



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2024 SEMESTER**

COURSE CODE	: EGB10503
COURSE NAME	: INTERMEDIATE MACROECONOMICS
PROGRAMME NAME	: BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS
DATE	: 12 FEBRUARY 2025
TIME	: 2.00 PM – 5.00 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 **TWO (2) Sections; Section A and Section B.**
4. Answer **ALL** questions in **Section A and Section B.**
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, INCLUDING THIS PAGE.

SECTION A (Total: 50 marks)

INSTRUCTION: Answer **ALL** questions in this section in the answer booklet provided.

Question 1

Consider that a country, Swaziland is challenged with moderately slumping GDP growth on the second half of the year. To alleviate this issue, the country would like to control this recession by using the best policy measures that will maximize the effect with minimized intervention instruments.

The federal economic committee members revealed some information on the macroeconomic properties of the nation.

1. The money demand function in Swaziland is highly sensitive of the market interest rate.
2. On the other hand, the investment activities of the countries are not that sensitive to the change in market interest rate.

Required:

- (a) Using the IS-LM instruments, analyse this situation that will provide Swaziland with the best policy measure. To answer this question, you are required to analyse:
 - (i) the slope of Swaziland's LM curve (8 marks)
 - (ii) the slope of Swaziland's IS curve (8 marks)
 - (iii) the equilibrium of IS and LM curves (5 marks)
 - (iv) the effects of monetary and fiscal policies on Swaziland's income-interest equilibrium and your evaluation on the best policy for this country. (12 marks)
- (b) Suppose that Swaziland would like to stabilize the market interest rate after it changes from the policy that you have evaluated in question (a)(iv). Analyse the outcome on the level of national income, if the market interest rate is back at the initial point of your answer. (7 marks)
- (c) Consider that the market interest rate has been stabilized as per your answer in question (b), evaluate the effects of this stabilization goal on the aggregate price level and output. (*Hint: Use Y^d and Y^s as your evaluation instrument*) (10 marks)

SECTION B (Total: 50 marks)

INSTRUCTION: Answer **ALL** questions in this section in the answer booklet provided. Each question carries 25 marks.

Question 2

Using appropriate diagram(s) within the Classical economics framework, examine the effects of a reduction in marginal tax rate towards the aggregate equilibrium of output.

(25 marks)

Question 3

Using appropriate diagram(s) within the Classical economics framework, evaluate in detail the shape of aggregate supply curve.

(25 marks)

END OF EXAMINATION PAPER