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ONLINE FINAL EXAMINATION

COURSE : MACROECONOMICS
COURSE CODE : ECO1023
EXAMINATION : JUNE 2022
DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of two (2) parts : PART A (40 Marks)
PART B (60 Marks)
2. Please refer to the detailed instructions in this question paper.
3. Answer ALL questions in the answer sheet which is A4 size paper (or other paper with the consent of the relevant lecturer).
4. Write your details as follows in the upper left corner for each answer sheet:
 - i. Student Full Name
 - ii. Identification Card (I/C) No.
 - iii. Class Section
 - iv. Course Code
 - v. Course Name
 - vi. Lecturer Name
5. Each answer sheet must have a page number written at the bottom right corner.
6. Answers should be **neat and clear in handwritten form**.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

This examination paper consists of 10 printed pages

This part consist of **TWENTY (20)** questions.

Answer **ALL** in Answer Sheet.

1.

“This type of tax is a poll-tax imposed on non-Muslim adults living in an Islamic state which in turn guarantees safety of their lives and properties.”

Statement 1

Based on statement 1, what is the type of tax?

- A *Fai.*
- B *Ushr.*
- C *Kharaj.*
- D *Jizyah.*

2.

Naura pays RM2,200 of tax from her income of RM50,000 and pays RM3,000 from her income of RM70,000.

Statement 2

Based on statement 2, classify the tax structure.

- A Regressive.
- B Progressive.
- C Proportional.
- D Correctional.

3. What is the difference between tariff and quota?

- A Tariff generates tax revenues and quota does not.
- B Tariff stimulates international trade and quota inhibits it.
- C Tariff damages domestic producers and quota aids them.
- D Tariff increases the price of a good and quota decreases it.

4. Which of the following is under non-tax revenue classification?

- A Income tax.
- B Stamp duties.
- C Excise duties.
- D Licenses and permits.

5.

Aggregate demand can be impacted by a few key economic factors. It is helpful in determining the overall strength of consumers and business.

Statement 3

Based on statement 3, how can you explain measurement taken by government to increase aggregate demand?

- A Government should spend less and reduce tax.
- B Government should spend more and reduce tax.
- C Government should spend less and increase tax.
- D Government should spend more and increase tax.

6. Which of the following is not source of Islamic government revenue?

- A *Ushr*.
- B *Jizyah*.
- C *Kharaj*.
- D *Mudharabah*.

7. If Marissa uses her money to buy a latest smart phone by Company S, what is the function of money that is being used?

- A A store of value.
- B A measure of value.
- C A deferred payment.
- D A medium of exchange.

8. Select one of the following that is **not** a function of money supply.

- A Store of value.
- B Receipt for gold.
- C Deferred payment.
- D Medium of exchange.

9. Which of the following is **not** part of the money supply?

- A Gold.
- B Coins.
- C Demand deposits.
- D Traveler's cheque.

10.

The service of issuing bank drafts, cheques, enabling fund transfers from one point to another point and providing advice regarding financial matter.

Statement 4

Based on statement 4, what is the types of bank?

- A Central bank.
- B Merchant banks.
- C Commercial banks.
- D Development banks.

11. Which of the following is the correct objective of monetary policy?

- A Monetary policy acts as the largest and most important providers of funds in the banking system.
- B Monetary policy determines the suitable tax rates to be imposed in favour of the consumers and sellers.
- C Monetary policy is primarily to regulate the money supply in circulation and the credit supplied to the economy.
- D Monetary policy aims to control government spending and revenue in achieving desirable economic growth.

12. What is the limitation of credit creation process ?
- A All excess reserve is loan out to consumers.
 - B Customers are willing to take up the credit on offer.
 - C Cash reserve ratio varies according to economic situation.
 - D In getting loans, bank will ask for collateral security from the borrowers.
13. Which of the followings can be best defined as demand pull inflation?
- A Arises when the economy is under the situation of overheating economy.
 - B Occurs due to increase in aggregate demand (AD) without any increase in the aggregate supply (AS).
 - C Occurs due to a sustained increase in general price level which is pushed up by the high rise in the cost of production.
 - D Caused by various factors such as higher wage rate, larger profit mark-up, expensive raw materials domestically and increase prices of intermediate goods.
14. As a professional athlete, you would tour the world for tournaments. In between tournaments, what types of unemployment you are most likely to experience?
- A Cyclical unemployment.
 - B Frictional unemployment.
 - C Seasonal unemployment.
 - D Structural unemployment.
15. If the consumer price index (CPI) for year 2019 is 118.5, determine the inflation rate.
- A 19 percent.
 - B 20 percent.
 - C 19.5 percent.
 - D 18.5 percent.
16. If the number of unemployed remain unchanged and the number of labour force increases, what will happen with the unemployment rate?
- A Rise.
 - B Fall.
 - C Not change.
 - D Be uncertain.

17. In what condition cost push inflation occurs?
- A When labour wage increases.
 - B When consumer demand rises.
 - C When firms' investment increases.
 - D When government expenditure rises.
18. How can imports be reduced?
- A By tariff only.
 - B By quota only.
 - C By both tariff and import quota.
 - D By neither both tariff and import quota.
19. What happens when currency is devalued?
- A Imports constant.
 - B Imports equal to exports.
 - C Imports greater than exports.
 - D Imports smaller than exports.
20. When the balance of payment is in deficit, which of the following is inaccurate?
- A A persistent deficit which is financed by drawing the reserves would deplete reserves.
 - B It reduces the aggregate demand of goods and services as there is a net outflow of money.
 - C It eases pressure on the prices of domestic goods where the country will reduce prices of local goods.
 - D Imports that are greater than exports the demand for foreign currency increases which causes downward pressure on the value of home currency.

[40 MARKS]

PART B

This part consist of **FOUR (4)** questions.

Answer **ALL** questions in Answer Sheet.

QUESTION 1

Table 1 presents the monetary aggregate money supply for Country IZZ in 2018.

| ITEMS | RM |
|--|---------|
| Paper Money | 7,000 |
| Coins | 3,000 |
| Traveler's checks | 1,500 |
| Demand deposits | 3,000 |
| Repurchase Agreement in Commercial Bank | 6,300 |
| Fixed and savings deposits in other financial institutions | 50,000 |
| Negotiable certificate of deposits (NCD) in Affin Bank Berhad | 40,000 |
| Negotiable certificate of deposits (NCD) in other financial institutions | 140,000 |

Table 1

Calculate the amount of :

- a) Fiat money (2 marks)
- b) Money supply M1 (2 marks)
- c) Money supply M2 (3 marks)
- d) Money supply M3 (3 marks)
- e) Narrow quasi money (2 marks)
- f) Determine **three (3)** quantitative monetary policy tools. (3 marks)

QUESTION 2

Assume Bank IMR receives a deposit of RM21 000 from a customer and its legal reserve requirement is 10%.

- a) Determine how much the bank would lend out. Show your answer on Bank IMR's balance sheet.
(3 marks)
- b) Assuming that the loan shown in Bank IMR's balance sheet is redeposited in Bank ZHN. Demonstrate the changes in Bank ZHN's balance sheet if it lends out the maximum possible.
(3 marks)
- c) Using the simple multiplier, calculates the total money supply resulting from the RM21 000 initial deposit.
(2 marks)
- d) Calculate the amount of credit created by Bank ZHN.
(2 marks)
- e) Determine **five (5)** limitations of credit creation.
(5 marks)

QUESTION 3

Assume that with a given amount of resources (labor land, and capital) the alternatives shown in the table 2 be produced in two countries: A and B.

| Country | Rice (Kg) | Cloth (meter) |
|---------|-----------|---------------|
| A | 1200 | 1800 |
| B | 600 | 480 |

Table 2

- a) Predict which country has an absolute advantage in the production of cloth? Give a reason.
(2 mark)
- b) Calculate the comparative advantage of producing rice and cloth.
(3 marks)
- c) Choose which country should specialize in the production of rice and cloth.
(2 marks)
- d) Construct a table after specialization for both countries and show the total world output.
(2 marks)
- e) In term of trade is 1 cloth : 2 rice, and Country A domestically use 3200 units of cloth, prepare a table the amount of good consumed by both countries after the trade.
(3 marks)
- f) Determine **three (3)** advantages of international trade.
(3 marks)

QUESTION 4

| Item | RM Million |
|------------------------|------------|
| Transportation | 7,000 |
| Portfolio investment | 3,600 |
| Current transfers | 2,020 |
| Capital account | 5,910 |
| Error and omission | 6,000 |
| Other services | 3,200 |
| Direct investment | 3,200 |
| Insurance | 1,030 |
| Government transaction | 2,860 |
| Income from investment | 6,000 |
| Imports | 1,465 |
| Education | 1,810 |
| Other investment | 600 |
| Exports | 2,400 |

Table 3

Calculate the :

- a) Merchandise trade balance (2 marks)
- b) Current account balance (3 marks)
- c) Capital and financial account balance (3 marks)
- d) Overall balance (3 marks)
- e) Does overall balance show a situation of deficit or surplus? Why? (2 marks)
- f) Establish **three (3)** examples of current transfers. (3 marks)

[60 MARKS]

END OF QUESTION PAPER