A monopoly firm sells 1000 units of product X at price RM100. Its average cost is RM60 while marginal cost is RM40 measure its degree of monopoly power.

[5 Marks]

(c) Adam Enterprise has estimated the following cost function for its output:

\[ TC = 100 + 60Q -0.5 \, Q^2 + 0.7Q^3 \]

Work out average fixed cost, average total cost and marginal cost when 8 units are produced by the firm.

[5 marks]
(d) Estimate the profit elasticity of a firm when it incurs total fixed cost of RM5000 and average variable cost of RM3 for producing 300 units of commodity Z which is sold at RM11 per unit. [5 marks]

(e) Explain, with a sketch diagram, relationship between average and marginal product curves of a firm. [5 Marks]
Question: 3[25 Marks]

a) Explain the concept of average fixed cost, average variable cost, average total cost and marginal cost. Show their interrelationship through diagrammatic presentation of cost functions. [10 marks]
b) Work out scale economy index when marginal cost is 56 and average cost is 67. [5 marks]

(c) Write Cobb-Douglass production function from the following empirical result:

\[ \log Q = \log 1.091 + \log 0.6 \, L + \log 0.8 \, K \]

[ anti-log of \( \log 1.091 = 12.34 \) ]

[ 5 Marks]
(d) An employer observes that the marginal product of 10 workers is 6 units. Price of the product is RM 10. If the wage rate is RM 50, is it advisable to employ these workers? Why? [5 Marks]
Question 4 (25 marks)

a) Discuss the sources of market power to a monopolist.  

[6 marks]
b) What is price discrimination? What are its bases?

(7 marks)
c) Explain with a graphical model, how would a discriminating monopolist determine his output market supply and prices of the product, in two segmented markets.

[12 marks]
Question: 5 [25 Marks]

(a) Discuss the purpose and bases of product differentiation. How can we empirically detect product differentiation?

[12 Marks]
(b) Draw a sketch of selling costs equilibrium of a firm for a given product at a given price. Interpret and give your comment on the adverse effect of monopolistic competition.

[13 Marks]
Question 6 (25 marks)

Write explanatory notes on any two:

a) Economies of scale

[12 marks]
b) Complexities of Oligopoly Markets

[12 marks]
c) Economic Ills of the Market Economy and Government Intervention
[13 Marks]