



UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER I
SESSION 2019/2020**

COURSE NAME : PRINCIPLE OF ECONOMICS
COURSE CODE : BWB 21702
PROGRAMME CODE : BWQ
EXAMINATION DATE : DECEMBER 2019 / JANUARY 2020
DURATION : 2 HOURS AND 30 MINUTES
INSTRUCTION : ANSWER ALL QUESTIONS

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

- Q1** (a) The study of economics is unified by several central ideas of principles of economics. Describe **FOUR (4)** principles of economics. (12 marks)
- (b) You are trying to decide whether to take a vacation or not. Most of the vacation costs such as airfare, hotel, and the expenses are measured in USD. The vacation has its own benefit. Explain, how can you compare the benefits to the costs? (6 marks)
- (c) With suitable example, explain the opportunity cost. (6 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)**, calculate the quantity demanded (in units) and quantity supplied (in units).

Table Q2 (a)

Price (RM)
4
6
8
10
13
15
18
20
22
25

(5 marks)

- (b) Draw the demand and supply curves.

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(5 marks)

- (c) Determine the value of price and equilibrium quantity.

(1 mark)

- (d) Calculate the value of price elasticity of demand at the point of equilibrium. (2 marks)
- (e) Explain the definition of inflation and give **TWO (2)** causes of the inflation. (6 marks)
- Q3** (a) Define the price elasticity of demand and the income elasticity of demand. (4 marks)
- (b) Elaborate **FOUR (4)** determinants of the price elasticity of demand. (12 marks)
- (c) “Tea and coffee are substitute goods, while cars and petrol are complementary goods.” Discuss this statement based on the concept of cross elasticity of demand. (8 marks)
- Q4** (a) Explain the difference between macroeconomics and microeconomics. How are these two fields related? (8 marks)
- (b) Explain **THREE (3)** methods through which the government can control unemployment. (9 marks)
- Q5** (a) Explain **FOUR (4)** factors that will shift the aggregate demand curve. (12 marks)
- (b) Define business cycle. How does the change in the employment rate relate to business cycle? (4 marks)

– **END OF QUESTIONS** –

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