

**INTI**

INTERNATIONAL COLLEGE PENANG (507232-U)

LAUREATE INTERNATIONAL UNIVERSITIES

FINAL  
Examination Paper

(COVER PAGE)

Session : April 2013

Programme : Foundation in Business Information Technology Programme

Course : **ECO1208 : Macroeconomics**

Date of Examination : 31 July 2013

Time : 11a.m. – 1p.m. Reading Time : Nil

Duration : 2 Hours

Special Instructions :

**SECTION A** consists of **TWENTY (20)** multiple-choice questions.

**SECTION B** consists of **FOUR (4)** questions. Answer any **THREE (3)** questions in the answer booklet. All questions carry equal marks.

Materials permitted : Nil

Materials provided : OMR Sheets

Examiner(s) : **Sara Seah**

Moderator : **Yee Aik Phoay**

*This paper consists of 7 printed pages, including the cover page.*

INTI INTERNATIONAL COLLEGE PENANG  
FOUNDATION IN BUSINESS INFORMATION TECHNOLOGY PROGRAMME (CFP)  
ECO1208: MACROECONOMICS  
FINAL EXAMINATION: APRIL 2013 SESSION

**SECTION A**

Instructions: This section consists of 20 questions. Answer ALL questions in the OMR sheet provided.

- 1) Macroeconomics focuses on
  - (A) the operations of a particular producer.
  - (B) international trade.
  - (C) individual consumer behaviour.
  - (D) the national economy.
  - (E) some regional economic segments
  
- 2) In the circular flow model, businesses
  - (a) own resources.
  - (b) hire resources.
  - (c) sell resources.
  - (d) provide public services.
  - (e) sell capital goods in the financial market.
  
- 3) Goods produced by one firm for use in further processing by another firm are
  - (A) semi-processed goods.
  - (B) intermediate goods.
  - (C) consumer goods.
  - (D) value added goods.
  - (E) final goods.
  
- 4) Which of the following transactions has a direct effect on GDP?
  - (A) You pay a plumber for the repair service rendered
  - (B) You receive cash gifts from friends
  - (C) You sell shares in the stock market
  - (D) You receive unemployment compensation
  - (E) You purchase a used car
  
- 5) Money spent on the purchase of a new house is included in GDP as a part of
  - (A) the consumption of private fixed capital.
  - (B) personal consumption expenditures.
  - (C) personal saving.
  - (D) investment.
  - (E) construction.

- 6) This type of unemployment arises as one of the worse effects of a recession.
- (A) Seasonal unemployment
  - (B) Static unemployment
  - (C) Cyclical unemployment
  - (D) Frictional unemployment
  - (E) Structural unemployment
- 7) In a growing economy that is experiencing technological change, unemployment is most likely
- (A) involuntary unemployment.
  - (B) seasonal unemployment.
  - (C) cyclical unemployment.
  - (D) frictional unemployment.
  - (E) structural unemployment.
- 8) Structural unemployment will decline if
- (A) the government increases taxes to support more welfare programs.
  - (B) consumer spending on new technology decreases.
  - (C) computerized job-search systems are improved.
  - (D) retrained workers can move to areas where new jobs are available.
  - (E) the government implements expansionary policies.
- 9) Assuming the working age population is 100 million , the labour force is 50 million, and 45 million workers are employed, the unemployment rate is
- (A) 10 per cent.
  - (B) 20 per cent.
  - (C) 30 per cent.
  - (D) 40 per cent.
  - (E) 50 per cent.
- 10) Money is
- (A) anything that is generally accepted in economic transactions or exchanges.
  - (B) necessary to conduct economic transactions.
  - (C) facilitates specialization in production.
  - (D) a medium of exchange used in the barter system.
  - (E) anything the government declares to have value.
- 11) Which of the following is NOT one of the functions of money?
- (A) A medium of exchange
  - (B) A standard of deferred payment
  - (C) A store of value
  - (D) A resource for production
  - (E) A unit of account

- 12) A RM59.90 price tag on a shirt is an example of money functioning as a
- (A) a medium of exchange.
  - (B) a standard of deferred payment.
  - (C) a store of value.
  - (D) a resource for production.
  - (E) a unit of account.
- 13) Fiat money
- (a) has no intrinsic value.
  - (b) is backed by gold.
  - (c) has intrinsic value equal to its value in exchange.
  - (d) is any close substitute for currency such as checkable deposits.
  - (e) is comprised only of demand deposits.
- 14) As a measure of money, M1 emphasizes the use of money as a(n)
- (A) medium of exchange.
  - (B) store of value.
  - (C) unit of account,
  - (D) resource for production.
  - (E) standard of deferred payment.
- 15) Credit cards
- (a) are included in M1 but not M2.
  - (b) are included in M1 and M2.
  - (c) are included in M2 but not M1.
  - (d) are not included in M1 and M2 but included in M3.
  - (e) are not included in any measure of the money supply.

Disposable income	Consumption
\$320	\$320
330	327
340	334
350	341
360	348
370	355
380	362

- 16) Refer to the above table. The MPS is:
- (A) 1/5.
  - (B) 2/5.
  - (C) 3/5.
  - (D) 3/10.
  - (E) 7/10.

- 17) Which of the following will increase aggregate supply?
- (A) An increase in resource prices
  - (B) A change in technology which increases productivity
  - (C) An increase in the price level
  - (D) A decrease in the price level
  - (E) Anticipated higher prices
- 18) GDP per capita means GDP
- (A) at market price.
  - (B) adjusted for inflation.
  - (C) per person.
  - (D) per worker.
  - (E) divided by the capital stock.
- 19) Fiscal policy refers to
- (A) the use of fines to penalize unfair business practices.
  - (B) the purchase and sale of government bonds.
  - (C) the adjustment of GDP for inflation.
  - (D) a policy action to influence interest rates.
  - (E) the use of government spending and taxation to influence the level of economic activity.
- 20) The most likely effect of a budget surplus would be
- (A) to increase the money supply.
  - (B) to decrease unemployment.
  - (C) to increase inflation.
  - (D) to decrease inflation.
  - (E) to decrease interest rates

**SECTION B**

Instructions: This section consists of **FOUR (4)** questions. Answer any **THREE (3)** questions in the answer booklet provided.

**Question 1**

- (a) The tables show an economy's total production and the prices of the final goods it produced in 2011 and 2012.

GDP data for 2011		
Item	Quantity	Price
Fish	100	\$2
Berries	50	\$6

GDP data for 2012		
Item	Quantity	Price
Fish	75	\$5
Berries	65	\$10

- (i) The base year is 2011. Calculate nominal GDP and real GDP in 2012. (4 marks)
- (ii) Calculate the percentage increase in production in 2012. Show all workings. (4 marks)

- (b) You are given the following data:

Item	\$ (billion)
Consumption expenditure	800
Gross investment	400
Government expenditure	200
Net factor income from abroad	150
Exports	50
Imports	75
Subsidies	40
Depreciation	100
Indirect business taxes	80

- (i) Calculate Net Domestic Product (NDP). (3 marks)
- (ii) Calculate National Income (NI). (3 marks)
- (c) Explain any TWO shortcomings of GDP as a measure of well-being. (6 marks)

**Question 2**

- (a) Outline any THREE variables that determine the level of consumption. (6 marks)
- (b) The following information presents the components of aggregate expenditure (in \$million) in an economy with no exports, imports and taxes.
- $$C = 400 + 0.8Y_d$$
- $$I = 100$$
- $$G = 50$$
- (i) Calculate the equilibrium level of national income using both expenditure-output and leakage-injection approaches. (6 marks)
- (ii) Calculate the value of expenditure multiplier. Explain what it means. (4 marks)
- (iii) If government expenditure increases by \$20million, use the multiplier to calculate the new equilibrium national income. (4 marks)

**Question 3**

- (a) Explain why the aggregate demand curve slopes downward. (9 marks)
- (b) Explain any TWO factors that can cause a shift in aggregate demand. (5 marks)
- (c) Use the AD-AS model to illustrate demand-pull inflation and cost-push inflation. Explain the diagrams. (6 marks)

**Question 4**

- (a) How do banks create money by making loans? Explain and illustrate your answer with a numerical example. (10 marks)
- (b) Discuss the monetary policy the central bank would adopt when confronted by an inflation problem. (10 marks)

**--THE END--**