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Universiti Tun Hussein Onn Malaysia

**UNIVERSITI TUN HUSSEIN ONN MALAYSIA**

**FINAL EXAMINATION  
SEMESTER II  
SESSION 2021/2022**

- COURSE NAME** : PRINCIPLES OF ECONOMICS  
**COURSE CODE** : BPA12403  
**PROGRAMME CODE** : BPB  
**EXAMINATION DATE** : JULY 2022  
**DURATION** : 3 HOURS
- INSTRUCTIONS**
1. ANSWER ALL QUESTIONS
  2. THIS FINAL EXAMINATION IS AN ONLINE ASSESSMENT AND CONDUCTED VIA CLOSED BOOK.
  3. STUDENTS ARE PROHIBITED TO CONSULT THEIR OWN MATERIAL OR ANY EXTERNAL RESOURCES DURING THE EXAMINATION CONDUCTED VIA CLOSED BOOK.

THIS QUESTION PAPER CONSISTS OF FIVE (5) PAGES

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**Q1** “A monopolistically competitive industry is characterized as an industry that comprises many firms, where there is minimal restriction to enter or exit the industry. Each firm produces goods that are similar but not identical to that produced by its competitors. These product variations give rise to some market power for individual firms. Monopolistic competition is a hybrid between perfect competition and monopoly. It is comparable to perfect competition in terms of the large number of extremely competitive firms operating in the market.”

(Source: William G. “Bill” Borges et.al, 2019)

(a) Explain the implication if a large number of firms are present in monopolistic competition?

(5 marks)

(b) Explain **FOUR (4)** main types of product differentiation in the monopolistic competitive market.

(10 marks)

(c) Discuss the similarities and dissimilarities of monopolistic competition and perfect competition.

(10 marks)

**Q2** GDP measure the value of production in a given time period. It is normally either quarterly or annually. GDP values not only the value of total production but also total income and total expenditures. The quality of the value of total production and total income is important, as it shows the direct link between productivity and living standards. Income rises, and our living standard rises as well. We can afford to buy more goods and services. In short, rising income and rising value of production go together.

(a) Explain why some final goods and services are not included as part of GDP

(5 marks)

(b) Explain **FOUR (4)** reasons why the value of intermediate goods produced and sold during the year is not included directly as part of GDP, but the value of intermediate goods produced and not sold is included directly as part of GDP.

(12 marks)

(c) Between 2019 and 2021, GDP measured in current prices fell from RM126 billion to RM63 billion. Over the same period, the relevant price index fell from 100 to 90 points.

Calculate:

(i) The percentage decline in nominal NNP from 2019 to 2021

(3 marks)

(ii) The percentage decline in real NNP from 2019 to 2021.

(5 marks)

**Q3** Generally, labour market is positively associated with the economic performance. Hence, the implementation of Malaysia National Recovery Plan (NRP) has allowed some flexibility for economic and services activities to resume in line with the NRP's phases. This targeted strategy has brought some light for the labour market to recover progressively. With the permission for more business activities to reopen under Phase 1 along with transitions of some states into Phase 3 and Phase 4, more labour market activities are foreseen in the upcoming months. Nonetheless, due to uncertain public health situation, the challenges to the labour market may persist. On this note, collaboration and awareness of the whole nation comprising of individuals, community as well as business are crucial to ensure herd immunity can be achieved, thus will be able to revive the country's economy and labour market.

- (a) The **Table Q3(a)** below shows the adult population, labour force and total employment in Japan, France and Germany.

**Table Q3(a): Adult population, labour force and total employment for Japan, France and Germany.**

	<b>Japan</b>	<b>France</b>	<b>Germany</b>
Total population	109,474	42,315	70,159
Labour force	66,010	26,870	39,591
Total employment	62,510	24,293	35,755

- (i) Calculate the unemployment rate for Japan, France and Germany. (5 marks)
  - (ii) Calculate the labor-force participation rate for Japan, France and Germany. (5 marks)
  - (iii) State the country that has the highest unemployment rate, based on your answer in **Q3(a)(i)**. (1 mark)
  - (iv) State the country that has the highest labor-force participation rate, based on your answer in **Q3(a)(ii)**. (1 mark)
- (b) State the type of unemployment based on the information given below.
- (i) Fresh graduates from a university seeking employment for the first time. (1 mark)
  - (ii) Jason lost his job because he lacks marketable job skills. (1 mark)
  - (iii) Some fishermen were laid off during the monsoon season. (1 mark)
  - (iv) Workers at the construction site lost their jobs due to a Covid19 pandemic (1 mark)

- (c) Consider **Table Q3(c)** a hypothetical economy in which the typical consumer's basket consists of 5 kilograms (kg) of lamb and 6 kg of broccoli.

**Table Q3(c): Consumer Basket Consumption of Lamb and Broccoli**

Year	Price of lamb	Price of broccoli
2020	RM25/kg	RM15/kg
2021	RM28/kg	RM20/kg

Calculate:

- (i) The cost of the basket in 2020 and 2021. (3 marks)
- (ii) The CPI for 2020 and 2021, if 2020 is the base year. (3 marks)
- (iii) The inflation rate in 2021 if 2020 is the base year. (2 marks)

**Q4** In an election year, two candidates for the prime minister position of Country K have set a debating session on the country's long run economic future with each holds a different vision. Candidate A favours holding the line on taxes, but wish to reduce government spending while Candidate B also favours holding the line on taxes (fixed) and increasing government spending. Assume the economy of Country K's now in a recession due to the Covid-19 pandemic where unemployment rate is high, inflation level is low and economic growth is negative.

- (a) Analyse:
- (i) The effects of Candidate A programs on Country K's unemployment rate, inflation level as well as economic growth, assuming Candidate A wins the election and his programs are enacted. (3 marks)
- (ii) The effects of Candidate B programs on Country K's unemployment rate, inflation level as well as economic growth, assuming Candidate B wins the election and his programs are enacted. (3 marks)
- (b) Both candidates however agreed that government expenditure will affect aggregate production (aggregate demand) and thus average standard of living. Both also agreed that fiscal policy alone would not be as effective as the combined used of both fiscal and monetary policy in tackling economic issues.

Discuss on how government expenditure either deficit or surplus, affect interest rates and investment spending in Country K based on the above.

(9 marks)

- (c) During the debate, one spectator drew the attention of both Candidate A and B to the effect of each candidate policies on national debt and taxes.

Compare the policy effects on national debt and taxes of Country K based on each candidate policies.

(10 marks)

**- END OF QUESTIONS -**