



PENINSULA
COLLEGE
GEORGETOWN

FINAL SEMESTER EXAMINATION

Programme	:	DIPLOMA IN BUSINESS STUDIES DIPLOMA OF ACCOUNTANCY
Course	:	BUSINESS ECONOMICS
Course Code	:	DBEC3023
Duration	:	3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY**.
2. This question paper consists of **FOUR (4)** questions
3. Answer **ALL** questions in the question paper.
4. Answers to the questions are to be written into the examination booklet.
5. Electronic dictionaries, lecture notes, files or any unauthorised materials except writing equipment are strictly prohibited.

This question paper must be submitted along with all used and/or unused rough papers and/ or graph papers (if any). Candidates are **NOT ALLOWED** to take any examination paper(s) used or unused out of the examination hall.

WARNING:

The Examination Board of Peninsula College Georgetown regards cheating as a very serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in the accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from Peninsula College Georgetown.

(This booklet contains 3 printed pages including this page)

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE ALLOWED TO DO SO

For examiner's use only

QUESTION NO.	MARKS
1	/ 25
2	/ 25
3	/ 25
4	/ 25
Total	/ 100

Answer **ALL** questions on the separate sheet provided.

[100 marks]

1. a) Explain how it is possible for society to achieve maximum welfare from the intersection of the market demand and supply curves. (10 marks)

- b) Define deadweight loss and examine the relationship between government tax rate and deadweight loss. (7 marks)

- c) Using an appropriate diagram, illustrate whether the government can continue to increase its tax revenues through higher tax rates. (8 marks)

Total: [25 marks]

2. ABC Corporation produces coffee. In conducting its business operation, a worker is paid RM30 a day and it has fixed cost of RM10. The table below shows the number of workers employed and coffee (kilograms) produced by the firm.

Workers	Output	Marginal Product	Total Cost	Marginal Cost
0	0	-		-
1	28			
2	50			
3	67			
4	80			
5	90			
6	95			

- a) Calculate and fill in the column for marginal product, total cost, and marginal cost in the table above. (10 marks)

 - b) Based on the marginal product of workers above, explain its pattern by using an appropriate economic theory. (8 marks)

 - c) By looking at the marginal product of workers and marginal cost of output for ABC Corporation, examine the type of relationship that exists between these two variables. (7 marks)
- Total: [25 marks]
3. a) Using world price as the tool of analysis and the theory of comparative advantage, determine whether a country should become an exporter or importer in international trade. (8 marks)

- b) "No matter whether a country has become an exporter or importer, there is always something to be gained from international trade".

Examine this statement from the perspective of total surplus gained by countries participating in international trade. Use appropriate diagrams to support your argument. (12 marks)

- c) Discuss the following arguments which are used for restricting international trade.

i) The jobs argument (2.5 marks)

ii) The national-security argument (2.5 marks)

4. a) Define inflation and explain why it is regarded as a form of tax. (5 marks)

- b) Inflation brings about various negative impacts on society which are known as the costs of inflation. Discuss how the following costs of inflation are bringing inconvenience and trouble to people and society.

i) Shoeleather costs (5 marks)

ii) Menu costs (5 marks)

iii) Inflation-induced tax distortions (5 marks)

- c) Explain the effect on the price level and value of money when Bank Negara Malaysia increases the supply of money in the country. (5 marks)

Total: [25 marks]

- END OF QUESTIONS -