PENINSULA COLLEGE GEORGETOWN

UNIVERSITY OF PLYMOUTH

FINAL EXAMINATION

Programme Name	:	**BA (HONOURS) ACCOUNTING & FINANCE 3+0 IN COLLABORATION WITH UNIVERSITY OF PLYMOUTH**
Course Code & Name	:	**MAL1008 ECONOMICS FOR BUSINESS**
Duration	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY.**
2. The question paper consists of **TWO (2)** sections.
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 4 printed pages including this page*)

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

SECTION A: ESSAY **[60 marks]**

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

1. Using relevant diagram(s), explain why firms in **perfect competition** tend to earn only normal profits in the long run. (20 marks)

2. Using a relevant diagram, explain the causes of **unemployment**. (10 marks)

3. Assuming that Country X is currently in recession, using relevant diagram(s), explain the type of **fiscal policy** that the government should undertake to revive the economy. (30 marks)

SECTION B: HYBRID QUESTIONS **[40 marks]**

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

1. The following table shows the price and yearly quantity sold of souvenir t-shirts in the zoo according to the average income of the tourists visiting.

Price of t-shirt (RM)	Quantity of t-shirt demanded with average tourist income of RM20,000 (Unit)	Quantity of t-shirt demanded with average tourist income of RM30,000 (Unit)
4	3,000	5,000
5	2,400	4,200
6	1,600	3,000
7	800	1,800

a) If the price of t-shirt increases from RM5 to RM6, calculate and interpret the price elasticity of demand by using the point definition approach:

i. When the average tourist income is RM20,000 (3 marks)

ii. When the average tourist income is RM30,000 (3 marks)

b) Using point definition approach, calculate the income elasticity of demand when the price of t-shirt is RM4 and the average tourist income increases from RM20,000 to RM30,000. (3 marks)

c) Based on your answer to point (b), explain what type of good are the t-shirts considered to be when the average tourist income increases from RM20,000 to RM30,000. (3 marks)

d) Using a relevant diagram, Discuss the relationship between price elasticity and revenue and how they change along the demand curve. (8 marks)

2. The table below shows Malaysia's national income accounting data for the year 2022.

Item	**RM (billion)**
Consumption expenditure	600
Gross private domestic investment	700
Government expenditures on goods and services	500
Import expenditure of goods and services	700
Export expenditure of goods and services	800
Taxes	300
Domestic Saving	200

a) Based on Malaysia's accounting data above, calculate:

i. Total injections for Malaysia (3 marks)

ii. Total withdrawals for Malaysia (3 marks)

iii Aggregate Demand for Malaysia (3 marks)

b) Assuming the marginal propensity to consume for Malaysia is 0.42, calculate and interpret the meaning of the economic multiplier. (4 marks)

c) Following from the above point, if there is an increase of RM1,000 billion in the injection, how much will the national income increase? (3 marks)

d) If Malaysia wishes to increase its national income by RM15,000 billion for the year 2023 with an mpc of 0.42, calculate the amount of injection needed for Malaysia. (4 marks)

- END OF QUESTIONS -