

FINAL EXAMINATION
JULY 2021

COURSE TITLE	BASIC ECONOMICS
COURSE CODE	FECO0114
DATE/DAY	18 OCTOBER 2021 / MONDAY
TIME/DURATION	09:00 AM - 10:30 AM / 1.5 Hours

INSTRUCTIONS TO CANDIDATES :

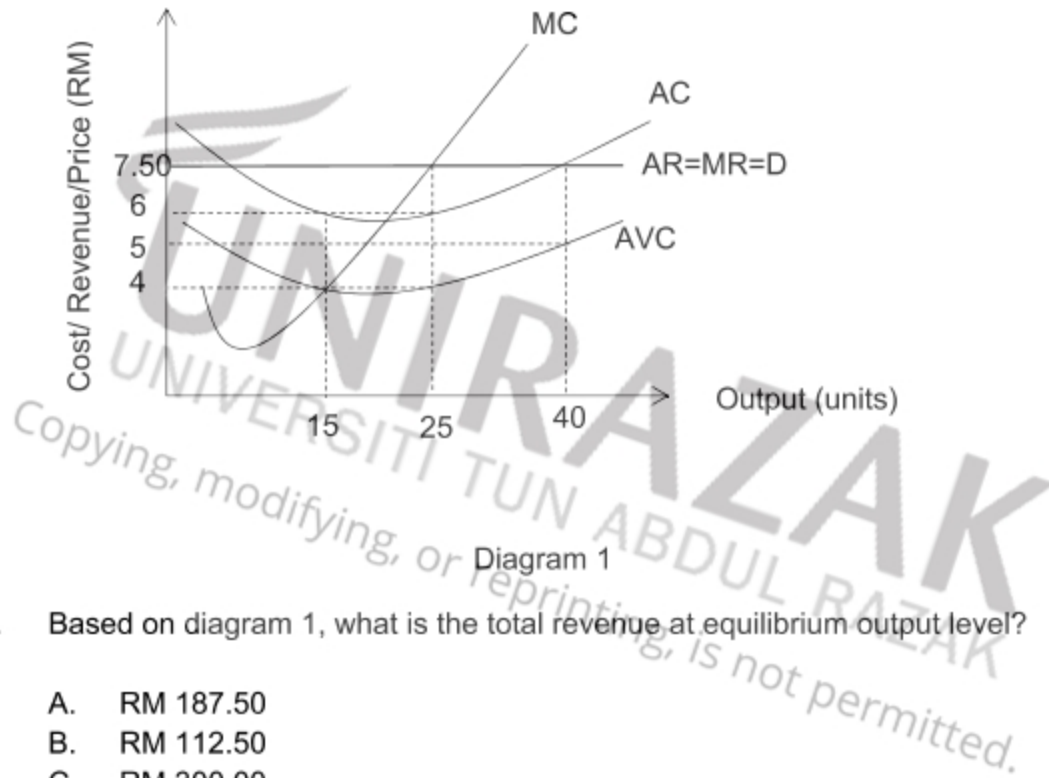
1. Please read the instruction under each section carefully.
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3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of **12** 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)

Refer to the diagram below to answer question 1 and 2.

The diagram below shows the revenue and cost curves for a firm in a perfect competition market.



- Based on diagram 1, what is the total revenue at equilibrium output level?
 - RM 187.50
 - RM 112.50
 - RM 300.00
 - RM 150.00

- Based on diagram 1, what is the profit or loss generated by selling goods at equilibrium output level?
 - RM 62.50
 - RM 87.50
 - RM 37.50
 - RM 25.00

3. Based on kinked demand curve theory, each firm believes that if the firm raises the price,_____.
- A. its profit will rise by the same percentage
 - B. the government will implement price control
 - C. the other firms will follow and raise their price
 - D. the other firms will not follow and ignore the decision
4. Firms in oligopoly market are mutually dependent. This means that _____.
- A. the supply for all firms are the same
 - B. the action of one firm will influence other firms
 - C. the demand curve for each firm is perfectly inelastic
 - D. the demand curve for each firm is perfectly elastic
5. A monopoly sells _____.
- A. differentiated goods
 - B. complementary goods
 - C. standardized or homogenous goods
 - D. unique and no close substitute goods
6. Assuming everything else is constant, *ceteris paribus*, a decrease in aggregate demand tends to cause an increase in _____.
- A. national GDP
 - B. unemployment
 - C. production of goods
 - D. nominal interest rates
7. The cycle of fluctuation in business cycle could be caused by the following EXCEPT _____.
- A. political unrest
 - B. major global event
 - C. financial bubble burst
 - D. change in demand for sports car

8. Aggregate demand measures the total amount of goods and services demanded at a given overall price level. Which of the following is NOT a determinant of aggregate demand?
- A. Net export
 - B. Investment
 - C. Foreign demand
 - D. Cost of production
9. The major macroeconomics goals do not include _____.
- A. full employment
 - B. price level stability
 - C. fair distribution of income
 - D. high environmental quality
10. A recovering economy from an economic downturn could experience _____.
- i. rising investment
 - ii. rising unemployment
 - iii. rising income
 - iv. rising childbirth
- A. i and ii
 - B. i and iii
 - C. ii and iv
 - D. i,ii and iv
11. Business cycle is regular fluctuations in economic activity. Which of the following is NOT a phase in business cycle?
- A. Peak
 - B. Middle
 - C. Expansion
 - D. Recession

12. Macroeconomics is a study of the economy as a whole. Which of the following is NOT related to macroeconomics?
- A. Rate of unemployment
 - B. Achieving full employment
 - C. Growth rate of gross domestic product
 - D. Goal of optimization and achieving efficiency
13. Gross national product (GNP) 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
14. The difference between value at market price and factor cost comes from _____.
- A. depreciation
 - B. GDP deflator
 - C. net factor income from abroad
 - D. subsidies and indirect business tax
15. A 4-sector economy involves _____.
- A. households, firms, government, resource market
 - B. households, firms, government and foreign sector
 - C. household, firms, financial institutions, government
 - D. household, firms, financial institutions, product market

Refer to the table below to answer question 16, 17 and 18.

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

Item	RM Million
Government expenditure	30
Household expenditure	43
Investment expenditure	38.4
Exports	16
Imports	23
Subsidies	2.5
Indirect business tax	12
Net factor income from abroad	-8.7
Depreciation	0.5

Table 1

16. Based on table 1, what is the gross domestic product (GDP) at market price?
- A. RM 72.4
 - B. RM 104.4
 - C. RM 150.4
 - D. RM 116.4
17. Based on table 1, what is the gross national product (GNP) at market price?
- A. RM 95.7
 - B. RM 81.7
 - C. RM 141.7
 - D. RM 107.7
18. Based on table 1, what is the net national product (NNP) at factor cost or the national income?
- A. RM 53.4
 - B. RM 72.2
 - C. RM 85.7
 - D. RM 103.2

19. Transfer payment is not included as part of government expenditure in calculating GDP because _____.
- A. it is not part of government expenditure
 - B. it is a form of payment made by employer to employee
 - C. part of unused retained corporate profits is used to pay for them
 - D. it is a type of payment where there is no benefit derived from productive work
20. Level of aggregate demand that rises too fast compare to what supply side could offer could cause _____ inflation.
- A. cost-push
 - B. profit-push
 - C. import-push
 - D. demand-pull

Refer to the following table to answer question 21 and 22.

The following table 2 shows the consumer price index (CPI) for several main groups for the year 2010 to 2012.

Group	2011	2012
Clothing and footwear	99.8	99.2
Alcoholic Beverages and Tobacco	104.6	105.0
Health	102.7	104.8

Table 2

21. What is the inflation rate for 2012 for clothing and footwear?
- A. -0.60%
 - B. 0.60%
 - C. 1.99%
 - D. -1.99%

22. What is the inflation rate for 2012 for alcoholic beverages and tobacco?
- A. 0.38%
 - B. -0.38%
 - C. 2.00%
 - D. 1.00%
23. Suppose that there is a technology advancement in robotics, automation and artificial intelligence through industrial revolution 4.0 causing Helmi to lose his job as his existing skill is now obsolete. This unemployment is considered as _____.
- A. cyclical unemployment
 - B. frictional unemployment
 - C. seasonal unemployment
 - D. structural unemployment
24. Khadeeja is a full-time student and not looking for any job opportunity. What would be the type of unemployment Khadeeja is experiencing?
- A. Cyclical unemployment
 - B. Frictional unemployment
 - C. Seasonal unemployment
 - D. Khadeeja is not experiencing unemployment as she is currently not part of labor force
25. Which of the following could be an example of seasonal unemployment?
- A. A mother who choose to quit to be a full-time housewife.
 - B. A coastal life guard who lose 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 26 and 27.

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

	2020	2019
Labor force	15.97 million	16.07 million
Employed labor	15.21 million	15.29 million

Table 3

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

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

27. What is the employment rate for the year 2019?

- A. 78.00%
- B. 95.15%
- C. 10.40%
- D. 49.95%

28. Which of the following asset is considered as most liquid?

- A. Stocks
- B. Bonds
- C. Cash money
- D. Money in savings account

29. Budget surplus is commonly carried out to _____ where _____ fiscal policy is conducted during _____ phase.

- A. curb inflation; expansionary; contractionary
- B. curb inflation; contractionary; expansionary
- C. boost demand; expansionary; contractionary
- D. boost demand; contractionary; expansionary

30. Monetary policy is used to promote economic growth and stability through controlling money supply. Which of these tools is NOT a monetary policy tool?
- A. Discount rate
 - B. Statutory reserve ratio
 - C. Open market operation
 - D. Government expenditure
31. Types of money has evolved with time. Paper money is a type of _____.
- A. fiat money
 - B. barter money
 - C. digital money
 - D. commodity money
32. A customer deposit is a (an) _____ while customer loan with a bank is a (an) _____.
- A. asset; asset
 - B. asset; liability
 - C. liability; asset
 - D. liability; liability
33. Suppose that Bank ABC receives a total deposit of RM 120 million and the reserve requirement ratio is 20%. How much money is available for Bank ABC to loan out?
- A. RM 96 million
 - B. RM 24 million
 - C. RM 12 million
 - D. RM 100 million
34. To increase money supply, the central bank could do the following EXCEPT _____.
- A. reduce the discount rate
 - B. increase the discount rate
 - C. reduce the required or statutory reserve ratio
 - D. purchase government securities through open market operation

35. A negative net exports is when _____.
- A. export equals import
 - B. export exceed import
 - C. import exceeds export
 - D. export is less than zero
36. The purpose of tariffs and quotas is to _____.
- A. improve the productivity of local businesses
 - B. raise revenue of the government from the tax collected
 - C. reduce foreign competition that local businesses have to encounter
 - D. reduce the price that consumers have to pay for the goods and services
37. Protectionism policy prevents dumping which refers to _____.
- A. selling defect products to consumers
 - B. selling products illegally on the black market
 - C. selling products that are not collected at customs
 - D. selling products for a price below its cost in a foreign country
38. A (an) _____ ringgit would make Malaysian goods _____ in foreign market which can _____ Malaysian exports.
- A. depreciating; less expensive; boost
 - B. appreciating; more expensive; boost
 - C. appreciating; less expensive; slows down
 - D. depreciating; more expensive; slows down
39. 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

40. Given that Malaysia total financial receipt is RM 9.1 billion and the total financial receipt is RM 7.8 billion. Based on this information, what is the type of balance of payment?
- A. Deficit balance of payment
 - B. Surplus balance of payment
 - C. Shortage balance of payment
 - D. Balanced balance of payment

END OF QUESTION PAPER

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