



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
MARCH 2025 SEMESTER**

COURSE CODE	: EIB11703
COURSE NAME	: PRINCIPLES OF MACROECONOMICS
PROGRAMME NAME	: BACHELOR IN ACCOUNTING (HONS)
DATE	: 26 JUNE 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 **FIVE (5)** 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 FIVE (5) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

Monetary policy involves measures implemented by the central bank to regulate the money supply and manage interest rates in an economy

- a) Explain how adjustments in monetary policy can affect interest rates, total spending, economic output, and the general price level. (10 marks)
- b) Using diagrams, explain how expansionary monetary policy impacts both the money market and the goods market. (10 marks)

Question 2

- a) Define money supply and briefly explain the main classifications used to measure it. (4 marks)
- b) Table 1 presents data on the components of a country's money supply for the year 2024. Using the provided information, calculate the values of M1, M2, and M3.

Table 1

Items	In RM (Billion)
Negotiable certificate	90
Current deposits in commercial banks	100
Currency in circulation	150
Savings deposits in commercial banks	200
Saving and fixed deposits in other financial institutions	250
Fixed deposits in commercial banks	80
Bank Negara Malaysia (BNM) Certificate	110

(8 marks)

- c) Given cash ratio is 10%, initial deposit is RM6,000 billion;
- i. Compute total reserves made by commercial banks (2 marks)
 - ii. Compute total credit created from the initial deposit (3 marks)
 - iii. Determine total money supply in the whole economy (3 marks)

Question 3

- a) Distinguish between absolute advantage and comparative advantage. (3 marks)
- b) Explain **THREE (3)** types of trade restrictions. (9 marks)
- c) Table 2 below shows the pre-international trade production of rice and textiles for Malaysia and Thailand.

Table 2

Country	Rice (tons)	Textiles (kilograms)
Malaysia	1,500	2,000
Thailand	3,500	2,200

- i. Which country has the absolute advantage in the production of rice and textiles? (2 marks)
- ii. Find the opportunity cost of producing each product for each country (4 marks)
- iii. Which country has the comparative advantage in producing rice and textiles? (2 marks)

Question 4

Refer to the newspaper article below to answer the following questions.

Malaysia's inflation rate in July declines 1.3%

KUALA LUMPUR: Malaysia's inflation rate in July fell 1.3% from a year ago due to lower fuel prices and it was in line with a Bloomberg forecast, but from a month ago, inflation was seen picking up. Chief statistician Datuk Seri Mohd Uzir Mahidin said in a statement yesterday that the Consumer Price Index (CPI) fell to 119.9 from 121.5 a year ago. "The decrease in the overall index was attributed by the decline in transport (-10.3%); housing, water, electricity, gas and other fuels (-2.6%); clothing & footwear (-0.6%) and furnishings, household equipment & routine household maintenance (-0.1%) which contributed 45.7% to overall weight," he said. However, food prices continued their upward trend. Food and non-alcoholic beverages increased by 1.4% to 135.0 from 133.2 a year ago. This group contributes 29.5% of CPI weight. Miscellaneous goods and services rose by 2.9%, followed by communication (1.6%), health (1.1%) and education (1.2%). Uzir said the CPI without fuel rose by 0.2% in July 2020 compared with June 2020. CPI without fuel covers all goods and services except unleaded petrol RON95, unleaded petrol RON97 and diesel. "However, the core inflation index rose by 1.1% in July from a year ago due to a 2.9% increase in miscellaneous goods and services (2.9%); communication (1.6%) and housing, water, electricity, gas and other fuels (1.4%)," he said. Core index excludes most volatile items of fresh food as well as administered prices of goods and services.

Source: The Star Online, 19 August 2020

- a) Identify the type of inflation that Malaysia is facing, based on the article period. Support your answer with an appropriate diagram. (4 marks)
- b) List the goods/services that contribute to the declining of the overall Consumer Price Index in 2020. (2 marks)
- c) Examine ways that the government and central bank can do in order to mitigate the inflation occurs at that particular of time. (14 marks)

Question 5

- a) Table 3 shows the items in Malaysia's Balance of Payment account for the year of 2029. Compute Malaysia's overall balance of payment for the year 2029 by constructing a balance of trade account, services account, current account as well as capital and financial account.

Table 3

Items	RM (Million)
Freight charges	2,230
Travel and Tourism	1,030
Export Goods	88,050
Import Goods	90,050
Income from Investment: Private Investment	3,220
Private Investment	2,760
Income from Investment: Corporate Investment	2,320
Short Term Capital	6,560
Long Term Capital	5,560
Errors and Omissions	4,580
Other Investment	-3,860

(10 marks)

- b) Table 4 shows data of exchange rate for Ringgit Malaysia (RM) against the major currency for the year 2029. Convert the currencies in Table 4 into a unit of Malaysian Ringgit (RM1).

Table 4

Currency	Exchange Rate (in RM)
1 US Dollar	4.52
1 Euro Dollar	5.01
100 Thai Baht	13.3
100 Saudi Arabian Riyal	120.2
100 Philippine Peso	8.32

(10 marks)

END OF EXAMINATION PAPER