

**FINAL EXAMINATION****BACHELOR OF ACCOUNTANCY (HONOURS)****COURSE : ECONOMICS****COURSE CODE : ECO2303****DURATION : 3 HOURS****INSTRUCTIONS TO CANDIDATES:**

1. This question paper consists of **THREE (3)** parts. : PART A (20 questions)
: PART B (3 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; and
 - 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 a 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.

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 country's nominal GDP increased by 8% while real GDP increased by 2%. This suggests _____.
 - A. population decreased
 - B. the output has declined
 - C. the economic growth is strong
 - D. inflation has contributed significantly to the GDP increase

2. A bakery bakes bread with flour produced in-house. If both flour and bread are counted in GDP, the results will _____.
 - A. lower gdp
 - B. accurate gdp
 - C. double counting
 - D. net exports increase

3. Given:

C = 210,000; I = 100,100; G = 14,500; X = 5,000; M = 2,200

Calculate the GDP.

 - A. 327, 400
 - B. 327, 600
 - C. 329, 400
 - D. 331, 400

4. Which indicator **BEST** reflects improvement in economic welfare?
 - A. Imports
 - B. Tax revenue
 - C. Nominal GDP
 - D. Real GDP per capita

5. The equation for Gross Domestic Product (GDP) using the expenditure approach is _____.
 - A. $C + I + G + (X - M)$
 - B. $C + I + G + (M - X)$
 - C. $C + I + G + (X + M)$
 - D. $C + I + G - (M - X)$

6. When interest rates increase, speculative demand for money will _____.
A. increase
B. decrease
C. become zero
D. remain constant
7. If Bank Negara Malaysia sells bonds in the open market, the likely outcome is _____.
A. increase in loans
B. lower interest rate
C. increase in money supply
D. decrease in the money supply
8. Which of the following is the largest component of the money supply M1 in Malaysia?
A. Notes and coins.
B. Demand deposits.
C. Traveller's checks.
D. Paper money only.
9. Bank Negara Malaysia is frequently considered as banker to the banks because it _____.
A. accepts deposits from the public
B. has no monopoly power in printing paper currency
C. lower the discount rate in order to restrict the money supply
D. holds bankers' reserves, provides banks with currency and loans and clears their checks
10. Adam transfers RM5000 from his checking account to his savings account. This transaction will _____.
A. increase both the M1 and M2
B. decrease both the M1 and M2
C. not change M1 and decrease the M2
D. decrease the M1 and do not change M2

11. During recession, expansionary fiscal policy involves _____.
A. increasing taxes
B. reducing spending
C. increasing interest rate
D. increasing government spending
12. Aminah deposits RM400 into her savings account every month. Her daughter, Siti, keeps all her coins in CIMB Bank. These are examples of money functioning as a/an _____.
A. store of value
B. emergency money
C. medium of exchange
D. standard of deferred payments
13. Tight monetary policy refers to an action taken by Bank Negara Malaysia to _____.
A. expand the money supply
B. contract the money supply
C. reduce the demand for money
D. increase the demand for money
14. If Syasya places a part of her summer income as cash in a safety deposit box, she is employing money as a _____.
A. store of value
B. measure of value
C. medium of exchange
D. standard for deferred payment
15. As income rises, the amount of money for transaction purposes _____.
A. falls
B. rises
C. remains
D. equal to zero
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16. The tax structure in which the rich pay a larger percentage of their income than the poor is known as _____.
A. floating tax
B. regressive tax
C. progressive tax
D. proportional tax

17. A surplus budget occurs when government spending is _____.
A. equal to revenue
B. less than revenues
C. greater than revenues
D. dependent on expenditures
18. The single most important source of government revenue is _____.
A. excise tax
B. income tax
C. petroleum royalty
D. sales and services taxes
19. Fiscal policy includes the following, **EXCEPT** for a change in _____.
A. income tax
B. non-tax revenue
C. legal reserve requirement
D. government expenditures
20. Below is consider development expenditure **EXCEPT** _____.
A. emoluments
B. public healthcare
C. law enforcement
D. government administration

(TOTAL: 20 MARKS)

PART B: STRUCTURED**Instruction: Answer ALL questions.**

1. a. Table 1 shows the data of a country for the year ended December 2024.

Table 1

Items	RM (million)
Consumer expenditure	250 000
Government expenditure	18 000
Private investment	72 000
Public investment	35 000
Wages and salaries	120 000
Rental income	32 000
Net exports	4 500
Taxes on expenditure	60 000
Subsidies	8 500
Direct taxes	10 000
Net property income from abroad	5 000
Capital consumption	50 000

- i. Calculate the Gross Domestic Product (GDP) at market price. (3 marks)
- ii. Calculate the national income. (4 marks)
- iii. Explain **TWO (2)** problems in measuring national income. (3 marks)

- b. Given is the information of a three-sector economy. All values are in RM million.

Consumption (C)	=	$280 + 0.75Y_d$
Investment (I)	=	180
Taxes (T)	=	40
Government expenditure (G)	=	720

- i. Derive the consumption function after tax. (2 marks)
- ii. Calculate the income equilibrium for this economy. (3 marks)

(Total: 15 marks)

2. a. Table 2 shows the money supply data for the year 2019.

Table 2

Items	RM million
Private sector's deposits with finance companies	25 000
Demand deposits	110 000
Negotiable instruments of deposits (NIDS) placed with finance companies and merchant banks	18 000
Bank Negara certificates	120 000
Fixed and saving deposits in commercial banks	80 000
Negotiable instruments of deposits (NIDS) placed with commercial banks	15 000
Fiat money	25 000

- i. Calculate M1, M2 and M3. (6 marks)
 - ii. Calculate narrow quasi-money and broad quasi - money. (3 marks)
- b. Assuming Hero Bank receives a deposit of RM5 000 from a customer and faces a required reserve of 25%. Answer the question below:
- i. Calculate the total money supply and credit that can be created from the initial deposit. (4 marks)
 - ii. Explain **TWO (2)** motives for holding money. (2 marks)

(Total: 15 marks)

3. Table 3 below shows the total tax paid by individuals from three countries at different income levels.

Table 3

Total taxable income	Total Tax		
	Country A	Country B	Country C
9,000	400	400	160
10,000	450	360	360
11,000	500	300	600

- a. Based on data in Table 3;

- i. Calculate the tax rate for each country.

(9 marks)

- ii. Determine the tax rate structure adopted by countries A and C.

(1 mark)

(Total: 10 marks)

(TOTAL: 40 MARKS)

PART C: SHORT ESSAY**Instruction: Answer only TWO (2) questions.**

1. a. Using an appropriate diagram, explain the circular flow of income in a two -sector economy.
(10 marks)
 - b. Explain **FOUR (4)** uses of national income statistics.
(10 marks)
(Total: 20 marks)
 2. a. Discuss **FOUR (4)** characteristics of money in Malaysia.
(10 marks)
 - b. Explain **FOUR (4)** monetary policy tools to see their effectiveness in controlling inflation.
(10 marks)
(Total: 20 marks)
 3. a. Discuss **TWO (2)** components of government expenditure.
(10 marks)
 - b. Explain the **THREE (3)** types of tax structure with the aid of diagrams.
(10 marks)
(Total: 20 marks)
- (TOTAL: 40 MARKS)
- (TOTAL: 100 MARKS)**

END OF QUESTION PAPER