



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2025 SEMESTER**

COURSE CODE : EEB21003
COURSE NAME : INTERNATIONAL ECONOMICS & TRADE
PROGRAMME NAME : BACHELOR OF BUSINESS ADMINISTRATION (HONS)
INTERNATIONAL BUSINESS
DATE : 23 JANUARY 2026
TIME : 03.00 PM - 06.00PM
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

Use the following data (values in RM billion):

The table below shows the economic data for Country Malaysia (in RM million)

Item	Value (RM million)
Consumption (C)	400
Investment (I)	150
Government Spending (G)	100
Exports (X)	80
Imports (M)	50
Wages (W)	350
Rent (R)	60
Interest (Int)	40
Profits (P)	80
Indirect Taxes – Subsidies (T)	20

- (a) Compute the Gross Domestic Product (GDP) through the expenditure and income approaches. (10 marks)
- (b) Describe the difference between Current Account and Financial Account. (10 marks)

Question 2

- (a) State and explain two main functions of the foreign exchange (forex) market. (4 marks)
- (b) Briefly describe how arbitrage helps maintain exchange rate equilibrium. (4 marks)
- (c) Differentiate between a forward contract and a futures contract. (4 marks)
- (d) Using a simple demand–supply framework, explain how exchange rate equilibrium is determined. (8 marks)

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

Please use the answer booklet provided.

Question 3

- (a) Discuss the factors that determine exchange rates in the short run. How do these differ from long-run determinants? (10 marks)
- (b) Examine the role of the International Monetary Fund (IMF) in promoting global financial stability. Include its functions, successes, and criticisms. (10 marks)

Question 4

- (a) Assume two countries, A and B, have different inflation rates. Using the concept of Purchasing Power Parity (PPP), explain how their exchange rate is expected to adjust over time. (10 marks)
- (b) Explain the Gold Standard System, discussing its main features, advantages, and disadvantages. How did it influence international trade and financial stability during its period? (10 marks)

Question 5

- (a) Discuss the relationship between inflation, Purchasing Power Parity (PPP), and long-run exchange rate movements. (10marks)
- (b) Explain how international financial systems and institutions have influenced trade, investment, and economic growth globally. (10 marks)

END OF EXAMINATION PAPER