



FINAL EXAMINATION

Programme Name	:	FOUNDATION IN ARTS
Course Code & Name	:	FA1314 ESSENTIALS OF 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

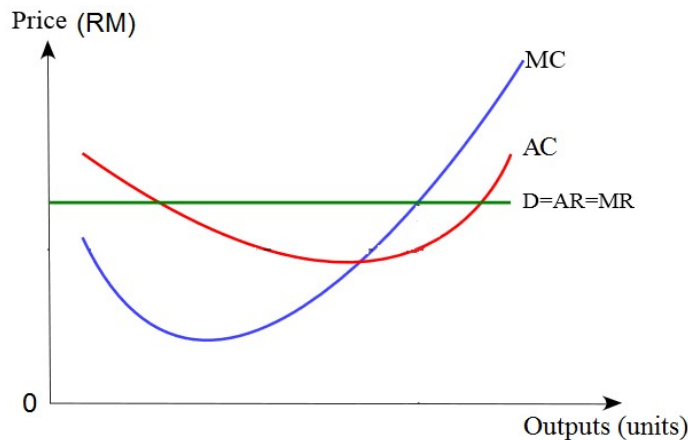
Answer **ALL** questions on the separate sheet provided.

[100 marks]

1. a) State the **FOUR (4)** factors of production. (4 marks)
- b) Discuss the differences between change in quantity demanded and change in demand with diagrams. (12 marks)
- c) Explain any **THREE (3)** determinants of price elasticity of demand. (9 marks)
- Total: [25 marks]

2. a) Discuss any **TWO (2)** benefits of international trade. (7 marks)
- b) Explain the concept of comparative advantage with examples. (8 marks)
- c) Define fiscal policy and explain how the government uses fiscal policy to revive the economy during the recession. (10 marks)
- Total: [25 marks]

3. The figure below shows a profit-maximising firm. The figure below consists of the firm's demand, marginal revenue (MR), marginal cost (MC) and average cost (AC) curves.



- a) Which type of market structure that this firm is in? Explain any **THREE (3)** characteristics of this market structure. (12 marks)
- b) Re-draw the diagram on the answer scripts. Mark the profit-maximising level of output and the corresponding price that the firm will charge. (4 marks)
- c) Based on answer to (b) above, shade and label the "profit/loss" area of this firm. (3 marks)
- d) If you were told that this firm was in short-run equilibrium, what would happen to the firm in the long-run equilibrium? Explain. (6 marks)
- Total: [25 marks]

4. a) The table below shows the national income accounting data for Country X for the year 2022.

Items	RM (billion)
Consumption expenditures	700
Gross private domestic investment	850
Government expenditures on goods and services	300
Imports of goods and services	600
Exports of goods and services	750
Income earned by the rest of the world	500
Income earned from the rest of the world	600

Using the expenditure approach, calculate the following values:

- i) Gross Domestic Product (GDP) (4 marks)
- ii) Gross National Product (GNP) (3 marks)
- b) Discuss any **TWO (2)** reasons why Gross Domestic Product (GDP) is not a perfect measure of economic well-being. (10 marks)
- c) Define unemployment and explain **ONE (1)** cause of unemployment with an example. (8 marks)
- Total: [25 marks]

- END OF QUESTIONS -