

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]