



INTI
International College Penang

FINAL
Examination Paper

(COVER PAGE)

Session : August 2018

Programme : Foundation In Business Information Technology (CFPI)

Course : ECO1208: Macroeconomics

Date of Examination : 7 December 2018 (Friday)

Time : 2:00PM – 4:00PM

Duration : 2 Hours Reading Time : -

Special Instructions :

This paper consist of **TWO (2)** Section: A and B. Answer all **TWENTY (20)** multiple choice questions in Section A and choose any **THREE (3)** questions in Section B.

IMPORTANT NOTE : THIS PAPER SHOULD NOT BE TAKEN OUT OF THE EXAMINATION HALL

Materials Permitted : Non-Formulated Calculater

Materials Provided : OMR Sheets, Answer Booklet

Examiner(s) : Mr. Khor Kok Chin

Moderator : Dr. Goh Soo Khoon

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

INTI INTERNATIONAL COLLEGE PENANG

FOUNDATION IN BUSINESS INFORMATION TECHNOLOGY PROGRAMME (CFPI)
 ECO1208: MACROECONOMICS
 FINAL EXAMINATION: AUGUST 2018 SESSION

Section A (40 marks)

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

1. The _____ is an example of a macroeconomics topic.
 - A. rising price of housing in Malaysia
 - B. Malaysia's inflation rate
 - C. effect of import tax on sales of Proton cars
 - D. lower sales of Sony smartphones in Malaysia

2. Compared to nominal GDP, real GDP is a better measurement for economic growth because _____.
 - A. the value of depreciation is excluded
 - B. a country's real level of pollution is considered
 - C. the inflationary effects are removed
 - D. value of intermediate goods are not counted in real GDP

3. Gross National Product at market price - Capital consumption + Subsidies - Indirect taxes equals _____.
 - A. Net National Product at factor cost
 - B. Net National Product at market price
 - C. Gross Domestic Product at factor cost
 - D. Gross Domestic Product at market price

4. The best measure of the standard of living in a country is _____.
 - A. personal disposable income
 - B. the purchasing power of money
 - C. per capita personal consumption
 - D. real gross domestic product

5. Which one of the following is the equilibrium level of national income for a Four Sector Economy?
 - A. $Y = C + I$
 - B. $Y = C + I + G$
 - C. $I + G + M = S + T + X$
 - D. $Y = C + I + G + (X - M)$

6. A rise in the marginal propensity to save will cause the value of the Keynesian multiplier in a two sector economy to _____.
- A. fall
 - B. rise
 - C. remain constant
 - D. remain unchanged
7. In the circular flow model of an economy, the level of National Income will always reach equilibrium because _____.
- A. export equals import
 - B. injections and leakages are always equal
 - C. withdrawal is a function of the level of income
 - D. government taxation equals government expenditures
8. Which of the following would cause an upward movement along the aggregate supply curve?
- I. better technology
 - II. discovery of new resources
 - III. workers become more productive
- A. I only.
 - B. II only.
 - C. III only.
 - D. None of the above
9. The aggregate demand curve is assumed to be _____ in the short run.
- A. vertical
 - B. horizontal
 - C. upward sloping
 - D. downward sloping
10. An aggregate demand (AD) curve shows the _____.
- A. amount of a particular good people are willing and able to buy at a particular price, ceteris paribus
 - B. real output (Real GDP) people are willing and able to sell at different price levels, ceteris paribus
 - C. real output (Real (GDP) people are willing and able to buy and to sell at different price levels, ceteris paribus
 - D. real output (Real GDP) people are willing and able to buy at different price levels, ceteris paribus

11. Personal income taxes rise. This lowers _____, which lowers _____ and the _____ curve shifts _____.
- net exports; aggregate demand (AD); AD; leftward
 - consumption; short-run aggregate supply (SRAS); SRAS; rightward
 - government revenue; net exports; AD; rightward
 - consumption; aggregate demand (AD); AD; leftward
12. Which of the following is **NOT** an effect of inflation?
- Savings would be eroded.
 - Exports become relatively cheaper.
 - Production investments are discouraged.
 - The purchasing power of money would be eroded.
13. Which of the following would result in 'demand pull inflation'?
- Decrease in wage rates
 - Growth in money supply
 - Depreciation of the domestic currency
 - Economy is operating below full employment
14. Cyclical unemployment refers to unemployment _____.
- which occurs during recessions
 - due to improvements in technology
 - which occurs due to a decline of an industry
 - which occurs because of the seasonal nature of certain industries
15. Structural Unemployment that exists in an economy is caused by which of the following?
- High interest rate.
 - People changing jobs.
 - A lack of aggregate demand.
 - Improvement of technology and caused mismatch of labour skills
16. A house is \$100,000, a computer is \$2,000, and a car is \$20,000. In this context, money is principally functioning as a _____.
- unit of account
 - store of value
 - medium of exchange
 - none of the above
17. Which of the following best illustrates the medium of exchange function of money?
- You keep some money hidden in your shoe.
 - You keep track of the value of your assets in terms of currency.
 - You pay for your oil change using ringgit.
 - None of the above is correct.

18. Which of the following is true?
- A. Reserves = required reserves - excess reserves.
 - B. Reserves + required reserves = excess reserves.
 - C. Reserves = required reserves + excess reserves.
 - D. None of above
19. A country's central bank uses reserve ratios as a means of controlling the lending of commercial banks. If other things remain constant, an increase in the reserve ratio will cause _____.
- A. interest rate to fall
 - B. the supply of money to fall
 - C. the transaction demand for money to rise
 - D. the marginal propensity to consume to rise
20. Monetary Policy tools include:
- A. Discount Rate
 - B. Open Market Operation
 - C. Require Reserve
 - D. All of above

Section B (60 marks)

Instructions: This section consists of FOUR (4) questions. Answer any **THREE (3)** out of the **FOUR** questions. Each question carries 20 marks.

Question 1

(a) The table shows figures related to the National Income of Country K, in year 2014.

	RM million
Consumption	25,000
Government Expenditure	10,000
Gross Investment	5,000
Net Foreign Factor Income	2,000
Exports	7,000
Imports	3,000
Depreciation	1,000
Subsidy	500
Indirect Taxes	2,300

Calculate the values of:

- (i) Gross Domestic Product (GDP) at market price. (3 marks)
- (ii) Gross National Product (GNP) at market price. (3 marks)
- (iii) Gross National Product at factor cost. (3 marks)
- (iv) Net National Product (NNP) at factor cost. (3 marks)
- (b) Given the Consumer Price Index (CPI) is at the level of 110. Calculate the real GDP for Country K in year 2014. (3 marks)
- (c) In year 2013, the real GDP for Country K is only at RM39500 million. Calculate the real GDP growth rate for year 2014. (3 marks)
- (d) According to the answer in (c), provide rational justifications about the real GDP growth rate. (2 marks)

(Total: 20 marks)

Question 2

Given the information as per below in Country J:

Disposable Income (Y_d)	0	100	200	300
Consumption (C)	100	190	280	370

- (a) Identify the value of the Autonomous Expenditure value and calculate the Marginal Propensity to Consume (MPC) based on the data given in the table. (3 marks)
- (b) Derive the Consumption and the Saving Functions. (4 marks)

- (c) Given Investment (I) is at RM200 billion, Government Expenditure is at RM150 billion and Tax is at RM30 billion. Calculate the equilibrium National Income.
(4 marks)
- (d) Given National Income at full employment level is RM4500 billion. Using the Income-Expenditure Approach, draw a diagram and identify what are the economic problems that occur.
(5 marks)
- (e) Recommend **TWO (2)** types of policies to Country J's government to solve the economic problems in question (d).
(4 marks)
- (Total: 20 marks)**

Question 3

- (a) Explain the main **THREE (3)** types of Unemployment with appropriate example.
(6 marks)
- (b) Explain the main **TWO (2)** types of Inflation with appropriate diagram.
(8 marks)
- (c) Explain the short run relationship between Unemployment and Inflation with appropriate diagram.
(6 marks)
- (Total: 20 marks)**

Question 4

- (a) Explain in detail, how a Expansionary Fiscal Policy can be used to solve Unemployment issue.
(8 marks)
- (b) Explain in detail, how a Contractionary Monetary Policy can be used to solve Inflation issues.
(12 marks)
- (Total: 20 marks)**

~ The End ~

