



FINAL EXAMINATION

MAR-2022

COURSE TITLE	BASIC ECONOMICS
COURSE CODE	FECO0114
DATE/DAY	15 JUNE 2022 / WEDNESDAY
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)

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

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

1. Which of the following describes the trough phase of a business cycle?
 - i. Increase price level
 - ii. Low level of investment
 - iii. High 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 following are listed as macroeconomics variables EXCEPT _____.
 - A. inflation
 - B. business cycle
 - C. national output
 - D. balance of payment

4. Inflation is one of the macroeconomics problems. It can be measured using _____.
 - A. cost of living
 - B. literacy rate
 - C. inflation rate
 - D. unemployment rate

5. Net factor income from abroad is measured by taking _____.
- A. total import received from abroad plus total export sent abroad
 - B. total import received from abroad minus total export sent abroad
 - C. factor income received from abroad plus factor income paid abroad
 - D. factor income received from abroad minus factor income paid abroad
6. A growing real GDP is more desirable than a growing 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 4-sector economy involves _____.
- A. households, firms, government and foreign sector
 - B. household, firms, financial institutions and foreign sector
 - C. firms, government, foreign sector and financial institutions
 - D. firms, financial institutions, product market and resource market

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

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

Item	RM Billion
GNP at factor cost	929.10
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 national product (GNP) at market price?
- A. RM 1237.10
 - B. RM 1476.30
 - C. RM 2242.40
 - D. RM 3048.70
9. Based on Table 1, what is the net national product (NNP) at factor cost?
- A. RM 586.70
 - B. RM 705.30
 - C. RM 785.70
 - D. RM 1592.00
10. The following are the uses of national income EXCEPT _____.
- A. comparison on standard of living
 - B. planning on future economic policy
 - C. planning on conquering another country
 - D. measuring economic performance over time
11. Contractionary fiscal policy involve the measures of _____ and/or _____.
- A. reducing government expenditure; increasing tax rate
 - B. reducing government expenditure and tax rate
 - C. increasing government expenditure; reducing tax rate

- D. increasing government expenditure and tax rate
12. When the economy is in _____ phase, _____ monetary policy is more appropriate to be conducted to stimulate the economy.
- A. recessionary; expansionary
 - B. expansionary; extraordinary
 - C. expansionary; expansionary
 - D. recessionary; contractionary
13. Which of the following are NOT examples of government development expenditure?
- A. Public hospitals and schools
 - B. Pensions and gratuity
 - C. Economic services
 - D. Social services
14. Suppose that Idris deposits RM 500 into his savings account. Assuming that the required reserve ratio is 3.2%. What is the amount of the deposits that can be lent out as loan?
- A. RM 16
 - B. RM 15
 - C. RM 484
 - D. RM 485
15. Monetary policy involves actions taken to manage _____ to stabilize the economy.
- A. money supply and income tax rates
 - B. money supply and interest rates
 - C. income tax rates and interest rates
 - D. money supply and government expenditures
16. The interest rate that a bank charges another bank for overnight loans is called _____.
- A. bond rate
 - B. discount rate

- C. induced rate
D. overnight policy rate
17. If the central bank wants to reduce money supply, they could _____.
- A. lower the discount rate
B. buy back Malaysian government securities
C. decrease the required reserve ratio
D. increase the discount rate
18. "An item that people can use to transfer purchasing power from the present to the future." 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. Current money or M2 equals to _____.
- A. M1 + quasi deposits
B. M1 + cashable assets
C. M1 + cheaquable deposits
D. M1 + savings and fixed deposits
20. Which of the following are assets of a bank?
- i. Reserves
ii. Deposits
iii. Loan
iv. Securities
- A. i, ii and iii
B. ii, iii and iv
C. i, iii and iv
D. i, ii and iv

Refer to Diagram 1 below to answer question 21 and 22.

Bank A				Bank B			
Assets		Liabilities		Assets		Liabilities	
Reserves	150	Deposits	5000	Reserves		Deposits	
Loans				Loans			
Total	5000	Total	5000	Total		Total	

Diagram 1

21. Suppose that Khadeeja applies for a loan from Bank A and receives the full amount and deposits the money into Bank B. Based on Diagram 1, what is the amount of reserves that should be kept in Bank B? Assuming that the required reserve ratio is 3%.
- A. RM 150.00
 B. RM 145.50
 C. RM 140.00
 D. RM 135.50
22. Based on Diagram 1 above, what is the loan amount that Bank B can lend out? All figures are in RM.
- A. RM 1500.00
 B. RM 4704.50
 C. RM 5150.50
 D. RM 4500.35

Refer to Table 2 to answer question 23 and 24.

The following table 2 shows the consumer price index (CPI) for two groups of goods that are within the “food” category for the year 2020 to 2021.

Group	2020	2021
Food away from home	144.8	147.0
Food products	136.8	140.1

Table 2

23. What is the inflation rate for the *food away from home* group for 2021?
- A. 1.52%
 - B. -1.52%
 - C. 1.49%
 - D. -1.49%
24. What is the inflation rate for the *food products* group for 2021?
- A. 2.41%
 - B. -2.41%
 - C. -2.35%
 - D. 2.35%
25. Deflation is _____.
- A. a state of extraordinary high rate of inflation
 - B. a state of extraordinary low rate of inflation
 - C. a state of a sustained decrease in general price level
 - D. a state of appreciating value of currency
26. Underemployed workers are those _____.
- A. who are willing to work below their qualification
 - B. who work in a dead-end job with no career growth
 - C. who are able and willing to work in a job that is not their passion
 - D. who wants to work but has not been successful in finding a good prospect job for a long time
27. Which of the following could be an example of structural unemployment?
- A. A mother who choose to quit to be a full-time housewife.
 - B. A coastal life guard who lose his job during the heavy monsoon season.
 - C. An operator in shoe manufacturing whose skill is now replaced by machinery.
 - D. A kindergarten teacher who quits her job 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 labor force data of two states in Malaysia for the year 2020 and 2021.

State	Indicator	2020 ('000)	2021 ('000)
Melaka	Employed	425.23	431.48
	Labor force	435.68	446.33
Kedah	Employed	930.58	966.18
	Labor force	969.75	1004.1

Table 3

28. What is the unemployment rate for Melaka in the year 2021?

- A. 2.39%
- B. 3.33%
- C. 96.67%
- D. 97.60%

29. What is the employment rate for Kedah in the year 2021?

- A. 4.04%
- B. 3.77%
- C. 96.22%
- D. 95.96%

30. Imports 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 the national security industry argument, trade restrictions is necessary to _____.
- A. improve the productivity of local business
 - B. prevent foreign firms to sell products below its cost at importing country
 - C. discourage a country to become highly dependent on imported vital resources
 - D. allow the industry to grow into a mature industry and able to compete in the market
32. "A permit granted to firms by the government to import goods into the country." This refers to _____.
- A. tariff
 - B. quota
 - C. import license
 - D. export subsidy
33. "High latitude and cold climate, inland and mountainous areas slowdown international trade". Which of the following factors affecting international trade are caused by the statement above?
- A. Natural resources
 - B. Geographical location
 - C. Political stability
 - D. Economic and infrastructure development
34. Capital account records _____.
- 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 lesser 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 Malaysian company has closed a deal to invest in an Indian company that involves in the construction of expressways in Southern India. Which account will be affected by this transaction?
- A. Capital account
 - B. Current account
 - C. Trading account
 - D. Revenue account
37. Which of the following is a disadvantage of floating exchange rate?
- A. Less government intervention
 - B. Flexibility in determining interest rates
 - C. Extreme speculative activities might occur
 - D. Monetary policy has more flexibility for adjustment
38. An appreciating yen makes Japanese goods _____.
- A. less expensive in foreign market
 - B. more expensive in foreign market
 - C. more expensive in Japanese market
 - D. more expensive in foreign and Japanese market
39. If Aisyah's demand for Australian meat increases while Ringgit is weaker against Australian Dollar, Aisyah would find that the imported Australian meat is _____ these days.
- A. more expensive
 - B. less expensive
 - C. constantly priced
 - D. reasonably priced

40. Which of the following is NOT the impact of an imbalanced balance of payment?
- A. Central bank's international reserves would reduce
 - B. Economic growth would slow down
 - C. Competitiveness of domestic market is reduced
 - D. The economy will experience rapid growth

END OF QUESTION PAPER


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