

 **INTI International
University & Colleges**

FINAL
Examination Paper

(COVER PAGE)

Session : April 2018

Programme : Diploma In Business Management (DBM)

Course : WECO1102:Fundamentals of Economics

Date of Examination : July 29, 2018 (Sunday)

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

Duration : 2Hours

Special Instructions :

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

Section B: Consists of **FOUR (4)** structured questions. Answer any **THREE (3)** questions.

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

Material permitted : Calculator

Materials provided : OMR Sheets

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This paper consists of 10 printed pages, including the cover page

DIPLOMA IN BUSINESS MANAGEMENT PROGRAMME (DBM)
WECO1102: FUNDAMENTALS OF ECONOMICS
FINAL EXAMINATION: APRIL 2018 SESSION

SECTION A :(40 marks)

Instructions: This paper consists of **TWO SECTIONS**. **Section A** consists of **TWENTY (20)** Multiple Choice questions. Answer **ALL** the questions in the **OMR** Sheet provided. Each question carries 2 marks.

1. Economics may best be defined as the:
 - A. interaction between macro and micro considerations.
 - B. social science concerned with the efficient use of scarce resources to achieve maximum satisfaction of economic wants.
 - C. social activities to fulfill economic wants.
 - D. empirical testing of value judgments through the use of logic.

2. Use the table to complete the following question(s).

The following economy produces two products.

Products	Production Possibilities					
	A	B	C	D	E	F
Steel	0	1	2	3	4	5
Wheat	100	90	75	55	30	0

Refer to the above table. The total opportunity cost of the three units of steel from point A to D is:

- A. 15 units of wheat.
- B. 20 units of wheat.
- C. 45 units of wheat.
- D. 55 units of wheat.

Use the following to answer questions 3-4:

Answer the next question(s) on the basis of the data given in the following production possibilities table:

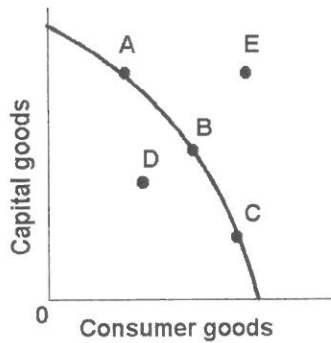
	<u>Production possibilities (alternatives)</u>					
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
Capital goods	5	4	3	2	1	0
Consumer goods	0	5	9	12	14	15

3. Refer to the above table. If the economy is producing at production alternative C and moving to alternative D, the opportunity cost of consumer goods will be:
 - A. 4 units of capital goods.
 - C. 3 units of capital goods.
 - B. 2 units of capital goods.
 - D. $\frac{1}{3}$ of a unit of capital goods.

4. Refer to the above table. A total output of 3 units of capital goods and 4 units of consumer goods:
 - A. is irrelevant because the economy is capable of producing a larger total output.
 - B. will result in the maximum rate of growth available to this economy.
 - C. would involve an inefficient use of the economy's scarce resources.
 - D. is unobtainable in this economy.

5. The law of increasing opportunity costs is reflected in a production possibilities curve that is:
 - A. an upsloping straight line.
 - B. a downsloping straight line.
 - C. concave to the origin
 - D. convex to the origin.

6. A nation's production possibilities curve might shift to the left (inward) as a result of:
- A. technological advance.
 - B. increases in the size of the labor force.
 - C. the depletion of its soil fertility due to overplanting and overgrazing.
 - D. investing in more capital goods.



7. Refer to the above diagram. This economy will experience unemployment if it produces at point:
- A. A.
 - B. B.
 - C. C.
 - D. D.
8. In order for the law of diminishing returns to be present, we must have:
- A. at least one factor of production to be fixed.
 - B. output decreasing as more laborers are hired.
 - C. the price of labor increasing as more workers are hired.
 - D. simultaneous changes in labor and capital.
9. The short run is a period of time:
- A. in which a firm uses at least one fixed input.
 - B. that is long enough to permit changes in the firm's plant size.
 - C. in which production occurs within one year.
 - D. in which production occurs within six months.

Exhibit 1: Short-run cost curves schedule for pizzeria's hourly production

Total Product	Total Variable Cost	Total Cost
0 pizzas	\$ 0	\$ 20
10	50	70
20	80	100
30	130	150
40	230	250

10. In Exhibit 1, the pizzeria's fixed cost is equal to:
- \$20.
 - \$30.
 - \$50.
 - \$70.
11. In Exhibit 1, the average total cost of producing 40 pizzas per hour is equal to:
- \$5 per pizza.
 - \$5.75 per pizza.
 - \$6.25 per pizza.
 - \$10 per pizza.
12. Gross domestic product is officially measured by adding together:
- the quantity of each good and service produced by U.S. residents.
 - the market value of all final goods and services produced within the borders of nation.
 - incomes received by all a nation's households.
 - gross national product and depreciation of resources.
13. Net exports:
- will increase if exports of goods decline.
 - will increase if imports of goods rise.
 - in our GDP accounts permit estimation of foreign ownership of Malaysian business.
 - is the net effect of the foreign trade sector on GDP.

14. National income:
- A. the market value of all intermediate goods and services produced within the borders of nation is included in gross private domestic investment.
 - B. is the sum of all final expenditure produced within the economy usually a year.
 - C. includes all construction.
 - D. is often measured as $C + I + G + (X + M)$.
15. If the consumer price index (CPI) in 2001 was 200 and the CPI in 2002 was 215, the rate of inflation was:
- A. 215 percent.
 - B. 15 percent.
 - C. 5 percent.
 - D. 7.5 percent.
16. Fiscal policy refers to
- A. changes in bank rate and interest rate
 - B. changes in tax rate and government expenditure
 - C. changes in tax rate and inflation rate
 - D. changes in interest rates and government expenditure
17. Structural unemployment is best defined as unemployment caused by
- A. defects in the industrial and commercial structure
 - B. a long term decline in a particular industry
 - C. a mismatch of skill between available jobs and the unemployed
 - D. due to short-term fluctuations in the economy
18. Economic growth can be defined as:-
- A. An outward shift of the Production Possibility Curve
 - B. Decrease in the productive capacity of a country
 - C. Decrease in real GNP per head of population over a period of years
 - D. Improvements only in defense spending but no improvements in the welfare of people and quality of life

19. Which of the following is not a function of money?

- A. unit of account
- B. store of value
- C. hedge against inflation
- D. medium of exchange

20. Inflation is an increase in:

- A. prices of all products in the economy.
- B. homes, autos and basic resources.
- C. the price of a product.
- D. all the above

Section B: Consists of **FOUR (4)** structured questions. Answer any **THREE (3)** questions. All questions carry equal marks. **(60 marks)**

Question 1

(a) Complete the table below in the answer booklet provided.

Total product	Total fixed cost	Total variable cost	Total cost	Average fixed cost	Average variable cost	Average total cost	Marginal cost
0	\$50	\$0		-		-	-
1		75					
2		95					
3		105					

(5 marks)

(b) Syarikat Quantum has the following demand and total cost functions:

$$\text{Demand function: } P = 35 - 2Q$$

$$\text{Total cost function: } TC = 15 + 10Q$$

P refers to price of Quantum's output and Q is the units of output.

Fill in the total revenue and total cost values for the following units of output in the columns provided below.

Unit of Output (Q)	Total Revenue (RM)	Total Costs (RM)
1		
2		
3		
4		
5		
6		

(4 marks)

- (c) Discuss **FOUR (4)** factors that would shift the demand curve for Proton car to the right. (8 marks)
- (d) List **any THREE (3)** circumstances that will shift the PPC outward. (3 marks)

Question 2

- (a) The price of spring water increases from \$1.90 to \$2.10 a bottle, and the quantity demanded decreases from 11 million to 9 million bottles a week.
- (i) Using the midpoint method, calculate the percentage change in the price of spring water. (2 marks)
- (ii) Using the midpoint method, calculate the percentage change in the quantity demanded for spring water. (2 marks)
- (iii) Calculate the price elasticity of demand for spring water. Is the demand for spring water elastic or inelastic? (3 marks)

- (b) The price elasticity of demand for Bob's strawberry cakes is 1.5. Bob wants to increase his total revenue. Would you recommend that Bob raise or lower his price of cookies? Explain your answer. (4 marks)
- (c) Briefly explain on the following (provide formula in your explanation)
- (i) Price Elasticity of Demand (PED) (3 marks)
 - (ii) Income Elasticity of Demand (YED) (3 marks)
 - (iii) Cross Elasticity of Demand (CED) (3 marks)

Question 3

The following data relates to the National Income of a country.

	RM (mil)
Consumer expenditure	60
Gross investments	35
Government consumption	42
Exports	10
Imports	13
Indirect taxes	15
Subsidies	13
Net income from abroad	9
Capital consumption	10

- (a) Calculate each of the following. Provide all workings (8 marks)
- (i) GDP at market price
 - (ii) GNP at market price
 - (iii) GNP at factor cost
 - (iv) National income
- (b) Discuss any **FOUR (4)** uses of National Income Statistics (8 marks)
- (c) List and briefly explain any **TWO (2)** problems in calculating National Income Statistics. (4 marks)

Question 4

The following information relates to Country H, a 3-sector economy.

Consumption expenditure function	$C = \$1,000 + 0.75Y_d$
Investment expenditure function	$I = \$2,000$
Government expenditure function	$G = \$1,000$
Tax function	$T = \$800$

Note: Y = national income, Y_d = disposable income

- (a) Calculate the country's equilibrium level of national income. (3 marks)

- (b) Country H achieves full employment when national income equals to \$20,000.

Using the information given and your answer to part (a), is Country H facing a deflationary gap or inflationary gap? State your answer.

(1 mark)

- (i) Illustrate the gap using the Keynesian aggregate expenditures-output diagram.
- (ii) If the gap were to be closed, what type of fiscal policy would you suggest and why? Briefly explain your answer. (3 marks)

- (c) Explain **TWO (2)** causes of inflation using AD/AS diagram. (6 marks)

- (d) Briefly discuss any **TWO (2)** types of trade barriers (4 marks)

-THE END-