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Universiti Tun Hussein Onn Malaysia

UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER I
SESSION 2013/2014**

COURSE NAME : ECONOMICS
COURSE CODE : BPA 10103
PROGRAMME : 1 BPC/1 BPD
EXAMINATION DATE : DECEMBER 2013/JANUARY 2014
DURATION : 3 HOURS
INSTRUCTION : A) ANSWER ALL QUESTIONS
B) ANSWER **THREE (3)**
QUESTIONS ONLY

THIS QUESTION PAPER CONSISTS OF FIVE (5) PAGES

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SECTION A

- Q1** Table Q1 shows the details of the Balance of Payments in Malaysia from 2004 to 2006 in terms of RM million.

Table Q1: Balance of Payments 2004 to 2006

Details(RM millions)	2004	2005	2006
Export products	149,914	193,127	214,704
Import products	139,493	182,337	195,031
Net transfer payments	-2,516	-2,693	-3,495
Freight and insurance	-9,820	-8,247	-8,167
Investment income	-11,413	-11,345	-11,244
Other transports	696	1,235	2,165
Other services	-4,330	-5,477	-6,456
Private capital	2,850	15,067	-12,345
Travel	4,342	4,622	5,050
Government transactions	-32	-37	-31
Long-term capital	14,160	11,243	17,188

- (a) Calculate the Service Account Balance that are experiencing a very large decline in 2005 and 2006?
(4 marks)
- (b) Calculate the following:
 (i) Balance of Trade for 2005 and 2006.
 (ii) Balance of Services for 2005 and 2006.
 (iii) Rate of export growth for 2005 and 2006.
(6 marks)

Q2 Table Q2 shows the money supply in Malaysia in 2011 until 2013.

	2011	2012	2013
Currency	RM6,099m	RM9,119m	RM11,334m
Current Deposit	RM12,075m	RM12,222m	RM13,124m
Partial Covering of money	RM43,655m	RM58,222m	RM61,195m
Money Supply M1	-	-	-
Money Supply M2	-	-	-

Table Q2: Money Supply 2011 to 2013

(a) Calculate the money supply, M1 and M2 for 2012 and 2013. (4 marks)

(b) Identify the partial covering of money. (2 marks)

(c) Calculate the rate of money supply, M2 for 2012 and 2013. (2 marks)

(d) Identify the year that shows an increase the amount of money dramatically. Calculate the amount of increase in percentage. (2 marks)

Q3 (a) Explain changes in spending and tax strategies for the government in providing affordable housing to the public. (5 marks)

(b) Describe how government policies affect foreign property buyers. (5 marks)

Q4 Inflation is an increase in the average price level in the economy across time. A decision by the government to raise electricity tariff may trigger inflationary pressure on the economy. (5 marks)

(a) Explain how inflation reduces future output. (5 marks)

(b) Discuss how inflation changes household spending pattern. (5 marks)

SECTION B

- Q5** (a) Assume that the economy is operating at full employment and furthermore there is a government budget surplus.

Discuss the macroeconomic impact if the government decided to take the budget surplus and return it to taxpayers as a rebate.

(10 marks)

- (b) Assume that the economy is slipping into recession and the budget deficit begins to grow.

Discuss the macroeconomic impact if the government decided to raise taxes to reduce the deficit.

(10 marks)

- Q6** In Budget 2007, the government announced the reduction of corporate tax from 28% to 25%. Declining corporate taxation is intended to spillover effects on economic growth and creates more jobs. This policy enables higher dividends distributed to the shareholders.

Based on market equilibrium $AD = C + I + G$,

- (a) Explain the impact of lowering corporate tax on consumers.

(10 marks)

- (b) Discuss the impact of lower corporate taxes for firms and businesses.

(10 marks)

- Q7** (a) Explain the differences between labour-intensive and capital-intensive production.

(10 marks)

- (b) Identify **FIVE (5)** examples of goods from each production type in Q7(a) in the Malaysian international trade.

(10 marks)

Q8 Aggregate Demand is the total demand for goods and services in the economy over a period of time.

Discuss the factors that caused an increase or decrease in Aggregate Demand. (20 marks)

- END OF QUESTION -