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**UNIVERSITI TUN HUSSEIN ONN
MALAYSIA**

**FINAL EXAMINATION
SEMESTER II
SESSION 2012/2013**

COURSE NAME : ECONOMICS
COURSE CODE : BPA10103
PROGRAMME : 1 BPA & 1 BPB
EXAMINATION DATE : JUNE 2013
DURATION : 3 HOURS
INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF FIVE (5) PAGES

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- Q1 (a) **Figure Q1** shows the flow of income and expenditure in an economy. In 2010, total government spending was RM2 trillion, total consumption was RM7 trillion, investment was RM1.5 trillion, export was RM0.5 trillion and financial assets spending was RM1.5 trillion.

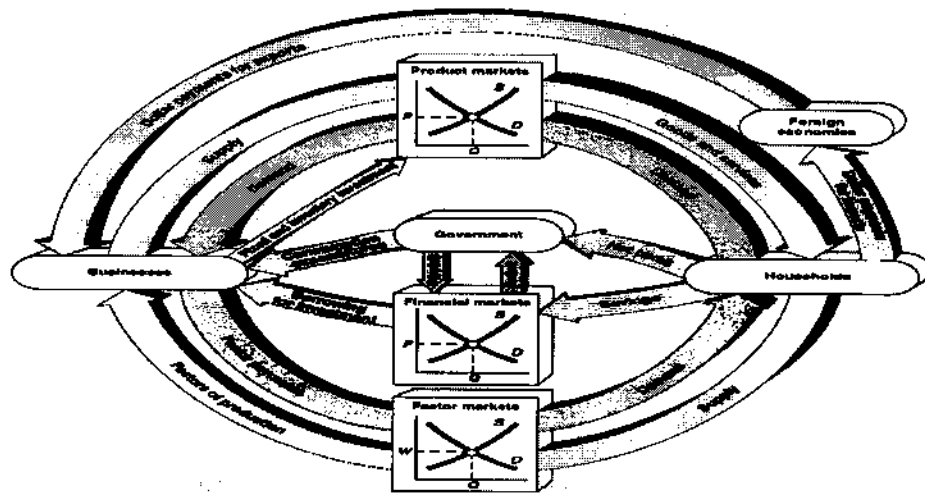


FIGURE Q1

The national accounts data are also available as follows:

- GDP (income approach) RM2, 900
- Indirect taxes less subsidies RM1,000
- Interest, rent and profit RM500
- Additional investment RM800
- Net factor income from abroad RM500
- Import was RM2000

- (i) Calculate GDP using expenditure approach. (4 marks)
- (ii) Calculate net domestic product at factor cost and GNP. (4 marks)
- (b) Assume a country, W, produces only fish and berries. **Table Q1** shows Country W's total production and the prices of the final goods it produced in 2010 and 2011.

Table Q1: Total Production and Prices for 2010 and 2011 of Country W

| Item | Fish | | Berries | |
|----------|------|------|---------|------|
| | 2010 | 2011 | 2010 | 2011 |
| Quantity | 1000 | 750 | 500 | W60 |
| Price | W20 | W50 | 650 | W100 |

- (i) Calculate nominal GDP in 2010 and 2011. (4 marks)

- (ii) Calculate real GDP in 2010 and 2011 where the base year is 2010.
(4 marks)
- (iii) Calculate the percentage increase in production in 2011.
(4 marks)

Q2 The following employment information was gathered in a market survey by the Labour Department of Malaysia of four different households.

Household A

Mrs A worked 20 hours last week setting up her internet shopping business. For the rest of the week, she completed application forms and attended two job interviews. Her husband, Mr A, worked 40 hours at his job at CIMB. Son, X, a student, worked 10 hours during weekends at McDonalds.

Household B

Mr B, a full-time bank officer, was on vacation. His wife, Mrs B, who wants a full-time job, worked 10 hours as part-time clerk.

Household C

Mr C had no work last week but was going to be recalled to his regular job in two weeks. Mrs C, after months of searching for a job and not being able to find one, has stopped looking and will go back to studying.

Household D

Mr and Mrs D are retired. They have a son, M, a professional artist who painted for 12 hours last week and sold 5 pictures.

- (a) Classify each of the **TEN (10)** people into the labour market category.
(10 marks)
- (b) Indicate who among the ten people, are part-time and full-time workers.
(2 marks)
- (c) Give **TWO (2)** examples of people who work part-time for economic reasons and **TWO (2)** examples of people who work part-time for non-economic reasons.
(4 marks)
- (d) Assume that the four households are the total population and workforce in Malaysia.

Calculate the unemployment rate based on the four households data.
(4 marks)

- Q3** (a) Explain :
- (i) The Consumer Price Index (CPI). (4 marks)
 - (ii) How the CPI is calculated. (6 marks)
 - (iii) The limitations of the CPI. (4 marks)
- (b) Tables Q3(a) and Q3(b) show the quantities of the goods Mr Z bought and the prices he paid during two consecutive weeks. Mr Z's CPI market basket contains the goods he bought in week 1.

Table Q3(a) : Data for Week 1

| Item | Quantity | Price (per unit) |
|--------------|------------|------------------|
| Coffee | 5 cups | RM3.00 |
| iTunes songs | 5 | RM1.00 |
| Gasoline | 10 gallons | RM2.00 |

Table Q3(b) : Data for Week 2

| Item | Quantity | Price (per unit) |
|--------------|------------|------------------|
| Coffee | 4 cups | RM3.50 |
| iTunes songs | 10 | RM1.00 |
| Gasoline | 10 gallons | RM3.00 |

- (i) Calculate Mr Z's CPI in week 2. (4 marks)
 - (ii) State Mr Z inflation rate in week 2. (2 marks)
- Q4** (a) Assume the Malaysian government increases its expenditure on highways and bridges by RM500 billion in 2012.
- State the effect this expenditure would have on:
- (i) The Malaysian government's budget surplus. (2 marks)
 - (ii) Aggregate demand. (2 marks)
 - (iii) Real Gross Domestic Product. (2 marks)
 - (iv) Autonomous expenditure. (2 marks)

- (b) Explain the government budget process. (4 marks)
- (c) Describe how the government fiscal policy is used to encounter macroeconomic issues like recession, unemployment and economic growth. (8 marks)

Q5 Apart from the fiscal policy, the government could engage the monetary policy as another avenue to address macroeconomic issues. If the fiscal policy involves the use of government spending and taxes, the monetary policy uses money supply and interest rates.

- (i) Explain the **THREE (3)** alternative monetary policy strategies that the government could adopt in addressing macroeconomic issues. (12 marks)
- (ii) Explain the channels through which the government influences the economy using the monetary policy. (4 marks)
- (iii) Explain why monetary policy is used more than fiscal policy to stabilise the economy. (4 marks)

-END OF QUESTION -