



FINAL EXAMINATION
MARCH 2024

COURSE TITLE	ECONOMICS AND SOCIETY
COURSE CODE	TECO1213
DATE/DAY	21 JUNE 2024 / FRIDAY
TIME/DURATION	09:00 AM - 11:00 AM / 02 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 4 Printed Pages including front page)

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

This question paper consists of THREE (3) questions only. Answer ALL questions in the answer booklet provided. [100 MARKS]

QUESTION 1

(25 Marks)

National income is defined as the aggregate income of the country earned by its nationals through the production of goods and services for a certain period of time.

Given the following data on Country DEF:

Items	RM (Million)
Net Export	32
Indirect Tax	24
Depreciation	1
Net factor income abroad	-17.4
Subsidies	5
Investment	76.8
Government spending	60
Household consumption	86

a) Calculate the following:

- i. Gross domestic product at market price (GDP mp) (3 marks)
- ii. Gross domestic product at factor cost (GDP fc) (3 marks)
- iii. Gross national product at market price (GNP mp) (3 marks)
- iv. Gross national product at factor cost (GNP fc) (3 marks)
- v. Net national product at market price (NNP mp) (2 marks)
- vi. Net national product at factor cost (NNP fc) (2 marks)

b) Discuss THREE (3) limitations in gross domestic product calculation. (9 marks)

QUESTION 2

(25 Marks)

Imagine a country, Arcadia, facing a significant rise in unemployment rates despite steady economic growth over the past few years. The government has implemented various policies to stimulate job creation, yet the unemployment figures continue to climb.

Analyse this situation and explore the possible reasons behind the persistent unemployment, drawing from economic theories and real-world examples to support your argument.

QUESTION 3

(50 Marks)

Inflationary Crisis in Country ABC: Addressing Challenges and Pursuing Stability

Country ABC, a dynamic player in the global economy, is currently facing an unprecedented inflationary crisis in 2024, presenting a complex array of challenges that demand astute policymaking and strategic interventions. The roots of this crisis can be traced to a combination of domestic and international factors that have converged to exert immense pressure on the economy.

One of the primary drivers of this crisis is the rapid economic growth that Country ABC has experienced over the past decade. This growth, while a testament to the nation's progress, has led to heightened demand for goods and services, consequently driving up prices across various sectors. Additionally, supply chain disruptions on the global stage, stemming from geopolitical tensions and the lingering effects of the COVID-19 pandemic, have exacerbated shortages of essential commodities and raw materials within the country, further fueling inflationary tendencies. The monetary policy landscape has also contributed significantly to the inflationary pressures. Initially pursuing expansionary policies to stimulate growth, the central bank inadvertently increased the money supply without commensurate boosts in productivity, leading to inflationary imbalances. Furthermore, currency depreciation against major international currencies has resulted in imported inflation, with rising costs of imported goods like energy and food products amplifying the overall inflationary environment.

The phenomenon of a wage-price spiral has further complicated matters. As inflation expectations took root among consumers and businesses, demands for higher wages escalated, creating a cycle where rising wages contributed to higher prices, thereby perpetuating inflationary pressures. In response to this crisis, policymakers in Country ABC are faced with a delicate balancing act. They must navigate between controlling inflation, sustaining economic growth, and ensuring social stability. As Country ABC charts a course through these turbulent times, collaborative efforts between policymakers, businesses, and civil society will be crucial. By implementing prudent management, undertaking structural reforms, and fostering an environment conducive to sustainable growth, Country ABC can emerge stronger, more resilient, and better equipped to navigate future challenges in the global economic landscape.

- a) Discuss the negative effects of inflation on Country ABC's. (8 marks)
- b) How has rapid economic growth contributed to the inflationary crisis in Country ABC? (6 marks)
- c) Discuss the role of supply chain disruptions in exacerbating inflationary pressures in Country ABC. (6 marks)
- d) Suggest **THREE (3)** traditional monetary policy tools and explain how these tools should be implemented to address the crisis. (18 marks)
- e) Discuss the potential benefits and drawbacks of tightening monetary policies as a response to the inflationary crisis in Country ABC. (12 marks)

*** END OF QUESTION PAPER ***

FORMULA:

National Income Accounting

Measures	Formula
GDP_{mp}	$= C + I + G + (X - M)$
GDP_{fc}	$= GDP_{mp} + \text{Subsidies} - \text{Indirect business tax}$
GNP_{mp}	$= GDP_{mp} + \text{Net factor income abroad}$
GNP_{fc}	$= GNP_{mp} + \text{Subsidies} - \text{Indirect business tax}$
NNP_{mp}	$= GNP_{mp} - \text{Depreciation}$
NNP_{fc} or NI	$= GNP_{fc} - \text{Depreciation}$

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