



**UNIVERSITI KUALA LUMPUR
MALAYSIAN INSTITUTE OF INDUSTRIAL TECHNOLOGY**

**FINAL EXAMINATION
JANUARY 2016 SEMESTER**

COURSE CODE : JLB 10203
COURSE TITLE : ECONOMICS
PROGRAMME LEVEL : BACHELOR
DATE : 26 MAY 2016
TIME : 2.30 PM – 5.30 PM
DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper **CAREFULLY**.
2. This question paper is printed on both sides of the paper.
3. This question paper consists of **TWO (2)** sections.
4. Answer **ALL** questions in Section A. Choose **THREE (3)** questions in section B.
5. Please write your answers on the answer booklet provided.
6. Please answer all questions in English only.

THERE ARE 4 PAGES OF QUESTIONS EXCLUDING THIS PAGE.

SECTION A (Total: 40 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

An economic system is a way of organizing the relationship among individuals, firms and government agencies on how to make choices when confronted with basic economic questions. In Malaysia, our economy system is mixed economy system. Mixed economy system is the centrally planned system combine free market economy system. Define the characteristic of mixed economy system. (10 marks)

Question 2

The calculation of the national income of a country is not an easy task. National income calculations are complicated and complex. These problems arise due to a lack of a clear grasp of the national income accounting procedures. There are two major problems which will arise when calculating national income. These problems are practical and conceptual in nature. Distinguish **FIVE (5)** difficulties in calculating national income. (10 marks)

Question 3

According to Keynes' definition, a business cycle is composed of periods of good trade with rising prices and low unemployment percentages, followed by periods of bad trade with falling prices and high unemployment percentages. Examine the phases of business cycle, use appropriate graph. (10 marks)

Question 4

Balance of Payment is actually an account that properly records all the international trade transactions that the country makes.

(a) The following table shows the balance of payments for Malaysia in the year 2014.

Items	RM (million)
Freight and insurance (net)	-4,255
Other transportation	93
Income from investment	-5,525
Travel	655
Other services	1,550
Exports	95,750
Imports	98,230
Private short-term capital (net)	3,215
Official long-term capital (net)	630
Corporate investment (net)	9,200
Transfer payments (net)	350
Errors and omissions	750

From the above information, calculate the below requirements:

- (i) Balance of service (1 mark)
- (ii) Current account balance (1 mark)
- (iii) Basic Balance (1 mark)
- (iv) Capital account balance (1 mark)
- (v) Overall balance (1 mark)
- (vi) Changes in Bank Negara Malaysia Official Reserves (1 mark)

(b) The causes of disequilibrium in the balance of payments will defer from country to country and time to time within a country. There are several factors that contribute to the disequilibrium. Evaluate **FOUR (4)** measures to correct disequilibrium. (4 marks)

SECTION B (Total: 60 marks)

INSTRUCTION: Answer 3 (THREE) Questions only

Please use the answer booklet provided

Question 1

Money is any commodity that is generally acceptable as a payment for goods and services. Therefore, money is defined as anything that acts as a medium of exchange.

- (a) Analyze **THREE (3)** motives for holding money (6 marks)
- (b) Commercial banking occupies an important place in today's financial framework. A commercial bank is an institution that is owned by the private sector and is a profit-making institution. Examine **THREE (3)** functions of commercial banks. (6 marks)
- (c)

Goods	Weightages	2014	2015
Clothing	3	RM 2.50	RM 3.00
Transportation	2	RM 12.00	RM 15.00
Education	4	RM 5.00	RM 3.50
Food	1	RM 7.50	RM 6.50

The consumer price index (CPI) is a measure of the changes in the average price of goods and services that consumers normally purchase, such as food, clothing, medicals and others. From the following table, calculate;

- (i) Suppose that the base year is 2014, calculate the weighted price index for each commodity for the year 2015? (1 mark)
- (ii) The overall weighted consumer price index for the year 2015? (1 mark)
- (iii) Rate of inflation or deflation in the year 2015? (1 mark)
- (iv) The change in the value of money for the year 2015? (1 mark)
- (d) Explain the uses of the consumer price index (CPI) (4 marks)

Question 2

A market is an arrangement that facilitates the buying and selling of a product, service, factor of production or future commitment. Thus, a market is a place where the buyers and sellers meet to transact business.

- (a) Differentiate the different between perfect competition and monopoly firm. (8 marks)
- (b) Barriers to entry refer to restrictions that prevent other sellers from entering the market. The existence of a monopoly in the long run depends on the barriers to entry.
Evaluate **FOUR (4)** types of barriers to entry in the monopoly firm. (8 marks)
- (c) Explain the degree of price discrimination, give examples (4 marks)

Question 3

- (a) A government can obtain revenue from many sources. From the viewpoint of households and firms, there are two major ways in which government can obtain revenue.
Evaluate **FIVE (5)** objectives of taxation. (10 marks)

- (b) International trade brings about a greater increase in world output, most countries have trade restrictions to protect local products from foreign competition. Countries use various tools or instruments to enforce protectionist policies. Discuss **FIVE (5)** tools of protectionism. (10 marks)

Question 4

- (a) Inflation can be defined as a continuous increase in the general price level of goods and services in the economy. The consumer price index (CPI) is an index that measures changes in the average price of consumer goods and services. Construct **FOUR (4)** steps of Consumer Price Index to measure the rate of inflation. (10 marks)
- (b) A government can implement any one or a combination of monetary, fiscal and direct control policies. Elaborate how the government can use contractionary monetary and fiscal policies are used to control inflation. (10 marks)

END OF EXAMINATION PAPER

