



UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER I
SESSION 2018/2019**

COURSE NAME : PRINCIPLE OF ECONOMICS
COURSE CODE : BWB 21702
PROGRAMME CODE : BWQ
EXAMINATION DATE : JANUARY 2019
DURATION : 2 HOURS AND 30 MINUTES
INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF **FOUR (4)** PAGES

TERBUKA

- Q1** State whether the following statements are **TRUE** or **FALSE** and explain your answer.
- (a) Surplus occurs when the quantity demanded is greater than the quantity supplied at certain price. (3 marks)
 - (b) Increased demand with a constant price resulted in increased supply and quantity. (3 marks)
 - (c) In long term price elasticity of supplied is more elastic because more responsive to changes in price since sellers can adjust their production. (3 marks)
 - (d) Income elasticity of demand (E_y) is a measure of the degree of responsiveness of changes in the quantity demanded of goods to a change in its price. (3 marks)
 - (e) If the value of income elasticity of demand for goods is negative ($E_y < 0$), the quantity demanded will decrease when income increases. Therefore, the goods is an essential goods. (3 marks)
 - (f) Microeconomics is the branch of economics that analyses the behaviour of how national economies work. (3 marks)
 - (g) Economics is the study of how evenly goods and services are distributed within society (3 marks)
 - (h) Inflationary gap is defined as a situation when real aggregated supply is less than the aggregate supply for employment. (3 marks)
 - (i) When the supply is elastic, the supply curve has a steep slope. (3 marks)
 - (j) Recovery phase of the business cycle is when real GDP reaches its minimum after rising. (3 marks)

Q2 The demand and supply function for a good in the market are as follows:

$$Q_d = 60 - 5P$$

$$Q_s = 10P$$

where:

Q_d = Quantity demanded (units)

Q_s = Quantity supplied (units)

P = Price (RM)

- (a) Given the price of an item as in **Table Q2(a)**, find the quantity demanded (in units) and quantity supplied (in units)

Table Q2 (a)

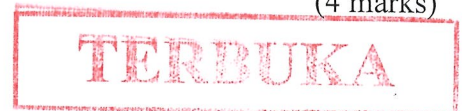
Price (RM)
1
2
3
4
5

(5 marks)

- (b) Draw the demand and supply curves. (5 marks)
- (c) Determine the value of price and equilibrium quantity. (2 marks)
- (d) Calculate the value of price elasticity of demand at the point of equilibrium. (4 marks)
- (e) Explain what is inflation and give **TWO (2)** causes of the inflation. (4 marks)

Q3 Draw a related figure and explain the effects of equilibrium price and equilibrium quantity in each situation.

- (a) Increased demand (4 marks)
- (b) Decreased supply (4 marks)
- (c) The increase in demand is greater than the increase in supply (4 marks)
- (d) The decrease in demand is greater than the increase in supply (4 marks)



Q4 The demand function and supply function for a good in the market are as follows:

$$Q_d = 140 - 10P$$

$$Q_s = 20 + 10P$$

where:

Q_d = Quantity demanded (units)

Q_s = Quantity supplied (units)

P = Price (RM)

- (a) Given the price of an item as in **Table Q4(a)**, find the quantity demanded (in units) and quantity supplied (in units)

Table Q4 (a)

Price (RM)	Price (RM)
1	6
2	7
3	8
4	9
5	10

(10 marks)

- (b) Determine the market equilibrium price and quantity (2 marks)
- (c) Why is the price of RM4 not the equilibrium price? (4 marks)
- (d) Using your answer in (a), draw a graph and determine the market equilibrium price/point. (6 marks)

- Q5** (a) Explain **FOUR (4)** factors that will shift the aggregate demand curve. (8 marks)
- (b) Define business cycle. How does the change in the employment rate relate to business cycle? (4 marks)

– END OF QUESTIONS –