# UNIVERSITI KUALA LUMPUR
## BUSINESS SCHOOL

## FINAL EXAMINATION
## FEBRUARY 2025 SEMESTER

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|---|---|---|
| COURSE CODE | : | EAP00204 |
| COURSE NAME | : | ESSENTIALS OF ECONOMICS |
| PROGRAMME NAME | : | FOUNDATION IN BUSINESS (FIB) |
| DATE | : | 23 JUNE 2025 |
| TIME | : | 2.00 PM – 5.00 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 **THREE (3) Sections; Section A, Section B and Section C**.
4. Answer **ALL** questions in **Section A, Section B and Section C**.
5. Please write your answers on the OMR answer sheet and 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 TEN (10) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.**

**SECTION A (Total: 20 Marks)**

**INSTRUCTION: Answer ALL questions.**

**Please use the objective sheet provided.**



1. A subsidy is introduced for local rice farmers to reduce their production costs. What is the likely effect on the market?
   A. Demand increases
   B. Demand decreases
   C. Supply decreases
   D. Supply increases

2. The price of petroleum rises due to geopolitical tensions. What is the expected effect on the demand for electric cars in Malaysia?
   A. Demand for electric cars increases
   B. Demand for electric cars decreases
   C. The price of electric cars decreases
   D. The supply of electric cars increases

3. The government imposes a maximum price for rice to make it affordable for the public. What is the likely result?
   A. Surplus of rice
   B. Shortage of rice
   C. Market equilibrium
   D. Price of rice stays the same

4. Due to favourable weather conditions, the number of vegetable suppliers increase dramatically. What will happen to the vegetables supply curve?
   A. Supply curve shifts left
   B. Supply curve shifts right
   C. Demand curve shifts right
   D. Price increases

5. The income of consumers in a town decline. What is the likely effect on the demand for inferior goods?
   A. Demand for inferior goods increases
   B. Demand for inferior goods decreases
   C. The supply of inferior goods increases
   D. The price of inferior goods decreases

6. In a perfectly competitive market, firms produce identical products, and there is easy entry and exit. If firms are earning zero economic profit in the long run, what happens next?
   A. Firms will exit the market
   B. New firms will enter the market
   C. Firms will earn positive economic profit
   D. Firms will continue to operate at a loss

7. In a monopolistic competition market, firms sell differentiated products. What is one characteristic of this type of market?
   A. Firms face no competition
   B. Barriers to entry are low
   C. Firms sell identical products
   D. Firms cannot influence prices

8. A company controls the supply of a unique product in the market, and there are no close substitutes. What type of market structure does this describe?
   A. Oligopoly
   B. Monopolistic competition
   C. Monopoly
   D. Perfect competition

9. What is the main benefit of monopolistic competition to consumers?
   A. No need for advertising
   B. Variety of products and innovation
   C. No competition in the market
   D. Stable prices

10. A firm in an oligopoly is highly dependent on the actions of a few dominant competitors. What is this characteristic called?
    A. Strategic interdependence
    B. Price taker
    C. Barriers to entry
    D. Perfect competition

11. What is the main cause of cyclical unemployment?
    A. Workers losing jobs due to technological changes
    B. Workers losing jobs due to a downturn in the economy
    C. Workers losing jobs because of higher wages
    D. Workers leaving their jobs voluntarily

12. The government is concerned with rising inflation. Which of the following policies would be most effective to reduce inflation?
    A. Increase government spending
    B. Increase interest rates
    C. Decrease taxes
    D. Increase money supply

13. When a country's currency weakens in value compared to other currencies, what is the likely impact on its export levels?
    A. Export levels decrease
    B. Export levels remain unchanged
    C. Export levels increase
    D. Export levels stop completely

14. A country has a large trade deficit. The government increases tariffs on imported goods to reduce the deficit. What is the likely result?
    A. Increase in imports
    B. Decrease in imports
    C. Increase in exports
    D. Increase in the trade surplus

15. Which of the following best describes the effect of high inflation on an economy?
    A. Purchasing power decreases
    B. Employment rises
    C. Production costs decrease
    D. The exchange rate strengthens

16. If the central bank wants to stimulate economic activity, what action should it take?
    A. Lower interest rates
    B. Increase taxes
    C. Decrease government spending
    D. Increase interest rates

17. The government sets a price floor on rubber which is above the equilibrium price. What is the most likely result?
    A. A shortage of rubber
    B. A surplus of rubber
    C. Market equilibrium
    D. Lower production costs

18. What does an increase in government spending during a recession aim to achieve?
    A. Reduce inflation
    B. Stimulate economic growth
    C. Decrease the money supply
    D. Increase interest rates

19. The government raises the minimum wage significantly. What is the possible impact on the labour market?
    A. Unemployment may rise
    B. Productivity decreases
    C. Prices of goods fall
    D. Economic growth increases

20. When the central bank increases the money supply, what is the likely short-term effect on the economy?

    A. Inflation increases
    B. Economic growth decreases
    C. Unemployment increases
    D. Currency value rises

**SECTION B (Total: 40 marks)**

**INSTRUCTION: Answer ALL questions.**
**Please answer the question in this section using answer booklet provided.**

**Question 1**

Lina runs a small bakery in her town and recently expanded her operations due to increasing customer demand. As her business grows, she faces several market changes affecting both demand and supply of bakery goods.

Based on the scenarios above indicate whether the situation below affect **Demand (D)** or **Supply (S)**, and whether it **Increases** or **Decreases**. Provide a short explanation for each.

a) A new health trend encourages people to reduce sugar intake, affecting the sale of Lina's sweet pastries.

(2 marks)

b) Lina installs a new oven that can bake double the amount of bread in the same amount of time.

(2 marks)

c) A nearby school begins ordering buns and muffins daily for their student program.

(2 marks)

d) The price of flour, a key ingredient, rises sharply due to international supply chain disruptions.

(2 marks)

e) During the festive season, customer flock to the bakery. Increasing the purchases of cookies and cakes.

(2 marks)

**Question 2**

Your friend, Hilman is an ambitious entrepreneur who has invested in several types of businesses. Each of his ventures operates under different market conditions. As a foundation student in economics, you would like to help Hilman identify the type of market structure he is dealing with in each case.

Read each situation below and identify the most suitable **market structure** (Perfect Competition, Monopoly, Monopolistic Competition, or Oligopoly). Describe your answer.

a) Hilman opens a fruit stall at the local farmer's market, where all sellers offer similar products and prices

(2 marks)

b) He later invests in one of the companies in telecommunication industry that is also rivalled by two dominating firms.

(2 marks)

c) Hilam acquired a business license to be the sole provider of electricity in a rural area.

(2 marks)

d) He also opens a cafe in a shopping mall. Where branding and customer service attract buyers even if other café are nearby.

(2 marks)

e) Finally, he enters the fast-moving consumer goods (FMCG) industry, where all the companies in this industry rely heavily on advertising and slight variations in product features.

(2 marks)

**Question 3**

Farah recently finished her contract as a barista at a café. She is currently looking for a new job while applying for better positions in customer service. Meanwhile, one of her friends, Amin, lost his job when the company replaced several workers with new machines.
Answer the following questions based on the story above:

a) What type of unemployment is Farah experiencing? Explain your answer.

(3 marks)

b) What type of unemployment is Amin experiencing? Explain your answer.

(3 marks)

c) Explain **TWO (2)** effects of unemployment on individuals or the economy.

(4 marks)

**Question 4**

Explain **FOUR (4)** functions of money with relevant example

(10 marks)

**SECTION C (Total: 20 marks)**

**INSTRUCTION: Answer ALL questions.**
**Please use the answer booklet provided.**

**Question 5**

Nizam is an economics student helping a local agency assess the country's economic performance. He has compiled the following data for Malaysia's economy in a specific year:

**Table 1: National income data for Malaysia**

| Component | Amount (RM million) |
|---|---|
| Compensation of Employees | 850 |
| Business Profits | 300 |
| Taxes on Production & Imports | 200 |
| Subsidies | 50 |
| Consumption (C) | 900 |
| Investment (I) | 400 |
| Government Spending (G) | 600 |
| Exports (X) | 700 |
| Imports (M) | 500 |

a) Calculate Malaysia's gross domestic product (GDP) using the income approach.

(10 marks)

b) Calculate Malaysia's GDP using the expenditure approach.

(10 marks)

**Question 6**

Malaysia is currently facing an economic slowdown. The GDP growth has declined, unemployment is rising, and businesses are reporting lower profits. In response, the government is considering introducing several fiscal and monetary policies to stabilise the economy.

a) Explain **TWO (2) fiscal policy tools** that the government can use to encourage economic recovery.

b) (10 marks)Discuss **TWO (2) monetary policy tools** that the central bank can use to increase spending and investment during an economic slowdown.

(10 marks)

**END OF EXAMINATION PAPER**