

**FINAL EXAMINATION****BACHELOR OF BUSINESS ADMINISTRATION (HONOURS)****COURSE : MACROECONOMICS****COURSE CODE : ECO2173****DURATION : 3 HOURS****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 Answer Booklet
 - iii. An Objective Answer Sheet
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.

MY KAD/PASSPORT NO : _____**ID NUMBER :** _____**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. A tax structure in which the lower-income group pays a higher proportion of their income in taxes compared to the higher-income group is known as a _____.
 - A. floating tax
 - B. regressive tax
 - C. progressive tax
 - D. proportional tax

2. Which of the following are examples of indirect taxes in Malaysia?
 - A. Capital gain taxes.
 - B. Services and sales tax.
 - C. Petroleum revenue tax.
 - D. Corporate or business tax.

3. Government policies regarding taxes and expenditures are called _____.
 - A. fiscal policy
 - B. income policy
 - C. monetary policy
 - D. supply-side policy

4. Which of the following are examples of direct taxes?
 - A. Sales tax.
 - B. Services tax.
 - C. Entertainment tax.
 - D. Individual income tax.

5. A tax that is a constant proportion of the income for all households is called a _____.
 - A. flat tax
 - B. regressive tax
 - C. progressive tax
 - D. proportional tax

6. Quota refers to the _____.
- A. policy to protect infant industry
 - B. restriction or limitation on the volume of imported goods
 - C. restrictions by the government on the supply of foreign currency in the country
 - D. banning of items from entering the country by a government due economics, social or political reasons
7. After Malaysia introduces a tariff in the market for wheat, the price of wheat in Malaysia will _____.
- A. increase
 - B. decrease
 - C. remain the same
 - D. change in an indeterminate manner
8. The main purpose why one nation trade with another is to _____.
- A. improve political alliances
 - B. exploit the benefits of specialisation
 - C. protect its natural resources from rapid depletion
 - D. eliminate the danger of retaliation from other nations
9. Embargo is refer to the _____.
- A. policy to protect infant industry
 - B. restriction or limitation on the volume of imported goods
 - C. restrictions by the government on the supply of foreign currency in the country
 - D. banning of items from entering the country by a government due economics, social or political reasons
10. *"Trade takes place on the basis of countries exercising absolute advantage over one another"*

Which economic model is based on the idea described above?

- A. Ricardian model.
- B. Adam Smith model.
- C. Solow Growth model.
- D. Heckscher-Ohlin model.

11. The record of a country's transaction in goods, services and assets with the rest of the world is its _____.

- A. capital account
- B. current account
- C. balance of trade
- D. balance of payment

12. By using the following information, calculate the value of overall balance.

Balance of current account = RM 54,000 million
Balance on capital account = RM 60,000 million
Errors and omission = RM 7,800 million

- A. RM 1,800 million
- B. RM 106,000 million
- C. RM 114,000 million
- D. RM 121,800 million

13. There is a positive trade balance when _____.

- A. exports equal imports
- B. the balance of payment balances
- C. the current and capital account are equals
- D. the value of merchandise exports exceeds the value of merchandise imports

14. Which of the following **NOT** included in the current account balance?

- A. Net income.
- B. Current transfer.
- C. Financial account.
- D. Balance of goods and services.

15. The difference between current account balance and capital account balance is the _____.

- A. trade deficit
- B. trade balance
- C. balance of payments
- D. statistical discrepancy

16. An exchange rate refers to the _____.
- A. interest rate set by a country's central bank
 - B. total value of a country's imports and exports
 - C. amount of foreign reserves held by a government
 - D. price of one country's currency in term of another country's currency
17. Under a system of floating exchange rate, an excess supply of a currency will lead to _____.
- A. an appreciation of a currency
 - B. a depreciation of the currency
 - C. a long term surplus of that currency
 - D. a short term surplus of that currency
18. If the exchange rate of yen for dollars increases from 100 yen=USD1 to 120 yen=USD1, then _____.
- A. the yen has appreciated
 - B. the dollar has depreciated
 - C. Japanese goods will become more expensive
 - D. U.S produced goods will become more expensive
19. A fall in the value of currency relative to another currency is _____.
- A. a floating of a currency
 - B. a depreciation of a currency
 - C. an appreciation of a currency
 - D. a strengthening of a currency
20. Which of the following would be credit item in the Malaysia balance of payments?
- A. A Malaysia firm hires a non Malaysian citizen.
 - B. The Malaysia government lends Russian money.
 - C. A Malaysian travels to London for a two weeks' vacation.
 - D. A Malaysia company sells computer software to company in Mexico.

(TOTAL: 20 MARKS)

PART B: STRUCTURED

Instruction: Answer ALL questions.

1. a. Table 1 shows the total tax paid by Country A and Country B at different income levels. Based on Table 1, calculate and identify the tax structure adopted by each country.

Table 1

Total taxable income	Total tax	
	Country A	Country B
8,000	400	160
9,000	360	360
10,000	300	600

(8 marks)

- b. Table 2 shows the government spending and tax revenue for hypothetical economy over a five (5) year period. Based on Table 2, calculate the amounts of budget for each year and identify the years in which the government experienced surplus and deficit budget.

Table 2

Years	Government Spending (RM million)	Tax Revenues (RM million)
2020	720	740
2021	760	780
2022	820	790
2023	870	830
2024	910	950

(7 marks)

(Total: 15 marks)

2. Table 3 shows the output that can be produced by two countries; Malaysia and India. Assume that the resources are divided equally between these two products.

Table 3

Countries	Grapes	Watermelon
Malaysia	200	800
India	300	600

- a. Which country has an absolute advantage in the production of watermelon? Justify your answer.
(2 marks)
- b. Calculate the opportunity cost of producing grapes and watermelon for both countries. Identify comparative advantage for each country.
(6 marks)
- c. Construct the output table after specialization.
(2 marks)
- d. Describe any **TWO (2)** differences between international trade and domestic trade.
(5 marks)
- (Total: 15 marks)

3. Table 4 shows data on Balance of Payment for Malaysia.

Table 4

Items	RM million
Portfolio investment	1,200
Other investment	4,200
Merchandise exports	7,500
Current transfer	3,500
Banking and Finance	2,500
Merchandise imports	2,800
Capital account	1,800
Transportation	1,800
Government transaction	600
Net income	900
Direct investment	1,400
Error and Omission	- 250

- a. Based on the given information, calculate:
- i. Trade balance. (2 marks)
 - ii. Service account balance. (3 marks)
 - iii. Balance on current account. (3 marks)
 - iv. Capital and financial account balance. (3 marks)
 - v. Overall balance. (2 marks)
- b. Refer to your answer in a, (i) identify whether Malaysia is experiencing trade surplus or trade deficit. Why? (2 marks)
- (Total: 15 marks)

4. a. Table 5 shows the exchange rate of the Ringgit Malaysia (RM) against major currencies for the year 2024. Based on Table 5, convert the exchange rates into units of foreign currencies.

Table 5

Currency	Exchange rate in terms of RM	Exchange rate in foreign currency
1 US Dollar	RM 6.00	
1 British Pound	RM 7.00	
100 Japanese Yen	RM 360.00	
100 Brunei Dollar	RM 310.00	
1000 Indonesian Rupiah	RM 1.40	
100 Peso Mexico	RM 21.29	
1 Saudi Riyal	RM 1.07	
1 Singaporean Dollar	RM 3.28	
1 Euro Dollar	RM 4.72	
1000 Turkish Lira	RM 230.00	

(10 marks)

- b. Describe any **TWO (2)** advantages of floating exchange rates.

(5 marks)

(Total: 15 marks)

(TOTAL: 60 MARKS)

PART C: SHORT ESSAY

Instruction: Answer only TWO (2) questions.

1. With example, distinguish **TWO (2)** components of government expenditure.
(10 marks)
2. Explain any **FOUR (4)** advantages of a country involved in international trade.
(10 marks)
3. Describe any **FOUR (4)** measures to overcome a Balance of Payment disequilibrium.
(10 marks)

(TOTAL: 20 MARKS)
(TOTAL: 100 MARKS)

END OF QUESTION PAPER