Universiti Tun Hussein Onn Malaysia

UNIVERSITI TUN HUSSEIN ONN MALAYSIA

FINAL EXAMINATION
SEMESTER 2
SESSION 2022/2023

COURSE NAME	:	PRINCIPLES OF ECONOMICS
COURSE CODE	:	BPA 12403
PROGRAMME CODE	:	BPB
EXAMINATION DATE	:	JULY / AUGUST 2023
DURATION	:	3 HOURS
INSTRUCTIONS	:	1. ANSWER **ALL** QUESTIONS 2.THIS FINAL EXAMINATION IS 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 **SEVEN (7)** PAGES

Q1 (a) When things are traded in a market, or embedded in government tax statistics, they are relatively easy to measure. Many of the measurement difficulties arise precisely because some of the most valuable things are not easily measurable. Gross Domestic Product (GDP) easily captures the output of washing machines, but not of happiness, health or environmental depreciation. So GDP rises because we are spending more on the police force. But in reality, people are feeling less happy with the greater prevalence of crime, and resent having to 'waste' more resources on additional policing in order to counter the crime wave. Think of all this as a health warning on GNP and GDP statistics. They measure what they measure. Unless and until electorates want to spend a lot more money collecting more comprehensive statistics, GNP and GDP will use data already being collected annually for other purposes such as taxation.

Assume Nation V information on GDP is shown in **Table Q1(a).**

Table Q1(a): Information on GDP

Component of Gross Domestic Product (GDP)	RM million
Consumption on durable and non-durable goods	1,600
Consumption of services	700
Residential and non-residential investment	860
Change in inventories	– 50
Corporate profit	610
Export	370
Import	230
Receipt of factor income from the rest of the world	840
Payment of factor income to the rest of the world	770

(i) Compute GDP using expenditure approach.

(5 marks)

(ii) Given the depreciation is RM200 million, indirect taxes are RM120 and subsidies are RM90.

Calculate the national income.

(5 marks)

(iii) Explain **TWO** (2) reasons why GDP is not an accurate reflection of the economic growth of a particular nation.

(7 marks)

(b) Value added is a method used to measure national income in different phases of production in the circular flow.

(i) Explain the concept of "value added" in national income accounting.

(4 marks)

(ii) Explain how valued added concept can be used to calculate GDP.

(4 marks)

(c) Outline the main problems associated with determining Gross Domestic Product (GDP) measurement.

(5 marks)

(d) Economic growth can be referred as the increase of aggregate output and aggregate income. It focuses on the country as a whole on the increase of capital accumulation, saving, consumption and investment. Economic growth is usually proxied by GDP.

(i) Illustrate the impact of economic growth on the combinations of output a country can produce using an appropriate diagram.

(5 marks)

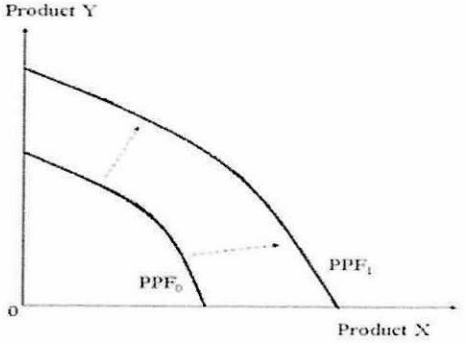

Figure Q1(d): Production Possibility Frontier (PPF)

(ii) **Figure Q1(d)** shows the Production Posssibility Frontier (PPF) of Country A. PPF depicts the productivity level and economic growth of a country.

Explain how technological change affects productivity and thus economic growth.

(5 marks)

Q2 (a) Analyse the inflation history of Malaysia from 1980s and 1990s based on the Department of Statistics data given in **Appendix 1**.

(5 marks)

(b) Differentiate between GDP Deflator and Consumer Price Index (CPI).

(10 marks)

(c) **Figure Q2(c)** shows the demand and supply of money. The left-hand vertical axis is the value of money, measured by $1/P$. The right-hand vertical axis is the price level (P). Note that it is an inverted high value of money means a low price level and vice versa. At the equilibrium, the quantity of money demanded is equal to the quantity of money supplied.

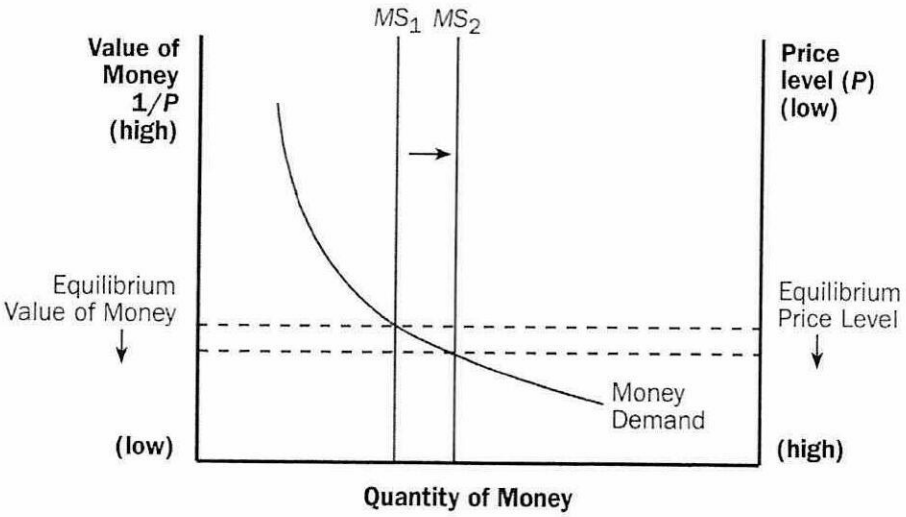

Figure Q2(c): Demand and Supply of Money

Assume that the economy is currently in equilibrium and Bank Negara Malaysia (BNM) increases the supply of money.

Justify the effect on the followings using an appropriate example:

(i) Money supply

(5 marks)

(ii) Equilibrium value of money

(5 marks)

(iii) The price level in the economy

(5 marks)

Q3 (a) The Department of Statistics Malaysia (DOSM) reported that in the second quarter of 2018 the working-age population was 233,410,000, the labor force was 154,294,000, and employment was 146,089,000.

(i) Calculate the labor force participation rate.

(3 marks)

(ii) Calculate the unemployment rate.

(4 marks)

(iii) Calculate an employment to population ratio.

(3 marks)

(b) In July 2020, in the economy of Sunny Island, 10,000 people were employed and 1,000 were unemployed. During August 2020, 80 people lost their jobs and didn't look for new ones, 20 people quit their jobs and retired, 150 people who had looked for work were hired, 50 people became discouraged workers, and 40 new graduates looked for work.

(i) Calculate the change in the unemployment rate from July 2020 to August 2020.

(6 marks)

(ii) Justify the above answer.

(4 marks)

(c) The DOSM survey reported the following data in a community of 320 people: 200 worked at least 1 hour as paid employees; 20 did not work but were temporarily absent from their jobs; 40 did not have jobs and didn't want to work; 10 were available for work and last week they had looked for work; and 6 were available for work and were waiting to be recalled to their previous job.

(i) Calculate the unemployment rate and the labor force participation rate.

(4 marks)

(ii) Explain **TWO (2)** consequences of the above labour market data on the economy.

(6 marks)

- END OF QUESTIONS -

APPENDIX 1

FINAL EXAMINATION

SEMESTER/SESSION: SEM II/2023/2024

PROGRAMME: 1 BPB

COURSE NAME: ECONOMICS

COURSE CODE: BPA 12403

JADUAL 4.1 : INDEKS HARGA PENGGUNA (2000 = 100) MENGIKUT KUMPULAN UTAMA (CHGS), 1980 – 2005, MALAYSIA

Table 4.1 : Consumer Price Index (2000 = 100) by Main Groups (CHGS), 1980 – 2005, Malaysia

Tahun *Year*	Jumlah *Total*	Kumpulan/*Group*								
		Makanan *Food*	Minuman & tembakau *Beverages & tobacco*	Pakaian & kasut *Clothing & footwear*	Sewa kasar, bahan api dan kuasa *Gross rent, fuel and power*	Perabot, hiasan dalaman & peralatan & pengendalian rumah *Furniture, furnishings & household equipment & operation*	Perbelanjaan rawatan perubatan & kesihatan *Medical care & health expenses*	Pengangkutan & perhubungan *Transport & communications*	Perkhidmatan rekreasi, hiburan, pelajaran & kebudayaan *Recreation, entertainment education & cultural services*	Pelbagai barang & perkhidmatan *Miscellaneous goods & services*
1980	61.2	45.4	32.7	74.7	55.9	66.6	47.3	51.9	75.3	55.4
1981	66.2	50.6	37.1	80.9	60.4	70.6	51.4	55.7	79.3	60.4
1982	69.4	54.5	39.5	84.2	64.3	72.7	54.2	57.7	81.3	61.9
1983	61.6	54.9	47.8	87.3	68.7	74.6	60.7	59.3	80.9	65.6
1984	63.8	56.8	48.4	89.1	73.4	75.3	61.5	62.0	79.1	66.4
1985	64.1	55.4	49.9	90.1	76.3	75.4	63.1	63.4	76.2	66.4
1986	64.4	55.6	50.7	90.5	77.0	75.5	64.0	63.5	76.5	67.2
1987	64.9	55.3	54.3	91.0	76.5	76.8	64.5	65.3	80.3	68.1
1988	66.6	57.3	55.1	92.8	75.9	79.0	65.6	69.7	81.5	69.4
1989	68.5	59.5	55.9	94.4	74.4	81.1	66.5	74.4	82.0	71.2
1990	70.6	62.0	57.8	96.0	74.6	82.7	68.3	78.2	82.7	73.3
1991	73.6	65.0	62.3	102.0	76.9	86.4	71.9	81.5	84.9	75.9
1992	77.1	69.2	67.6	105.0	79.7	88.7	74.6	85.1	87.4	77.8
1993	79.9	70.8	77.7	105.5	82.5	89.9	78.2	89.8	87.8	79.7
1994	83.0	75.9	81.7	104.6	84.5	91.4	81.4	93.8	88.6	81.8
1995	85.9	78.6	83.7	104.5	87.3	93.9	83.9	95.6	90.9	85.5
1996	88.9	83.2	85.5	103.8	90.1	95.5	87.0	96.9	93.9	87.4
1997	91.1	86.4	86.5	103.3	93.0	95.1	89.9	97.5	94.2	91.3
1998	95.8	93.8	90.1	103.9	97.0	98.7	95.1	97.5	97.0	97.6
1999	98.5	98.1	97.2	101.8	98.9	100.6	98.6	96.0	99.5	99.1
2000	100.0	100.0	100.0	100.0	102.0	100.8	100.0	100.0	100.0	100.0
2001	101.4	100.7	104.8	97.4	101.4	100.1	102.9	103.6	99.9	100.7
2002	103.2	101.4	109.2	95.2	102.1	99.7	105.4	110.4	100.1	101.8
2003	104.4	102.7	111.0	93.3	103.0	99.1	107.2	112.2	100.7	103.1
2004	105.9	105.0	119.7	91.6	104.0	99.5	108.7	113.1	100.6	105.0
2005	109.1	108.8	132.3	90.7	105.2	101.5	110.4	118.1	101.1	107.5

CONTINUED APPENDIX 1

FINAL EXAMINATION

SEMESTER/SESSION: SEM II/2023/2024

PROGRAMME: 1 BPB

COURSE NAME: ECONOMICS

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JADUAL 4.2 : INDEKS HARGA PENGGUNA (2010 = 100) MENGIKUT KUMPULAN UTAMA (COICOP), 2003 – 2019, MALAYSIA

Table 4.2 : Consumer Price Index (2010 = 100) by Main Groups (COICOP), 2003 – 2019, Malaysia

Tahun *Year*	Kumpulan/*Group*												
	Jumlah *Total*	Makanan dan minuman bukan alkohol *Food & non alcoholic beverages*	Minuman alkohol & tembakau *Alcoholic beverages & tobacco*	Pakaian & kasut *Clothing & footwear*	Perumahan, air, elektrik, gas dan bahan api lain *Housing, water, electricity, gas and other fuels*	Hiasan, perkakasan dan penyelenggaraan isi rumah *Furnishings, household equipment and routine household maintenance*	Kesihatan *Health*	Pengangkutan *Transport*	Komunikasi *Communication*	Perkhidmatan rekreasi, dan kebudayaan *Recreation services & culture*	Pendidikan *Education*	Restoran dan hotel *Restaurant and hotel*	Pelbagai barang & perkhidmatan *Miscellaneous goods & services*
2003	83.9	76.4	68.0	108.8	91.4	90.0	88.1	82.1	103.3	94.0	88.0	79.0	85.7
2004	85.2	78.0	64.4	106.8	92.3	90.4	89.3	82.7	104.1	93.2	89.2	80.4	86.9
2005	87.7	80.9	73.4	105.7	93.4	91.6	90.8	87.9	104.1	93.3	90.8	83.2	88.0
2006	90.9	83.6	78.5	104.3	94.8	92.6	92.8	97.5	102.6	93.9	92.3	86.3	90.0
2007	92.7	86.2	84.5	102.9	96.0	93.6	94.2	99.8	101.3	95.2	93.9	89.5	90.8
2008	97.7	93.8	90.7	102.3	97.5	96.4	96.3	108.6	100.7	97.0	96.1	95.3	93.8
2009	98.3	97.6	96.2	101.3	98.9	99.3	98.4	98.4	100.2	98.4	98.4	98.1	97.3
2010	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2011	103.2	104.8	104.6	99.8	101.8	101.8	102.7	104.4	99.7	102.0	102.2	105.9	102.4
2012	104.9	107.6	105.0	99.2	103.4	103.8	104.8	105.1	99.1	103.2	104.7	109.0	104.4
2013	107.1	111.5	111.3	98.6	105.2	105.4	106.8	107.2	98.4	103.3	107.2	111.7	104.7
2014	110.5	115.2	124.2	98.4	108.6	106.5	109.9	112.4	97.7	104.9	109.8	116.9	105.4
2015	112.8	119.4	141.0	98.9	111.5	109.4	114.8	107.3	99.6	106.7	112.4	121.7	109.7
2016	115.2	123.9	165.2	98.5	114.2	112.0	117.9	102.4	98.1	109.4	114.8	125.1	112.9
2017	119.5	128.8	165.5	98.2	116.7	114.4	120.9	115.9	97.7	111.5	116.7	128.2	114.2
2018	120.7	130.9	169.3	96.2	119.0	114.8	121.9	117.7	96.0	111.0	118.0	130.2	112.6
2019	121.5	133.1	167.8	94.3	121.3	116.4	122.7	114.0	96.4	111.8	119.7	131.8	113.0