PART B (30 marks)

QUESTION 1

Based on the table given, calculate:

a) Gross Domestic Product at market price. (3 marks)

GDPmp = 3600 + 4300 + 2400 + 2800 + 4600 + 5300 + 3800 + 5100 + 2100 + 5700
(0.25m x 10 = 2.5 marks)
= RM39,700 m **(0.5 marks)**

b) Gross National Product at market price. (2 marks)

GNPmp = 39700 + (1300 – 1900) **(0.5m x 2 = 1 mark)**
= RM39,100 m **(1 mark)**

c) National Income. (2 marks)

NI = 39100 – 400 + 200 – 500 **(0.5m x 3 = 1.5 marks)**
= RM38,400 m **(0.5 marks)**

d) Disposable Personal Income. (3 marks)

DPI = 38400 + 1200 – 800 – 700 – 600 – 550 **(0.5m x 5 = 2.5 marks)**
= RM36,950 m **(0.5 marks)**

QUESTION 2

a) The table below shows the value of nominal GDP and the price index for a country. Given that base year is 2018 which CPI = 100.

Calculate:

i) real GDP (RM million) for year 2020 and 2021. (2 marks)

2020: (100/120) x 155,000 = RM129,166.67 m
(0.5 marks) (0.5 marks)

2021: (100/140) x 185,000 = RM132,142.86 m
(0.5 marks) (0.5 marks)

ii) real GDP growth rate between year 2020 and 2021. (1 mark)

$$\text{Real GDP} = \frac{132{,}142.86 - 129{,}166.67}{129{,}166.67} \times 100 = 2.3\%$$

(0.5 marks) (0.5 marks)

iii) real income per capita for year 2020 and 2021. (2 marks)

2020: 129,166.67/25 = RM5166.67
(0.5 marks) (0.5 marks)

2021: 132,142.86/30 = RM4404.76
(0.5 marks) (0.5 marks)

b) Assuming a country has a closed economy. Answer the following questions. (All figures are in RM million). Given C = 550 + 0.6Yd.

i) Determine the value of Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS). (1 mark)

MPC = 0.6 (0.5 marks) **MPS = 0.4 (0.5 marks)**

ii) Calculate the value of Average Propensity to Consume (APC) and Average Propensity to Save (APS) when national income (Y) is RM2500 million. (2 marks)

$$\text{APC} = \frac{550 + 0.6\,(2500)}{2500} = 0.82$$

(0.5 marks) (0.5 marks)

APS = 1 – 0.82 = 0.18 (0.5 marks)
(0.5 marks)

iii) Calculate the value of break-even income. (2 marks)

Y = C
Y = 550 + 0.6Y (0.25 marks)
Y = 550/0.4 (0.25 marks)
= RM1375 (0.5 marks)

S = 0
-550 + 0.4Y = 0 (0.25 marks)
Y = 550/0.4 (0.25 marks)
= RM1375 (0.5 marks)

QUESTION 3

Answer the following questions based on the diagram given below.

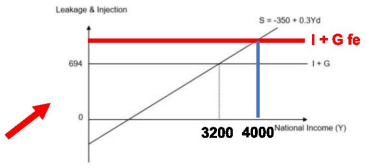
a) Calculate national income equilibrium for the above economy. (2 marks)

S + T = I + G
-350 + 0.3Yd + 120 = 694 **(0.5 marks)**
0.3 (Y – 120) = 694 -120 + 350 **(0.5 marks)**
0.3Y – 36 = 924
0.3Y = 960 **(0.5 marks)**
Y = RM3200 m **(0.5 marks)**

b) If the full employment is RM4000, what is the problem facing by this country? Give your reason. Show this situation in a well labelled diagram. (4 marks)

Y < Yfe = Deflationary gap
(1 mark) (1 mark)

Marks for diagram (2 marks)
Original diagram – 1 mark
I + G fe curve – 0.5 marks
Value of Y & Yfe or state Y & Yfe – 0.5



c) Determine the change in government expenditure required to achieve full employment level of income. (2 marks)

4000 – 3200 = (1/0.3) x ΔG **(0.5 marks)**
800 = 3.33 x ΔG **(0.5 marks)**
ΔG = 240.24 **(1 mark)**

d) Assume investment has decreases by RM150 million; calculate the new equilibrium income based on a). (2 marks)

ΔY = (1/0.3) x 150 **(0.5 marks)**
ΔY = 499.99 @ 500 **(0.5 marks)**

New Y = 3200 + (-500) **(0.5 marks)**
= RM2700 m **(0.5 marks)**

END OF ANSWER SCHEME