CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2026 SEMESTER

COURSE CODE	:	EIB11703
COURSE NAME	:	PRINCIPLES OF MACROECONOMICS
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING
DATE	:	25 JUNE 2026
TIME	:	9:00AM – 12:00PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given on this question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This examination comprises **TWO (2)** sections.
4. You are required to answer **ALL** questions in **Section A** and **Section B**.
5. Please write your answer in the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**

THERE ARE THREE (3) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

Section A (Total: 50 Marks)

Question 1

The data presented below pertain to an open-economy model. All values are measured in RM billions.

Aggregate Demand (AD) function:

Consumption (C)	=	40+0.8Y
Investment (I)	=	50
Government spending (G)	=	60
Exports (X)	=	30
Imports (M)	=	20+0.1Y

Aggregate expenditure identity (AD) is $Y = C + I + G + (X-M)$

Answer all the subsequent questions.

a) Identify the aggregate expenditure function for the open economy model.
(5 mark)

b) Determine the equilibrium level of Gross Domestic Product (GDP) for an open economy model.
(5 marks)

c) Determine the value of imports and net export at equilibrium level and interpret its conditions.
(5 marks)

d) Determine new equilibrium level for the open economy if government increases its spending amount to RM 20 billion. And calculate the multiplier in a four sector economy and change in GDP during the equilibrium level.
(5 marks)

e) Explain the role of foreign sector in the long run for an open economy performance due to any changes in export and import volumes.
(5 marks)

Question 2

Suppose the aggregate demand (AD) and aggregate supply (AS) schedules for a proposed economy are presented below.

Amount of real domestic output demanded, RM billions	Price level (price index)	Amount of real domestic output supplied, RM billions
20	30	80
40	25	80
60	20	60
80	15	40
100	10	20

a) Based on the above data sets, graph the aggregate demand and aggregate supply curves in your answer script. Identify the equilibrium price and output level and clearly show in the graph constructed.

(5 marks)

b) If the quantity of real output demanded increased by RM 40 billion at all levels. Determine the new equilibrium price and output. Illustrate your working and answer in a table data sets as well as AD-AS diagram.

(8 marks)

c) Given the occurrence in (b) and the quantity of real output supplied increased by double the amount of increase in the demand in (b) at each price level, determine the new equilibrium price level and quantity of real domestic output. Illustrate your working and answer in a table data sets as well as AD-AS diagram.

(7 marks)

d) Describe TWO factors the might cause the shift in:

i) AD curve
ii) AS curve

(5 marks)

SECTION B (Total: 50 Marks)

Question 3

a) Define the term fiscal policy and elucidate its role and objectives in managing economic condition. (5 marks)

b) Describe the appropriate demand side fiscal policy that should be invoked during recession. Using the AD-AS framework, illustrate and explain this policy. (10 marks)

c) Assume that a hypothetical economy with an MPC of 0.75 is currently facing high inflation, and its government is projecting to resolve this macroeconomic issue by targeting a RM 100 billion shrink of aggregate demand.

i) Determine the amount of spending should be reduced by the government in order to achieve this target. (5 marks)

ii) Given that the government opt for tax instead of spending, determine the size of tax increase in order to achieve the same target. (5 marks)

Question 4

a) Using the money market demand and supply diagram, other things being equal, demonstrate the effect will each of the following events have on the equilibrium rate of interest. Then, use the aggregate demand and aggregate supply (AD-AS) diagram to relate the events in the money market to the aggregate demand, as well as to identify the consequent changes in the equilibrium level of price and real output.

i) Increase in the supply of money; (8 marks)

ii) Right shift of the asset demand for money. (8 marks)

b) Define the monetary policy tools listed below and explain how changes in each tool can be used to execute restrictive monetary policies during inflationary conditions.

i) Required reserve ratio
ii) Open market operations

(9 marks)

END OF EXAMINATION PAPER