



FINAL
Examination Paper

(COVER PAGE)

Session : January 2017

Programme : Foundation In Business Information Technology (CFPI)

Course : ECO1208: Macroeconomics

Date of Examination : 9 March 2017 (Thursday)

Time : 2:00pm – 4:00pm Reading Time : Nil

Duration : 2 Hours

Special Instructions :

This paper consists of TWO (2) sections.

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

Section B: Answer any THREE (3) out of the FOUR questions in the answer booklet provided.

Materials permitted :

Nil

Materials provided :

OMR Sheet

Examiner(s) : Khor Kok Chin

Moderator : Dr. Goh Soo Khoon

This paper consists of 6 printed pages, including the cover page

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FOUNDATION IN BUSINESS INFORMATION TECHNOLOGY PROGRAMME (CFPI)
ECO1208: MACROECONOMICS
FINAL EXAMINATION: JANUARY 2017 SESSION**Section A (40 marks)**

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

1. Gross Domestic Product (GDP) is the total market value of all
 - A. final goods and services produced annually within a country's borders.
 - B. final and intermediate goods and services produced annually within a country's borders.
 - C. intermediate goods and services produced annually within a country's borders.
 - D. final goods and services produced every month within a country's borders.

2. Which of the following would not be included in the measurement of GDP?
 - A. a bill from a car mechanic
 - B. wages of a card dealer working in a Las Vegas casino
 - C. commissions of a stockbroker
 - D. the increased value of shares of stock

3. Suppose the total market value of all final goods and services produced this year in economy X is \$4 million. Of the \$4 million worth of goods, \$3 million is sold and \$1 million is held in inventory. For this year, the GDP for economy X is
 - A. \$4 million.
 - B. \$3 million.
 - C. \$1 million.
 - D. \$7 million.

4. Disposable income is
 - A. equal to GDP minus the capital consumption allowance.
 - B. that portion of personal income that can be used for consumption and saving.
 - C. the sum of all payments to suppliers of the factors of production.
 - D. the amount of income that individuals actually receive.

5. A business cycle refers to the
 - A. continued expansion in Real GDP.
 - B. recurrent swings (up and down) in Real GDP.
 - C. continued decline in Real GDP.
 - D. period when Real GDP grows at unusually high rates.

6. The unemployment due to changes in the types of skills employers require is called _____ unemployment.
 - A. structural
 - B. cyclical
 - C. natural
 - D. frictional

7. The unemployment due to the time it takes for unemployed people to locate a job utilizing their transferable skills is called _____ unemployment.
- A. structural
 - B. cyclical
 - C. natural
 - D. frictional
8. The labor force participation rate (LFPR) equals the number of
- A. employed divided by the number of unemployed persons.
 - B. unemployed divided by the working age population.
 - C. labour forces divided by the working age population.
 - D. employed persons divided by the working age population.
9. One measure of the inflation rate is the
- A. sum of the CPIs of last year over this year.
 - B. percentage change in the CPI of last year over this year.
 - C. nominal GDP divide by the Real GDP.
 - D. Nominal GDP minus the Real GDP in a year.
10. If the CPI is 100 in the base year and 135 in the current year, how much did prices rise between these two years?
- A. 35 percent
 - B. 135 percent
 - C. 1.35 percent
 - D. 0.35 percent
11. 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.
12. Personal income taxes rise. This lowers _____, which lowers _____ and the _____ curve shifts _____.
- A. net exports; aggregate demand (AD); AD; leftward
 - B. consumption; short-run aggregate supply (SRAS); SRAS; rightward
 - C. government revenue; net exports; AD; rightward
 - D. consumption; aggregate demand (AD); AD; leftward
13. The structural unemployment rate is 3.1 percent, the frictional unemployment rate is 2.1 percent, and the current unemployment rate is 6.0 percent. The economy is in
- A. a recessionary gap producing less than Natural Real GDP.
 - B. an inflationary gap producing more than Natural Real GDP.
 - C. long-run equilibrium.
 - D. an inflationary gap producing Natural Real GDP.

14. Autonomous consumption is
- A. the change in consumption that results as a person's (or nation's) income increases or decreases.
 - B. that portion of total consumption that is dependent upon the level of income.
 - C. the steady increase in the consumption of goods and services that automatically occurs as a person grows from a child to an adult.
 - D. that portion of total consumption that is independent of the level of income.
15. Suppose the $MPC = 0.60$ and government purchases increase by \$40 billion. In Keynesian theory, which of the following is true?
- A. The AE curve shifts downward by \$40 billion and Real GDP decreases by \$40 billion.
 - B. The AE curve shifts upward by \$40 billion, and Real GDP increases by \$40 billion.
 - C. The AE curve shifts downward by \$40 billion, and Real GDP decreases by \$100 billion.
 - D. The AE curve shifts upward by \$40 billion, and Real GDP increases by \$100 billion.
16. The AD curve shifts to the left with a _____ in government purchases (G) or a _____ in taxes.
- A. rise; rise
 - B. rise; fall
 - C. fall; rise
 - D. fall; fall
17. Suppose the economy's current AD and SRAS curves intersect to the right of Natural Real GDP. Keynesians might advise a policy of tax _____ to shift _____.
- A. increases; SRAS to the left
 - B. increases; AD to the left
 - C. cuts; SRAS to the right
 - D. cuts; AD to the right
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 house is \$100,000, a computer is \$2,000, and a car is \$20,000. In this context, money is principally functioning as a
- A. unit of account.
 - B. store of value.
 - C. medium of exchange.
 - D. none of the above
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.

1. Given a hypothetical data of Country M

Items	RM Million
Private Consumption	2000
Corporate Taxes	200
Private Capital Formation	1500
Public and Private Transfer Payment	500
Social Security Contribution	400
Local Purchase Foreign Produce Goods and Services	600
Capital Depreciation	200
Factor income to abroad	300
Personal Interest Income	700
Indirect Taxes	400
Factor income from abroad	500
Personal Income Taxes	500
Change in Inventories	800
Foreigner Purchase Domestic Produce Goods and Services	900
Subsidies	500
Public Consumption and Investment	3500

- a. Defined Gross Domestic Product (GDP). **(2 marks)**
- b. Calculate the below:
- 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)**
 - v. Personal Income (PI) **(3 marks)**
 - vi. Disposable Income (DI) **(3 marks)**
- (Total: 20 marks)**

2. Country T is a 3-sector economy with the following hypothetical data given:

Autonomous Consumption = RM100	Marginal Propensity to Consume = 0.8
Investment = RM2000	Government Expenditure = RM3500
Lump Sum Taxes = RM800	

- a. Construct Saving Function (3 marks)
- b. Calculate equilibrium national income. (4 marks)
- c. Calculate expenditure multiplier and taxation multiplier. (2 marks)
- d. Given new Investment is RM2200, new Government Expenditure is RM3800 and new Lump Sum Tax is RM900. Calculate the total changes in national income. (8 marks)
- e. calculate new national income. (1 mark)
- f. Given full employment national income is at RM30000. How much government need to spend extra in order to close the recessionary gap? (2 marks)
(Total: 20 marks)
3. a. Defined Unemployment. (2 marks)
- b. Explain in details the types of Unemployment whichever form the Natural Rate of Unemployment. (8 marks)
- c. Explain in details the happens of Stagflation with an appropriate diagram. (10 marks)
(Total: 20 marks)
4. a. Defined Monetary Policy and explain in details how can the **THREE (3)** Monetary Policy tools can reduce market interest rate and increase Money Supply to solve economics recession. (10 marks)
- b. List and explain any **FIVE (5)** characteristic of Money. (10 marks)
(Total: 20 marks)

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