



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
MARCH 2024 SEMESTER**

COURSE CODE	: EGB11003
COURSE NAME	: PRINCIPLES OF MACROECONOMICS
PROGRAMME NAME	: BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS
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 **FIVE (5)** 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 SIX (6) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

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

- a) Explain **THREE (3)** macroeconomics objective from conventional and Islamic perspectives. (6 marks)
- b) The table below contains a random selection of items from the national income data of a country in 2023.

Table 1: Selected data on national income for year 2023

Items	RM (million)
Government expenditure	4,500
Social security contribution	230
Factor income paid to abroad	1,850
Insurance premium	1200
Transfer payment	5000
Household consumption expenditure	2,750
Investment	2,500
Rental	3,000
Imports	2,750
Factor income received from abroad	2,600
Personal income tax	2,050
Exports	4,500
Subsidies	5,500
Manufacturing	2,000
Indirect tax	1,200
Depreciation	988

Based on the above data, compute:

- Gross Domestic Product (GDP) Market Price
- Gross National Product (GNP) Market Price
- Gross National Product (GNP) Factor cost
- National Income (NI)
- Personal Income (PI)
- Disposable Personal Income (DPI)

Show your working for all the above computations.

(14 marks)

Question 2

- a) The following table gives hypothetical information in a public open economy. All data is in billions of Malaysian Ringgit (MYR). Based on this table, answer the following questions:

Table 2: National data on several key economic figures

Real GDP	Consumption Expenditure	Investment	Government Expenditure	Export	Import
100	60	30	120	60	70
150	65	40	125	75	80
200	70	50	130	60	60
280	75	55	135	60	50
300	80	55	140	80	55
320	90	70	140	90	60
350	100	85	150	100	70
400	125	80	155	125	75
500	130	100	180	110	80

- i) Determine the aggregate planned expenditure for each level of real GDP. (4 marks)
- ii) Identify the equilibrium level of real GDP and justify your answer. (2 marks)
- b) The following figure shows an aggregate expenditure (AE) curve and 45° line for an economy. Based on this figure, answer the subsequent questions in the following page:

Aggregate expenditure
(MYR trillions)

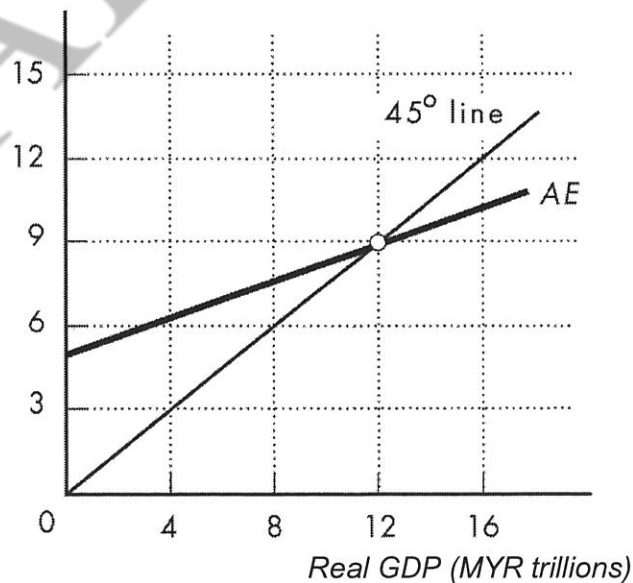


Figure 1: Aggregate expenditure-real GDP

- i) Identify the equilibrium level of expenditure and justify your answer. Briefly explain firms' inventories decision at this level. (4 marks)
- ii) Compare firms' inventories with their planned inventories given:
- I. Real GDP equals MYR 8 trillion (2 marks)
 - II. Real GDP equals MYR 16 trillion (2 marks)
- c) Given that the slope of an AE curve is 0.80. Everything else the same, by how much does equilibrium aggregate expenditure increase given the following occurrences:
- i) Exports increase from MYR 1.75 trillion to MYR 2.25 trillion. (2 marks)
 - ii) Government expenditure on goods and services decreases from MYR 2.0 trillion to MYR 1.8 trillion. (2 marks)
 - iii) Investment spending increases from MYR 1.2 trillion to MYR 2.3 trillion. (2 marks)

Question 3

- a) Suppose the aggregate demand and supply schedules for a hypothetical economy are as shown below. Based on this table, answer the following questions:

Table 3: Aggregate demand-aggregate supply schedule

Amount of real domestic output demanded, (MYR billions)	Price level (price index)	Amount of real domestic output supplied, (MYR billions)
200	300	800
400	250	800
600	200	600
800	150	400
1000	100	200

- i) Based on the above data sets, graph the aggregate demand and supply curves on your answer script. Identify the equilibrium price and output level and clearly show in the graph constructed. (4 marks)
- ii) If the quantity of real GDP demanded increased by MYR 400 billion. Determine the new equilibrium price and output. Illustrate your answer using a table and AD-AS diagram. (6 marks)
- iii) Given the occurrence in (ii) and now the quantity of real GDP supplied has increased by double the amount of increase in the demand in (ii) at each price level. Determine the new equilibrium price level and quantity of real domestic output. Illustrate your answer using a table and AD-AS diagram. (6 marks)
- b) Describe **TWO (2)** factors that might cause the shift in each of the following curves:
- i) Aggregate demand curve (2 marks)
- ii) Aggregate supply curve (2 marks)

Question 4

Given the following information:

The full-employment level of output (Y_f) is RM400 billion
The current equilibrium output (Y_e) is RM360 billion
The marginal propensity to consume (MPC) is 0.75
The tax rate is a flat 20%

- a) Using the AD-AS model, illustrate the current macroeconomic situation and identify if there is a recessionary or inflationary gap, and quantify the gap amount. (6 marks)
- b) Recommend the appropriate fiscal policy (change in government spending and/or taxes) to close the gap identified in part a). Explain the mechanism through which your recommended policy works. (4 marks)
- c) Calculate the amount by which government spending should change to achieve the full-employment output level if the government uses only changes in government spending. (6 marks)
- d) Calculate the amount by which taxes should change to achieve the full-employment output level if the government uses only tax changes. (4 marks)

Question 5

- a) Explain briefly the **TWO (2)** types of unemployment using examples. (4 marks)
- b) The table below presents the monetary aggregate money supply for the year 2022.

Table 4: Aggregate money supply for the year 2022

	Billions (MYR)
Paper money	400
Coins	400
Demand/ current deposits in commercial banks	2,850
Bank negara certificates	7,700
Savings and fixed deposits in commercial banks	8,850
Savings and fixed deposits in other banking institutions	1,800
Negotiable Certificate Deposit	2,500
Repurchase Agreement	3,500

Calculate the amount of:

- i) $M1$
- ii) $M2$

Show your working for all the above computations.

(4 marks)

- c) Explain any **THREE (3)** quantitative instruments for contractionary Monetary Policy. (12 marks)

END OF EXAMINATION PAPER