



FINAL EXAMINATION
JULY 2022

COURSE TITLE	BASIC ECONOMICS
COURSE CODE	FECO0114
DATE/DAY	19 OCTOBER 2022 / 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. (100 MARKS)

SECTION A

(20 Marks)

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

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. The price elasticity of demand for a vertical demand curve is _____.
A. unitary elastic
B. perfectly elastic
C. relatively elastic
D. perfectly inelastic

Refer to the table below to answer Question 3 and 4.

Table 1 shows the price of good A and quantity demanded for good A and B.

Price of good A (RM)	Quantity demanded for good A (units)	Quantity demanded for good B (units)
10	21	28
7	28	22
4	35	18

Table 1

3. What is the price elasticity of demand for good A when price increases from RM 4 to RM 7?
A. -0.2933
B. -0.4074
C. -0.8095
D. -0.8750

4. What is the cross-price elasticity of demand between A and B when price increases from RM 7 to RM 10?
- A. 0.4533
 - B. -0.4533
 - C. 0.4888
 - D. -0.4888
5. Which of the following is an issue of microeconomics?
- A. Inflation rate increases from 2% to 3%.
 - B. The price of broccoli has increased to RM 20 per kilogram.
 - C. Bank Negara sets a higher statutory reserve ratio in two weeks.
 - D. The unemployment rate in Indonesia is higher in 2020 than 2019.
6. Which of the following is NOT a component of aggregate demand?
- A. Firm investment
 - B. Cost of production
 - C. Household consumption
 - D. Government expenditure
-
7. The following are problems of macroeconomics EXCEPT _____.
- A. inflation
 - B. business cycle
 - C. unemployment
 - D. sustainable economic growth
8. A prolonged political unrest can cause a (an) _____ in economic growth.
- A. decline
 - B. increase
 - C. stagnant
 - D. expansion

9. A contractionary fiscal policy involves the action of _____ or _____.
- A. increasing government expenditure; reducing tax rate
 - B. reducing government expenditure; increasing tax rate
 - C. reducing consumption expenditure; increasing tax rate
 - D. increasing government expenditure; increasing tax rate
10. Suppose that the central bank is undertaking an expansionary monetary policy by decreasing the discount rate, this will cause the costs of borrowing by banks in the money market to _____ and money supply is likely to _____.
- A. fall; fall
 - B. fall; rise
 - C. rise; fall
 - D. rise; rise
11. Money is a medium of exchange used to make transactions. Which of the following is NOT among the factors that influence the demand for money?
- A. Defensive motive
 - B. Speculative motive
 - C. Transaction motive
 - D. Precautionary motive
12. Bank adopts a distinct approach in recognizing its asset and liability. A customer's deposit is categorized as _____ while customer's loan is categorized as _____.
- A. asset; equity
 - B. asset; liability
 - C. liability; asset
 - D. liability; investment
13. A country's record of transactions in goods, services and assets with the rest of the world is called _____.
- A. capital account
 - B. current account
 - C. balance of trade
 - D. balance of payment

14. Country A manufactures and sells 200,000 units of computer chips to Country B at the price of \$40 per unit. In which account, the revenue from this transaction is recorded?
- A. capital account
 - B. current account
 - C. balance of trade
 - D. balance of payment
15. Which of the following is the argument that supports protection policy that protects domestic industries from overflowing of cheap foreign goods?
- A. Anti-dumping argument
 - B. Infant industry argument
 - C. National security argument
 - D. Low foreign-wage argument
16. A quantitative limit imposed on imported goods is known as _____.
- A. tariff
 - B. quota
 - C. embargo
 - D. import license
17. Underemployment can be described as _____.
- A. employment with bad matching of jobs
 - B. employment that is accepted during expansionary period
 - C. employment that is below his or her capability and qualification
 - D. unemployment that is due to changes in the structure of the economy that result in a significant loss of jobs in certain industries
18. If Malaysian Ringgit depreciates against US Dollars, then _____.
- A. Malaysian goods sold in US become more expensive
 - B. imported US goods become less expensive in Malaysia
 - C. imported US goods become more expensive in Malaysia
 - D. no change is happening to the price of imported goods in Malaysia

19. A person that is unemployed because his skills have become obsolete and is no longer demanded in the market is categorized under _____.
- A. cyclical unemployment
 - B. frictional unemployment
 - C. seasonal unemployment
 - D. structural unemployment
20. Labor force is the total number of _____ and _____.
- A. employed and unemployed
 - B. underemployed and retirees
 - C. employed and underemployed
 - D. overemployed and underemployed


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SECTION B

(40 Marks)

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

Question 1

(15 Marks)

- a) Compare and contrast the characteristics of oligopoly market structure and monopolistic market structure. (10 marks)
- b) Explain any **TWO (2)** sources of monopoly power. (5 marks)

Question 2

(15 Marks)

- a) Explain any **TWO (2)** phases of a business cycle. (4 marks)
- b) Discuss **THREE (3)** impacts of unemployment. (6 marks)
- c) Explain any **TWO (2)** types of inflation. (5 marks)

Question 3

(10 Marks)

- a) Explain the fixed and floating exchange rate system. (4 marks)
- b) Discuss any **THREE (3)** advantages of international trade. (6 marks)

SECTION C

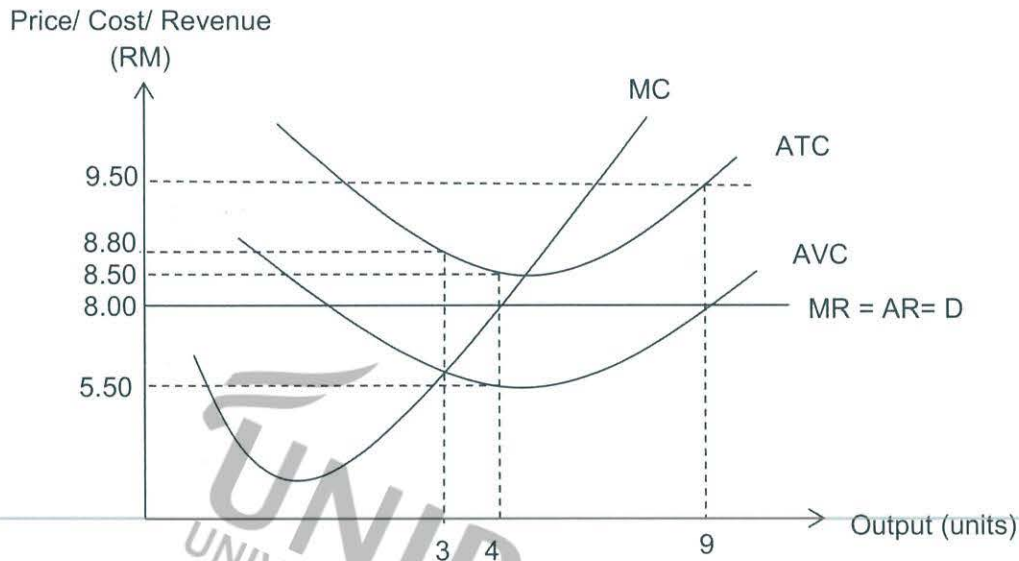
(40 Marks)

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

Question 1

(20 Marks)

Diagram 1 below shows the revenue and cost curves for a firm in a perfect competition market in the short-run. Answer the questions based on the diagram.



- Determine the equilibrium level of output. (2 marks)
- Compute the total revenue when the firm is producing at the equilibrium level of output. (4 marks)
- Compute the total cost when the firm is producing at the equilibrium level of output. (4 marks)
- Compute the variable cost when the firm is producing at the equilibrium level of output. (4 marks)
- Compute the fixed cost when the firm is producing at the equilibrium level of output. (4 marks)
- How much profit/loss that the firm gains? Decide whether the firm is experiencing abnormal, normal or subnormal profit. (2 marks)

Question 2

(20 Marks)

Table 2 below shows the national income data for a country for the year 2021. All figures are in RM million.

Table 2: National Income Accounting Data for the year 2021

Items	Amount
Firm investments	209,202
Government consumption expenditure	47,075
Exports of goods and services	245,225
Imports of goods and services	223,115
Household consumption expenditure	388,779
Net factor income from abroad	-19,639
Subsidy	77,000
Indirect business tax	42,100
Depreciation	133,433

Source: Department of Statistics, Malaysia

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

- a) the gross domestic product at market price (4 marks)
- b) the gross domestic product at factor cost (4 marks)
- c) the gross national product at market price (4 marks)
- d) the net national product at market price (4 marks)
- e) the national income (4 marks)

END OF QUESTION PAPER