



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
JULY 2025 SEMESTER**

COURSE CODE : EGB20303
COURSE NAME : INTERNATIONAL ECONOMICS
PROGRAMME NAME : BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS
DATE : 17 SEPTEMBER 2025
TIME : 9.00AM – 12.00PM
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. All questions must be answered in **English** (any other language is not allowed).
6. This question paper must not be removed from the examination hall.

THERE ARE 3 PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 40 marks)**INSTRUCTION: Answer ALL questions.****Please use the answer booklet provided.****Question 1**

Based on the information in Table 1, answer the questions below.

Table 1: Production of Fruits

Before trade, the production levels in two countries are as follows:

Country A: 100 apples and 50 bananas

Country B: 60 apples and 120 bananas

After specialisation, the production changes to:

Country A: 180 apples, no bananas

Country B: 180 bananas, no apples

They agree to trade 80 apples for 80 bananas.

- (a) What is the opportunity cost of producing apples and bananas in each country before trade?
(5 marks)
- (b) After the trade, how many apples and bananas does each country have?
(5 marks)
- (c) Did both countries gain from trade? Explain
(5 marks)
- (d) Explain how specialisation based on comparative advantage can benefit both countries, even if one country has an absolute advantage in producing everything.
(5 marks)

Question 2

A Malaysian exporter expects to receive USD 5 million in six months from sales to the United States. The current spot exchange rate is MYR 4.60/USD, and the 6-month forward rate is MYR 4.65/USD. Concerned about potential exchange rate fluctuations, the exporter is considering various hedging strategies. Based on the information provided, answer the questions below.

- (a) What is the difference between the spot rate and forward rate. (2 marks)
- (b) Calculate the Malaysian Ringgit (MYR) amount the exporter would receive if:
- (i) They convert at today's spot rate (assuming no change in 6 months). (2 marks)
 - (ii) They lock in the 6-month forward rate today. (2 marks)
- (c) Describe how a currency swap could be used to hedge this transaction and explain one advantage and one disadvantage compared to a forward contract. (4 marks)
- (d) How the exporter could use a currency futures contract to manage the exchange rate risk. (4 marks)
- (e) Briefly explain the difference between a call option and a put option in the context of currency risk management. (6 marks)

SECTION B: ESSAY QUESTIONS (Total: 60 marks)**INSTRUCTION: Answer ALL questions**

Please use the answer booklet provided.

Question 3

Explain how international factor movements have affected Malaysia's economic growth. Include examples of foreign direct investment (FDI), labor migration, and capital flows in the past 10 years, using facts and policies to support your points.

(20 marks)

Question 4

Analyse the effects of the 2025 U.S.–China trade conflict on global prices and explain how these changes impacted Malaysia's economy. Discuss how tariffs influenced the cost of goods in both the U.S. and China, and assess the resulting implications for Malaysian consumers, exporters, and businesses, using real-world examples.

(20 marks)

Question 5

Explain the differences between the Gold Standard and today's fiat money system. Discuss how each system works, its impact on trade and economic stability, and provide examples of its main advantages and disadvantages.

(20 marks)

END OF EXAMINATION PAPER