



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ECO1123 Macroeconomics**
Trimester& Year : January – April 2019
Lecturer/Examiner : Chan Kit Yeng
Duration : 2 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (60marks) : FIVE (5) short answer questions. Answers are to be written in the Answer Booklet provided.
PART B (40marks) : THREE (3) structured questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorised 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 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.

Total Number of pages = 5 (Including the cover page)

PART A
INSTRUCTION(S)

: SHORT ANSWER QUESTIONS (60 MARKS)

: Answer all **FIVE (5)** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

The table below shows the exchange rate of 2004 for three different countries: U.S., U.K. and Japan. Their currencies are indicated as the dollar (\$), pound (£) and yen (¥) respectively.

Dollar per pound (\$/£)	1.60
Dollar per yen (\$/¥)	100
Yen per pound (¥/£)	160

- (a) Calculate the following exchange rates for 2004:
- i. Pound per dollar (£/\$) (2 marks)
 - ii. Yen per dollar (¥/\$) (2 marks)
 - iii. Pound per yen (£/¥) (2 marks)
- (b) Define purchasing-power parity. Identify **TWO (2)** limitations of purchasing-power parity? (5 marks)
- (c) Describe **THREE (3)** exchange rate policies. (9 marks)

[TOTAL: 20 marks]

Question 2

- a. What is macroeconomics? (2 marks)
- b. Identify **FOUR (4)** primary issues addressed in macroeconomics? (8 marks)

[TOTAL: 10 marks]

Question 3

Following is the consolidated balance sheet for the commercial banking system. Assume the required reserve ratio is 20 percent.

Assets (RM million)		Liabilities (RM million)	
Reserves	100	Deposits	300
Loans	100		

- What is the amount of excess reserves in this commercial banking system? (2 marks)
- What is the maximum amount that the money supply can expand? (4 marks)
- If the reserve ratio fell to 10 percent, what is now the maximum amount that the money supply can be expanded? (4 marks)

[Total: 10 marks]

Question 4

- Define money. (1 mark)
- Describe **THREE (3)** functions of money with examples. (9 marks)

[Total: 10 marks]

Question 5

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

- Define real GDP. (2 marks)
- Calculate the real GDP in years 2013 and 2014 (4 marks)
- Calculate the rate of economic growth between 2013 and 2014. (4 marks)

[Total: 10 marks]

END OF PART A

PART B
INSTRUCTION(S)

: STRUCTURE QUESTIONS (40 MARKS)

: Answer all **THREE (3)** questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

For each of the following statements, show graphically the expected effects on the equilibrium price and output for aggregate demand (AD) and aggregate supply (AS) in short run, other things remaining constant. Explain.

- a. An increase in nominal wage rates. (5 marks)
- b. An increase in labor productivity. (5 marks)

[Total: 10 marks]

QUESTION 2

Using demand and Supply model of labor market, explain graphically the effects on real wage and full employment level of employment in each of the following cases

- a. An increase in expected future real wage (5 marks)
- b. A decrease in productivity (5 marks)

[Total: 10 marks]

QUESTION 3

The table below shows the prices and the quantities consumed in a country. Suppose the base year is 2012. Calculate

Year	Price of shoes (RM)	Quantity of Shoes (unit)	Price of Jeans (RM)	Quantity of Jeans (unit)
2012	50	100	70	90
2013	50	120	95	100
2014	60	120	115	110

- What are the values of basket for each year? (6 marks)
- What is the value of consumer price index (CPI) for 2012, 2013 and 2014? (6 marks)
- What are the inflation rates for 2013 and 2014? (4 marks)
- Describe **TWO (2)** biases in measuring cost of living using CPI with examples. (4 marks)

[Total: 20 marks]

END OF EXAM PAPER