

FINAL EXAMINATION
NOVEMBER 2021

COURSE TITLE	BASIC ECONOMICS
COURSE CODE	FECO0114
DATE/DAY	17 FEBRUARY 2022 / THURSDAY
TIME/DURATION	09:00 AM - 10:30 AM / 1.5 Hours

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 **11** Printed Pages including front page)

**There are FORTY (40) questions in this paper. Each question is worth 2.5 marks.
Answer ALL questions in the OMR sheet. (100 Marks)**

1. Which of the following describes the recessionary phase of a business cycle?
 - i. Increase price level
 - ii. Decrease in credit borrowing
 - iii. Increase in unemployment
 - iv. Businesses are pessimistic
 - A. i, ii, iii
 - B. i, ii, iv
 - C. i, iii, iv
 - D. ii, iii, iv

2. Consumption represents expenditures made by households. Which of the following is NOT among the factor that influences consumption?
 - A. Foreign income
 - B. Personal tax rate
 - C. Consumers' wealth
 - D. Consumers' expectation

3. The major macroeconomics problems do not include _____.
 - A. inflation
 - B. business cycle
 - C. fair distribution of income
 - D. deficit balance of payment

4. Achieving full employment is part of major macroeconomics goals. This goal can be indicated by _____.
 - A. cost of living
 - B. literacy rate
 - C. inflation rate
 - D. unemployment rate

5. Gross domestic product (GDP) measures _____.
- A. the total value of goods and services produced by factors of production available in a country in one year
 - B. the total value of goods and services produced by factors of production owned by citizens of a country in one year
 - C. the total value of goods and services produced that does not include depreciation in a country in one year
 - D. the total value of goods and services produced that does not include indirect tax and subsidies in a country in one year
6. A growing real GDP is more desirable than nominal GDP as it corrects for price changes. This occurs because real GDP uses _____ to calculate the value of goods and services produced.
- A. base year price
 - B. equilibrium price
 - C. current year price
 - D. interest free price
7. A 3-sector economy involves _____.
- A. households, firms and government
 - B. firms, government and foreign sector
 - C. household, firms and financial institutions
 - D. firms, financial institutions and product market

Refer to the table below to answer question 8, 9 and 10.

The following table 1 shows a country's national income accounting data for 2019. All figures given are in RM billion.

Item	RM Billion
Government expenditure	262.5
Household expenditure	835.1
Investment expenditure	239.0
Exports	905.8
Imports	806.3
Subsidies	177.7
Indirect business tax	724.9
Net factor income from abroad	40.2
Depreciation	143.4

Table 1

Source: Economic Planning Unit Malaysia

8. Based on table 1, what is the gross domestic product (GDP) at market price?
- A. RM 1237.10
 - B. RM 1436.10
 - C. RM 2242.40
 - D. RM 3048.70
9. Based on table 1, what is the gross national product (GNP) at market price?
- A. RM 1277.30
 - B. RM 1395.90
 - C. RM 1476.30
 - D. RM 2282.60
10. Based on table 1, what is the net national product (NNP) at factor cost or the national income?
- A. RM 586.70
 - B. RM 705.30
 - C. RM 785.70
 - D. RM 1592.00

11. Fiscal policy uses _____ and _____ as tools to stimulate the economy in promoting economic growth.
- A. tax; interest rates
 - B. tax; money supply
 - C. government expenditure; tax
 - D. government expenditure; subsidies
12. When the economy is in _____ phase, _____ fiscal policy is more appropriate to be conducted in stimulating the economy.
- A. recessionary; expansionary
 - B. expansionary; extraordinary
 - C. expansionary; expansionary
 - D. recessionary; contractionary
13. The government budgeting is carried out based on tax revenue collected and may sometimes be added with borrowings when necessary. The budgeting is intended to be spent on _____.
- A. operation and political expenditure
 - B. political and investment expenditure
 - C. operation and development expenditure
 - D. development and household expenditure
14. The required reserved of a bank equals the _____ the reserve ratio.
- A. loans divided with
 - B. loans multiplied by
 - C. deposit divided with
 - D. deposit multiplied by

15. Suppose that the central bank is conducting contractionary monetary policy using the discount rate, banks that borrow from the central bank will have to pay a _____ interest rate which then makes _____ money available for loans and investment to be made.
- A. lower; more
 - B. higher; more
 - C. lower, lesser
 - D. higher; lesser
16. In an expansionary monetary policy, the central bank will _____ government securities from financial institutions which will _____ money supply in the economy.
- A. sell; reduce
 - B. sell; increase
 - C. purchase; reduce
 - D. purchase; increase
17. Which of the following is NOT a function of the central bank?
- A. Setting income tax rates
 - B. Last resort lender for banks
 - C. Clearing checks between banks
 - D. Controlling money supply in the economy
18. "Stability of money enables credit transactions be made." This refers to which function of money?
- A. Store of value
 - B. Unit of account
 - C. Medium of exchange
 - D. Tools for standard of deferred payment
19. Narrow money or M1 equals to _____.
- A. currency + quasi deposits
 - B. currency + cashable assets
 - C. currency + cheaquable deposits
 - D. currency + savings and fixed deposits

20. Securities are categorized as _____ while deposits are _____ to a bank.

- A. assets; liability
- B. liability; assets
- C. reserves; liability
- D. borrowings; assets

Refer to Diagram 1 below to answer question 21.

Bank A				Bank B			
Assets		Liabilities		Assets		Liabilities	
Reserves	700	Deposits	3500	Reserves	560	Deposits	2800
Loans	2800			Loans	2240		
Total	3500	Total	3500	Total	2800	Total	2800

Diagram 1

21. Based on Diagram 1 above, what is the total money supply in the economy? All figures are in RM.

- A. RM 700
- B. RM 6300
- C. RM 3500
- D. RM 2800

22. "Inflation that is fueled by income, occurs following the increase in spending that rise faster than production of goods and services." This refers to _____.

- A. structural inflation
- B. cost push inflation
- C. import push inflation
- D. demand pull inflation

Refer to Table 2 to answer question 23 and 24.

The following table 2 shows the consumer price index (CPI) for several main groups for the year 2019 to 2020.

Group	2019	2020
Education	119.7	120.9
Restaurants & Hotels	131.8	132.4
Health	122.7	124.1

Table 2

23. What is the inflation rate for education from 2019 to 2020?

- A. 0.99%
- B. -0.99%
- C. 1.00%
- D. -1.00%

24. What is the inflation rate for restaurants & hotels from 2019 to 2020?

- A. 0.46%
- B. 0.53%
- C. -0.46%
- D. -0.53%

25. What is the inflation rate for health from 2019 to 2020?

- A. 1.12%
- B. 1.14%
- C. -1.14%
- D. -1.12%

26. Which of the following is included in labor force?

- A. A person below 16 years old
- B. Pensioner aged 50 years old
- C. Student who is studying full time
- D. A person within 16 to 65 years looking for a job

27. Which of the following could be an example of seasonal unemployment?
- A. A mother who chooses to quit to be a full-time housewife.
 - B. A coastal lifeguard who loses his job during heavy monsoon season.
 - C. An operator in shoe manufacturing whose skill is now replaced by a machinery.
 - D. A kindergarten teacher who quits her job as to become a banker which is more aligned with her set of skills.

Refer to the table below to answer question 28 and 29.

Table 3 below shows the data for unemployment in a country.

	2020	2021
Labor force	15.97 million	16.30 million
Employed labor	15.21 million	15.61 million

Table 3

28. What is the unemployment rate for the year 2020?

- A. 4.76%
- B. 0.95%
- C. 1.04%
- D. 4.99%

29. What is the unemployment rate for the year 2021?

- A. 4.23%
- B. 2.20%
- C. 6.68%
- D. 4.66%

30. Exports refers to goods and services that are _____.

- A. sold by the citizen of the country
- B. produced by the citizen of the country
- C. produced locally but being sold to other countries
- D. produced outside the country but being sold to the country

31. Under infant industry argument, trade restrictions are necessary to _____.
- A. improve the productivity of local business
 - B. encourage more cheap labors to be brought into the country
 - C. prevent foreign firms to sell products below its cost at importing country
 - D. allow the industry to grow into a mature industry and able to compete in the market
32. "A legal limit on the number of a particular commodity that can be imported into a country." This refers to _____.
- A. tariff
 - B. quota
 - C. embargo
 - D. export subsidy
33. Trade between countries that is conducted without any restrictions are called _____.
- A. free trade
 - B. unabated trade
 - C. unencumbered trade
 - D. unobstructed commerce
34. Current account records the following EXCEPT _____.
- A. import merchandise
 - B. export merchandise
 - C. acquisition of land for investment
 - D. government expenditure on embassies and consulates
35. A balance of payment that records a higher total financial receipt abroad than total financial payment abroad is a (an) _____ balance of payment.
- A. equal
 - B. deficit
 - C. surplus
 - D. balanced

36. Suppose that a Chinese-based automotive company signed a few contracts with Malaysia to contribute in the amount of capital to be used in the production of Malaysian-made vehicles in Malaysia. Which account will be affected by this business activity?
- A. Capital account
 - B. Current account
 - C. Trading account
 - D. Revenue account
37. Which of the following is NOT the advantage of floating exchange rate?
- A. Less government intervention
 - B. Flexibility in determining interest rates
 - C. Predictability on currency exchange rates
 - D. Monetary policy has more flexibility for adjustment
38. A _____ is set by the government through the central bank that pegs or ties national currency against another currency.
- A. fixed exchange rate
 - B. flexible exchange rate
 - C. floating exchange rate
 - D. predicted exchange rate
39. A (an) _____ ringgit would make imported goods _____ in which can _____ Malaysian imports.
- A. depreciating; less expensive; boost
 - B. appreciating; more expensive; boost
 - C. appreciating; less expensive; slows down
 - D. depreciating; more expensive; slows down

40. Fixed exchange rate system carries the advantage of certainty in doing business transaction. Which of the following is among the DISADVANTAGES of fixed exchange rate system?
- A. Currency is less stabilized and uncertain
 - B. Extreme speculative activity may happen
 - C. Predictability of future currency exchange rate
 - D. Less independent monetary policy can be conducted as government is very much involved in setting the exchange rate

END OF QUESTION PAPER


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