

PART A (MULTIPLE CHOICE QUESTIONS)

(20 MARKS)

Part A contains **TWENTY (20)** questions. Choose the **MOST** appropriate answer in the answer booklet provided.

- 1) What is the definition of a business cycle?

[A] A steady increase in economic growth.
[B] Regular fluctuations in economic activity.
[C] A period of continuous economic decline.
[D] None of the above.

- 2) Which of the following is an example of a positive economic statement?

I The unemployment rate is currently 5%.
II The government should reduce taxes to boost the economy.
III Inflation is likely to increase if the money supply grows rapidly.
IV The minimum wage should be increased to RM15 per hour.

[A] I and II only.
[B] II and IV only.
[C] I, II, and III only.
[D] I, III, and IV only.

- 3) What is the primary focus of microeconomics?

[A] National income.
[B] The study of individual economic units.
[C] General price level.
[D] International trade.

- 4) Which economic system is characterized by the absence of government intervention?

[A] Socialism.
[B] Mixed economy.
[C] Capitalism.
[D] Command economy.

- 5) Which of the following is a consequence of inflation?

[A] Increased purchasing power.
[B] Decreased cost of living.
[C] Decreased purchasing power.
[D] Increased value of money.

- 6) Which of the following represents the best definition of macroeconomics?
- [A] The study of supply and demand for individual products.
 - [B] The study of how households makes decisions.
 - [C] The study of the aggregate economy and its overall performance.
 - [D] The study of production and costs for firms.
- 7) Which of the following are included in the Circular Flow of Income?
- I Households.
 - II Firms.
 - III Government.
 - IV Foreign sector.
- [A] I, II, and III.
 - [B] I, II, and IV.
 - [C] II, III, and IV.
 - [D] I, II, III, and IV.
- 8) What happens to prices and wages during the peak phase of the business cycle?
- [A] Both prices and wages decrease.
 - [B] Prices increase, but wages decrease.
 - [C] Both prices and wages increase.
 - [D] Prices decrease, but wages increase.
- 9) Which of the following is **NOT** considered a macroeconomic objective?
- I Full employment.
 - II Economic growth.
 - III Income distribution.
 - IV Price stability.
- [A] I only.
 - [B] II only.
 - [C] III only.
 - [D] IV only.

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- 10) The law of demand states that:
- [A] Price and quantity demanded are positively related.
 - [B] Price and quantity demanded are inversely related.
 - [C] As price increases, demanded increases.
 - [D] As quantity demanded increases, price increases.
- 11) What happens to the equilibrium price and quantity when both demand and supply increase?
- I The equilibrium price will always rise.
 - II The equilibrium price will always fall.
 - III The equilibrium quantity will always rise.
 - IV The equilibrium quantity will always fall.
- [A] I only.
 - [B] III only.
 - [C] I, and IV only.
 - [D] II and III only.
- 12) Which of the following is an example of a free good?
- [A] Electricity.
 - [B] Water from a natural spring.
 - [C] A smartphone.
 - [D] A haircut.
- 13) Substitute goods are:
- [A] Goods that are used together.
 - [B] Goods that are unaffected by each other's prices.
 - [C] Goods that are essential for daily life.
 - [D] Goods that can replace each other.
- 14) Which of the following is a key concept in microeconomics?
- I Opportunity cost
 - II Market equilibrium
 - III Inflation
 - IV unemployment
- [A] I and II only.
 - [B] II and III only.
 - [C] I, II, and IV only.
 - [D] I, III, and IV only.

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- 15) Which of the following is **NOT** a goal of macroeconomics?
- [A] Full employment.
 - [B] Price stability.
 - [C] Income inequality.
 - [D] Economic growth.
- 16) Which of the following is considered an intangible economic service?
- [A] A car.
 - [B] A doctor's consultation.
 - [C] A smartphone.
 - [D] A house.
- 17) Which of the following is the phase in the business cycle characterized by maximum output and the lowest unemployment rate?
- I Recovery.
 - II Trough.
 - III Recession.
 - IV Peak or Boom.
- [A] I, II, and III.
 - [B] I, III, and IV.
 - [C] I and IV.
 - [D] IV only.
- 18) Technological unemployment occurs when:
- [A] Workers are replaced by machines and new technologies.
 - [B] Workers are unable to find employment due to lack of education.
 - [C] Workers voluntarily leave their jobs to find better opportunities.
 - [D] Workers are laid off during economic recessions.
- 19) Which type of unemployment is most likely to be caused by advancements in technology?
- [A] Frictional.
 - [B] Cyclical.
 - [C] Structural.
 - [D] Seasonal.

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20) Opportunity cost is defined as?

- [A] The monetary cost of a good.
- [B] The second-best alternative is foregone.
- [C] The amount of money saved.
- [D] The resources used in the production.

PART B (TRUE OR FALSE QUESTIONS)

(20 MARKS)

Part B contains **TWENTY (20)** statements. Read the statements carefully and determine whether each statement is **TRUE** or **FALSE**.

NO	STATEMENT
1	All economic systems aim to solve the basic economic problems of what to produce, how to produce, and for whom to produce.
2	A change in consumer preferences can cause a shift in the demand curve.
3	Microeconomics deals with the study of the economy as a whole.
4	The study of the pricing of individual products is a key focus of macroeconomics.
5	Technological unemployment occurs because workers' skills become outdated due to advancements in technology.
6	Full employment means that the unemployment rate is zero.
7	Inflation decreases the purchasing power of money.
8	The law of opportunity cost suggests that increasing production of one good will result in greater forgone production of another.
9	A mixed economy has characteristics of both capitalism and socialism.
10	If the government imposes a tax on a good, the supply curve will shift to the right.
11	During the recovery phase, unemployment rates typically decrease as the economy improves.
12	The equilibrium price is the price at which the quantity demanded equals the quantity supplied.
13	Macroeconomics focuses on the behavior of individual economic units such as households and firms.
14	Structural unemployment can be reduced through retraining and education programs.
15	Macroeconomics deals with the analysis of the economy as a whole.
16	Scarcity means that resources are sufficient to meet all human wants.
17	The peak phase of the business cycle is characterized by high unemployment.
18	A peak in the business cycle represents the lowest point of economic activity.
19	A normal good is one for which demand increases as income increases.
20	The supply of a good is determined by the price consumers are willing to pay.

PART C

(60 MARKS)

INSTRUCTION: Answer **ALL** questions.

Question 1

(15 marks)

a) The table below shows the combination of production of Good X and Good Y for a country.

Combination	Good X (units)	Good Y (units)
A	0	75
B	10	60
C	20	45
D	30	30
E	40	15
F	50	0

Sketch the production possibility curve (PPC) using the horizontal axis for Good X and the vertical axis for Good Y. [6 marks]

b) Calculate the opportunity cost of:

- (i) of increasing production from 10 units of Good X to 20 units of Good X. [3 marks]
- (ii) of increasing production from 30 units of Good X to 40 units of Good X. [3 marks]

c) If the country wants to produce 25 units of Good X and 40 units of Good Y:

- (i) Is this combination possible? Explain why or why not. [1 mark]
- (ii) Suggest two ways the country could achieve this combination if it is currently not possible. [2 marks]

Question 2 (15 marks)

a) The table below shows the price, quantity demanded, and quantity supplied for biscuits.

Price (RM)	Quantity demanded (units)	Quantity supplied (units)
5	500	1 300
4	600	1 000
3	700	700
2	800	400

- (i) Calculate the income elasticity of demand for the individual if his income level increases from RM10,000 to RM12,000 and the price is reduced from RM4 to RM3.
[3 marks]
- (ii) Calculate the price elasticity of supply when the price of Good X increases from RM4 to RM5.
[3 marks]
- (iii) What is the equilibrium price and equilibrium quantity of biscuits based on the table above?
[2 marks]
- (iv) Sketch the curve to show the equilibrium point, equilibrium price, and equilibrium quantity based on your answer at (iii).
[3 marks]
- (v) Briefly explain four factors that influence the price elasticity of demand.
[4 marks]

Question 3 (15 marks)

a) Macroeconomics is one of the economic branches where economists will focus on achieving its major goals.

(i) Describe **TWO (2)** differences between microeconomics and macroeconomics.

[4 marks]

(ii) Briefly elaborate **THREE (3)** primary goals of macroeconomics.

[6 marks]

b) Explain the role of households and firms in the circular flow of income in an economy. Provide examples to illustrate your answer.

[5 marks]

QUESTION 4 (15 marks)

- a) The following table shows the labour market indicators of Malaysia for the years 2019 and 2020 respectively.

	2019 (in million)	2020 (in million)
Employment	14,819	15297.7
Unemployment	521	(a)
Discouraged workers	280	499
Total labour force	(b)	16,020

- (i) What is the definition of the labour force? [2 marks]
- (ii) Calculate the value of **a** using the given data. [2 marks]
- (iii) Calculate the unemployment rate for 2019 by presenting its calculation. [3 marks]
- b) The table below shows the Consumer Price Index (CPI) for the following years.

Year	Consumer Price Index (CPI)
2019	103.5
2020	109
2021	118.2
2022	135.7
2023	158

Calculate the inflation rate for the year from 2019 to 2023, with the percentage change in prices over each period. [8 marks]