



FINAL EXAMINATION

COURSE : MACROECONOMICS

COURSE CODE : PEC2143

DURATION : 02 HOURS

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **THREE (3)** parts : PART A (20 questions)
: PART B (10 questions)
: PART C (03 questions)
2. Answer ALL questions from PART A, PART B and PART C.
 - i. Answer PART A in the Objective Answer Sheet.
 - ii. Answer PART B in the True/False Answer Sheet.
 - iii. Answer PART C 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
 - iii. An Objective Answer Sheet
 - iv. A True/False Answer Sheet
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 10 printed pages

OCT2024/A/PEC2143

PART A: MULTIPLE CHOICE QUESTIONS

Choose the best answer.

1. (1 point)

Which of the following situations best describes public finance?

- A. The study of private sector investments.
- B. The management of resources by private corporations.
- C. The analysis of market trends by financial institutions.
- D. The role of government in managing the economy through revenue and expenditure.

2. (1 point)

The primary purpose of the stabilization function in public finance is to _____.

- A. increase government revenue through taxation
- B. counter situations of inflation and unemployment
- C. reduce economic inequality by taxing the wealthy
- D. allocate resources efficiently across different sectors

3. (1 point)

The government development expenditures consist of _____.

- A. emoluments
- B. debt charges
- C. Pension and gratuities
- D. Defence and security

4. (1 point)

The main function of operating expenditure is to _____.

- A. develop new projects
- B. pay salaries for civil servants
- C. provide subsidies to private businesses
- D. manage social services and infrastructure

5. (1 point)

How does a progressive tax affect people with different income levels?

- A. It charges the same rate for everyone.
- B. It charges higher rates for people with lower incomes.
- C. It charges higher rates for people with higher incomes.
- D. It charges the same rate no matter how much you earn.

6. (1 point)

A budget surplus helps the government to overcome inflation by _____.

- A. reducing government spending
- B. increasing government spending
- C. borrowing more money to invest in new projects
- D. lowering taxes to encourage more consumer spending

7. (1 point)

In which economic situation will the government implement a contractionary fiscal policy?

- A. Recession
- B. Economic depression
- C. High Unemployment
- D. High inflation

8. (1 point)

Mechanization can be defined as _____.

- A. situation when a human operates a machine
- B. using machines to do work instead of humans
- C. installing machines into the human body
- D. advancing machine technology

9. (1 point)

What is the benefit of IR 4.0?

- A. Irresponsible use and manipulation of technology
- B. Increase profitability and efficiency.
- C. Increase production expenses.
- D. Erosion of trust in society.

10. **(1 point)**

Which phase of the industrial revolutions used electric energy to create mass production for the first time?

- A. 1st Industrial Revolution
- B. 2nd Industrial Revolution
- C. 3rd Industrial Revolution
- D. 4th Industrial Revolution

11. **(1 point)**

Which of the following is an impact of Industrial Revolution 4.0?

- A. Reduce defects of goods
- B. Reduction in innovation
- C. Decrease in global trade
- D. Elimination of technology in manufacturing

12. **(1 point)**

Which technological innovation was involved in the National Fourth Industrial Revolution (IR4.0)?

- A. Artificial intelligence
- B. Steam engine and water power
- C. Electrical energy
- D. Automation

13. **(1 point)**

What is the profession related to National Fourth Industrial Revolution (IR4.0)

- A. Journalist
- B. Data scientist
- C. Travel agents
- D. Finance assistant

14. **(1 point)**

Canada produces more tomatoes than another one country, therefore, it has _____ in tomato production.

- A. absolute advantage
- B. competitive disadvantage
- C. comparative advantage
- D. both an absolute and a comparative advantage

15. (1 point)

Which of the following statement best describe a quota?

- A. A sale of goods abroad at a lower price.
- B. A law that bars trade with another country.
- C. A tax imposed by the government on imported products.
- D. A legal limit on the number of units of a product that can be imported.

16. (1 point)

The reason for the infant industries argument is to _____.

- A. reduce the inflation problem
- B. avoid cyclical unemployment
- C. protect new industries during the first few years
- D. avoid sell product at lower price abroad.

17. (1 points)

The price at which one currency exchanges for another currency is called _____.

- A inflation rate
- B exchange rate
- C currency revaluation
- D currency devaluation

18. (1 points)

An appreciation of a currency occurs when one currency becomes _____ in terms of another currency.

- A equal
- B cheaper
- C expensive
- D less or more

19. (1 points)

Under a fixed exchange rate system, the exchange rate is determined by the _____.

- A government
- B supply of foreign exchange
- C demand of foreign exchange
- D forces of demand and supply

20. (1 point)

If the U.S. dollar depreciates relative to the Euro, which of the following is **TRUE**?

- A European goods become cheaper for Americans.
- B American goods become cheaper for Europeans.
- C American tourists will find Europe more affordable.
- D The exchange rate of the dollar against the Euro increases.

PART B: TRUE /FALSE QUESTIONS

Indicate whether the statement is true or false.

1. **(1 point)**
Comparative advantage refers to a country's ability to produce a particular product at a lower opportunity cost than another country.
2. **(1 point)**
A tariff is considered as a direct control by the government of a country to ban certain goods and services from entering the country.
3. **(1 point)**
Protectionism aims to protect domestic industries from foreign competition.
4. **(1 point)**
A current account deficit indicates that exports more than imports.
5. **(1 point)**
To reduce the deficit in balance of payments, the government will discourage exports.
6. **(1 point)**
Portfolio investment is one of the components of the current account.
7. **(1 point)**
Embargo refers to restriction or limitation on the volume of imported goods.
8. **(1 point)**
Balance of payments is a national account which measures all financial transaction and flow of the currency into and out of the economy.
9. **(1 point)**
A surplus in the current account occurs when the receipts from exports are less than the payments for imports.
10. **(1 point)**
Current transfers are unilateral transfers from one country to another in the form of gifts and donations.

PART C: STRUCTURED QUESTIONS

Answer ALL Questions

1. (10 points)

Table 1 shows the production of paddy and palm oil for Malaysia and Thailand. Assume that the resources are divided equally between these two products.

Table 1		
Country	Paddy	Palm Oil
Malaysia	1,200	4,200
Thailand	3,500	2,400

- a. Which country has an absolute advantage in the production of paddy and palm oil? (2 points)
- b. Calculate the opportunity cost of producing paddy and palm oil in both countries. (4 points)
- c. Based on (b), which country should be specialised in the production of paddy? Give your reason. (2 points)
- d. Construct a table to show the number of outputs produced after specialization. (2 points)

2. (10 points)

Table 2 shows the balance of payment for Malaysia in 2023.

Table 2

ITEMS	RM (MILLION)
Export	324,200
Import	124,200
Transportation	5,600
Travel	9,800
Current transfer	2,560
Official long-term capital	2,700
Direct Investment income	4,840
Portfolio investment	7,520
Direct investment	8,480
Other investment	1,970
Error and omissions	6,800

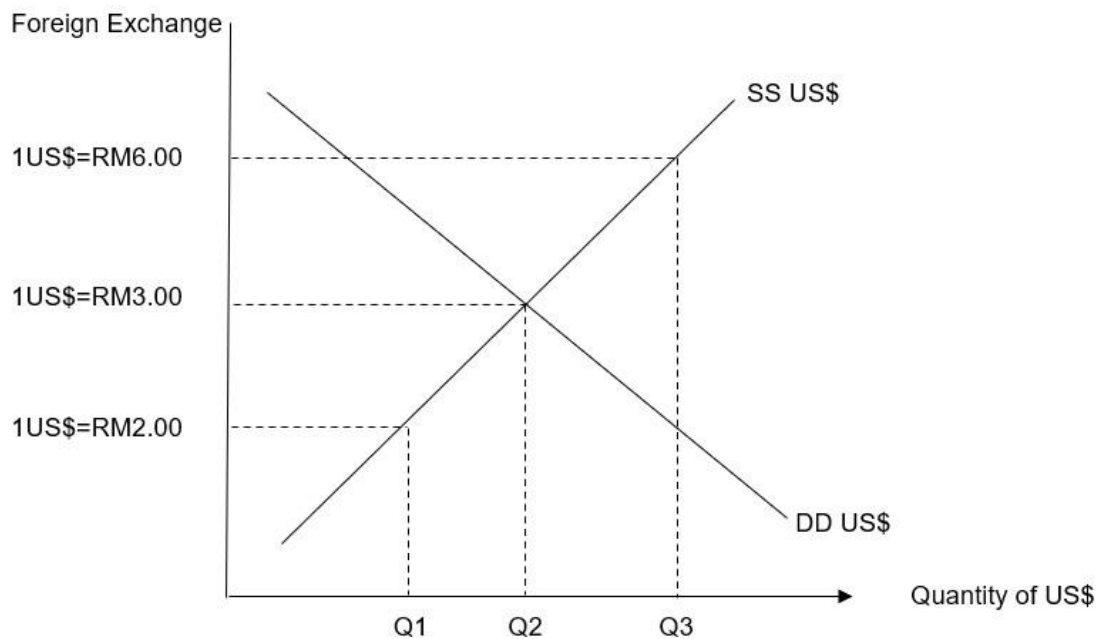
Based on the given information, calculate;

- a. Balance on the trade account. (2 points)
- b. Balance on the service account. (2 points)
- c. Balance on the current account (2 points)
- d. Balance on the capital and financial account. (2 points)
- e. Overall balance. (2 points)

3. (10 points)

Figure 1 represents the exchange rate between US Dollar (\$) to Malaysian Ringgit (RM). Answer the following question based in Figure 1.

Figure 1



- Determine the type of exchange rate system used and justify your answer. (2 points)
- Calculate the value of RM1 in terms of the above foreign currency at the equilibrium exchange rate. (1 point)
- Suraya travelled to the United States and spent US\$2,000 to buy a handbag. Calculate how much she has to pay in Malaysian Ringgit (RM)? (2 points)
- Hudson, a tourist from United State bought an antique clock from Malaysia for RM30,000. Calculate how much he has to pay in US Dollar? (2 points)

- e. If the exchange rate for US Dollar (\$) to Malaysian Ringgit (RM) changes from 1US\$ = RM3.00 to 1US\$ = RM2.00.
- i. Determine whether Malaysian Ringgit appreciated or depreciated. (1 point)
 - ii. Based on answer in e(i), identify **TWO (2)** impacts on Malaysian economy. (2 points)

END OF QUESTION PAPER