



Gratia Christian College  
宏恩基督教學院

## Examination

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Programme : Higher Diploma in Transformative Business Management  
Academic Year (Semester) : 2023 - 2024 (Semester 1)  
Course Code : HTM102  
Course Title : Macroeconomics  
Date : 22 December 2023 (Friday)  
Time : 2:30 pm – 5:30 pm  
Time Allowed : 3 Hours  
Weighting : 35% of the Overall Marks

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Student ID No. : \_\_\_\_\_

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This paper has 4 pages (including this cover page).

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### **Instructions to candidates:**

1. This question paper consists of two sections: One question in Section A (25 marks) and four questions in Section B (75 marks). Answer any three questions from Section B.
2. Answer all questions in the answer book provided.
3. This paper carries 100 marks which are allocated to each question as indicated.
4. This is a closed-book examination.

*No materials or aids are allowed during the whole examination. If any unauthorized materials or aids are found on a candidate during the examination, the candidate will be subject to disciplinary action.*

**Do not turn this page until you are told to do so.  
You should hand in this question paper after the examination.**

**Section A (25 marks)**

Answer ALL parts in Question 1 (Compulsory)

Question 1

(A) Define

- (i) Absolute advantage;
- (ii) Comparative advantage

(4 marks)

(B) Explain how the marginal propensity to consume (MPC) and the simple Keynesian multiplier are related.

(7 marks)

(C) How should Gross Domestic Product (GDP) be adjusted to get Gross National Product (GNP)?

(6 marks)

(D) Discuss the difference between nominal values and real values.

(4 marks)

What are the benefit and limitation of each measure?

(4 marks)

(Total: 25 marks)

## Section B (75 marks)

Answer any THREE questions from this section.

### Question 2

Discuss the effects on the macroeconomy of an increase in government spending. You are required to

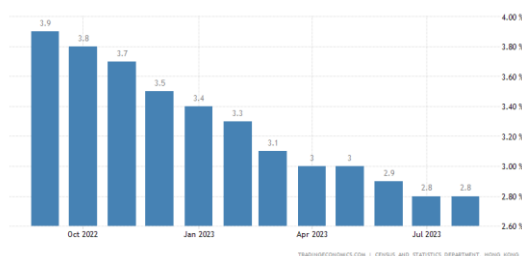
- (a) discuss autonomous expenditure and national income. (5 marks)
  - (b) illustrate the relationship between expenditure and circular flow of income with an example. (5 marks)
  - (c) discuss the leakages in the form of marginal propensity to save and size of multiplier. (5 marks)
  - (d) consider aggregate demand, employment and output in the economy, and illustrate the relationship between expenditure and inflation. (10 marks)
- (Total: 25 marks)

### Question 3

- (a) Define unemployment rate, labour force and labour force participation rate. Based on the given table below, what is the unemployment rate?

Total population	7,500,000
Working-age population	6,000,000
Unemployed population	150,000
Employed population	3,850,000

- (5 marks)
- (b) “A falling unemployment rate must imply that the labour market is improving.” True or False? Briefly explain. (5 marks)
- (c) State and explain 3 types of unemployment. Explain briefly the remedies for structural unemployment undertaken by the government. (7 marks)
- (d) Define inflation and distinguish 4 possible sources of inflation from one another in an economy. (5 marks)
- (e) After COVID-19 pandemic, Hong Kong’s unemployment rate decreased to 2.8% from 3.9 % during September 2022 – August 2023. Inflation Rate in Hong Kong dropped to 1.8% from 4.4 % during the same period. The direct relationship between unemployment and inflation in Hong Kong is unclear, whereas another potential factor contributing to inflation is the minimum wage. Hong Kong’s statutory minimum wage (SMW) is at HK\$40 per hour.



Discuss the potential impact on standard of living as workers’ wages increase.

(3 marks)  
(Total: 25 marks)

#### Question 4

Consider an economy that produces and consumes only two items: Electric Vehicle and Corn. The following table summarises the data for two years.

	Year 2021 (\$)	Year 2022 (\$)
Price of Electric Vehicles	80,000	90,000
Price per metric ton of corn	1,000	1,000
Number of Electric Vehicles produced	500	500
Number of metric ton of corn produced	10,000	5,000

Required:

- (a) Define Gross Domestic Product (GDP) (2 marks)
- (b) Briefly discuss any FOUR components of the GDP equation of an open economy. (8 marks)
- (c) Using Year 2021 as the base year, compute the nominal GDP and the real GDP of the economy for each year. (8 marks)
- (d) What are the percentage changes in the nominal GDP and the real GDP between the two years? (4 marks)
- (e) Based on the answer of (d), would you conclude that the economy has slowed down over the period? Briefly explain. (3 marks)
- (Total: 25 marks)

#### Question 5

- (a) Briefly describe how business cycles of Keynesian theory and Monetarist theory are related to the key concepts of macroeconomics. (6 marks)
- (b) (i) What is fiscal policy? (3 marks)
- (ii) Explain briefly expansionary and contractionary fiscal policy. (3 marks)
- (c) (i) What is monetary policy? (3 marks)
- (ii) Explain briefly expansionary and contractionary monetary policy. (3 marks)
- (d) Compare fiscal policy and monetary policy. List some examples of actions which governments can take for each type of policy. (7 marks)
- (Total: 25 marks)

**-THE END-**