FINAL EXAMINATION

COURSE	:	**BUSINESS ECONOMICS**
COURSE CODE	:	**PEC2174**
DURATION	:	**02 HOURS**

<u>**INSTRUCTIONS TO CANDIDATES**</u>:

1. This question paper consists of **THREE (3)** parts :PART A (14 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 ballpoint 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 09 printed pages

OCT2024/B/PEC2174

PART A: MULTIPLE CHOICE QUESTIONS
Choose the best answer.

1. (1 point)
Gross Domestic Product at market price (GDPmp) may be defined as the market value of _____ .

   A. total incomes distributed to producers and shareholders.
   B. all final goods and services produced in an economy in a year
   C. all final and intermediate goods and services produced in an economy anually.
   D. all factors of production used in producing of goods and services in the economy in a year.

2. (1 point)
What does Gross National Product (GNP) measure?

   A. The net exports of a country
   B. The total expenditure on final goods and services
   C. The total value of all goods and services produced within a country's borders
   D. The total income earned by residents of a country, including income from abroad

3. (1 point)
 What is the market price?

   A. The price set by the government
   B. The average price of all goods in a market
   C. The price is determined by supply and demand
   D. The price that consumers are willing to pay regardless of supply

4. (1 point)
 In the income approach, which of the following components represents income earned by capital?

   A. Rent
   B. Wages
   C. Profits
   D. Interest

5. (1 point)
   What does "Net National Product" (NNP) refer to?

   A. GNP plus capital consumption
   B. GNP minus capital consumption
   C. GDP plus net income from abroad
   D. GDP minus net income from abroad

6. (1 point)
   How does national income influence government budgeting?

   A. It dictates interest rates for banks
   B. It determines the prices of all goods
   C. It affects the number of businesses in a country
   D. It helps allocate resources and set priorities for public spending

7. (2 points)
   If the Nominal National Income of a country is RM1,000 billion and the price index is 125, what is the Real National Income?

   A. RM 100
   B. RM 400
   C. RM 500
   D. RM 800

8. (1 point)
   Leakage consists of these **EXCEPT**_____.

   A. taxes
   B. imports
   C. saving
   D. government spending

9. (1 point)
   In an open economy, the correct formula is _____.

   A. $Y = C + M$
   B. $Y = C + I$
   C. $S + T = I + G$
   D. $Y = C + I + G + (X-M)$

10. (1 point)
    Which one is a **CORRECT** statement about consumption?

    A. Autonomous consumption is always a positive number.
    B. Autonomous consumption is consumption is related to income.
    C. Consumption function has a negative relationship with income.
    D. The consumption function can be derived from the investment function.

11. (1 point)
    The average propensity to save is measured by dividing _____.

    A. saving by income
    B. total savings divided by consumption
    C. change in income over change in saving
    D. change in consumption over change in income

12. (1 point)
    What is public finance primarily concerned with?

    A. Corporate profits
    B. International trade
    C. Private investments
    D. Government revenue and expenditures

13. (1 point)
    What type of tax structure imposes a higher rate as income increases?

    A. Flat tax
    B. Proportional tax
    C. Progressive tax
    D. Regressive tax

14. (1 point)
    A budget deficit occurs when _____.

    A. Revenue equals expenditure
    B. Only has government expenditure
    C. Government revenue exceeds expenditure
    D. Government expenditure exceeds revenue

PART B : TRUE /FALSE QUESTIONS
Indicate whether the statement is True or False.

1. (1 point)
   The expenditure method of calculating National Income includes consumption, investment, government spending, and net exports.

2. (1 point)
   Net exports are calculated by subtracting imports from exports in the expenditure method.

3. (1 point)
   In the product method, only final goods and services are included to avoid double counting.

4. (1 point)
   Transfer payments, such as unemployment benefits, are included in National Income calculations.

5. (1 point)
   If the saving function in two-sector economy is $S = -100 + 0.35Y_d$, the value of MPC is 0.65.

6. (1 point)
   When the level of national income is equal to consumption and saving is zero, it is called the income deficit.

7. (1 point)
   In the circular flow of income in a three-sector economy, tax and saving are the leakages.

8. (1 point)
   A proportional tax system is one where the tax rate decreases as the taxable income increases.

9. (1 point)
   Fiscal policy is only concerned with taxation and does not include government spending.

10. (1 point)
    Non-tax revenue can come from sources like fines and fees for services.

PART C : STRUCTURED QUESTIONS
Answer ALL Questions

1. (20 points)

   a. Table 1 below shows data on the national income and savings of a country.

   Table 1

Income (RM million)	Saving (RM million)	Consumption (RM million)
0	-175	
100	-150	
200	-125	
300	-100	
400	-75	
500	-50	

   i.   Calculate the amount of consumption for each level of   (3 points)
        income.

   ii. Determine the amount of autonomous consumption   (1 point)

   iii. The value of Marginal Propensity to Consumer (MPC) and   (4 points)
        Marginal Propensity to Save (MPS).

   iv. State the consumption function.   (1 point)

   v.   The amount of consumption when income is RM 870 million.   (2 points)

b.   Given the following data for a country. All data are in RM million.

Consumption   = $200 + 0.75Y_d$

Investment   = 100

Government Expenditure = 60

Tax   = 20

Answer the following questions based on the data given:

i.   Calculate the national equilibrium income.   (5 points)

ii. Calculate the total savings at the equilibrium level of income.   (2 points)

iii. Calculate the new equilibrium of income when investment is   (2 points)
     increased by RM 50 million

2. (6 points)

   Table 2 shows the total tax paid by two different groups of people in a country at different income levels.

   Table 2

		Group A	Group B
Year 1	Income	3500	3500
	Tax	350	385
	Tax rate	**Q**	**R**
Year 2	Income	2800	2800
	Tax	224	308
	Tax rate	**S**	**T**
	Tax Structure	**U**	**V**

a. Calculate the tax rates for both groups: Q, R, S, and T for both years.   (4 points)

b. Determine the tax structure that each group has adopted, using   (1 point)
   columns U and V.

c. State any **TWO (2)** examples of revenue in an Islamic government.   (1 point)

3. (4 points)

Table 3 shows the various types of government expenditure in a country for 2020.
All figures are in millions.

Table 3

Items	RM Million
Emoluments	4.6
Pensions and gratuities	5.5
Social services	3.6
Asset acquisitions	5.0
Defence and security	4.1
General administration	3.2

Based on the above table, answer the following questions:

a. Calculate the total operating expenditure for this government. (2 points)

b. Calculate the total development expenditure for this government. (2 points)