

Malaysian **Economics** Olympiad

Malaysia Economics Olympiad 2019

16th June 2019

Fakulti Sains Komputer dan Teknologi Maklumat, Universiti Malaya

10.00 am - 12.00 pm

Do not open this booklet until you are instructed by the invigilator.

Time allowed: 2 hours
Language: English

1. This Question Booklet contains **FOUR (4)** essay questions.
2. Answer on the Answer Sheet provided
 - Write your **Name & Student ID** on each page of Answer Sheet.
 - Use **pencil** or **black/blue pen** only.
 - Indicate the question number on each page of Answer Sheet. Do not write anything in the rightmost column ("Examiner's Use Only")
 - Participants can answer in **English** only.
 - Use extra sheets of paper if space provided is insufficient. Staple them at the back of the booklet.
3. It is forbidden to discuss during the test.

GOOD LUCK!

Instructions: Please answer ALL questions.

QUESTION 1

Inflation targeting is a form of monetary policy tool whereby a central bank set an explicit target inflation rate.

Please discuss the concept of inflation targeting. This may include, but not limited to, the different types of inflation targeting, the benefits and shortcomings and possible alternatives of monetary policy tool that is available.

[25 marks]

QUESTION 2

Pricing strategy is about finding a competitive price of a product or a service. The ultimate goal is to maximise the profit when combined with marketing strategies.

- a) Please briefly explain various available pricing strategies and under what condition certain strategies best applied.
- b) Please explain pricing strategies that are best applied by seller at Pasar Malam, low cost air carrier and electricity provider (hint: socio economic factor should be considered)

[25 marks]

QUESTION 3

For financial institutions, one of the most important aspect given by the regulator is on the safety and soundness of the players. In ensuring financial stability, regulators introduce regulations such as requirement to provide financing/loan loss provisioning and capital requirements.

Please explain how provisioning and capital requirements work and how do these requirements complement and interact with each other.

[25 marks]

QUESTION 4

The Asian Financial Crisis was a period financial crisis that affects most of the countries in Southeast Asia. The crisis started in Thailand (also known as Tom Yum Goong crisis) before it spreads across the neighboring countries, including Malaysia.

Please explain the cause of the crisis, the actions taken by the affected countries, issues surrounding the support from external parties (e.g. International Monetary Fund) and the consequences of the crisis.

[25 marks]

-End of questions-