



FINAL EXAMINATION
MARCH 2024

COURSE TITLE	PRINCIPLES OF MACROECONOMICS
COURSE CODE	TECO2123
DATE/DAY	21 JUNE 2024 / FRIDAY
TIME/DURATION	03:00 PM - 05:00 PM / 02 Hour(s) 00 Minute(s)

INSTRUCTIONS TO CANDIDATES:

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 4 Printed Pages including front page)

*****DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO*****

This question paper consists of FIVE (5) questions. Answer ALL questions in the answer booklet provided. [100 Marks]

QUESTION 1

Table 1 below consists of the components of money supply M1 and M2 for country X year 2022.

Table 1

Components	\$ Billions
Currency	758.1
Demand deposits	292.5
Other checkable deposits	307.9
Traveler checks	6.2
Saving deposit	3,903.4
Small-denomination time deposits	1,224.4
Repo	1,006.1

- Compute the total of M1. (4 marks)
- Compute the total of M2. (4 marks)
- Based on your answer in (a), find the velocity of M1 if the nominal GDP for country X is 13843.0 billion. (5 marks)
- Based on your answer in (b), find the velocity of M2 if the nominal GDP for country X is 13843.0 billion. (5 marks)
- Which of the money supply has higher velocity and why? (4 marks)

QUESTION 2

Consumer Price Index (CPI) provides a measure of the level of prices relative to prices in the base year. Inflation, in contrast, is a measure of how fast the average price level changes over time.

Table 2

Year	Average price	Consumer Price Index
2021	134	108
2022	142	116
2023	155	127

- Calculate the rate of inflation for the year 2022 and 2023. (8 marks)
- Explain demand-push inflation by using an appropriate diagram. (8 marks)
- List down TWO (2) magnitudes of inflation. (4 marks)

- d) "When the rate of inflation is high, people will hold less money and must go to the bank and withdraw money more often. They will keep more invested in interest bearing assets."

Based on this statement, name the cost of inflation. (2 marks)

QUESTION 3

Working-age population	239.6
Labor force participation rate	64.92%
Population below age 16	212.8
Unemployed	13.7
Not in labor force	86.0

Source: Bureau of Labor Statistics.

- a) Based on the table 3 above, calculate:-
- i. total population. (3 marks)
 - ii. labor force. (4 marks)
 - iii. the unemployment rate. (5 marks)
 - iv. the employment rate. (5 marks)
- b) Differentiate between frictional and structural unemployment. (6 marks)

QUESTION 4

Table 4 illustrates the advantages of the two countries, expressed in producing clothes and cars.

Table 4

Countries	Minerals	Food
Brunei	4,400	3,100
China	4,800	5,210

- a) Based on absolute advantage theory, determine which country should export minerals and food. (3 marks)
- b) Identify which country has the comparative advantage in the production of minerals and food. Support your answer with an opportunity cost table. (10 marks)
- c) List down **FIVE (5)** barriers of international trade. (5 marks)
- d) Define exchange rate. (2 marks)

QUESTION 5

The following table 5 are the components to calculate Gross Domestic Product (GDP) for a hypothetical country.

Table 5

	RM (bill)
Net foreign factor income	42.10
Household consumption	557.65
Interest income	186.30
Gross private investment	169.04
Depreciation	23.00
Wages	75.26
Net export	19.44
Indirect business taxes	42.7
Government purchases	274.98
Transfer payment	37.81

- a) Calculate the GDP based on the following approaches.
- i. Expenditure approach. (4 marks)
 - ii. Income approach. (5 marks)
- b) If you wake up in the morning and find that nominal GDP had doubled overnight, what statistic would you need to check before you began to celebrate? Why? (4 marks)

*** END OF QUESTION PAPER ***