BERJAYA
UNIVERSITY COLLEGE
OF HOSPITALITY

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures)   :

Student ID (in Words)   :

Subject Code & Name   :   **BBM1302 MACROECONOMICS**
Semester & Year   :   May - August 2016
Lecturer/Examiner   :   Ms. Tey Sheik Kyin
Duration   :   3 Hours

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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.

Question 1

Which of the following statements are Keynesian or Classical economics

a. In a market economy, individuals pursuing their own self-interests seem to be led by an invisible hand to maximize the general welfare of everyone in the economy.

(2 marks)

b. Unemployment can persist because wages and prices don't adjust quickly enough to equalize the number of people that firms want to employ with the number of people who want to work.

(2 marks)

c. Government intervention in the economy may help improve economic performance.

(2 marks)
[Total: 6 marks]

Question 2

Money has three useful functions in an economy. What function is money playing in each of these situations

a. Ali walks into a store in Japan and see that all the prices are in Yen.

(2 marks)

b. Ali buys a candy bar for RM3.50.

(2 marks)

c. Ali deposits RM1000 into his bank account for future uses.

(2 marks)
[Total: 6 marks]

Question 3

For each of the following transactions, state the effect on Malaysia GDP.

a.   The Malaysia Government pays RM1 million in interest to holders of government bonds.

(2 marks)

b.   You pay RM100,000 to purchase the new car imported from Germany.

(2 marks)

c.   Your company produces 100 computer chips and sells them for RM50 each to Computer company, which uses the chips as a component of its computer.

(2 marks)

d.   The Malaysia Government pay RM 1 million in salaries for government workers.

(2 marks)
[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.

Question 1

Following are some data for an economy.

Items	$(million)
Compensation of employees	9911
Consumption expenditures	5560
Proprietor's Income	2260
Rental income of persons	110
Statistical Discrepancy	22
Corporate profit	6941
Tax on production and imports	3450
Business fixed investment	330
interest payment on the national debt	110
Depreciation	340
Net interest	60
Income earned by the rest of the world	500
Income earned from the rest of the world	980
Current surplus of government enterprises	90
Business current transfer payment	65
Government transfer payment	90

Calculate
i. National Income

(5 marks)

ii. Gross National Product

(5 marks)

iii. Gross Domestic Product

(5 marks)

iv. Real Gross Domestic Product if the GDP deflator is 120

(5 marks)

[Total:20 marks]

Question 2

a.   Briefly explain the following terms.

    i.   Frictional unemployment.

                        (4 marks)

    ii.   Structural unemployment.

                        (4 marks)

b.   An economy has full-employment output of 5000. Government purchases are 1000. Desired consumption and desired investment are given by

$$C^d = 3000 - 2000r + 0.10Y$$
$$I^d = 1000 - 4000r$$

where Y is output and r is the real interest rate.

    i.   Calculate the real interest rate that clears the good market.

                        (5 marks)

    ii.   Assume that government purchases increase from 1000 to 1200. What is the real interest rate that clears the goods market?

                        (5 marks)

    iii.   Compare the results of (i) and (ii). What conclusions do you reach?

                        (2 marks)

[Total: 20 marks]

Question 3

For each of the following changes, which equilibrium curve (IS,LM or FE) is shifted? Draw the change in the underlying demand or supply curve and show how the equilibrium curve changes.

a.   Expected inflation increases.

                        (5 marks)

b.   The nominal interest rate on money rises.

                        (5 marks)

c.   Adverse supply shock.

                        (5 marks)

d.   Government purchases increase.

                        (5 marks)

[Total: 20 marks]

Question 4

a. Suppose that a decrease in the demand for goods and services pushes the economy from long-run equilibrium into recessionary gap. If the government does nothing, describe how the economy still will eventually get back to the natural rate of output level. Explain your answer by using an appropriate diagram.

(10 marks)

b. Distinguish between tight and easy money policies.

(10 marks)
[Total: 20 marks]

END OF QUESTION PAPER