



**FINAL EXAMINATION**  
**NOVEMBER 2023**

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<b>COURSE TITLE</b>	<b>PRINCIPLES OF MACROECONOMICS</b>
<b>COURSE CODE</b>	<b>TECO2123</b>
<b>DATE/DAY</b>	<b>20 FEBRUARY 2024 / TUESDAY</b>
<b>TIME/DURATION</b>	<b>02:00 PM - 04:00 PM / 02 Hour(s) 00 Minute(s)</b>

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**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 4 Printed Pages including front page)

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

This question paper consists of FIVE (5) questions. Answer ALL questions in the answer booklet provided. [100 Marks]

**QUESTION 1**

**(20 Marks)**

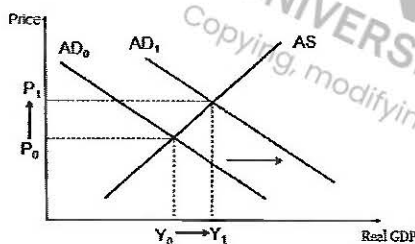
Country A has a three-sector economy, and imposes a tax rate of 0.20 for RM1 income. The household consumption function is given as  $C = 40 + 0.8Y_d$ , investment RM50 million and the government did not incur expenditure.

- a) Compute the equilibrium income by using algebra analysis. (6 marks)
- b) Assuming the economy is RM50 million short from the natural level of output, what will be the new tax rate that the government needs to charge for the economy to operate at the natural level of output? (6 marks)
- c) Calculate how much does the government need to spend in order to close the gap between current equilibrium income and the natural level of output. (6 marks)
- d) List one type of fiscal policy. (2 marks)

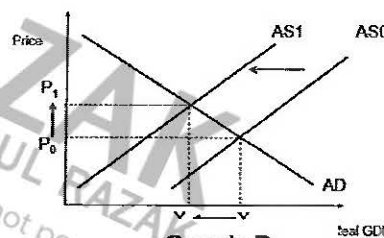
**QUESTION 2**

**(20 Marks)**

Consumer price index (CPI) provides a measure of the level of prices relative to prices in the base year. Inflation, in contrast, is a measure of how fast the average price level is changing over time.



Graph A



Graph B

- a) Name the following title for inflation graph: (4 marks)
  - i) Graph A : \_\_\_\_\_
  - ii) Graph B : \_\_\_\_\_
- b) List down THREE (3) magnitudes of inflation. (6 marks)
- c) Name TWO (2) price indices used to measure inflation. (4 marks)
- d) Given  $CPI_{2021} = 124$  and  $CPI_{2022} = 145$ . Compute the rate of inflation. (6 marks)

**QUESTION 3**

**(20 Marks)**

Working-age population	239.6
Labor force	153.6
Unemployed	13.7
Not in labor force	86.0

Source: Bureau of Labor Statistics.

- a) Based on the table 1 above, calculate:-
- i. size of employed population. (4 marks)
  - ii. the unemployment rate. (5 marks)
  - iii. the employment rate. (5 marks)
- b) Differentiate between frictional and structural unemployment. (6 marks)

**QUESTION 4**

**(20 Marks)**

Table 2 illustrates the advantages of the two countries, expressed in producing computers and gasolines.

Countries	Computers	Gasolines
South Korea	3,100	2,950
United States	4,800	5,210

- a) Based on absolute advantage theory, determine which country should export computers and gasolines. (3 marks)
- b) Identify which country has comparative advantage in the production of computers and gasolines. Support your answer with an opportunity cost table. (10 marks)
- c) List down **FIVE (5)** barriers of international trade. (5 marks)
- d) Define exchange rate. (2 marks)

**QUESTION 5**

**(20 Marks)**

Table 3 below shows Siti's assets.

<b>Table 3</b>
A house in Damansara worth RM200,000
A car brand XY worth RM5,000
RM100 in her wallet
RM800 in her current account
RM1000 in her saving account
A traveler's check from her last trip to Japan, RM20
An outstanding credit card bill, RM 300
A certificate of deposit, RM3,000

- a) Identify which of them is categorized under:- (8 marks)
- I. M1
  - II. M2
  - III. Neither
- b) Suppose she takes the RM100 in her wallet and deposits it in her current account. Explain the changes in M1 and M2. (6 marks)
- c) Suppose she takes RM400 from her current account and deposits it in her savings account. Explain the change in M1 and M2. (6 marks)

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