



FINAL
Examination Paper

(COVER PAGE)

Session : January 2016

Programme : Foundation In Business Information Technology (CFPI)

Course : ECO1208: Macroeconomics

Date of Examination : 8 March 2016 (Tuesday)

Time : 8.00am – 10.00am

Duration : 2 Hours 10 Minutes Reading Time : 10 Minutes

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 : Nil

Materials Provided : OMR Sheets, Answer Booklet

Examiner(s) : Mr. Khor Kok Chin

Moderator : Dr. Goh Soo Khoon

This paper consists of 8 printed pages, including the cover page.

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FOUNDATION IN BUSINESS INFORMATION TECHNOLOGY PROGRAMME (CFP)
 ECO 1208: MACROECONOMICS
 FINAL EXAMINATION: JANUARY 2016 SESSION

Section A (40 marks)

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

1. 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

2. 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

3. 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. $Y = C + I + G + (X - M)$

4. 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

5. Which of the following has a contractionary effect on equilibrium output and employment?
- A. A fall in tax rates
 - B. A rise in the budget deficit
 - C. A rise in the marginal propensity to save
 - D. A rise in the marginal propensity to consume
6. 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
7. The national income of a country can be estimated by calculating the _____.
- A. total of all factor incomes
 - B. government's tax revenues
 - C. total of all personal incomes
 - D. profits and dividends of businesses
8. Which of the following is not an instrument of monetary policy?
- A. Interest rates
 - B. Reserve ratio
 - C. Excise duties
 - D. Open market operation
9. Contraction of the economy through fiscal policy can be done by _____.
- A. increasing the direct taxes
 - B. reducing the rate of interest
 - C. increasing the money supply
 - D. increasing the government expenditure
10. If the MPS of a particular country is 0.2, an increase of \$50 million in government expenditure will increase the national income of that country by
- A. \$50 million
 - B. \$60 million
 - C. \$250 million
 - D. \$400 million

11. Which of the following would result in 'demand pull inflation'?
- A. Decrease in wage rates
 - B. Growth in money supply
 - C. Depreciation of the domestic currency
 - D. Economy is operating below full employment
12. Which of the following is **NOT** an effect of inflation?
- A. Savings would be eroded.
 - B. Exports become relatively cheaper.
 - C. Production investments are discouraged.
 - D. The purchasing power of money would be eroded.
13. How does a government implement expansionary fiscal policy?
- A. Increase interest rate.
 - B. Increase public expenditure.
 - C. Instruct Bank Negara to increase Reserve Ratio.
 - D. Instruct Bank Negara to buy back bond in open market..
14. Cyclical unemployment refers to unemployment _____.
- A. which occurs during recessions
 - B. due to improvements in technology
 - C. which occurs due to a decline of an industry
 - D. which occurs because of the seasonal nature of certain industries
15. Which of the following is an example of monetary policy?
- A. A reduction in the value added tax.
 - B. The alteration of total petrol subsidies.
 - C. A relaxation of financial credit controls.
 - D. A change in the government retirement incentives.
16. The investment multiplier explains the _____.
- A. rate of interest that influences investment
 - B. capital-output ratio changes according to demand
 - C. rate of change in investment that influences level of national income
 - D. rate of change of output that influences rate of change in investment

17. Structural Unemployment that exists in an economy is caused by which of the following?
- A. High interest rate.
 - B. People changing jobs.
 - C. A lack of aggregate demand.
 - D. Improvement of technology and caused mismatch of labour skills.
18. Contraction of the economy through the fiscal policy can be done by _____.
- A. increasing the direct taxes
 - B. increasing the money supply
 - C. increasing the rate of interest
 - D. increasing the government expenditure
19. Which of the following can directly increase a country's gross domestic product at market price?
- A. Increased students' grants.
 - B. An increase in income tax.
 - C. Increased government expenditure on nursery education.
 - D. A reduction in subsidies paid by government to private industries.
20. 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

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

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

- (a) 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 answer in (c), provide rational justification about the growth rate. (2 marks)

Question 2

Given information as per below in Country J:

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

- (a) Identify the Autonomous Expenditure value and calculate Marginal Propensity to Consume (MPC) according to table given. (3 marks)
- (b) Construct Consumption function and derive Saving Function. (4 marks)
- (c) Given Investment (I) is at RM200 billion, Government Expenditure is at RM150 billion and Tax is at RM30 billion. Calculate equilibrium National Income. (4 marks)
- (d) Given National Income at full employment level is RM4500 billion. Illustrate this situation with Income-Expenditure Approach diagram and identify the economic problem occur. (5 marks)
- (e) Recommend to Country J government the appropriate policy to solve the economic problem in question (d). (4 marks)

Question 3

- (a) Define Unemployment. (1 mark)
- (b) Explain the main **THREE (3)** types of Unemployment with appropriate example. (6 marks)
- (c) Define Inflation. (1 mark)
- (d) Explain the main **TWO (2)** types of Inflation with appropriate diagram. (8 marks)
- (e) Explain the relationship between Unemployment and Inflation with appropriate diagram. (4 marks)

Question 4

- (a) List and define the **FOUR (4)** functions of Money. (4 marks)
- (b) David dad deposits RM2000 in Bank A and current Reserve Ratio is 20% where decided by Bank Negara Malaysia. Assume that there is no currency drain.

Bank	New Deposits (RM)	New loans (RM)	New Reserve (RM)	Increase in Money (RM)	Cumulative increase in Money (RM)
A	2000	1800	200	-	-
B					
C					
D					
E					
F					

Complete the table above by illustrates a new table in your answer booklet. (10 marks)

- (c) Explain the **THREE (3)** purpose of household demand for money, according to Keynesian Approach. (6 marks)

~ The End ~

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