



UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
OCTOBER 2025 SEMESTER

COURSE CODE : EIB10203
COURSE TITLE : PRINCIPLES OF ECONOMICS
PROGRAMME NAME : BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS
DATE : 23 JANUARY 2026
TIME : 03 :0PM - 06:00PM
DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

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 consist of ONE sections.
4. Section A consist of five questions. Answer FOUR (4) questions only.
5. Please write your answer on the answer booklet provided.
6. Please answer all questions in English only.
7. Refer to the attached Formula/ Appendies. Tick if applicable

THERE ARE 6 PAGES OF QUESTIONS INCLUDING THIS PAGE

SECTION A (Total: 100 marks)

Answer FOUR (4) questions.

Please use the answer booklet provided.

Question 1

In 2024, Malaysia recorded the following macroeconomic patterns:

- Household consumption increased by 6.2%.
- Firms reported higher production levels and higher wage payments.
- Investment spending slowed due to higher borrowing costs.
- Government expenditure on public projects increased.
- Imports rose faster than exports, widening the trade deficit

- (a) Assume Malaysia's GDP growth for 2023 and 2024 was 3.3% and 3.7%. Explain one possible macroeconomic consequence (unemployment, inflation or living standards) of this growth rate.

(3 marks)

- (b) Using the simple circular flow model (households, firms, product market, factor market), explain how households and firms interact through input and output flows, and money flows

(6 marks)

- (c) Using the expenditure approach ($C + I + G + X - M$), identify which GDP components will increase or decrease based on the scenario. Provide explanations for each component.

(8 marks)

- (d) Recommend two macroeconomic policies that the government could use to improve economic performance in the following year. Explain each policy.

(8 marks)

Question 2

A printing company in Malaysia produced 12,000 units in 2024. During the year, the cost of paper and ink increased, the firm added more machines and workers to expand output and total production costs rose, but the average cost per unit declined. Furthermore, national statistics showed that the unemployment rate decreased from 4.0% to 3.5%.

- (a) What is variable cost? Explain. (3 marks)
- (b) Explain how the increase in paper and ink prices affects the firm's short-run cost structure. (6 marks)
- (c) Although total production costs increased, the firm experienced a decline in average cost per unit. Explain why this happened, referring to economies of scale and cost behaviour. (8 marks)
- (d) Explain two macroeconomic implications for the economy due to the decline in unemployment rate. (8 marks)

Question 3

Coffee Cart Information;

- Fixed Cost (FC) = RM500

- Worker cost = RM100

- Cost per cup = RM0.50

Answer all the questions.

(a) Define:

1. Total Cost (TC).

2. Average Total Cost (ATC).

(4 marks)

(b) State the formulas for Variable Cost (VC), Total Cost (TC) and Average Total Cost (ATC). Calculate VC, TC and ATC.

- Outputs = 50, 100, 150 and 200 cups.

- Workers = 1

Present your answer in a table.

(15 marks)

(c) Suggest two ways the owner can reduce average cost in the long run.

(6 marks)

Question 4

A mobile food truck can only produce one of the following per day due to limited ingredients: 80 pizzas *or* 160 pastas.

- (a) Explain the scarcity problem faced by the food truck. (3 marks)
- (b) If the price of a pizza is RM5 and a pasta is RM10, and the owner wants to maximize revenue, which product should he focus on? Explain your answer. (6 marks)
- (c) Suggest two factors that might influence the owner's production decision. Explain your answers. (8 marks)
- (d) Explain how considering trade-offs helps in better decision-making. (8 marks)

Question 5

Answer all questions.

- (a) Name the index commonly used to measure the rate of inflation in an economy.
(1 marks)
- (b) Explain the differences between demand-pull inflation and cost-push inflation.
(6 marks)
- (c) The price of a basket of goods was RM600 last year and RM630 this year. Calculate the inflation rate, then briefly explain what this rate indicates about the economy.
(6 marks)
- (d) Discuss three impacts of inflation and explain each with an example.
(12 marks)

END OF EXAMINATION PAPER