UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION

MARCH 2026 SEMESTER

COURSE CODE	:	EAB21703
COURSE TITLE	:	PRINCIPLES OF MACROECONOMICS
PROGRAMME NAME	:	BACHELOR OF SCIENCE (HONOURS) IN ANALYTICAL ECONOMICS
DATE	:	25 JUNE 2026
TIME	:	9:00AM - 12:00PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

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*

THERE ARE 4 PAGES OF QUESTIONS INCLUDING THIS PAGE

SECTION A (Total: 100 marks)

Answer FOUR (4) questions.

Please use the answer booklet provided.

Question 1

Analyse the short-run effects of each of the following situations on the economy by using the AD–AS model.

1. A significant increase in oil prices caused by disruptions in global supply.
2. A rise in household spending due to higher consumer optimism and stronger income expectations.
3. The government reduces income tax rates to encourage economic growth.
4. Commercial banks tighten lending conditions, making it more difficult for firms and households to obtain loans.

For each situation, explain the short-run impact on output, employment, price level, and the movements of the AD and AS curves. Use appropriate diagrams where necessary and state any assumptions used in your analysis.

(25 marks)

Question 2

Assess the effectiveness of tax reductions as a fiscal policy instrument in stimulating consumption and investment. Discuss the circumstances in which tax cuts may be ineffective in promoting economic growth. Include a suitable diagram to support your explanation.

(25 marks)

Question 3

Answer the following questions :

(a) Using the data below, calculate Gross Domestic Product (GDP), Gross National Product (GNP) at market price, Gross National Product (GNP) at factor cost, National Income (NI), and National Income per capita.
Refer Below - Table1 : National income data for a country with a population of 30 million people .

(11 marks)

Table 1: National income data for a country with a population of 30 million people

Items	**RM (Million)**
Public investment	28250
Corporate investment	36,333
Net property income from abroad	-16,287
Government expenditure	14,215
Net export	-8,610
Depreciation	16,711
Subsidies	10,245
Taxes on expenditure	23,576
Private consumption	116,000

(b) Identify and define the THREE (3) methods of calculating GDP and briefly explain FOUR (4) difficulties in calculating national income.

(14 marks)

Question 4

Answer the following questions :

(a) By using a suitable diagram, explain the FOUR (4) phases of the business cycle and analyse their effects on employment and level of output in the economy.

(14 marks)

(b) Briefly explain cyclical unemployment and discuss why it is considered more serious than frictional unemployment. Evaluate the effectiveness of government policy during the recovery period of the business cycle.

(11 marks)

Question 5

Answer the following questions :

(a) Explain the concept of money supply and describe FOUR (4) functions of money in an economy.

(10 marks)

(b) Explain the THREE (3) main monetary policy tools and how they influence money supply.

(15 marks)

END OF EXAMINATION PAPER