

**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 11 printed pages including the front page

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

1. Gross Domestic Product (GDP) is defined as _____.
 - A. the total market value of all final goods and services produced by citizens of a country.
 - B. the total market value of all final goods and services produced during a period of time.
 - C. the total value adjusted for depreciation of all final goods and services produced during a period of time.
 - D. the total market value of all factor inputs, intermediate and final products produced during a period of time.

2. Adding both the value of the flour and the bread in the national income accounting would result in _____.
 - A. value added
 - B. double counting
 - C. underestimating GDP
 - D. lack of professionalism

3. The difference between Gross Domestic Product (GDP) at market prices and at factor cost is due to _____.
 - A. imports and exports
 - B. sales taxes and subsidies
 - C. corporate tax and personal income
 - D. depreciation value and transfer payment

4. An increase in _____ best indicates an improvement in the economic growth.
 - A. real personal income
 - B. real per capita income
 - C. nominal national income
 - D. nominal disposable income

5. The equation for Gross Domestic Product (GDP) using the expenditure approach is _____.
- A. $C + I + G + M - X$
 - B. $C + I + G + X + M$
 - C. $C + I + G + X + M$
 - D. $C + I + G - (M - X)$
6. People hold money in reserve for unexpected expenses. This motive for holding money is called _____.
- A. spending motive
 - B. speculative motive
 - C. transaction motive
 - D. precautionary motive
7. 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. lowers the discount rate to restrict the money supply
 - D. holds banker's reserves, provides banks with currency and loans, and clears their checks
8. Money used for transactions is known as _____.
- A. M1
 - B. M2
 - C. near money
 - D. broad money
9. Coins in people's pockets and purses are _____.
- A. excluded from M1 and M2
 - B. included in M2 but not in M1
 - C. included in both M1 and in M2
 - D. excluded in both M1 and in M2

10. When you promise to pay sums of money in the future, money is performing the function of _____.
- A. store of value
 - B. measure of value
 - C. medium of exchange
 - D. standard of deferred payment
11. Holding deposits of households and firms and making loans to the public are the basic functions of _____.
- A. Tabung Haji
 - B. Maybank Berhad
 - C. Takaful Insurance
 - D. Bank Negara Malaysia
12. Airish deposits RM200 into her savings account every month. Her daughter, Carol, 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. Bank Negara Malaysia (BNM) should implement a contractionary monetary policy by _____.
- A. reducing interest rate
 - B. decreasing discount rate
 - C. decreasing the required reserve ratio
 - D. selling securities in an open market operation
14. The speculative demand for money is the stock of money that people hold to _____.
- A. buy stocks, bonds and financial assets
 - B. pay their predictable, everyday expenses
 - C. pay for any unexpected expenses that may occur
 - D. buy the foreign currencies needed to purchase imports

15. As income rises, the amount of money for transaction purposes _____.

- A. falls
- B. rises
- C. remains
- D. equal to zero

16.

The burden of tax cannot be shifted to another parties.

The above statement referred to _____.

- A. sales tax
- B. import duties
- C. corporate tax
- D. government service tax

17. Which of the following is **NOT** a source of government non-tax revenue?

- A. Fines
- B. Refunds
- C. Service fees
- D. Licenses fees

18. A tax that is a constant proportion of the income for all households is called a/an _____ tax.

- A. indirect
- B. regressive
- C. progressive
- D. proportional

19. The government controls the problem of recession by imposing a _____ budget.

- A. deficit
- B. neutral
- C. surplus
- D. balanced

20. Below is consider development expenditure **EXCEPT** _____.

- A. emoluments
- B. law enforcement
- C. public healthcare
- 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 2015.

Table 1

Items	RM (million)
Consumer expenditure	210 000
Government expenditure	14 500
Private investment	60 100
Public investment	40 000
Wages and salaries	100 000
Rental income	28 000
Net exports	2 800
Taxes on expenditure	56 000
Subsidies	7 000
Direct taxes	8 000
Net property income from abroad	3 400
Capital consumption	42 000

- i. Calculate the Net Domestic Product (NDP) at market price. (4 marks)
- ii. Calculate the national income. (3 marks)
- iii. Explain **TWO (2)** uses of calculating national income. (3 marks)

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

Consumption (C)	=	$300 + 0.6Y_d$
Investment (I)	=	150
Taxes (T)	=	20
Government expenditure (G)	=	650

- 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	21 720
Demand deposits	90 300
Negotiable instruments of deposits (NIDS) placed with finance companies and merchant banks	15 500
Bank Negara certificates	110 230
Fixed and saving deposits in commercial banks	63 400
Negotiable instruments of deposits (NIDS) placed with commercial banks	11 800
Fiat money	20 155

- i Calculate M1, M2 and M3.

(6 marks)

- j Describe quasi money and calculate its value.

(3 marks)

- b. Assuming Hero Bank receives a deposit of RM2 000 from a customer and faces a required reserve of 20%. Answer the question below:

- i. Calculate the total money supply and credit that can be created from the initial deposit.

(4 marks)

- ii Describe **TWO (2)** limitations of the credit creation process.

(2 marks)

(Total: 15 marks)

3. Table 3 shows the government expenditure and tax revenue for a hypothetical economy over 2 years. All figures are in billions.

Table 3

Items	2022 (RM billion)	2023 (RM billion)
Government revenue	250	470
Infrastructure	220	240
Interest Payments	160	180
Wages & Subsidies	60	70

- a. Based on data in Table 3;

- i. Calculate the amount of government expenditures for both years.

(4 marks)

- ii. Calculate the percentage change of operating expenditure and development expenditure from 2022 to 2023.

(4 marks)

- iii. Determine the type of budget for both years. Justify your answer.

(2 marks)

(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 three-sector economy.
(10 marks)
 - b. Explain **FOUR (4)** problems of calculating national income statistics.
(10 marks)
(Total: 20 marks)
 2. a. Discuss **FOUR (4)** functions of commercial banks in Malaysia.
(10 marks)
 - b. Explain **FOUR (4)** instruments that the Bank Negara Malaysia can adopt to implement a "tight" (contractionary) monetary policy.
(10 marks)
(Total: 20 marks)
 3. a. Explain how fiscal policy can be used to overcome the problem of unemployment.
(10 marks)
 - b. With a diagram, explain **THREE (3)** types of tax structure adopted in a country.
(10 marks)
(Total: 20 marks)
- (TOTAL: 40 MARKS)
- (TOTAL: 100 MARKS)

END OF QUESTION PAPER

