



FINAL EXAMINATION
DIPLOMA OF ACCOUNTANCY

COURSE	:	PRINCIPLES OF ECONOMICS
COURSE CODE	:	ECO1313
DURATION	:	2 HOURS 30 MINUTES

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **THREE (3)** parts : PART A (20 questions)
: PART B (4 questions)
: PART C (3 questions)
2. Answer ALL questions from PART A and PART B. Answer TWO (2) questions from PART C.
 - i. Answer PART A in the Objective Answer Sheet
 - ii. Answer PART B and C in the Answer Booklet provided.
3. Please check to make sure that this examination pack consists of:
 - i. The Question Paper
 - ii. An Objective Answer Sheet
 - iii. An Answer Booklet.
4. Do not bring any material into the examination hall. The use of calculator is allowed. Students are **NOT** allowed to take this question paper out of the examination hall.
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 11 printed pages including the front page

PART A: MULTIPLE CHOICE**Instruction: Answer ALL questions**

1. Which of the following falls under the definition of money supply M1?
 - i. Current deposit
 - ii. Saving deposits
 - iii. Fixed deposit
 - iv. Demand deposit
 - A. i only
 - B. i and iv
 - C. ii and iii
 - D. i, ii and iv

2. The development of money as a medium of exchange has facilitated the expansion of trade because _____.
 - A. holding money increases people's wealth
 - B. holding money increases people's income
 - C. no other mediums of exchange are available
 - D. money eliminates the "double coincidence of wants" problem

3. The use of dollar bill to purchase a cup of hot chocolate represents the function of money as _____.
 - A. store of value
 - B. unit of account
 - C. investment good
 - D. medium of exchange

4. Which of the following item is included in M2, but **NOT** in M1?
 - A. Paper money.
 - B. Demand deposits.
 - C. Currency in circulation.
 - D. Money held in savings accounts.

5. Kamsiah deposits RM500 into her savings account every month. Her daughter, Lisa, keep all her coins in RHB Bank. These are examples of money functioning as _____.
- A. a store of value
 - B. commodity money
 - C. a medium of exchange
 - D. a standard of deferred payments
6. Contractionary fiscal policy has the following effects **EXCEPT** to _____.
- A. increase the money supply
 - B. reduce aggregate demand
 - C. increase government revenue
 - D. overcome inflationary pressures
7. Government policies regarding changing of interest rate are called _____.
- A. fiscal policy
 - B. income policies
 - C. monetary policy
 - D. supply side policies
8. Which of the following would increase real GDP of an economy?
- A. Raising both tax revenues and government expenditures.
 - B. Cutting both government expenditures and tax revenues.
 - C. Cutting government expenditures and rising tax revenues.
 - D. Cutting tax revenues and rising government expenditures.
9. Fiscal policy is government action to influence aggregate demand and it turn to influence the level of real GDP and the price level through _____.
- A. regulation of net exports
 - B. encouraging business to invest
 - C. expanding and contracting the money supply
 - D. changes in government spending or tax revenues

10. Which of the following intended goal of expansionary fiscal and monetary policy?
- A. An increase in interest rate.
 - B. Equal distribution of income.
 - C. An increase in the price level.
 - D. An increase in the level of aggregate output.
11. Which of the following is **TRUE** about the effect of inflation?
- A. Inflation is more damaging if it is anticipated than if it is not anticipated.
 - B. Inflation promotes social harmony by uniting people against the government.
 - C. Accurate anticipated of inflation is possible for everyone who is well informed about economics events.
 - D. Those who have loaned money at an interest rate below the rate of inflation suffer economic losses.
12. Demand pull inflation may be caused by _____.
- A. an increase in the wage rate
 - B. a fall in per unit cost of production
 - C. an increase in resource availability
 - D. an increase in the aggregate demand
13. The government can reduce unemployment or reduce inflation by _____.
- A. curbing the level of immigration
 - B. manipulating aggregate demand
 - C. manipulating the availability of capital resources
 - D. manipulating the availability of natural resources
14. It is difficult for cyclically unemployed individuals to find jobs because _____.
- A. the economy is in recession
 - B. they have not looked long enough to find a job
 - C. they quit they're at last job and employers view the suspicion
 - D. they do not meet the qualifications required for the available jobs

15. Which of the following individual is included in the labor force?
- A. Irdina, a university graduate, get job offer from a local company.
 - B. Fiona, who would like to work as a stockbroker but is now housewife.
 - C. Ghaffar, who lost his job and gave up looking for work three months ago.
 - D. Hariz, who thinks he could easily earn RM100 per year despite that he is now a patient.
16. A tariff is _____.
- A. a taxes on export
 - B. an indirect business tax
 - C. a taxes on imported goods
 - D. income received by exporting countries
17. The main reason why one nation trades with another is to _____.
- A. improve political alliances
 - B. exploit the advantage of specialization
 - C. save its natural resources from rapid depletion
 - D. eliminate the danger of retaliation from other nations
18. The ratio at which nations will exchange goods and services is known as _____.
- A. discount rate
 - B. term of trade
 - C. exchange rate
 - D. balance of good and services
19. The balance of payment contains information regarding _____.
- A. levels of Malaysia's exports and imports
 - B. purchases of Malaysia's financial assets by foreigners
 - C. purchases of foreign financial assets by Malaysian citizens
 - D. all of the above

20. Which of the value should be subtracted from the value of exported goods to determine the visible balance of trade?
- A. Value of goods imported.
 - B. Value of services exported.
 - C. Value of services imported.
 - D. Income receipts from abroad.

(TOTAL: 20 MARKS)

PART B: STRUCTURED

Instruction: Answer ALL questions.

1. Table 1 below show the list of money supply in a country Malaysia in 2023.

Table 1

ITEMS	RM MILLION
Current deposit	20,000
Coins	11,000
Fixed and saving deposits at RHB Finance Companies	30,000
BNM certificates at commercial bank	120,000
NID's placed at discount house	5,000
Repo's at others financial institution	1,000

a. Calculate:

- i. paper money if fiat money is RM50,000 million.

(2 marks)

- ii. M1, M2 and M3

(6 marks)

- iii. near quasi money

(2 marks)

b. List any **FIVE (5)** types of money.

(5 marks)

(Total: 15 marks)

2. Table 2 below shows the total tax paid by individuals in Luxembourg and France at different income level.

Table 2

Luxembourg	Income Level (USD)	5000	10,000	15,000	20,000
	Tax Paid (USD)	1000	2000	3,000	4,000
	Tax Rate (%)				
France	Income Level (USD)	9000	10000	13000	15000
	Tax Paid (USD)	280	400	700	900
	Tax Rate (%)				

- a. Based on Table 2, answer the following questions below:-

- i. Calculate tax rate for each country for every income level.

(8 marks)

- ii. Determine the tax rate structure adopted by each country.

(2 marks)

- b. List **THREE (3)** conventional government revenues.

(3 marks)

- c. Define operating expenditure and development expenditure.

(2 marks)

(Total: 15 marks)

3. Table 3 shows the total population and labour statistics in 2017 and 2018 in Japan.

Table 3

Types of People	2017 (Million)	2018 (Million)
Employed	6,500	1,500
Unemployed	1,000	2,500
Above 64 years old	250	400
Full time student	100	300
Housewives	20	70
Pensioners	40	100
Disabled	120	20

Calculate :

- total labour force for both years.
(4 marks)
 - unemployment rate for both years.
(4 marks)
 - total number of persons **NOT** in the labour force for 2017 and 2018.
(4 marks)
 - labor force participation rate for both years.
(3 marks)
- (Total: 15 marks)

4. Table 4 show the data on Balance of Payment for Country Malaysia.

Table 4

ITEMS	RM million
Tourism	300
Freight and Insurance	200
Transportation	350
Government transactions	400
Other services	400
Current transfer	100
Net Income	200
Merchandise imports	500
Merchandise exports	550
Net capital	200
Direct investment	100
Portfolio investment	200
Error and omissions	300

Based on the information above, calculate: -

- i. trade balance (3 marks)
- ii. service account balance (3 marks)
- iii. balance on current account (3 marks)
- iv. balance on financial account (3 marks)
- v. overall balance (3 marks)

(Total: 15 marks)

(TOTAL: 60 MARKS)

PART C: SHORT ESSAY

Instruction: Answer only TWO (2) questions.

1. Explain any **THREE (3)** structures of tax with the diagrams.
(10 marks)
2. Explain **FOUR (4)** types of unemployment.
(10 marks)
3. Determine **FOUR (4)** tools of protectionism policy.
(10 marks)

(TOTAL: 20 MARKS)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER

