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INTERNATIONAL COLLEGE PENANG (507232-U)
LAUREATE INTERNATIONAL UNIVERSITIES

FINAL
Examination Paper

(COVER PAGE)

Session : AUGUST 2016

Programme : CERTIFICATE IN BUSINESS STUDIES

Course : ECO1001: PRINCIPLES OF ECONOMICS

Date of Examination : 8 December 2016 (Thursday)

Time : 8:00am - 10:00am Reading Time : Nil

Duration : 2 Hours

Special Instructions :

Section A: Answer **ALL** 25 multiple choice questions in the OMR sheet provided.

Section B: Answer any **ONE (1)** out of **TWO (2)** questions.

Section C: Answer any **ONE (1)** out of **TWO (2)** questions.

Materials permitted :

Nil

Materials provided :

OMR Sheet

Examiner(s) : Khor Kok Chin

Moderator : Dr. Goh Soo Khoon

This paper consists of 9 printed pages, including the cover page.

INTI INTERNATIONAL COLLEGE PENANG
CERTIFICATE IN BUSINESS STUDIES (CBSI)
ECO1001: PRINCIPLES OF ECONOMICS
FINAL EXAMINATION: AUGUST 2016 SESSION

SECTION A (50 marks)

Instructions: This section consists of 25 multiple choice questions. Answer ALL the questions in the OMR sheet provided. Each question carries 2 marks.

1. Resources are
 - A. scarce for households but plentiful for economies.
 - B. plentiful for households but scarce for economies.
 - C. scarce for households and scarce for economies.
 - D. plentiful for households and plentiful for economies.

2. The overriding reason why households and societies face many decisions is that
 - A. resources are scarce.
 - B. goods and services are not scarce.
 - C. incomes fluctuate with business cycles.
 - D. people, by nature, tend to disagree.

3. What you give up to obtain an item is called your
 - A. opportunity cost.
 - B. explicit cost.
 - C. monetary cost.
 - D. direct cost.

4. Which of the following concepts cannot be illustrated by the production possibilities frontier?
 - A. efficiency
 - B. opportunity cost
 - C. equality
 - D. trade-offs

5. Suppose a nation is currently producing at a point inside its production possibilities frontier. We know that
 - A. the nation is producing beyond its capacity, so inflation will occur.
 - B. the nation is not using all available resources or is using inferior technology or both.
 - C. the nation is producing an efficient combination of goods.
 - D. there will be a large opportunity cost if the nation tries to increase production of any good.

6. The law of increasing opportunity costs is reflected in a production possibilities curve that is:
- A. An upsloping straight line.
 - B. A down sloping straight line.
 - C. Concave into the origin.
 - D. Convex from the origin.
7. Which of the following statements is correct?
- A. Buyers determine supply, and sellers determine demand.
 - B. Buyers determine demand, and sellers determine supply.
 - C. Buyers determine both demand and supply.
 - D. Sellers determine both demand and supply.
8. "Other things equal, when the price of a good rises, the quantity demanded of the good falls, and when the price falls, the quantity demanded rises." This relationship between price and quantity demanded is referred to as
- A. equilibrium.
 - B. the law of demand.
 - C. the relationship between supply and demand.
 - D. the definition of an inferior good.
9. Equilibrium quantity must decrease when demand
- A. increases and supply does not change, when demand does not change and supply decreases, and when both demand and supply decrease.
 - B. increases and supply does not change, when demand does not change and supply increases, and when both demand and supply decrease.
 - C. decreases and supply does not change, when demand does not change and supply increases, and when both demand and supply decrease.
 - D. decreases and supply does not change, when demand does not change and supply decreases, and when both demand and supply decrease.
10. A difference between explicit and implicit costs is that
- A. explicit costs must be greater than implicit costs.
 - B. explicit costs do not require a direct monetary outlay by the firm, whereas implicit costs do.
 - C. implicit costs do not require a direct monetary outlay by the firm, whereas explicit costs do.
 - D. implicit costs must be greater than explicit costs.
11. In the short run, a firm incurs fixed costs
- A. only if it incurs variable costs.
 - B. only if it produces no output.
 - C. only if it produces a positive quantity of output.
 - D. whether it produces output or not.

Table 1: Cost schedule for a firm

Quantity	Total Cost (RM)	Variable Cost (RM)
0	200	-
1	X	700
2	1100	900
3	1300	Y

12. In Table 1, determined the X:
- 200.
 - 700.
 - 900.
 - 1,100.
13. Which of the following statistics is usually regarded as the best single measure of a society's economic well-being?
- the unemployment rate
 - the inflation rate
 - gross domestic product
 - the trade deficit
14. Gross Domestic Product is defined as the
- value of all goods and services produced within a country in a given period of time.
 - value of all goods and services produced by the citizens of a country, regardless of where they are living, in a given period of time.
 - value of all final goods and services produced within a country in a given period of time.
 - value of all final goods and services produced by the citizens of a country, regardless of where they are living, in a given period of time.
15. Thomas, a Malaysian, works only in Canada. The value of the output he produces is
- included in both Malaysian GDP and Malaysian GNP.
 - included in Malaysian GDP, but it is not included in Malaysian GNP.
 - included in Malaysian GNP, but it is not included in Malaysian GDP.
 - included in neither Malaysian GDP nor Malaysian GNP.
16. Suppose that the working age population is 4 million, the number of unemployed is 0.25 million, and the labor-force participation rate is 75%. What is the unemployment rate?
- 6.25%
 - 8.3%
 - 9.1%
 - 18.75%

17. Which of the following includes everyone in the working age population that counts as unemployed?
- A. anyone who is not employed
 - B. anyone who is not employed, is available for work, and has looked for work in the past 4 weeks
 - C. anyone who is not employed, is available for work, has looked for work in the past 4 weeks, and anyone who is waiting to be recalled from a job from which they have been laid off
 - D. anyone who is not employed, is available for work, has looked for work in the past 4 weeks, anyone who is waiting to be recalled from a job from which they have been laid off, and anyone who is employed part time and has searched for full time employment in the past 4 weeks
18. Inflation can be measured by the
- A. change in the consumer price index.
 - B. percentage change in the consumer price index.
 - C. percentage change in the price of a specific commodity.
 - D. change in the price of a specific commodity.
19. If the price level increased from 120 to 126, then what was the inflation rate?
- A. 3%
 - B. 5%
 - C. 6%
 - D. 7%
20. You use Malaysia currency to pay the owner of a restaurant for a delicious meal. The currency
- A. has no intrinsic value. The exchange is an example of barter.
 - B. has no intrinsic value. The exchange is not an example of barter.
 - C. has intrinsic value. The exchange is an example of barter.
 - D. has intrinsic value. The exchange is not an example of barter.
21. Which of the following is a function of money?
- A. a unit of account
 - B. a store of value
 - C. medium of exchange
 - D. All of the above are correct.
22. Which of the following is a store of value?
- A. cash and stocks
 - B. cash but not stocks
 - C. stocks but not cash
 - D. neither cash nor stocks

23. Foreign-produced goods and services that are purchased domestically are called
- A. imports.
 - B. exports.
 - C. net imports.
 - D. net exports.
24. When Claudia, a U.S. citizen, purchases a handbag made in Malaysia, the purchase is
- A. both a U.S. and Malaysia import.
 - B. a U.S. export and a Malaysia import.
 - C. a U.S. import and a Malaysia export.
 - D. neither an export nor an import for either country.
25. International trade
- A. raises the standard of living in all trading countries.
 - B. lowers the standard of living in all trading countries.
 - C. leaves the standard of living unchanged.
 - D. raises the standard of living for importing countries and lowers it for exporting countries.

SECTION B (25 marks)

Instructions: This section consists of 2 short answer questions. Answer any **ONE (1)** out of **TWO (2)** questions.

Question 1

- a) Answer the following questions based on the data given below.

Cookies (in dozens)	Coffee (in pounds)
1000	0
800	350
600	650
400	800
200	1000
0	1150

- i) Draw the Production Possibilities Curve with coffee on the horizontal axis. (4 marks)
- ii) Identify the situation when produce at:
- Production of 600 cookies and 650 coffees (1 mark)
 - Production of 800 cookies and 650 coffees (1 mark)
 - Production of 400 cookies and 350 coffees (1 mark)

- a) Given a hypothetical data as per below:

Price	William's Quantity Demanded	Fergie's Quantity Demanded	Taboo's Quantity Demanded	Daniel's Quantity Demanded
\$12	2	1	3	4
\$10	4	4	4	5
\$8	6	7	5	6
\$6	8	8	4	7
\$4	10	9	3	8
\$2	12	10	2	9

- i) Illustrate a new table to shows market quantity demanded. (3 marks)

- ii) Assume that William's quantity demanded had increase 2 units, Fergie's quantity demanded had increase 1 units, Taboo's quantity demanded had increase 3 units and Daniel's quantity demanded had increase 4 units for each price level, illustrate a new table to shows each person new quantity demand and new market quantity demanded at each price level.
- (15 marks)

Question 2

- a) The table below shows the relationship between Total Cost and Total Product for a firm (all value is in RM).

Output	Fixed Cost	Variable Cost	Total Cost
0	50	0	50
9	50	20	70
20	50	40	90
23	50	60	110
25	50	80	130

- i) List the formula and calculate for the below, for each level of production (leave your answer in 2 decimal points):
- Average Total Cost
 - Average Fixed Cost
 - Average Variable Cost
 - Marginal Cost
- (12 marks)
- ii) Assumes that this firm decided to produce 23 units of output and each output sell at RM8 per unit. Calculate the total profit.
- (4 marks)

b)

ITEMS	RM (million)
Consumer's Consumption	187
Net Foreign Factor Income Earned	56
Exports	11
In-Direct Taxes	8
Imports	5
Government Consumption and Investment	114
Subsidies	9
Private Investment	89

Calculate the following:

- i) Gross Domestic Product at market price
- (3 marks)
- ii) Gross National Product at market price
- (3 marks)

iii) Gross National Product at factor cost

(3 marks)

SECTION C (25 marks)

Instructions: This section consists of 2 essay questions. Answer any **ONE (1)** out of **TWO (2)** questions.

Question 1

- a) Explain the **FOUR (4)** production's factors with appropriate example.
(10 marks)
- b) Explain the **FIVE (5)** factors would cause a shift in Demand Curve.
(15 marks)

Question 2

- a) Defined 'Inflation'.
(1 mark)
- b) Explain Demand Pull Inflation and Cost Push Inflation with appropriate diagram.
(10 marks)
- c) Identified and briefly explained the **SEVEN (7)** characteristic of money.
(14 marks)

-The End-

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