BRIDGING EXEMPTION TEST
SEMESTER I, SESSION 2020/2021

COURSE   :   ECONOMICS

PROGRAMME   :   FACULTY FOUNDATION UTM (BRIDGING)

DURATION   :   1 HOUR 30 MINUTES

DATE   :   OCTOBER 2020

INSTRUCTIONS TO CANDIDATE:

1. Answer all the questions in Part A and only one (1) question in Part B.
2. All answers must be written in the answer booklet provided. Use a new page for each question.
3. The full marks for each question or section are shown in the bracket at the beginning/ end of the question.
4. You are not permitted to take the exam paper and the answer booklet(s) out of the exam hall.

PART A (40 MARKS)

Choose and circle the correct appropriate answer in the answer booklet provided. Answer **ALL** questions.

1.   The economic problem of scarcity refers to

      A.   limited wants and limited resources.

      B.   unlimited wants and unlimited resources.

      C.   unlimited wants and limited resources.

      D.   limited wants and unlimited resources.

2.   A point inside a production possibility curve may indicate

      A.   full employment.

      B.   use of the best technology.

      C.   efficient allocation of resources.

      D.   factors of production are not fully utilized.

3.   The main difference between a command economy and a mixed economy is that in a command economy

      A.   the state provides both public and private goods.

      B.   there is both a public and a private sector.

      C.   the government will intervene if deemed necessary.

      D.   there is freedom of enterprise.

4.   Ceteris paribus, an increase in the price of cars will cause the demand curve for petrol to

      A.   shift to the right.

      B.   shift to the left.

      C.   remain constant.

      D.   be steeper.

5. If the demand for good X decreases when income increases, good X must be
   A. a normal good.
   B. an inferior good.
   C. a substitute good.
   D. a complementary good.

6. The law of supply states that
   A. as price increases, supply increases.
   B. as price decreases, supply decreases.
   C. as price increases, quantity supplied increases.
   D. as price decreases, quantity supplied increases.

7. An improvement in production technology will cause the supply curve to
   A. move upwards.
   B. move downwards.
   C. shift to the right.
   D. shift to the left.

8. A market is in equilibrium
   A. provided there is a surplus of the product.
   B. at all prices above the intersection point of the supply and demand curves.
   C. when the amount producers want to sell is equal to the amount customers want to buy.
   D. whenever the demand curve is down sloping and the supply curve is upward sloping.

9. A surplus means

    A. excess demand for this product.

    B. excess supply of the product at the current price.

    C. a situation where quantity demanded exceeds quantity supplied at the current price.

    D. a situation where quantity supplied is less than quantity demanded at the current price.

10. One of the actions taken by the government to ensure that maximum price or ceiling price is effectively carried out is

    A. through rationing i.e. one family may buy only one of the necessity goods such as oil and rice.

    B. by buying all the goods and distributing them to the poor, school and hospitals.

    C. by selling all the goods at a higher price.

    D. by confiscating all the goods from the seller.

11. Assume that total utility for the fifth and sixth units of a good consumed are 83 and 97 respectively. The marginal utility for the sixth unit is

    A. -14.

    B. 14.

    C. 83.

    D. 97.

12. The law of diminishing marginal utility implies that as a person consumes more and more of a given good

    A. marginal utility will decline.

    B. total utility will fall and then rise.

    C. marginal utility becomes negative.

    D. total utility will decline.

13. The indifference curve indicates that a combination of two products gives the same level of maximum utility to a customer. It has the following characteristics EXCEPT

A. It is a negative slope.

B. The indifference curve on the right yields higher satisfaction.

C. The indifference curve will always intersect.

D. The indifference curve is convex to the origin.

14. The budget line shows

A. the amount of product A which a consumer is willing to up in order t obtain one more unit of product B.

B. all equilibrium points on an indifference map.

C. all possible combinations of two goods which yields the same level of utility to the consumer.

D. all possible combinations of two goods which can be purchased, given the income and prices of goods.

15. If the price of a burger at Wendy's decreases by 10% and the quantity demanded increases by 5%, then the numerical elasticity of demand is

A. 0.

B. 0.5.

C. 1.

D. 2.

16. If the elasticity of F's income is –3, it means

A. F is a substitute good.

B. F is a normal good.

C. F is an inferior good.

D. F is a complementary good.

17. When products X and Y have a positive cross elasticity, this indicates both products are

    A.   complementary.

    B.   substitutes.

    C.   normal.

    D.   inferior.

18. In the long run

    A.   all inputs are fixed.

    B.   all inputs are variable.

    C.   at least one input is variable and one input is fixed.

    D.   at most one input is variable and one input is fixed.

19. What does marginal cost (MC) tell us?

    A.   Its cost is from a fixed input.

    B.   It is a variable cost.

    C.   The increase in output arises from an additional unit of output.

    D.   The increase in total cost arises from producing an additional unit of output.

20. Variable cost is

    A.   when long run average total cost (ATC) stays the same as the quantity of output changes.

    B.   fixed + variable cost.

    C.   costs that vary with the output (Q) produced.

    D.   an explicit cost.

21. Assume that in the short run, a firm which is producing 100 units of output has an average total cost of RM 200 and average variable cost of RM 150. The firm's total fixed cost (TFC) is

A. RM 5,000.

B.   RM 50.

C. RM 5,500.

D.   RM 550.

22. Factors that contribute to economies of scale are

    A.   more efficient labour force specialization and application of latest technology.

    B.   reduction in natural resource and factors of production cost.

    C.   efficient management and administration.

    D.   all of the above.

23. One of the more important characteristics of a perfect competition market is that

    A.   the firm is a price maker.

    B.   the firm is a price taker.

    C.   the firm is a price originator.

    D.   the firm is a price supporter.

24. The profit-maximizing level of output for a perfectly competitive firm occurs when

    A.   marginal revenue equals price.

    B.   marginal revenue equals marginal cost.

    C.   total revenue equals total cost.

    D.   average revenue equals average total cost.

25. If a monopoly practices price discrimination, it will
    A. earn a smaller profit.
    B. earn less than before price discrimination.
    C. charge a higher price when demand is inelastic and a lower price when demand is elastic.
    D. charge a higher price when demand is elastic and a lower price when demand is inelastic.

26. Monopolistic competition is a market structure characterized by
    A. a single buyer and several sellers.
    B. a product with no close substitutes.
    C. a downward-sloping demand curve.
    D. a small number of large firms.

27. Product characteristics in oligopoly are
    A. homogenous and have perfect substitutes.
    B. homogenous and have clos substitutes.
    C. heterogeneous.
    D. without close substitutes.

28. Which of the following is a macroeconomics statement?
    A. The gross profit of all Malaysian business was RM 10 billion last year.
    B. The price of beef declined by 1% last year.
    C. General Motor's profits increased in year 2003.
    D. The productivity of steel works increased by 1% in year 2003.

29. With all else held constant, decrease in aggregate demand tends to cause increase in
    A. employment.
    B. nominal interest rates.
    C. GDP and national income.
    D. unemployment rates.

30. A nation's gross national product (GNP) is
    A. the market value of final products produced in the country.
    B. the dollar value of total output produced by citizens of a country, regardless of where they live.
    C. the value of total output produced by Malaysians and foreigners in the country.
    D. produced by only Malaysian citizens in the country.

31. Of the following equations, which is a condition of national income equilibrium in a two-sector economy?
    A. Investment = Savings.
    B. Investment + Government expenditure = Savings + Taxes.
    C. Investment + Government expenditure + Exports = Savings + Taxes + Imports.
    D. Exports = Imports.

32. Which of the following is injection in a circular flow of income?
    A. Personal income tax.
    B. Sales tax.
    C. Public purchase of stocks from the Kuala Lumpur Stock Exchange (KLSE).
    D. Purchase of service factors by the government.

33. Government ensures stability and economic growth of a country by the following EXCEPT
    A. Adjusting allocation of resources to alter the composition of the domestic output.
    B. Controlling unemployment and inflation caused by business fluctuations.
    C. Encouraging the power of monopoly firms.
    D. Redistributing income and wealth among the population.

34. Continuous price increase or inflation
    A. will increase the purchasing power of consumers.
    B. will reduce the purchasing power of consumers.
    C. will maintain the purchasing power of consumers.
    D. will maintain the purchasing power of sellers.

35. A deficit budget is likely to happen when
    A. the public debt increases.
    B. the government's total expenditure equals revenue.
    C. tax collection is more than government expenditure.
    D. the government's revenue is less than its expenditure.

36. Which of the following is a government operating expenditure?
    A. Defense and security.
    B. Pensions and gratuities.
    C. Economics services.
    D. Social services.

37. Which of the following are examples of indirect taxes in Malaysia?
    I   Petroleum income tax.
    II   Export duties.
    III Sales tax.
    IV   Services tax.

    A. I and II only.
    B. I, II and III only.
    C. II, III and IV only.
    D. All of the above.

38. Which is NOT a disadvantage of foreign loans?

    A.   Higher loan costs.

    B.   Outflow of funds abroad.

    C.   Wider loan resources.

    D.   Exposed to the risk of exchange rate changes.

39. The following are monetary policy instruments EXCEPT

    A.   Legal cash reserve requirements.

    B.   Government expenditure.

    C.   Open-market operations.

    D.   Funding.

40. In Malaysia, the main component of M1 money consists of

    A.   Cash and coins.

    B.   Cash and bank deposits.

    C.   Cash and current deposits.

    D.   Bank deposits and current deposits.

PART B (50 MARKS)

Choose and answer ONE (1) question only. Each question carries equal marks.

QUESTION 1 (10 marks)

Quantity	Marginal Utility		
(Units)	Good Q	Good R	Good Z
1	72	24	15
2	54	15	12
3	45	12	8
4	36	9	7
5	27	7	5
6	18	5	4
7	15	2	3.5
8	12	1	3

Bella consumes three products: Good Q, R and Z. Her marginal utility for consumption is shown in the table above. Assume the price of good Q, R and Z is RM 18, RM 6 and RM 4 respectively. Bella has RM 102 to spend.

Using the information provided as above:

(a)   Calculate the marginal utility per ringgit for each product.   (3 marks)

(a)   How many units of good Q, R, Z should Bella buy to maximize her utility with an income of RM 102?   (3 marks)

(b)   What is the total utility received by Bella at equilibrium?   (4 marks)

QUESTION 2 (10 Marks)

(a)   The following table shows the relationship between price of X,
       quantity demanded for Z and X, and the income per month.

Price of Good X	Quantity Demanded for Good Z	Quantity Demanded for Good X	Income per Month
2	1,500	1,000	5,000
4	1,200	800	3,500
6	1,000	600	2,000
9	900	500	1,400
10	800	400	1,300
12	600	200	1,000

Based on the table above:

(i)   What is the income elasticity of demand for good X when
       income increases from RM 1,400 to RM 3,500 a month?

                                                              (2 marks)

(ii)   Identify good X.   (1 marks)

(b)   The table below shows the relationship between quantity demanded for goods P, Q and R when the price of good Z increases from RM 1.20 to RM 1.60.

Price of Good	Quantity Demanded (Unit)		
Z (RM)	Good P	Good Q	Good R
1.20	12	12	20
1.60	8	20	20

(i)   Calculate the value of cross elasticity of demand between goods P, Q and R.   (4 marks)

(ii)   Determine the relationship between good Z and goods P, Q and R.   (3 marks)

QUESTION 3 (10 Marks)

The table below shows total revenue and total cost for Adeliya's firm.

Output (Unit)	TR (RM)	TC (RM)	AR (RM)	MR (RM)	MC (RM)	TVC (RM)	TFC (RM)
0	0	10	–	–	–	0	10
1	30	40	30	30	30	30	10
2	60	60	30	30	20	50	10
3	90	75	30	30	15	65	10
4	120	105	30	30	30	95	10
5	150	150	30	30	45	140	10
6	180	210	30	30	60	200	10

(a)   Complete the table above.   (5 marks)

(b)   What is the equilibrium price and output? In what type of market
      structure is the firm operating? Why?   (2 marks)

(c)   Calculate the profit or loss at the equilibrium output.   (1 mark)

(d)   List TWO (2) characteristics of the type of market structure that the
      firm is operating.   (2 marks)

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QUESTION 4 (10 Marks)

The information given below is obtained from the National Income Accounting records for Country A in a particular year.

Components	RM (Million)
Household consumption (C)	35,350
Public and private gross investment (I)	8,150
Government expenditure (G)	10,000
Change in Inventory (I)	-
Export goods and services (X)	23,900
Import goods and services (M)	20,400
Net factor income from abroad	-7,000
Indirect taxes	5,950
Subsidies	850
Depreciation	2,900
Rental	1,970
Wages and salaries	21,000
Companies profit	6,880
Private enterprise earnings	9,000
Gross interest	5,100
Interest on government loans	1,000
Interest on consumer loans	950

Based on the table above, calculate the:

(a)   Gross Domestic Product (GDP) at market price   (1.5 marks)

(b)   Gross National Product (GNP) at market price   (1.5 marks)

(c)   Gross National Product (GNP) at factor cost   (1.5 marks)

(d)   Net National Product (NNP) at factor cost / National Income (NI)

(1.5 marks)

(e)   Define the following: (4 marks)

    (i)   Gross Domestic Product (GDP)
    (ii)   Gross National Product (GNP)
    (iii)   Per Capita Income
    (iv)   National Income

QUESTION 5 (10 Marks)

(a)   The table below shows data components on Nominal GNP from 1986 to 1990. Calculate the real GNP from 1986 to 1990.   (6 marks)

Year	Nominal GNP (RM Million)	Consumer Price Index (RM Million)
1986	66,814	126.4
1987	74,679	126.8
1988	85,777	130.0
1989	95,560	133.7
1990	109,663	137.8

(b)   Based on the figure above, construct a figure to show the equilibrium of an economy that has the following aggregate demand and aggregate supply schedules.   (4 marks)

Time points	1	2	3	4	5	6	7
Price level	40	60	80	100	120	140	160
Aggregate demand	200	180	162	145	130	117	106
Aggregate supply	75	94	117	145	183	229	286

QUESTION 6 (10 Marks)

Quarters	Real GDP (RM Million)	Quarter	Real GDP (RM Million)
Q1	3,000	Q7	4,000
Q2	7,000	Q8	5,000
Q3	5,000	Q9	6,500
Q4	4,000	Q10	7,500
Q5	3,000	Q11	5,000
Q6	3,500	Q12	4,000

(a)   The table above indicates real GDP figures of a country for the last twelve quarters Nominal GDP in 1995 and 2002.

    (i)   Using a figure, plot and label the four phases of the business cycle.   (3 marks)

(b)   The following table shows total population, labour force and rate of unemployment for a country in 2007 and 2008 for ages 15 – 64.

Item	2007	2008
Total population ('000)	33,511.9	34,263.6
Labour force ('000)	9,884.6	10,151.5
Labour force participation rate	66.8%	66.5%
Unemployment rate	3.2%	3.4%

(i)   Based on the table, explain what is labour force and unemployment rate.   (2 marks)

(ii)   Calculate the total unemployment for 2007 and 2008.

(2.5 marks)

(iii)   Calculate the total population for age 15 – 64.   (2.5 marks)

END OF QUESTION PAPER