

**FINAL EXAMINATION****DIPLOMA OF ACCOUNTANCY**

COURSE	:	MACROECONOMICS
COURSE CODE	:	ECO1143
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 10 printed pages including the front page

PART A: MULTIPLE CHOICE

Instruction: Answer ALL questions

1. Contractionary monetary policy aims to _____.
 - A. reduce population
 - B. control unemployment
 - C. increase money supply
 - D. decrease money supply

2. Which of the following is a tool of fiscal policy?
 - A. Discount rate
 - B. Reserve requirement
 - C. Government expenditure
 - D. Base lending rate /bank rate/ discount rate

3. If the economy is experiencing high inflation and low unemployment, the most appropriate policy combination would be _____.
 - A. expansionary fiscal policy and expansionary monetary policy
 - B. expansionary fiscal policy and contractionary monetary policy
 - C. contractionary fiscal policy and expansionary monetary policy
 - D. contractionary fiscal policy and contractionary monetary policy

4. When a central bank sells government securities in the open market, the main objectives is to _____.
 - A. lower taxes
 - B. increase exports
 - C. reduce money supply
 - D. increase money supply

5. Fiscal policy is mainly controlled by the _____.
 - A. government
 - B. central bank
 - C. stock exchange
 - D. commercial banks

6. Which of the following may cause cost-push inflation?
- A. Decrease in population
 - B. Decrease in import prices
 - C. Reduction in government spending
 - D. Increase in wages and raw material prices
7. Which of the following is an effect of inflation on the economy?
- A. Affects the BOP
 - B. Reduction in cost of living
 - C. Increase in the value of money
 - D. Encourage investment and savings
8. During inflation, the purchasing power of money tends to _____.
- A. double
 - B. increase
 - C. decrease
 - D. remain unchanged
9. If the CPI increases from 120 to 126, the inflation rate is _____.
- A. 2%
 - B. 4%
 - C. 5%
 - D. 6%
10. Which of the following is a possible government measure to control inflation?
- A. Increasing taxes
 - B. Reducing interest rates
 - C. Reducing reserve requirements
 - D. Increasing government spending
11. Unemployment refers to a situation where _____.
- A. people refuse to work
 - B. students are not employed
 - C. people work part-time only
 - D. individuals willing and able to work but cannot find suitable jobs

12. Which type of unemployment occurs due to changes in technology?
- A. Cyclical unemployment
 - B. Frictional unemployment
 - C. Seasonal unemployment
 - D. Technological unemployment
13. Which of the following is an example of seasonal unemployment?
- A. Graduates searching for their first job
 - B. Workers retrenched during recession
 - C. Factory workers losing jobs due to robots
 - D. Hotel workers unemployed during off-peak seasons
14. The unemployment rate is measured by _____.
- A. $\text{total employed} \div \text{labour force} \times 100$
 - B. $\text{total labour force} \div \text{population} \times 100$
 - C. $\text{total unemployed} \div \text{labour force} \times 100$
 - D. $\text{total unemployed} \div \text{total population} \times 100$
15. Frictional unemployment happens when _____.
- A. machines replace workers
 - B. there is an economic recession
 - C. demand for products falls sharply
 - D. workers are temporarily between jobs
16. Using money to buy a burger at a restaurant shows the function of money as _____.
- A. store of value
 - B. unit of account
 - C. measure of inflation
 - D. medium of exchange
17. Which function of money allows people to save purchasing power for future use?
- A. Store of value
 - B. Unit of account
 - C. Medium of exchange
 - D. Standard of deferred payment

18. M1 money supply normally includes _____.
A. shares and bonds
B. fixed deposits only
C. government securities only
D. fiat money and demand deposit
19. Which of the following is included in M2 money supply?
A. Gold reserves
B. Savings deposits
C. Currency notes only
D. Demand deposits only
20. The institution mainly responsible for controlling the money supply in Malaysia is _____.
A. commercial banks
B. Ministry of Finance
C. Bank Negara Malaysia
D. International Monetary Fund

(TOTAL: 20 MARKS)

PART B: SHORT STRUCTURED

Instruction: Answer ALL questions.

1. Table 1 shows Malaysia's total population, labour force and employment in 2016, 2021 and 2026.

Table 1

Items	Year (in million)		
	2016 ('000)	2021 ('000)	2026 ('000)
Total population	31,200	33,900	36,500
Labour Force	16,800	17,900	19,400
Total Employment	16,200	16,500	18,300

- a. Based on Table 1:

i. calculates the unemployment rate for each year.

(6 marks)

ii. which year has the highest unemployment rate?

(1 mark)

- b. Table 2 shows total labour force, including employed and unemployed people in South Korea.

Table 2

Year	Unemployed ('000)	Employed ('000)	Total Labour Force ('000)
2021	(i)	11,500	16,000
2022	3,200	(ii)	18,000
2023	2,750	15,250	(iii)
2024	(iv)	17,800	21,000
2025	4,500	(v)	24,000

- i. Fill in the blanks with appropriate answers.

(5 marks)

ii. List **THREE (3)** types of unemployment.

(3 marks)

(Total: 15 marks)

2. Table 3 shows the components of money supply in Malaysia for the year 2026.

Table 3

ITEMS	RM (million)
Coins	4,500
Paper money	6,800
Demand deposits in Public Bank Berhad	10,200
Savings deposits in commercial banks	13,500
Fixed deposits in finance companies	9,400
Negotiable certificates of deposits in insurance companies	5,600
Central Bank Treasury Bills	11,300

Calculate:

- i. fiat money.

(2 marks)

- ii. M1, M2 and M3.

(9 marks)

- iii. near quasi money.

(2 marks)

- iv. broad quasi money.

(2 marks)

(Total: 15 marks)

3. Table 4 shows the maximum output that can be produced by two countries: Italy and France. Assume that the resources are divided equally between the production of both goods.

Table 4

Country	Pizza (boxes)	Pasta (boxes)
Italy	12,000	8,000
France	6,000	6,500

- a. Which country has an absolute advantage in the production of pizza? Why? (2 marks)
- b. Calculate the opportunity cost of producing pizza and pasta for both countries. (4 marks)
- c. Which country has a comparative advantage in the production of pasta? Why? (2 marks)
- d. Construct the output table after specialization. (3 marks)
- e. Suggest the terms of trade that will benefit both countries equally. (4 marks)
- (Total: 15 marks)

4. Data on Balance of Payment for Country Malaysia is shown below.

Table 5

ITEMS	RM (million)
Import	950
Export	1,480
Net income	430
Tourism services	360
Insurance services	250
Transportation	290
Current transfer	210
Foreign direct investment	680
Portfolio investment	520
Banking and finance	410
Error and Omissions	140

- a. Based on Table 5, calculate:

- i. trade balance

(3 marks)

- ii. service account balance

(3 marks)

- iii. current account balance

(3 marks)

- iv. capital and financial account balance

(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 **FOUR (4)** functions of commercial banks in the financial system. (10 marks)
2. Briefly explain any **FIVE (5)** advantages from international trade. (10 marks)
3. Discuss **FOUR (4)** advantages of floating exchange rates. (10 marks)

(TOTAL: 20 MARKS)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER