



FINAL
Examination Paper

(COVER PAGE)

Session : January 2018

Programme : Foundation In Business Information Technology (CFPI)

Course : ECO1208: Macroeconomics

Date of Examination : 8 March 2018, Thursday

Time : 11:00am – 1:00PM

Duration : 2 Hours Reading Time : Nil

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 Khon

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: JANUARY/MARCH 2018 SESSION

Section A (40 marks)

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

1. During a business cycle expansion, total production _____ and total employment _____.
 - A. increases; increases
 - B. increases; decreases
 - C. decreases; increases
 - D. decreases; decreases

2. Macroeconomics, as opposed to microeconomics, includes the study of what determines the level of _____.
 - A. employment in a specific industry
 - B. employment in the economy
 - C. output of a specific firm
 - D. output of a specific industry

3. Gross domestic product is calculated by summing up _____.
 - A. the total quantity of goods and services in the economy
 - B. the total quantity of goods and services produced in the economy during a period of time
 - C. the total market value of goods and services in the economy
 - D. the total market value of final goods and services produced in the economy during a period of time

4. Which of the following would be directly counted in GDP in 2010?
 - A. Kitchen cabinets purchased from Home Depot in 2010 to be installed in a house built in 1997.
 - B. Kitchen cabinets built in 1887, extracted from the 1887 home, and installed in a brand new country-style home.
 - C. Kitchen cabinets built in 1887, extracted from the 1887 home, and installed in a farm house built in 1950.
 - D. None of the above.

5. The purchase by a foreign government of an airplane produced in the United States is included in U.S. _____.
- A. consumption expenditures.
 - B. investment expenditures
 - C. government purchases
 - D. net exports
6. The labor force equals the number of people _____.
- A. employed
 - B. unemployed
 - C. employed plus unemployed
 - D. in the working-age population
7. Ms. Ava owns her own business, so she will be counted as _____.
- A. unemployed and in the labor force
 - B. unemployed and not in the labor force
 - C. employed and in the labor force
 - D. employed and not in the labor force

8.

Table 1

Total population	20,000
Working-age population	15,000
Employment	1,000
Unemployment	100

- Refer to Table 1, the unemployment rate for this simple economy equals _____.
- A. $(100/1,000) \times 100$.
 - B. $(100/1,100) \times 100$.
 - C. $(100/15,000) \times 100$.
 - D. $(100/20,000) \times 100$
9. Refer to Table 1, the labor force participation rate for this simple economy equals _____.
- A. $(1,000/1,100) \times 100$.
 - B. $(1,000/15,000) \times 100$.
 - C. $(1,100/15,000) \times 100$.
 - D. $(1,100/20,000) \times 100$

10. If the price level rose in three consecutive years from 100 to 120 to 140, then the annual inflation rate over those years would _____.
- A. increase.
 - B. remain the same
 - C. decrease
 - D. equal 20%
11. The average price of goods and services in the economy is also known as _____.
- A. the general price level
 - B. the inflation rate
 - C. a market basket
 - D. the cost of living
12. Consumer Price Index (CPI) in year 2007 is 207 while 2008 is 215. What is the inflation rate for year 2008?
- A. 215%
 - B. 21.5%
 - C. 8%
 - D. 3.9%
13. Real Gross Domestic Product (GDP) in year 2004 is RM9000 million and in year 2005 is RM9280 million. What is the approximate real GDP growth rate in year 2005?
- A. 1%
 - B. 2%
 - C. 3%
 - D. 4%
14. The period of expansion ends with a _____ and the period of recession ends with a _____.
- A. business cycle peak; business cycle trough
 - B. business cycle trough; business cycle peak
 - C. business cycle peak; business cycle peak
 - D. business cycle trough; business cycle trough
15. Inflation tends to _____ during the expansion phase of the business cycle and _____ during the recession phase of the business cycle.
- A. increase; decrease
 - B. decrease; increase
 - C. decrease; decrease further
 - D. increase; increase further

16. All of the following policies are ways for a country to promote long-run economic growth **EXCEPT** _____.
- A. increasing vaccinations against infectious diseases
 - B. undergoing political reform to decrease corruption
 - C. enacting stronger laws to protect property rights
 - D. imposing stricter regulations to limit foreign direct investment
17. The key idea of the aggregate expenditure model is that in any particular year, the level of GDP is determined mainly by _____.
- A. investment spending
 - B. export spending
 - C. government spending
 - D. the level of aggregate expenditure
18. Consumption spending is RM16 million, planned investment spending is RM4 million, government purchases are RM6 million, and net export spending is RM1 million. What is aggregate expenditure?
- A. RM22 million
 - B. RM26 million
 - C. RM27 million
 - D. RM9 million
19. The basic aggregate demand and aggregate supply curve model helps explain _____.
- A. short term fluctuations in real GDP and the general price level
 - B. long term growth
 - C. price fluctuations in an individual market
 - D. output fluctuations in an individual market
20. The reduction in Malaysia exports resulting from the global recession of 2007-2009 had what impact on the Malaysia aggregate demand curve?
- A. It shifted to the left.
 - B. It shifted to the right.
 - C. There was a movement up the curve.
 - D. There was a movement down the curve.

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.

1. Given a hypothetical data of Country M.

Table 2

Items	RM Million
Government Expenditure	3000
In-direct Taxes	400
Import	800
Consumer Consumption	2700
Capital Consumption	500
Net Factor Income from Abroad	- 1200
Gross Investment	4500
Subsidies	500
Export	1400

- a. Calculate the below according to the data in Table 2:
- i. Gross Domestic Product at market price **(3 marks)**
 - ii. Gross National Product at market price **(3 marks)**
 - iii. Net National Product at market price **(3 marks)**
 - iv. National Income (Net National Product at factor Cost) **(3 marks)**
- b. Explain in detail the **FOUR (4)** reasons, why Gross Domestic Product is not the definite measurement to measure standard of living. **(8 marks)**
(Total: 20 marks)

2. Country T is a 3-sector economy with the following hypothetical data given (in RM million):

$C = 160 + 0.8 Y_d$	Investment (I) = 800
Government Expenditure (G) = 1200	Taxes (T) = 200

According to the data above, calculate below:

- a. National Income (Y) **(4 marks)**
- b. Expenditure Multiplier. **(2 marks)**

- c. When Government had increased the expenditure to RM1500 million, at the same time investment also had increased to RM1000 million. Calculate the new National Income.
(5 marks)
- d. Given the potential National Income (full employment National Income) for Country T is at RM15000 million. Identify and illustrate this condition, comparing to new National Income in question (c) by using Keynesian Expenditure-Output approach diagram.
(7 marks)
- e. How much extra must the government spend in order to close this gap?
(2 marks)
(Total: 20 marks)
3. a. Defined what is Inflation.
(1 marks)
- b. Explain the **TWO (2)** main type of inflation in detail, with the aids of AD-AS diagram.
(10 marks)
- c. Explain in detail **THREE (3)** reasons for the Cost Push Inflation.
(9 marks)
(Total: 20 marks)
4. a. Define what a Fiscal Policy is and explain how could this policy used to solve economics recession.
(10 marks)
- b. Explain the **FOUR (4)** functions of Money in detail, with appropriate example.
(10 marks)
(Total: 20 marks)

~ The End ~

