



## BERJAYA BUSINESS SCHOOL

### FINAL EXAMINATION

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **ECO1523 MACROECONOMICS**  
 Trimester & Year : September-December 2019  
 Lecturer/Examiner : Dr Smitha Geetha  
 Duration : 3 Hours

#### INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:  
     **PART A (20 marks) : TWO (2) 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 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.

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

**INSTRUCTION(S)** : Answer ALL questions on the answer booklet(s) provided.

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**Question 1**

Explain what happens to saving, investment, and the real interest rate in each of the following scenarios.

- a. An increase in current income (2 marks)
- b. An increase in real interest rate (2 marks)
- c. Expected lower real interest rate (2 marks)
- d. Decline in government purchases (2 marks)
- e. Advance in technology cause an increase in the future marginal productivity of capital (2 marks)

**[Total: 10 marks]**

**Question 2**

Analyze each of the following situations affect the current level of full-employment level of employment and real wage.

- a. Increase in productivity (2 marks)
- b. Increase in wealth (2 marks)
- c. Decrease in working-age population (2 marks)
- d. Decrease in capital stock (2 marks)
- e. Decrease in expected future real wage (2 marks)

**[Total: 10 marks]**

**END OF PART A**

**Question 1**

- a. Describe fiscal policy. (5 marks)
- b. Analyse how the tools of fiscal policy affect aggregate demand. (6 marks)
- c. Distinguish between budget deficit, budget surplus and balanced budget. (9 marks)

**[Total: 20 marks]**

**Question 2**

- a. Discuss the **FOUR (4)** functions of central bank. (4 marks)
- b. Describe the **TWO (2)** types of monetary policy. (6 marks)
- c. Analyze how the tools of monetary policy affect the money supply. (10 marks)

**[Total: 20 marks]**

**Question 3**

- a. Define the concept of money. (2 marks)
- b. Discuss the **THREE (3)** functions of money. (6 marks)
- c. Interpret how money is measured. (6 marks)
- d. Examine macroeconomic variables that affect the demand for money. (6 marks)

**[Total: 20 marks]**

#### Question 4

- a. The nation of Small-Land produces soccer balls, cases of beer, and painkillers. Here are data on prices and quantities of the three goods in 2017 and 2018:

YEAR	BALLS		BEER		PAINKILLERS	
	Quantity	Price (RM)	Quantity	Price (RM)	Quantity	Price (RM)
2017	100	5	300	20	100	20
2018	125	7	250	20	110	25

Assume that 2017 is the base year. Find nominal GDP and real GDP for both years.

- (i) Nominal GDP<sub>2017</sub> (3 marks)
- (ii) Nominal GDP<sub>2018</sub> (3 marks)
- (iii) Real GDP<sub>2017</sub> (2 marks)
- (iv) Real GDP<sub>2018</sub> (3 marks)

- b. Using Income approach, calculate

- (i) National Income (NI) (3 marks)
- (ii) Gross National Product (GNP) (3 marks)
- (iii) Gross domestic product (GDP) (3 marks)

RM (Million)	
Personal Consumption	3,657
Depreciation	400
Wages	3,254
Indirect Business Taxes	500
Interest	530
Domestic Investment	741
Government Expenditures	1,098
Rental Income	17
Corporate Profits	341
Exports	673
Net Foreign Factor Income	20
Proprietor's Income	403
Imports	744

[Total: 20 marks]

END OF PART B