



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
FEBUARY 2025 SEMESTER**

COURSE CODE : EAP00204
COURSE NAME : ESSENTIALS OF ECONOMICS
PROGRAMME NAME : FOUNDATION IN BUSINESS
DATE : 16 DECEMBER 2025
TIME : 09:00 AM – 12:00 PM
DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given on the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consists of SECTION A, SECTION B and SECTION C. Answer ALL question.
4. Please write your answers on the OMR sheet and answer booklet provided.
5. All question must be answered in English (any other language is not allowed)
6. This question paper must not be removed from examination hall.

THERE ARE 10 PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 20 Marks)**INSTRUCTION: Answer ALL questions.****Please use the objective sheet provided.**

1. The price of chicken has increased significantly, causing many consumers to switch to buying fish instead. What happens to the demand for fish?
 - A. Demand decreases
 - B. Demand increases
 - C. Supply increases
 - D. Price decreases

2. The government introduced a fuel subsidy under BUDI scheme for petrol. What is the likely effect of this policy on the market?
 - A. Supply of petrol will decrease
 - B. Price of petrol will increase
 - C. Supply of petrol will increase
 - D. Demand for petrol will decrease

3. A new tax is imposed on sugary drinks to reduce public health problems. What will likely happen in the sugary drink market?
 - A. Demand increases
 - B. Supply increases
 - C. Price decreases
 - D. Supply decreases

4. A new farming technology is introduced that reduces production costs for vegetables. What is the impact on the supply curve?
 - A. Supply curve shifts left
 - B. Supply curve shifts right
 - C. Demand curve shifts right
 - D. Price increases

5. The population in a town starts to decline. What happens to the overall demand for goods and services in that area?
- A. Demand increases
 - B. Demand decreases
 - C. Supply increases
 - D. Price increases
6. A popular fast-food brand lowers the price of its set meals, leading more customers to choose it over other brands. What happens to the demand for the competitor's products?
- A. Demand for competitor increases
 - B. Demand for competitor decreases
 - C. Supply for competitor increases
 - D. Price for competitor increases
7. In a small-town morning market, many vegetable sellers offer almost identical produce at highly competitive prices. Which market structure best describes this situation?
- A. Monopoly
 - B. Perfect Competition
 - C. Monopolistic Competition
 - D. Oligopoly
8. In the telecommunications industry, a few major companies dominate the market and compete through pricing and promotions. However, the high start-up costs make it difficult for new firms to enter or exit the industry. What market structure does this reflect?
- A. Monopoly
 - B. Perfect Competition
 - C. Oligopoly
 - D. Monopolistic Competition
9. Which of the following is the main benefit of monopolistic competition for consumers?
- A. Stable and uniformly low prices
 - B. A wide variety of products and innovation
 - C. No need for advertising
 - D. Only one producer in the market

10. Company EZ WATER is the only provider of clean water in a city, with no competition allowed due to high fixed costs and required infrastructure. What is the main drawback of this market structure for consumers?
- A. Extremely efficient production
 - B. No opportunity cost for users
 - C. Prices may be higher due to lack of competition
 - D. Easy for customers to switch providers
11. In a market where firms have control over their own product pricing due to branding and variation in services, what happens to price-setting ability?
- A. Firm cannot set price
 - B. Firm is a price taker
 - C. Firm has some control over price
 - D. Firm sells identical product
12. Which of the following statements is true about perfect competition compared to monopoly?
- A. Firms in monopoly face many competitors
 - B. Firms in perfect competition can set high prices
 - C. Firms in monopoly can earn long-run economic profit
 - D. Firms in perfect competition have barriers to entry
13. When the general price level of goods and services increases in an economy, this situation is called
- A. Unemployment
 - B. Inflation
 - C. Economic growth
 - D. Fiscal deficit
14. During an economic crisis, many workers lose their jobs because businesses are forced to shut down. What problem does this situation reflect?
- A. Frictional unemployment
 - B. Cyclical unemployment
 - C. Structural unemployment
 - D. Voluntary unemployment

15. An economy increases its gross domestic product (GDP), and citizens now have higher access to healthcare and education. What does this reflect?
- A. Decline in productivity
 - B. Increase in standard of living
 - C. Increase in unemployment
 - D. Decrease in supply
16. When workers are replaced by machines and automation, they lose their jobs because their skills are no longer needed. This is an example of
- A. Seasonal unemployment
 - B. Frictional unemployment
 - C. Cyclical unemployment
 - D. Structural unemployment
17. When inflation causes the prices of goods to rise, how does it affect consumers?
- A. Purchasing power increases
 - B. Purchasing power decreases
 - C. Employment increases
 - D. Supply increases
18. A hotel reduces its number of staff during the off-peak period and rehires them during the holiday season. What type of unemployment is this?
- A. Structural unemployment
 - B. Cyclical unemployment
 - C. Frictional unemployment
 - D. Seasonal unemployment
19. The government raises taxes and cuts spending to reduce the national debt. What is the likely economic outcome?
- A. Economic activity slows down
 - B. Inflation increases
 - C. Unemployment decreases
 - D. Currency value falls

20. When the central bank raises interest rates to control inflation, what is the most likely result?
- A. Inflation increases
 - B. Borrowing becomes cheaper
 - C. Inflation decreases
 - D. Prices of goods increase

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SECTION B (Total: 40 marks)**INSTRUCTION: Answer ALL questions.****Please answer the question in this section using answer booklet provided.****Question 1**

Read the following story about a coffee shop and indicate whether the demand or supply for coffee will **increase** or **decrease** based on the situation. Briefly explain your answer.

Brew Bliss offers a unique variety of organic coffee blends and cozy seating areas that quickly attract a large number of customers. It is located near to the busiest shopping street, with a lot of passers-by.

- a) The number of customers visiting Brew Bliss each day increases significantly as the place offer cozy ambient. (2 marks)
- b) Brew Bliss is able to source coffee beans at a lower price due to a partnership with local farmers, reducing the shop's overall coffee production costs. (2 marks)
- c) A nearby competitor coffee shop closes down due to financial problem, leaving Brew Bliss as the only coffee shop in the area. (2 marks)
- d) Brew Bliss raises the price of its coffee after receiving high demand, claiming that the quality of their beans has improved significantly. (2 marks)
- e) The local government introduced a tax on sugary drinks making these drinks more expensive for customers. (2 marks)

Question 2

Ahmad is a business student analyzing two different types of markets for his project: the perfectly competitive vegetable market in his town and the local water supply company, which is the sole provider.

Compare the two market structures (perfect competition vs monopoly) based on the following aspects:

- a) Number of sellers (2 marks)
- b) Barriers to entry (2 marks)
- c) Price-setting power (2 marks)
- d) Product differentiation (2 marks)
- e) Long-run profitability (2 marks)

Question 3

Malaysia is working to improve its national income. The government believes increasing GDP will reflect the country's development and economic performance. In line to this national agenda, you are required to:

- a) Explain **THREE (3)** methods used to measure gross domestic product (GDP). (6 marks)
- b) Briefly explain **TWO (2)** limitations of using GDP as a measure of economic well-being (4 marks)

Question 4

Malaysia's local textile industry has been facing stiff competition from cheaper imported clothing manufactures. In response, the government decided to impose higher tariffs and quotas on imported textiles to protect local producers. While local businesses appreciate the move, some consumers are unhappy with rising prices and fewer choices.

- a) Define protectionism and explain **TWO (2)** tools the government can use to implement protectionist policies. (5 marks)
- b) Discuss **TWO (2)** possible effects of protectionism on consumers and producers in Malaysia. (5 marks)

SECTION C (Total: 40 marks)

INSTRUCTION: Answer ALL questions.

Please answer the question in this section using answer booklet provided.

Question 5

A small country, *EcoLand*, has recently experienced rapid economic growth. The government has allocated resources to various sectors to boost production.

- a) Identify and explain **FOUR (4)** types of economic resources in *EcoLand* and their role in the production of goods and services.

(10 marks)

- b) Discuss **ONE (1)** way the government can improve the efficiency for **EACH** of these economic resources.

(10 marks)

Question 6

In the country of *Economica*, the government is trying to estimate its National Income to assess the economic health of the nation. The following data is available for the current year:

TABLE 1: National Income for country of *Economica*

Components	RM (million)
Consumption	500
Investment	200
Government Spending	150
Exports	100
Imports	50
Wages and Salaries	400
Rents	50
Profits	120
Interest	30

- a) Calculate the GDP of *Economica* using the expenditure approach. (10 marks)
- b) Calculate the GDP of *Economica* using the income approach. (10 marks)

END OF EXAMINATION PAPER