



PENINSULA
COLLEGE
GEORGETOWN

FINAL EXAMINATION

Programme Name	:	DIPLOMA OF ACCOUNTANCY
Course Code & Name	:	DBEC3023 BUSINESS ECONOMICS
Duration	:	3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY**.
2. The 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

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

[100 marks]

1. a) Define consumer surplus and producer surplus. (6 marks)

 - b) Using a graph, explain how consumer surplus, producer surplus and total surplus are affected when a tax is imposed by the government. (10 marks)

 - c) Discuss whether government is able to continually collect more tax revenues by increasing the tax rate. (9 marks)
- Total: [25 marks]
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2. a) Table 2 below shows the number of workers employed and total product produced in ABC Sdn Bhd.

Inputs of labour	Total product	Marginal product (MP)
0	0	-
1	15	
2	34	
3	51	
4	65	
5	74	
6	80	
7	83	
8	82	

Table 2

- i) Calculate marginal product (MP) for labour and fill up the **MP** column in Table 2 above. (4 marks)

 - ii) Using the law of diminishing marginal returns, explain why marginal product of labour displayed such a pattern of changes when more labour is being employed. (9 marks)

 - iii) From the above information, examine at which unit of labour employed diminishing marginal returns is said to have taken place. (2 marks)
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- b) Using the long-run average total cost curve (LRATC), differentiate between economies of scale and diseconomies of scale. (10 marks)
- Total: [25 marks]

3. a) Explain how to determine whether a country should become an exporter or an importer by comparing its local price before trade to the world price. Use graphs to explain your answers. (8 marks)
- b) Define tariff and discuss whether tariff has any undesirable effect on social welfare. Support your argument by using an appropriate graph. (8 marks)
- c) Various arguments are used by the government to restrict international trade. Discuss to what extent you are supportive or opposing to the following arguments:
- i) Job argument (3 marks)
 - ii) National-security argument (3 marks)
 - iii) Infant-industry argument (3 marks)
- Total: [25 marks]
4. a) Differentiate between natural rate of unemployment and cyclical unemployment. (6 marks)
- b) Suppose government increases the supply of money, use the Quantity Theory of Money to predict its effect on the price level. (6 marks)
- c) Define inflation and explain how it is different from hyperinflation. (4 marks)
- d) Inflation imposes various costs to consumers, producers, savers and investors alike. Explain the various costs of inflation below:
- i) Shoeleather costs (3 marks)
 - ii) Relative price variability (3 marks)
 - iii) Confusion and inconvenience (3 marks)
- Total: [25 marks]

- END OF QUESTIONS -