



UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL

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**FINAL EXAMINATION**  
**OCTOBER 2025 SEMESTER**

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COURSE CODE : EGB11003  
COURSE TITLE : PRINCIPLES OF MACROECONOMICS  
PROGRAMME NAME : BACHELOR OF SCIENCE (HONS) IN ANALYTICAL ECONOMICS  
DATE : 28 JANUARY 2026  
TIME : 09:00AM - 12:00PM  
DURATION : 3 HOURS

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**INSTRUCTIONS TO CANDIDATES**

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1. Please read the instructions given in the question paper **CAREFULLY**.
2. This question paper is printed on both sides of the paper.
3. This question paper consist of **ONE** sections.
4. Section A consist of five questions. Answer **FOUR (4)** questions only.
5. Please write your answer on the answer booklet provided.
6. Please answer all questions in English only.
7. Refer to the attached Formula/ Appendies.  *Tick if applicable*

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THERE ARE 6 PAGES OF QUESTIONS INCLUDING THIS PAGE

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**SECTION A (Total: 100 marks)**

**Answer FOUR (4) questions.**

**Please use the answer booklet provided.**

**Question 1**

Answer the following questions:

- (a) Explain how the multiplier is derived using the consumption function and national income identity.

(8 marks)

- (b) Discuss how government spending and taxation affect national income by deriving the government purchase multiplier, the tax multiplier, and the balanced budget multiplier.

(10 marks)

- (c) Distinguish between the short-run multiplier and the long-run multiplier using appropriate equations and economic assumptions.

(7 marks)

**Question 2**

Answer the following question:

- (a) Briefly explain **THREE (3)** factors that can increase aggregate supply (AS).  
(6 marks)
- (b) Using a diagram, break down the effects on national income level, general price level, interest rate, employment level, and nominal wage rate when the government reduces tax revenue.  
(13 marks)
- (c) Explain the effect of interest-insensitive investment on the aggregate demand (AD) curve when prices increase.  
(6 marks)

**Question 3**

Answer the following questions:

- (a) List **THREE (3)** functions of money. (3 marks)
- (b) Explain **TWO (2)** motives for the demand for money. (4 marks)
- (c) Analyse the effect of interest rate on the changes in the money market (money demand and money supply). (12 marks)
- (d) Examine the Keynesian theory of interest rate determination using the appropriate diagram(s). (6 marks)

**Question 4**

Refer to the passage below to answer the following questions:

Malaysia, under the leadership of Prime Minister Anwar Ibrahim, is intensifying efforts to diversify its international trade by expanding into new markets in Europe, Latin America, and Africa, while still maintaining strong trade relationships with major partners such as the United States and China. This strategy is supported by positive economic indicators, including Malaysia's 5.2% GDP growth in the third quarter of 2025 and the ringgit becoming the best-performing currency in Asia, which together provide a strong foundation for Malaysia to progress as a leading trading nation.

Source: Malay Mail.

- (a) Explain **TWO (2)** ways in which higher GDP growth can strengthen a country's currency. (4 marks)
- (b) Explain **THREE (3)** ways how Malaysia's strong GDP growth and the appreciation of the ringgit support the government's strategy and Malaysia's long-term trade performance. (6 marks)
- (c) Discuss **TWO (2)** advantages and **TWO (2)** disadvantages of a fixed exchange rate system. (8 marks)
- (d) What is a flexible exchange rate system? Discuss **THREE (3)** effects of a flexible exchange rate system on a country's economy. (7 marks)

**Question 5**

Refer to the passage below to answer the following questions:

Malaysia has been given a 90-day window following the temporary pause on U.S. reciprocal tariffs to address several non-tariff barriers (NTBs) that affect its access to the U.S. market. Malaysia has been given a 90-day window after the temporary pause on U.S. reciprocal tariffs to address several non-tariff barriers (NTBs) that impact its access to the U.S. market. Key U.S. concerns include Malaysia's import restrictions on cars, strict halal-certification requirements for meat imports, the ban on U.S. live poultry, Bumiputera preferential government procurement rules, unequal treatment of imported pharmaceuticals, and foreign-ownership limits in the financial sector. Although not all issues can be resolved quickly due to legal constraints, economists note that many NTBs could be addressed through negotiations and procedural improvements without significantly harming Malaysia's economy.

Source: The Star, "Non-tariff barrier talks key to market access," 11 April 2025.

- (a) Classify **THREE (3)** main arguments for protectionism used by governments in international trade. (9 marks)
- (b) Examine and classify **FOUR (4)** types of non-tariff barriers used in international trade. (16 marks)

**END OF EXAMINATION PAPER**

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