



UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
(ONLINE)
SEMESTER I
SESSION 2020/2021**

COURSE NAME : PRINCIPAL OF ECONOMICS
COURSE CODE : BWB 21702
PROGRAMME CODE : BWQ
EXAMINATION DATE : JANUARY/FEBRUARY 2021
DURATION : 3 HOURS
INSTRUCTION : ANSWER ALL QUESTIONS
OPEN BOOK EXAMINATION

THIS QUESTION PAPER CONSISTS OF FOUR (4) PAGES

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- Q1** (a) The fundamental economic problem is one of scarcity.
- (i) Define **THREE (3)** fundamental questions of economics. (3 marks)
 - (ii) Describe it in details. (6 marks)
 - (iii) Explain one another factor that might be an important to the questions of economics. (3 marks)
- (b) Explain how people interact in economy. (5 marks)
- (c) Malaysia government has implemented a policy in dealing with economic monopoly by certain group. Discuss the effectiveness of the said policy? (8 marks)
- Q2** (a) Discuss the 10th principal in economics that state ‘Society Faces a Short-Run Trade-off between Inflation and Unemployment’. (6 marks)
- (b) Explain the importance of supply and demand. (5 marks)
- (c) The market for burger has the following demand and supply schedules as in **Table Q2 (c)** :

Table Q2 (c)

Price (RM)	Quantity demanded	Quantity supplied
4.0	120	35
4.5	102	59
5.0	75	75
5.5	65	91
6.0	46	103
6.5	33	115

- (i) Sketch the demand and supply curves. From this graph, find the equilibrium price and quantity in this market. (4 marks)
- (ii) If the actual price in this market were above the equilibrium price, what would drive the market toward the equilibrium? (5 marks)

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(iii) If the actual price in this market were below the equilibrium price, what would drive the market toward the equilibrium?
(5 marks)

- Q3** (a) Discuss **THREE (3)** reasons of why economist advices were not always followed.
(6 marks)
- (b) If demand is elastic, how will an increase in price change total revenue? Explain.
(5 marks)
- (c) What do we call a goods with an income elasticity less than zero?
(4 marks)
- (d) Suppose that business travelers and vacationers have the following demand for airline tickets from Senai to Langkawi as in **Table Q3 (d)**:

Table Q3 (d)

Price (RM)	Quantity demanded (business travelers)	Quantity supplied (vacationers)
160	210	100
200	200	80
240	190	60
280	180	40

- (i) As the price of tickets rises from RM200 to RM240, find the price elasticity of demand for (i) business travelers and (ii) vacationers (Use the midpoint method in your calculations).
(7 marks)
- (ii) Why might vacationers have a different elasticity from business travelers?
(3 marks)

- Q4** (a) There are **THREE (3)** key acts about economic fluctuation. Relate these keys with economic situation in Malaysia.
(9 marks)
- (b) Discuss the contributing factors that might shift the Long Run Aggregate Supply curve.
(7 marks)
- (c) There have a short run and long run effect of a fall in aggregate demand.
- (i) Illustrate the short-run effect of a fall in aggregate demand using an aggregate-demand/aggregate supply diagram.
(3 marks)

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(ii) What happens to the total output, income, and employment?

(6 marks)

END OF QUESTIONS

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