



FINAL EXAMINATION

NOVEMBER 2022

COURSE TITLE **BASIC ECONOMICS**

COURSE CODE **FECO0114**

DATE/DAY **15 FEBRUARY 2023 / WEDNESDAY**

TIME/DURATION **09:00 AM - 12:00 PM / 03 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 9 Printed Pages including front page)

There are **THREE (3)** sections in this paper. Answer **ALL** questions in the answer booklet provided.

(100 MARKS)

SECTION A

(20 Marks)

There are **TWENTY (20)** questions in this part. Answer **ALL** questions in the answer booklet provided.

1. The problem of scarcity arises due to _____.
 - A. human being's greed
 - B. limited available resources
 - C. government restrictions to the production of too many goods and services
 - D. inefficient production methods to expand the production of goods and services

2. _____ goods are goods where their demand is negatively related to income.
 - A. Normal
 - B. Inferior
 - C. Complement
 - D. Substitute

3. Which of the following pairs of goods are substitutes?
 - A. Mobile phone and charger
 - B. Wool and cotton
 - C. Salt and sugar
 - D. Tea and sugar

4. A ceiling price placed on a good is a _____ that will normally result in _____.
 - A. minimum price; shortage
 - B. maximum price; shortage
 - C. maximum price; surplus
 - D. minimum price; surplus

5. Suppose the price elasticity of supply for oil is 0.1. Then if price of oil rises by 20%, the quantity of oil supplied will increase by
- A. 200 percent
 - B. 20 percent
 - C. 2 percent
 - D. 0.2 percent
6. A tax levied on the seller of a good shifts the _____.
- A. supply curve upward (or to the left)
 - B. supply curve downward (or to the right)
 - C. demand curve upward (or to the right)
 - D. demand curve downward (or to the left)
7. Variable costs are _____.
- A. implicit costs
 - B. fixed + variable cost
 - C. costs that vary with the output (Q) produced
 - D. explicit costs
8. Which of the following is not U-shaped?
- A. Marginal cost curve
 - B. Average fixed cost curve
 - C. Average variable cost curve
 - D. Average total cost curve
9. Assume in the short run, a firm which is producing 100 units of output has an average total cost of RM200 and average variable cost of RM150. The firm's total fixed cost (TFC) is
- A. RM5000
 - B. RM50
 - C. RM5500
 - D. RM550
10. Equilibrium in macroeconomics refers to _____.
- A. total value of output being produced more than total value of expenditure
 - B. aggregate supply being greater than aggregate demand
 - C. aggregate demand being greater than aggregate supply
 - D. aggregate demand being equal to aggregate supply

11. The aggregate demand curve _____.
- A. slopes upwards because higher price levels will raise domestic output
 - B. slopes downwards because production cost decrease as output increase
 - C. is perfectly inelastic
 - D. none of the above
12. Assume that a monopolist increases production from 10 units to 11 units. If the market price declines from RM20 to RM19 per unit, marginal revenue for the eleventh (11th) unit is _____.
- A. RM1
 - B. RM9
 - C. RM19
 - D. RM20
13. A monopoly firm will shut down and will not produce at the profit-maximising quantity of output in the short run if _____.
- A. price is greater than marginal cost
 - B. price is less than marginal cost
 - C. price is less than average variable cost
 - D. price is greater than average total cost
14. Cartel is a form of association where firms within the industry collude in determining the policy for all the firms in the cartel with a purpose to increase total profit. Which of the following describes a market sharing cartel?
- A. A quota of production is divided among member firms
 - B. A selling price higher than equilibrium price is fixed for all member firms
 - C. Different market share is divided among member firms based on geographic location and firm size
 - D. A commercial contract is promised to one party, while other firms still present their bid just for the sake of formality
15. Macroeconomics is a study of a nation's economy as a whole. Which of the following is not a macroeconomics problem?
- A. Inflation
 - B. Business cycle
 - C. Monopoly
 - D. Unemployment

16. The aggregate supply curve is _____.
- A. upward sloping
 - B. perfectly elastic
 - C. perfectly inelastic
 - D. downward sloping
17. Consumption expenditure is one of the determinants of aggregate demand. Which of the following is/are factors that influence consumption?
- i. Consumer's expectations
 - ii. Currency exchange rate
 - iii. Consumers' wealth
 - iv. Foreign income level
- A. i and ii
 - B. i and iii
 - C. ii and iv
 - D. i, ii, and iv
18. Business cycles are regular fluctuations in economic activity. Which of the following is NOT a phase in the business cycle?
- A. Peak
 - B. Expansion
 - C. Middle
 - D. Recession
19. The difference between gross domestic product (GDP) and gross national product (GNP) comes from _____.
- A. subsidies
 - B. depreciation
 - C. indirect business tax
 - D. net factor income from abroad
20. Which of the following can reduce money supply (M1)?
- A. Buying government securities in the open market
 - B. Decreasing the discount rate
 - C. Decreasing the reserve ratio
 - D. Increasing the reserve ratio

SECTION B

(50 Marks)

There are THREE (3) questions in this part. Answer ALL questions in the answer booklet.

1. Explain any **FIVE (5)** determinants of demand. (15 marks)
2. a) By using a relevant diagram, explain the contractionary fiscal policy. (10 marks)
b) By using a relevant diagram, explain the expansionary fiscal policy. (10 marks)
3. a) Explain any **THREE (3)** types of unemployment (9 marks)
b) Explain any **TWO (2)** impacts of unemployment on the economy. (6 marks)


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SECTION C

(30 Marks)

There are **THREE (3)** questions in this part. Answer **ALL** questions in the answer booklet.

1. Table one shows the national income data for a country for the year 2022.

Table 1: National Income Data

Items	RM (million)
Wages	40,000
Government consumption expenditure	35,500
Corporate Investment	48,550
Net property income from abroad	-16,250
Net export	-3,250
Depreciation	14,750
Subsidies	11,120
Indirect business tax	16,500
Private consumption	85,000

Based on the table above, calculate the below by using the expenditure approach:

- a) Gross domestic product at market price (2 marks)
- b) Gross domestic product at factor cost (2 marks)
- c) Gross national product at market price (2 marks)
- d) Net national product at market price (2 marks)
- e) National income (2 marks)

2. Table 2 represents the monetary aggregate of money supply for country X in 2021.

Table 2: Aggregate money supply for country X in 2021

Items	RM (million)
Demand deposits	3,200
Fiat money	600
Savings and fixed deposits in commercial banks	2,650
Traveler's cheques	750
Savings and fixed deposits with other banking institutions	4,500
Savings in unit trust (ASB, BSN)	7,600
Savings in BSN	4,130

Calculate:

- a) M1 (2 marks)
- b) M2 (2 marks)
- c) M3 (2 marks)

d) Explain:

- i) any **TWO (2)** reasons for charging interest rates. (4 marks)
- ii) what liquid assets are. (2 marks)

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3. Table 3 shows the total population, labour force and rate of unemployment for a country in 2021 and 2022 for ages 15-64.

Table 3

Items	2021	2022
Total population (million)	44,311.8	45,441.9
Labour force (million)	7,884.6	8,663.2
Labour force participation rate	68.3%	69.4%
Unemployment rate	3.1%	3.3%

- a) Calculate the number of unemployed for 2021 and 2022. (2 marks)
b) Calculate the number of employed for 2021 and 2022. (2 marks)
c) Calculate the total population for ages 15-64. (2 marks)
d) What is the relationship between unemployment rate and labour force participation rate? (2 marks)

*** END OF QUESTION PAPER ***

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