

**FINAL EXAMINATION****MASTER OF BUSINESS ADMINISTRATION**

COURSE	:	BUSINESS ECONOMICS
COURSE CODE	:	ECO5243
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FOUR (4)** questions.
2. Answer ALL questions 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. Students are NOT allowed to take this question paper out of the examination hall. The use of calculator is allowed.
5. Please write your answer using permanent ink.

MYKAD/ PASSPORT**NO****:****ID. NO.****:****LECTURER****:****SECTION****:**

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

This question paper consists of 4 printed pages including the front page.

Instruction: Answer ALL questions.

QUESTION 1

Lana has a monthly budget of RM200 to spend on only two goods: movies (RM20 per ticket) and meals (RM10 per meal). As an individual with limited income and unlimited wants, Lana faces the economizing problem. She must make choices on how to allocate her resources to maximize satisfaction.

- a. Demonstrate how the economic concepts relate to Lana's choices in allocating her limited income between movies and meals.
(7 marks)
- b. Apply the concepts of trade-offs and opportunity costs in Lana's situation. Show how these influence her decision-making.
(8 marks)
- c. Illustrate Lana's budget line graphically, explain the inefficient, attainable and unattainable combination of goods.
(10 marks)

(Total: 25 marks)

QUESTION 2

Ariq owns a bakery that sells cakes. Recently, flour prices have increased, and at the same time, a new baking machine has been introduced to the market that can reduce baking time. Ariq is considering adopting the new machine while adjusting his production.

- a. Apply the Law of Supply to describe how the price of flour affects Ariq's decision to supply cakes.
(6 marks)
- b. Using a diagram, distinguish between a change in supply and a change in quantity supplied with a bakery example.
(9 marks)
- c. Interpret any **TWO (2)** determinants of supply that may influence Ariq's cake production. Show your answer with a supply curve diagram.
(10 marks)

(Total: 25 marks)

QUESTION 3

The face mask market became highly volatile during the COVID-19 pandemic. Initially, panic buying led to shortages, while later, more producers entered the market. Governments also intervened in the importation and distribution of masks.

- a. Demonstrate how the interaction of supply and demand determines market equilibrium for this situation.
(7 marks)
- b. Illustrate how both changes in supply and demand during the pandemic affected the equilibrium price and quantity of face masks.
(8 marks)
- c. Suppose the government wants to set a price above the equilibrium for labor in the face mask industry. Illustrate pricing policy graphically, and explain **TWO (2)** disadvantages of such pricing.
(10 marks)

(Total: 25 marks)

QUESTION 4

In recent years, there has been debate over whether modern money has “real” value, since most of it exists as digital records in banks. Nevertheless, people continue to use money every day without hesitation.

- a. Explain any **THREE (3)** characteristics why money is considered valuable in the economy. (6 marks)
- b. Demonstrate the relationship between purchasing power and price level. (6 marks)
- c. Justify any **TWO (2)** motives behind people’s demand for money. (6 marks)
- d. Apply how forward guidance can affect the economy’s control over the money supply. (7 marks)

(Total: 25 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER