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UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER I
SESSION 2021/2022**

COURSE NAME : PRINCIPAL OF ECONOMICS
COURSE CODE : BWB 21702
PROGRAMME CODE : BWQ
EXAMINATION DATE : JANUARY/FEBRUARY 2022
DURATION : 2 HOURS
INSTRUCTION : 1. ANSWER **ALL** QUESTIONS.
2. THIS FINAL EXAMINATION IS AN **ONLINE** ASSESSMENT AND CONDUCTED VIA **OPEN BOOK**

THIS QUESTION PAPER CONSISTS OF **THREE (3)** PAGES

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- Q1** (a) Define a scarcity in economics by listing **TWO (2)** examples in Malaysia and suggest any solutions to overcome it. (7 marks)
- (b) Explain how society in Malaysia could interact in the economy for paddy production and determine if there is sufficient supply of paddy in this country. (6 marks)
- (c) The ninth principle of economics state that “Prices rise when the government prints too much money”. Discuss this situation if it occurs in Malaysia. (7 marks)

- Q2** (a) Identify the importance of a balanced equilibrium point. Describe when the surplus and shortage of goods or services occurred. (6 marks)
- (b) Given that the demand (D) and supply (S) curve for smartphones as:

$$D = 100 - 5P, S = 28 + 3P,$$

where P is the price of smartphones. Compute the quantity of computers bought and sold at equilibrium. (4 marks)

- (c) Based on the information in **Q2(b)**, calculate the new equilibrium price and quantity if suppliers must pay a tax of RM6 per unit. (5 marks)
- (d) Consider the market for cars in 2018 and 2019 with the equilibrium price of cars remained constant, but the equilibrium quantity of cars increased. Conclude if there is any changes of the supply and demand of cars between 2018 and 2019. Sketch the graph for this situation. (5 marks)

- Q3** (a) **Table Q3 (a)** shows the price and annual quantity sold of souvenir T-shirts in the town of Bandar Hilir, Melaka according to the average income of the tourists visiting.

Table Q3(a)

Price of T-shirt (RM)	Quantity of T-shirts demanded (Average tourist income = RM7,000/month)	Quantity of T-shirts demanded (Average tourist income = RM14,000/month)
16	5000	3000
20	4200	2400
24	3000	1600
28	1800	800

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- (i) Using the midpoint method, calculate the price elasticity of demand if the price of a T-shirt rises from RM20 to RM24 and the average tourist income is RM7,000.
(5 marks)
- (ii) Based on **Q3(a)(i)**, compute the price elasticity of demand if the average tourist income is RM14,000.
(5 marks)
- (b) Discuss **FOUR (4)** reasons the advice of economists is less used as a guide in some countries.
(4 marks)
- (c) Since the world still in the pandemic COVID-19 situation, will Malaysia's economic recover as before pandemic. Discuss this situation accordingly.
(6 marks)

– END OF QUESTIONS –

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