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UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EGB10503
COURSE TITLE	:	INTERMEDIATE MACROECONOMICS
PROGRAMME NAME	:	BACHELOR OF SCIENCE (HONOURS) IN ANALYTICAL ECONOMICS
DATE	:	29-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 3 PAGES OF QUESTIONS INCLUDING THIS PAGE

SECTION A (Total: 100 marks)

Answer FOUR (4) questions.

Please use the answer booklet provided.

Question 1

Given the following macroeconomic model: $C=80+0.75(Y-T)$ $T=40, I=100, G=120$
Determine the equilibrium level of national income and the value of the multiplier. Then, analyse how an increase in government expenditure would affect equilibrium income, employment, and aggregate expenditure using the Keynesian income-expenditure framework. Use appropriate calculations and diagram(s) to support your answer.

(25 marks)

Question 2

Analyse the effects of an increase in aggregate demand on output, employment, and price level in the short run and long run using the AD–AS framework, including the role of wage rigidity and labour market imperfections in the adjustment towards long-run equilibrium, with the aid of appropriate diagram(s).

(25 marks)

Question 3

Answer the following questions :

(a) Using a diagram, explain how the labor market determines equilibrium real wage and employment.

(12 marks)

(b) Suppose the government increases spending without increasing taxes ($G > T$): Evaluate what happens to interest rate and investment. Use appropriate diagram(s) to support your answer.

(13 marks)

Question 4

Answer the following questions :

(a) Using the IS-LM model, explain how fiscal policy affects equilibrium income and interest rate.

(12 marks)

(b) Evaluate the effectiveness of fiscal policy relative to monetary policy by considering the slope of the IS and LM curves. Use appropriate diagram(s) to support your answer.

(13 marks)

Question 5

Answer the following questions :

(a) Explain the monetarist view of the relationship between money supply, inflation, and output.

(12 marks)

(b) Using the natural rate theory, analyse why expansionary monetary policy may only reduce unemployment in the short run but not in the long run. Use appropriate diagram(s) to support your answer.

(13 marks)

END OF EXAMINATION PAPER