



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
JULY 2024 SEMESTER**

COURSE CODE	: EEB30203
COURSE NAME	: MONEY, BANKING AND CAPITAL MARKET
PROGRAMME NAME	: BACHELOR OF BUSINESS ADMINISTRATION (HONS) INTERNATIONAL BUSINESS
DATE	: 24 SEPTEMBER 2024
TIME	: 9.00 AM – 12.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **FOUR (4)** questions.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. This question paper must not be removed from the examination hall.

THERE ARE THREE (3) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

INSTRUCTION: Answer ALL questions. (Total: 100 marks)

Please use the answer booklet provided.

Question 1

During his visit to his grandparents' house in Penang, Yusuf brought them to one of the '*nasi kandar*' restaurant for lunch. After they finished, Yusuf went to pay at the counter, using his card. His grandfather was amazed with the technology of payment nowadays as compared to what he had been listening to from his great grandfather before. Yusuf is aware of the barter system used during that time, and he wanted to tell his grandfather the reason why barter system is no longer used.

- (a) Explain five (5) weaknesses of the barter system. Please provide in your explanation at least one example for each weakness. (15 Marks)
- (b) We are now into electronic payments system in which paper is eliminated and all transactions are handled by computers.
 - i) Give two (2) examples of the component in the electronic payment ecosystem apart from the usage of debit card. (2 Marks)
 - ii) The electronic payments systems have advantages and disadvantages. Explain two (2) advantages and two (2) disadvantages of the electronic payments system. (8 Marks)

[Total: 25 marks]

Question 2

Every day, the Wall Street Journal lists the previous day's closing yields for a wide variety of bonds that serve as benchmarks. To understand bond prices, we need to understand what determines supply and demand. Supply and demand determine bond prices (and bond yields). A shift in either supply or demand changes the price of bonds.

- (a) Explain the factors that affect the demand and supply of bond and the changes that happen? (16 Marks)

- (b) Bonds with the same maturity have different interest rates. Explain the factors that lead to the difference in interest rates. (6 Marks)

(c) Define

- i) Nominal interest rate.
- ii) Effective interest rate.
- iii) Real interest rate.

(3 Marks)

[Total: 25 marks]

Question 3

Getting monetary policy right is crucial to the health of economy. Overly expansionary monetary policy leads to high inflation, which decreases the efficiency of the economy and hampers economic growth. Monetary policy that is too tight can produce serious recessions in which output falls and unemployment rises.

- (a) State six (6) basic goals of monetary policy and which is considered the primary, long-run goal of monetary policy? (7 marks)
- (b) One of the monetary policies is inflation targeting, that controls the flow of money or money supply in an economy. Explain three (3) advantages and three (3) disadvantages of inflation targeting. (18 Marks)

[Total: 25 marks]

Question 4

The COVID-19 pandemic which started in early 2020 threatened incalculable damage to the economies of nations around the world. Periodic shutdowns of retail businesses, restrictions on travel, and supply chain disruptions began, ended, and resumed unpredictably. Family routines were upended as work-at-home policies were hastily put in place. Many people lost their jobs or quit them for fear of contagion. The Federal Reserve cut interest rates and vowed to keep rates at or near zero as long as necessary. It also began purchasing debt securities in massive amounts to help stabilize the financial markets. The “*Investment-saving*” and “*Liquidity preference-money supply*” (IS-LM) model can be used to assess the impact of exogenous shocks on the endogenous variables of the model. Monetary policy is managed by central bank while the federal government is responsible for fiscal policy. Fiscal policy

involves spending money and raising money. The combination of monetary and fiscal policies is known as the monetary-fiscal policy mix, or simply, the policy mix.

Explain the effect of changes in monetary and fiscal policies on the “*Investment-saving*” and “*Liquidity preference-money supply*” (IS-LM) curve, movement of output and movement of interest rates. (25 Marks)

[Total: 25 marks]

END OF EXAMINATION PAPER