KPTM
KOLEJ POLY-TECH MARA

FINAL EXAMINATION

COURSE	:	**MACROECONOMICS**
COURSE CODE	:	**PEC1164**
DURATION	:	**03 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **TWO (2)** parts   :   PART A (04 questions)
                                                                                     PART B (06 questions)

2. Answer ALL questions from PART A and PART B in the Answer Booklet provided

3. Please check to make sure that this examination pack consists of:
   i. The Question Paper
   ii. An Answer Booklet

4. Do not bring any material into the examination hall unless permission is given by the invigilator.

5. Please write your answer using a ball-point pen.

MYKAD NO : _____

ID. NO.   : _____

LECTURER : _____

SECTION   : _____

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

The question paper consists of 08 printed pages

PART A: SHORT ESSAY QUESTIONS
Answer ALL Questions.

1. **(8 points)**
   a. Define macroeconomics. Explain the objective of achieving   (8 points)
      economic growth from conventional and Islamic perspectives.

2. **(12 points)**
   a. Given C = a +bYd, describe the consumption function.   (5 points)

   b. With a separate diagram, explain the autonomous and induced   (7 points)
      investment.

3. **(12 points)**
   a. Define inflation. Describe **TWO (2)** groups of people that benefit   (6 points)
      from inflation.

   b. Discover **THREE (3)** tools of monetary policy used by the   (6 points)
      government to solve unemployment problems.

4. **(8 points)**
   Table 1 shows the exchange rate of the US Dollar against the major currency for
   the year 2016.

Table 1

Exchange rate	
1 US Dollar	RM4.40
1 US Dollar	50 Yen

   a. Describe the type of exchange rate system implemented above.   (2 points)

   b. Fauzi bought a book for $56 US dollars. How much does he have to   (2 points)
      pay in RM?

   c. Michael Yeoh bought a fur coat from a boutique in Japan for 500 Yen.   (2 points)
      How much does she have to pay in US Dollars?

   d. Explain how does government controls the value of currency using   (2 points)
      devaluation.

PART B : STRUCTURED QUESTIONS
Answer ALL Questions

1. **(10 points)**
   Table 2 shows data of national income for a country. All figures are in RM (million).

Table 2

Items	RM million
Subsidies	450
Factor payment received abroad	100
Manufacturing	700
Public investment	420
Export	320
Corporate profit	105
Consumption expenditure	240
Imports	380
Capital consumption	120
Mining and quarrying	340
Tax on expenditure	110
Agriculture, Forestry and Fishing	210
Factor payment paid abroad	270

Compute:

a. Gross Domestic Product at market price. (3 points)

b. Gross Domestic Product at factor cost. (2 points)

c. National Income. (3 points)

d. Given the value of nominal income is RM43,000 for year 2021 and (2 points)
   increases to RM56,500 for year 2022. The consumer price index for
   the year 2022 is 110. Compute the amount of real income for 2022.

2024/A/PEC1164

2. **(8 points)**

Table 3 shows various levels of income of a country. (All values are in RM million.)

Table 3

Income	Consumption	Saving
150	130	
250	190	
350	250	
450	310	
550	370	
650	430	

a. Find the amount of savings at each level of income. (3 points)

b. Compute the value of marginal propensity to consume (MPC) and marginal propensity to save (MPS). (3 points)

c. State **TWO (2)** factors affecting Muslim's consumer behaviour. (2 points)

3.**(10 points)**
Table 4 refers to the spending information in Langkasuka country. (All values are in RM million.)

Table 4

Consumption function	150 +0.8 Yd
Government spending	275
Investment	180
Tax	20

a. Compute the equilibrium level of national income for the above economy.   (3 points)

b. Assuming that full employment would be experienced at an income level of RM 3,000 million, identify the problem faced by this economy.   (4 points)
    Illustrate your answer with a well-labelled diagram.

c. Using the spending multiplier, compute the change in the amount of government spending that is required to achieve the full employment income level.   (3 points)

4. **(12 points)**

Table 5 shows the balance sheet of AQA Bank for the year ended 2018.

Table 5

Assets		Liabilities	
Cash	RM 14,000	Deposits	RM 70,000
Loans	RM 56,000		
Total	RM 70,000	Total	RM 70,000

a. Define the cash ratio and find its value.   (4 points)

b. Based on the answer in (a), compute the value of:

    i)   Money multiplier. Interpret the value.   (2 points)

    ii) Total money supply.   (2 points)

    iii) Total credit created   (2 points)

c. State **TWO (2)** types of Islamic banking products.   (2 points)

5. **(10 points)**

Table 6 shows the production possibilities of the two countries before trade. Both countries divide their resources equally to produce cotton and fruits.

Table 6

Country	Cotton (Kg)	Fruits (Kg)
Turkey	650	2200
South Korea	1200	2400

a.   State the country that has an absolute advantage in the production of cotton and fruits. Give a reason.   (2 points)

b.   Compute the comparative advantage of producing cotton and fruits in both countries.   (4 points)

c.   State which country should export cotton. Give a reason.   (2 points)

d.   Suggest a term of trade that will equally benefit both countries.   (2 points)

2024/A/PEC1164

6. **(10 points)**
   Table 7 represents the Balance of payments of a country in the year 2021.

Table 7

Items	RM(Millions)
Exports	365,000
Imports	290,890
Freight and insurance	-12,200
Travel	9,000
Others services	10,309
Income from direct investment	23,978
Compensation of employee	15,260
Transfer payments	7,468
Direct investments	2,400
Portfolio investment	4,265
Other Investment	21,323
Errors and omission	-6,960

Compute:

    a.   Balance on goods and services   (4 points)

    b.   Balance on current account   (2 points)

    c.   Balance on Capital and Financial Account   (2 points)

    d.   Overall balance   (2 points)

END OF QUESTION PAPER