



UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
(ONLINE)
SEMESTER II
SESSION 2020/2021**

COURSE NAME : MANAGERIAL ECONOMICS
COURSE CODE : MPA 21603
PROGRAMME CODE : MPA
EXAMINATION DATE : JULY 2021
DURATION : 3 HOURS
INSTRUCTION : ANSWER ALL QUESTIONS
OPEN BOOK EXAMINATION

THIS QUESTION PAPER CONSISTS OF **FOUR (4)** PAGES

Q1 In early 2020s, it was proposed that Kuala Lumpur LRT fares should be increased. You were asked by Mayor’s Committee on Management Survey of the City of Kuala Lumpur to make a study to help evaluate the proposal. You estimated the demand curve; part of his results is shown in **Table Q1**.

Table Q1: Passengers and revenues

Fare (cents)	Passengers	Total revenue (RM million)
5	1,945	97.2
10	1,683	168.3
15	1,421	213.2
20	1,159	231.8
25	897	224.2
30	635	190.5

Based on Table Q1,

- (a) Recommend to the Mayor’s Committee on Management Survey of the City of Kuala Lumpur on the decision to raise the LRT fare from the then-prevailing level of 10 cents. (15 marks)
- (b) Suggest the additional data or information you would need in order to conclude the recommendations on this proposal. (10 marks)

Q2 Soft drink manufacturers try to differentiate their products by advertising and by other means. In recent decades, there has been a reduction in the number of soft drink producers: in 1947, there were 404; in 1963, 150; and in 1974, 58. The rate of return, after taxes, on owner’s equity in this industry was usually below 8 percent in the post-World War II period, but it increased to 9.1 percent in 1995, 10.1 percent in 1997, and 2020 was 11.7, 11.5, and 9.7 percent respectively.

- (a) Elaborate **FIVE (5)** characteristics of the soft drink industry market with regard to production differentiation. (10 marks)
- (b) Analyze how a monopolistic competitive market sets the profit and price level based on the soft drink industry.

(9 marks)

- (c) Examine whether the soft drink industry is leaning closer to monopolistic competition or oligopolistic competition.

(6 marks)

Q3 The Mami ChocoJr Sdn Bhd has bought exclusive rights to sell chocolate bars in a local sports arena. The fee it paid for this concession was RM1,000 per game. The cost (excluding this fee) of obtaining and marketing each candy bars is 10 cents. The demand schedule for candy bars in this local sports arena is as **Table Q3**:

Table Q3: Demand schedule of candy bars

Price per candy bar (cents)	Thousands of candy bars sold per game
20	10
25	9
30	8
35	7
40	6
45	5
50	4

- (a) Calculate the selling price Mami ChocoJr Sdn Bhd should charge for a candy bar.
- (b) Propose the maximum amount that the Mami ChocoJr Sdn Bhd should pay for this single game concession.

(10 marks)

(10 marks)

Q4 There are ten identical producers of mineral water. Each of these firms has zero cost of production, so long as it produces less than (or equal to) 10 gallons of water per hour. It is impossible for each firm to produce more than 10 gallons per hour. Suppose the market demand schedule for this water is as **Table Q4**:

Table Q4: Market demand for mineral water

Price (RM per gallon)	Number of gallons demanded per hour	Price (RM per gallon)	Number of gallons demanded per hour
11	0	5	60
10	10	4	70
9	20	3	80
8	30	2	90

7	40	1	100
6	50	0.5	105

- (a) Assume the market is an oligopoly market and the firm set the price of mineral water,
- (i) Draw industry supply curve for mineral water. (3 marks)
- (ii) Determine the price and output of each firm. (4 marks)
- (b) Analyze the price and output levels of each firm assuming that the firms form a completely effective cartel. (13 marks)
- (c) Analyze the amount of money each firm is willing to pay to achieve and enforce the collusive agreement described in Q4 (b). (6 marks)
- (d) Analyze the effect on the firm A's profits, assuming Firm A secretly breaks the terms of the agreement and shades price. (4 marks)

- END OF QUESTIONS -