



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

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**FINAL EXAMINATION  
JANUARY 2016 SEMESTER**

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**COURSE CODE : JLD 20103**  
**COURSE TITLE : PRINCIPLES OF ECONOMICS**  
**PROGRAMME LEVEL : DIPLOMA**  
**DATE : 24 MAY 2016**  
**TIME : 2.30 PM – 5.30 PM**  
**DURATION : 3 HOURS**

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**INSTRUCTIONS TO CANDIDATES**

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- 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 FOUR (4) questions in section B.**
- 5. Please write your answers on the answer booklet provided.**
- 6. Please answer all questions in English only.**

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**THERE ARE 4 PAGES OF QUESTIONS EXCLUDING THIS PAGE.**

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**SECTION A (Total: 40 marks)****INSTRUCTION: Answer ALL questions.****Please use the answer booklet provided.****Question 1**

Economics is a science that studies on how limited resources which have alternative uses to be allocated to satisfy peoples' unlimited wants. Each country differs with regard to managing the resources and it depends on which economic system they adopted.

- (a) List down the characteristics of a mixed economic system. (4 marks)
- (b) Explain the basic economic concept of scarcity, choices and opportunity cost using Production Possibility Curve (PPC). (6 marks)

**Question 2**

Demand is defined as the ability and willingness to buy specific quantity of goods and services in a given period of time. Supply is the ability and willingness to sell a particular product or service in a given period of time at a particular price.

- (a) Discuss the Law of Demand with an appropriate diagram. (4 marks)
- (b) Differentiate the change in quantity demand and change in demand by using diagrams (6 marks)
- (c) If the price of apple decreases from RM2 to RM1 and the quantity demand for apple increases from 40 to 50, calculate the price elasticity of demand for apple. (2 marks)

**Question 3**

Market equilibrium is a situation when quantity demanded and quantity supplied are equal and there is no tendency for price or quantity to change.

The table below shows the quantity demanded and quantity supplied for eggs at several price levels.

Price of Eggs (RM Dozen)	Quantity demanded (Dozen)	Quantity supplied (Dozen)
4.50	140	220
4.00	160	200
3.50	180	180
3.00	200	160
2.50	220	140
2.00	240	120

- (a) Construct the market demand and market supply curves for eggs on a graph paper. Label surplus and shortage on the graph. (5 marks)
- (b) State the equilibrium price and quantity. (1 mark)
- (c) Calculate the unit of shortage at the price of RM2.00. (1 mark)
- (d) Calculate the unit of surplus at the price of RM4.00. (1 mark)
- (e) If there is an increase in the cost of production of eggs, what will happen to the supply curve?  
Show your answer on the graph paper. (2 marks)

**Question 4**

The term of production refers to the process of using the services of labour and machine along with the natural resources and raw materials(factors of production) to produce goods and services. Cost of production is the amount of money or expenses incurred to produce a particular quantity of output.

- (a) Differentiate fixed input and variable input in short run production period. (2 marks)
- (b) Explain the **THREE (3)** stages of production by using an appropriate diagram. (6 marks)

**SECTION B (Total: 60 marks)****INSTRUCTION: Answer FOUR (4) questions ONLY.****Please use the answer booklet provided.****Question 1**

Inflation can be defined as a continuous increase in the general price level of goods and services in the economy.

- (a) Explain demand pull and cost push inflation with appropriate diagram. (10 marks)
- (b) Discuss the fiscal policy taken by the government to overcome inflation. (5 marks)

**Question 2**

The following table refers to the employment data of country XYZ.

	Year 1	Year 2	Year 3
<b>Total of population</b>	10,500	19,000	21,000
<b>Labor Force</b>	7,000	7,500	8,500
<b>Employment</b>	6,500	6,900	7,000

- (a) Calculate unemployment rate for each year (6 marks)
- (b) State which year has the highest unemployment rate. (1 mark)
- (c) Explain with examples **FOUR (4)** types of unemployment. (8 marks)

**Question 3**

The study of economies of scale is associated with a large-scale production. It involves various cost concepts.

- (a) Explain **FIVE (5)** factors that contribute to the economies of scale. (10 marks)
- (b) Explain with diagram the relationship between Total Cost (TC), Total Variable Cost (TVC) and Total Fixed Cost (TFC). (5 marks)

**Question 4**

Economic growth is one of the macroeconomics goals of an economy. High productivity in logistic industry will lead to economic growth.

- (a) Assess **THREE (3)** factors how logistic industry can contribute to the economic growth. (5 marks)  
 (b) Explain **FIVE (5)** determinants of the transport demand. (10 marks)

**Question 5**

The table below contains items from the national income account of a country.

Items	RM (million)
Transportation and shipping	13,000
Mining and quarrying	8,000
Finance, insurance and other services	9,500
Manufacturing	12,000
Hotel and restaurant	12,600
Agriculture, forestry and fishing	22,800
Communication	7,400
Depreciation	3,000
Net factor income received from abroad	6,900
Subsidies	890
Transfer payment	890
Indirect Business taxes	12,500
Employees provident funds	85
Social contribution	25

- (a) Calculate:
- (i) Gross Domestic Product (GDP) at market prices. (2 marks)
  - (ii) Gross National Product (GNP) at factor costs. (2 marks)
  - (iii) National Income (2 marks)
  - (iv) Personal Income (2 marks)
  - (v) Disposable Income (2 marks)
- (b) State **FIVE (5)** problems in calculating national income. (5 marks)

**END OF EXAMINATION PAPER**

