



**BERJAYA BUSINESS SCHOOL**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Subject Code & Name : **BBM1302 MACROECONOMICS**  
Semester & Year : January - April 2016  
Lecturer/Examiner : Ms. Tey Sheik Kyin  
Duration : 3 Hours

**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 2 parts:  
PART A (20 marks) : THREE (3) short answer questions. Answers are to be written in the Answer Booklet provided.  
PART B (80 marks) : FOUR (4) structure-type questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple-choice questions, where 2B pencils are to be used.

**WARNING:** The University Examination Board (UEB) of BERJAYA University College of Hospitality regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College of Hospitality.

**Total Number of pages = 6 (Including the cover page)**

**PART A : SHORT ANSWER QUESTIONS (20 MARKS)**

**INSTRUCTION** : **THREE (3)** short answer questions. Answer **ALL** questions in the Answer Booklet(s) provided.

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**Question 1**

Which of the following statements are positive and which are normative?

- a. If taxes are reduced, unemployment would drop.
- b. Government control of rent is injustice.
- c. The best level of taxation is zero percent because then people get to keep everything they earn.

**[Total: 6 marks]**

**Question 2**

Indicate whether each of the following questions are address by macroeconomics or microeconomics

- a. Why do some nation's economies grow quickly, providing their citizens with rapidly improving living standards?
- b. Can government policies used to improve a nation's economic performance?
- c. What are the effects on equilibrium price and quantity for sugar market when government reduce subsidiaries?

**[Total: 6 marks]**

### Question 3

For each of the following changes, identify which equilibrium curve (IS curve, LM curve, or FE line) will shift and how the curve shift (up or down; left or right)?

- a. labour supply decrease
- b. expected inflation increases
- c. government purchases increase
- d. there's a temporary beneficial supply shock

**[Total: 8 marks]**

**END OF PART A**

**PART B : STRUCTURE-TYPE QUESTIONS (80 MARKS)**

**INSTRUCTION(S) : FOUR (4) structure-type questions. Answer ALL questions in the Answer Booklet(s) provided.**

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**Question 1**

a. The table below shows the national income accounting data for the year 2014:

	<b>RM (Billion)</b>
Compensation of employees	4821
Rental income	54
Income earned from the rest of the world	250
Capital consumption allowance	230
Indirect business taxes	144
Net interest	163
Corporate profits	689
Income earned by the rest of the world	1471
Proprietors income	230
Statistical discrepancy	10

Using the above data, calculate the following:

- i. National Income (NI) (5 marks)
  - ii. Gross National Product (GNP) (4 marks)
  - iii. Gross Domestic Product (GDP) (4 marks)
- b. The following table shows the national income figures, price indices and population for a hypothetical country in years 2013 and 2014.

	2013	2014
National GDP	RM5000 million	RM7200 million
Price index (year 2000=100)	120	160

- i. Calculate the real GDP in years 2013 and 2014. (4 marks)
- ii. Calculate the rate of economic growth between 2013 and 2014. (3 marks)

**[Total: 20 marks]**

## Question 2

- a. Using aggregate demand and supply of labor framework, explain the effects of real wage and full employment level of employment for each of the following events.
- i. An increase in expected future real wage (5 marks)
  - ii. A decrease in participation rate (5 marks)
  - iii. An increase in productivity (5 marks)
- b. An economy has full-employment output of 6000. Government purchases  $G$  are 1200. Desired consumption and desired investment are
- $$C^d = 3600 - 2000r + 0.20Y$$
- $$I^d = 1200 - 4000r$$
- where  $Y$  is output and  $r$  is real interest rate
- i. Find an equation relating desired national saving, real interest rate and output,  $Y$  (2 marks)
  - ii. If the goods market is in equilibrium, what are the values of the real interest rate? (4 marks)
- [Total: 21 marks]**

## Question 3

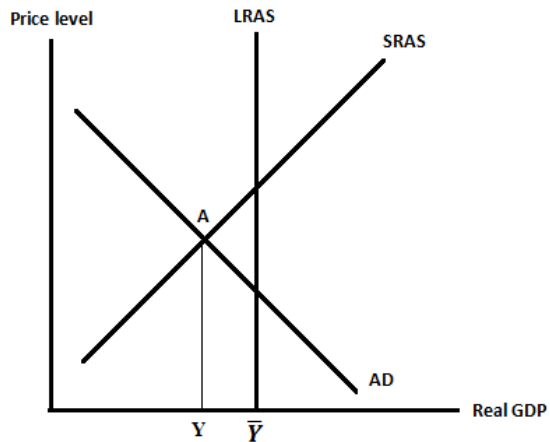
- a. Briefly explain **THREE (3)** functions of money. (9 marks)
- b. Suppose real output is 9000, price level is 1.5 and real money demand is 3000. Calculate the velocity. (4 marks)
- [Total: 13 marks]**

#### Question 4

- a. Describe **THREE (3)** monetary policy instruments which central bank could use to reduce the money supply in the economy.

(12 marks)

- b. Following figure showed that the economy is experiencing a higher level of Real Gross Domestic Product (GDP) than Natural Real GDP.



- i. Identify which gap is facing by this economy.
- ii. With the aid of a diagram (sketch your own diagram), explain how the government could use fiscal policies to solve this gap.

(2 marks)

(12 marks)

**[Total: 26 marks]**

**END OF QUESTION PAPER**