UNIRAZAK
UNIVERSITI TUN ABDUL RAZAK

FINAL EXAMINATION
JULY 2023

COURSE TITLE	BASIC ECONOMICS
COURSE CODE	FECO0114
DATE/DAY	16 OCTOBER 2023 / MONDAY
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 **8** Printed Pages including front page)

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

There are THREE (3) sections in this paper. Answer ALL questions.   **[100 MARKS]**

SECTION A   **(20 Marks)**

There are TWENTY (20) questions in this section. Answer ALL questions in the OMR paper provided.

1. Price elasticity of demand measures the changes in _____ given the change in _____.

   A. quantity supplied for a good; price of the good
   B. quantity demanded for a good; price of the good
   C. quantity demanded for a good; price of other good
   D. quantity demanded for a good; income level of consumer

2. Idris enjoys watching movies at the cinema twice a month. Suppose that there is an increase in the price of movie ticket but the price hike does not really bother him as the expense of movie ticket only consume a small portion of his salary. Based on this scenario, what can be described on Idris's price elasticity on demand?

   A. elastic
   B. inelastic
   C. perfectly elastic
   D. perfectly inelastic

Table 1 shows the income level and quantity demanded for good A and B. Refer to the table below to answer question 3 and 4.

Income level (RM)	Quantity demanded for good A (units)	Quantity demanded for good B (units)
RM 2500	21	28
RM 3000	28	22
RM 3500	35	18

Table 1

3. What is the income elasticity of demand for good A when income increases from RM 2500 to RM 3500?

   A. 1.50
   B. -1.50
   C. 6.00
   D. -6.00

4. What is the income elasticity of demand for good B when income increases from RM 2500 to RM 3500?

   A. 1.50
   B. -1.50
   C. 1.30
   D. -1.30

5. Which of the following statements is **NOT** related to macroeconomics?

   A. Inflation rate rose to 2.8% in May 2023.
   B. Global oil demand is expected to slow down after 2028.
   C. Price of chicken remains at RM 9.40 per kilogram until year end.
   D. Malaysia GDP is expected to reach $ 425 billion by year-end of 2023.

6. Macroeconomics is the study of economy _____.

   A. as a whole unit
   B. by the government
   C. and society in the country
   D. from the perspective of firms

7. Business cycle consists of the following stages **EXCEPT** _____.

   A. peak
   B. recession
   C. expansion
   D. moderation

8. Fiscal policy tools involve the combination of _____ and _____.

   A. subsidy and tax
   B. government expenditure and tax
   C. government borrowings and subsidy
   D. interest rates and government expenditure

9. Contractionary fiscal policy helps to stimulate the economy. In which phase of business cycle will the policy be conducted?

   A. Meltdown
   B. Stagnation
   C. Expansion
   D. Recession

10. Which of the following is **NOT** among tools of monetary policy?

    A. Discount rate
    B. Statutory reserve ratio
    C. Open market operation
    D. Government expenditure

11. Suppose that the central bank sells the Malaysia Government Securities (MGS). What is the effect on money supply?

    A. Money supply increases
    B. Money supply decreases
    C. No change in money supply
    D. Money supply rises exponentially

12. Imraan deposits RM 1 500 into his bank account. Suppose that the reserve ratio is 2%. What will be the amount of money available to be given out as a loan?

    A. RM 300
    B. RM 1200
    C. RM 1470
    D. RM 1530

13. Money supply differs according to its liquidity. Which of the following types of money supply has the highest liquidity?

    A. M1
    B. M2
    C. M3
    D. M4

14. Money is a medium of exchange used to make transactions. Which of the following money demand motives are influenced by level of income?

    A. Defensive and speculative motive
    B. Speculative and transaction motive
    C. Precautionary and speculative motive
    D. Transaction and precautionary motive

15. All the following statements on central bank are true **EXCEPT** _____.

    A. it is an institution that accepts personal deposits
    B. an authority body that conducts monetary policy
    C. an authority body that supervises financial institution
    D. it is an authority institution that manages money supply

16. Fractional reserve banking system allows bank to _____.

    A.   print money
    B.   save money
    C.   create money
    D.   balanced-out money

17. A person who is overqualified for a job that he/she is doing is called _____.

    A.   underemployed
    B.   partially employed
    C.   unlawfully employed
    D.   discouraged employment

18. Shida lost her job because of the financial crisis in 1997. This describes _____.

    A.   cyclical unemployment
    B.   frictional unemployment
    C.   seasonal unemployment
    D.   structural unemployment

19. With artificial intelligence, Tommy lost his job as data entry clerk. His unemployment is caused by _____.

    A.   cyclical unemployment
    B.   frictional unemployment
    C.   seasonal unemployment
    D.   structural unemployment

20. Which of the following is **NOT** an example of those found within the category of outside labour force?

    A.   Pensioners
    B.   Housewives
    C.   Fresh graduates
    D.   Students aged 16-65

SECTION B   (40 Marks)

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

QUESTION 1

a) Explain and illustrate the concept of shortage and surplus.   (5 marks)

b) Explain the **TWO (2)** types of price control.   (10 marks)

QUESTION 2

a) Explain any **TWO (2)** types of inflation.   (10 marks)

b) List down **FIVE (5)** ways to overcome inflation.   (5 marks)

QUESTION 3

a) Explain any **TWO (2)** benefits of international trade.   (4 marks)

b) Explain any **THREE (3)** trade restrictions.   (6 marks)

SECTION C   (40 Marks)

There are TWO (2) questions in this section. Answer ALL questions in the answer booklet provided.

QUESTION 1

Table 2 below shows the production cost of a manufacturing firm. All figures are in hundreds.

Total output	Total cost (RM)	Variable cost (RM)	Average fixed cost (RM)	Average variable cost (RM)	Average cost (RM)	Marginal cost (RM)
0	500					
1	700					
2	800					
3	1050					
4	1450					
5	1960					
6	2650					
7	3420					

Table 2

a)   Based on the table above, what is the fixed cost incurred by the firm?   (2 marks)

b)   Compute the costs in the blank column above. Keep your answer to two decimal points.
                                                                                  (14 marks)

c)   Explain the concept of fixed input and variable input. Justify your answer with examples.
                                                                                  (4 marks)

QUESTION 2

Table 3 below shows the data on national accounts of a country for the year 2022. All figures are in millions.

Components	RM (millions)
Consumption expenditure	1,031,759
Investment expenditure	362,269
Net factor income from abroad	- 59,414
Government expenditure	208,887
Export goods and services	1,378,452
Import goods and services	1,248,820
Indirect taxes	44,040
Subsidies	77,300
Depreciation	22,500

Table 3

Source: Department of Statistics, Malaysia.

a)   Based on the table above, calculate the following;

   i)   Gross domestic product at market price   (3 marks)

   ii)   Gross national product at market price   (3 marks)

   iii)   Gross national product at factor cost   (3 marks)

   iv)   Net national product at market price   (3 marks)

   v)   Net national product at factor cost or national income   (3 marks)

b)   Explain any **TWO (2)** weaknesses of GDP calculation.   (5 marks)

*** **END OF QUESTION PAPER** ***