



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION MARCH 2024 SEMESTER

COURSE CODE	: EIB11703
COURSE NAME	: PRINCIPLES OF MACROECONOMICS
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 9 JULY 2024
TIME	: 9.00 AM – 12.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **FOUR (4)** structural questions.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE FIVE (5) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

SECTION A (Total: 100 marks)**INSTRUCTION: Answer ALL questions in the answer booklet provided.****Question 1**

- (a) i. Define Gross National Product (GNP).
(2 marks)
- ii. Briefly explain the differences on Gross National Product (GNP) by factor price and market price.
(4 marks)
- (b) The government purchases component of Gross Domestic Product (GDP) does not include spending on transfer payments such as pensions. Explain why transfer payments are excluded in the calculation of GDP.
(4 marks)
- (c) The following questions are referring to Table 1 that shows the values of expenditure and production made by sector in the year of 3000 for Country XXX.

Table 1: Expenditure and Production in the year of 3000 for Country XXX

Items	RM Million
Consumption	4,700
Investment	5,900
Manufacturing	5,200
Forestry	4,300
Operational Government Expenditure	5,800
Construction	1,500
Net Export	4,350
Mining	4,100
Depreciation	1,060
Fisheries	2,330
Subsidies	5,100
Factor income from abroad	6,200
Factor payment to abroad	5,020
Personal Incomes taxes	1,500

Indirect Business Tax	1,330
Social security contribution	2,100
Agriculture	3,000
Transfer Payments	1,020

- i. Compute the value of Gross Domestic Product (GDP) by using production approach for Country XXX.
(5 marks)
- ii. Compute the value of Gross National Product at factor price by using aggregate expenditure approach
(10 marks)

Question 2

The consumption function is given as $C=500+0.85Y_d$, where C is consumption amount and Y_d is disposable income. For every RM1 gross income (Y), 20 cents are paid as tax and the import volume is 25% of gross income. Government spending, investment and export are respectively 80, 100 and 75.

- (a) Compute the equilibrium income.
(7 marks)
- (b) If government spending were to increase to 100, how much will be the new equilibrium income. (Make use of the government spending multiplier)
(5 marks)
- (c) Instead of increasing government spending, Malaysia aims to increase its equilibrium income by 100 by reducing tax rate (everything else remains unchanged). Compute what will be the new tax rate so that equilibrium income increases by 100.
(8 marks)

- (d) To overcome economic crisis, countries tend to resort to expansionary fiscal policy. However, there are occasions when expansionary fiscal policy does not work. Explain ONE (1) of them.

(5 marks)

Question 3

- (a) Briefly explain the differences between aggregate expenditure (AE) and aggregate demand (AD)

(6 marks)

- (b) Explain THREE (3) reasons why aggregate demand (AD) is downward-sloping

(9 marks)

- (c) Using aggregate demand (AD) and aggregate supply (AS), explain the effects on price level and equilibrium output in the short run based on the following events:

- i. A tax cut, while government spending unchanged and the economy is operating at nearly full capacity.

(5 marks)

- ii. An increase in money supply and the economy is operating at excess industrial capacity.

(5 marks)

Question 4

- (a) State THREE (3) reasons why a country needs to trade
- (6 marks)
- (b) Table 2 below shows the trade of two goods between two countries. Based on the table, answer the following questions.

Table 2: Trades of Electronic and Medical Product for Malaysia and China

Country	Electronic product (unit)	Medical Product (unit)
Malaysia	2200	3100
China	3800	1600

- i. Which country has the absolute advantage in terms of the production of medical and electronic products?
(2 marks)
- ii. By implying comparative advantage, calculate the opportunity cost in producing each product for both countries above.
(4 marks)
- iii. Indicate which country should specialize in producing medical products and electronic products, respectively.
(4 marks)
- iv. Show how both countries can be better off if they specialized with the assumption of term of trade 1 electronic product for 1 medical product.
(9 marks)

END OF EXAMINATION PAPER