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INTERNATIONAL COLLEGE PENANG (507232-U)
LAUREATE INTERNATIONAL UNIVERSITIES

FINAL
Examination Paper

(COVER PAGE)

Session : AUGUST 2015

Programme : CERTIFICATE IN BUSINESS STUDIES (CBSI)

Course : ECO1001: PRINCIPLES OF ECONOMICS

Date of Examination : 10 Dec 2015 (Thursday)

Time : 11:00am – 1:00pm Reading Time : Nil

Duration : 2 Hours

Special Instructions :

Section A: Answer ALL the questions in the OMR sheet provided

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

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

Materials permitted :

Non-Programmable Calculator

Materials provided :

Answer booklet

Examiner(s) :

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Moderator :

Dr. Goh Soo Khoon

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

INTI INTERNATIONAL COLLEGE PENANG
CERTIFICATE IN BUSINESS STUDIES PROGRAMME (CBSI)
ECO1001: PRINCIPLES OF ECONOMICS
FINAL EXAMINATION: AUGUST 2015 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. Economics may best be defined as the:
 - A) Interaction between macro and micro considerations.
 - B) Social science concerned with the efficient use of scarce resources to achieve maximum satisfaction of economic wants.
 - C) Social activities to fulfil economic wants.
 - D) Empirical testing of value judgments through the use of logic.
 - E) Use of policy to refute facts and hypotheses.

2. In economics, the pleasure, happiness, or satisfaction received from a product is called:
 - A) Marginal cost.
 - B) Rational outcome.
 - C) Status fulfilment.
 - D) Money.
 - E) Utility.

3. Which of the following is a labour resource?
 - A) A computer programmer.
 - B) Silicon (sand) used to make computer chips.
 - C) A computer.
 - D) A piece of software used by a firm.
 - E) A lorry to transport computer.

4. To realize full production a society must achieve:
 - A) Income inequality.
 - B) Productive efficiency only.
 - C) Both allocative and productive efficiency.
 - D) Any output lying inside of its production possibilities curve.
 - E) Allocative efficiency only.

5. A production possibilities curve shows:
 - A) That resources are unlimited.
 - B) That people prefer one of the goods more than the other.
 - C) The maximum amounts of two goods that can be produced assuming the full and efficient use of available resources.
 - D) Combinations of capital and labour necessary to produce specific levels of output.
 - E) That economic wants are limited.

Use the following Table 1 to answer questions 6-7:

Table 1: Production Possibilities Alternative

	A	B	C	D	E	F
Capital Goods	5	4	3	2	1	0
Consumer Goods	0	5	9	12	14	15

6. Refer to the Table 1, if the economy is producing at production alternative C and moving to alternative D, the opportunity cost of consumer goods will be:
- 4 units of capital goods.
 - 3 units of capital goods.
 - 2 units of capital goods.
 - 1/3 of a unit of capital good.
 - 1 unit of capital good.
7. The law of increasing opportunity costs is reflected in a production possibilities curve that is:
- An upsloping straight line.
 - A down sloping straight line.
 - Concave to the origin.
 - Convex to the origin.
 - Horizontal line.
8. The law of demand states that:
- Price and quantity demanded are inversely related.
 - The larger the number of buyers in a market, the lower will be product price.
 - Price and quantity demanded are directly related.
 - Consumers will buy more of a product at high prices than at low prices.
 - No relationship between price and quantity demand.
9. The demand curve shows the relationship between:
- Money income and quantity demanded.
 - Price and production costs.
 - Price and quantity demanded.
 - Consumer tastes and the quantity
 - Price and money income.
10. A rightward shift in the demand curve for product C might be caused by:
- An increase in income if C is an inferior good.
 - A decrease in income if C is a normal good.
 - A decrease in the price of a product that is a close substitute for C.
 - A decrease of consumer taste towards product C.
 - A decrease in the price of a product that is complementary to C.

11. If X is a normal good, a rise in money income will shift the:
- A) Supply curve for X to the left.
 - B) Demand curve for X to the left.
 - C) Supply curve for X to the right.
 - D) Demand curve for X to the right.
 - E) Demand and supply remain unchanged.
12. In order for the law of diminishing returns to be present, we must have:
- A) At least one factor of production to be fixed.
 - B) Output decreasing as more labourers are hired.
 - C) The price of labour increasing as more workers are hired.
 - D) Simultaneous changes in labour and capital.
 - E) Double the output when labour input is doubled.
13. The short run is a period of time:
- A) In which a firm uses at least one fixed input.
 - B) That is long enough to permit changes in the firm's plant size.
 - C) In which production occurs within one year.
 - D) In which production occurs within six months.
 - E) In which a firm use more than one fixed cost.

Use the following Table 2 to answer questions 14-16:

Table 2: Cost schedule for a firm

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

14. In Table 2, determined the fixed costs
- A) 0.
 - B) 200.
 - C) 900.
 - D) 1,100.
 - E) 1,300.
15. In Table 2, determined the X:
- A) 200.
 - B) 700.
 - C) 900.
 - D) 1,100.
 - E) 1,300.

16. In Table 2, determined the Y:
- A) 200.
 - B) 700.
 - C) 900.
 - D) 1,100.
 - E) 1,300.
17. In Table 3, the pizzeria's fixed cost is equal to:

Table 3: Short-run cost schedule for pizzeria's hourly production

Total Product	Variable Cost (RM)	Total Cost (RM)
0	0	20
10	50	70
20	80	100
30	130	150
40	230	250

- A) 20.
 - B) 30.
 - C) 50.
 - D) 70.
 - E) 80.
18. Gross domestic product is officially measured by adding together:
- A) The quantity of each good and service produced by U.S. residents.
 - B) The market value of all final goods and services produced within the borders of a nation.
 - C) Incomes received by all a nation's households.
 - D) Gross national product and depreciation of resources.
 - E) None of the above.
19. Net exports:
- A) Will increase if exports of goods decline.
 - B) Will increase if imports of goods rise.
 - C) In our GDP accounts permit estimation of foreign ownership of Malaysian businesses.
 - D) Include budgetary outlays of the federal government.
 - E) Is the net effect of the foreign trade sector on GDP.
20. The unemployment rate is the percentage of the:
- A) Civilian labour force that is unemployed or working part-time.
 - B) Civilian labour force that is unemployed.
 - C) Civilian labour force that is unemployed less the number of government workers.
 - D) Adult population that is unemployed and looking for a job.
 - E) Adult population that is unemployed or looking for a better job.

21. If the consumer price index (CPI) in 2001 was 200 and the CPI in 2002 was 215, the rate of inflation was:
- A) 215 percent.
 - B) 15 percent.
 - C) 5 percent.
 - D) 7.5 percent.
 - E) 8 percent.
22. When GDP is measured as the total payments made to households that furnish the resources used to produce the final goods and services, it is known as:
- A) The income approach.
 - B) The expenditure approach.
 - C) The depreciation approach.
 - D) The aggregate demand approach.
 - E) Net national product.
23. Fiscal policy refers to:
- A) Changes in bank rate and interest rate.
 - B) Changes in tax rate and government expenditure.
 - C) Changes in tax rate and inflation rate.
 - D) Changes in interest rates and government expenditure.
 - E) Changes in transfer payment and interest rate.
24. Which of the following can be described as fiscal policy?
- A) Issuing instructions to the banks to limit credit
 - B) An increase in income tax
 - C) Price and income policy
 - D) Raising interest rates
 - E) All of the above
25. Structural unemployment is best defined as unemployment caused by
- A) Defects in the industrial and commercial structure
 - B) A long term decline in a particular industry
 - C) A mismatch between available jobs and the unemployed
 - D) A switch from labour-intensive to capital-intensive production methods
 - E) Due to short-term fluctuations in the economy

SECTION B (25 marks)

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

Question 1

a) Given a hypothetical market data as per below:

Price (RM)	Quantity Demanded	Quantity Supplied
1	120	0
2	100	0
3	80	30
4	60	60
5	40	90
6	20	120
7	0	150

- i) Identify the equilibrium price and equilibrium quantity. (2 marks)
- ii) Assume that quantity demanded had decrease 30 units and quantity supplied had increase 20 units for each price level, illustrate a new table and identify the new equilibrium price and equilibrium quantity. (6 marks)
- iii) Illustrate the old and new demand and supply curve in a prepared graph paper. Comment on the changes of the both curves. (5 marks)

b) Answer the following questions based on the production possibilities table below.

Types of Production	A	B	C	D	E
Donuts	0	2	4	6	8
Machines	30	27	21	12	0

- i) Draw the PPC with donuts on the horizontal axis (4 marks)
- ii) Plot on the graph and explain the effects of the following:
 - Production of 4 donuts and 27 machines (4 marks)
 - Production of 4 donuts and 12 machines (4 marks)

(Total: 25 marks)

Question 2

- a) The table below shows the relationship between Total Cost and Total Product for a firm.

Total Products (units)	Total Cost (RM)	Variable Cost (RM)	Marginal Cost (RM)	Average Total Cost (RM)	Average Fixed Cost (RM)	Average Variable Cost (RM)
0	40					
1	75					
2	101					
3	121					
4	144					
5	174					
6	213					
7	268					
8	338					
9	425					

- i) Calculate the Variable Cost, Marginal Cost, Average Total Cost, Average Fixed Cost and Average Variable Cost for each level of production. (10 marks)
- ii) Plot the Marginal Cost, Average Total Cost, Average Fixed Cost and Average Variable Cost curves on the graph paper provided. (4 marks)
- iii) Explain the relationship between Marginal Cost and Average Total Cost. (3 marks)
- b)

ITEMS	RM (million)
Personal consumption expenditures	245
Net foreign factor income earned	4
Net exports	11
Government purchases	72
Private domestic investment	33

Calculate the following:

- i) Gross Domestic Product (4 marks)
- ii) Gross National Product (4 marks)
- (Total: 25 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) Briefly explain the basic economic problems. (6 marks)
- b) Define Production Possibilities Curve (PPC). Using the PPC diagram, explain the law of increasing opportunity cost. (10 marks)
- c) Explain **THREE (3)** circumstances that will shift the PPC outward. (9 marks)
- (Total: 25 marks)**

Question 2

- a) Define 'unemployment'. (1 mark)
- b) Explain with remedies each of the following terms:
(i) Cyclical unemployment
(ii) Structural unemployment
(iii) Frictional unemployment (12 marks)
- c) Briefly explain the **FOUR (4)** functions of money. (12 marks)

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ECO1001 (F)/Aug2015/KokChin

