

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF BANKING

BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING

PRINCIPLES OF MACRO ECONOMICS

CBA 1205

FINAL EXAMINATION

MAY/JUNE 2004

INSTRUCTIONS TO CANDIDATES

- (i) Duration: 3 hours.
- (ii) Answer **FOUR** questions
- (iii) All questions carry equal marks
- (iv) Question **FIVE** is compulsory.

QUESTION 1

Distinguish clearly between the following macroeconomics concepts, (Give examples where possible):

- (a) Transfer incomes and transfer payments [5 marks]
- (b) Economic rent and quasi-rent [5 marks]
- (c) Speculative and Search unemployment [5 marks]
- (d) Hyperinflation and Stagflation [5 marks]
- (e) Depreciation and devaluation of currency [5 marks]

QUESTION 2

- (a) Critically analyse the **FOUR** theories of consumption by John Maynard Keynes, James Duesenbury, Modiglianni and Milton Friedman. [20 marks]
- (b) Which one of these theories is more applicable to Zimbabwe and why? [5 marks]

QUESTION 3

- (a) The Keynesian and Monetarist views on the causes of inflation differ mainly in terms of the underlying factors. Evaluate this statement showing clearly how the two schools of thought differ or converge. [18 marks]

QUESTION 3 [CONT...]

- (b) What are the consequences of inflation particularly for an economy like that of Zimbabwe. [7 marks]

QUESTION 4

What types of unemployment exist in the Zimbabwean economy and how can government solve each of the different types of unemployment that you have mentioned?

QUESTION 5

Explain the usefulness of national income statistics. Discuss the problems experienced in using these statistics and how these problems can be overcome. [25 marks]

END OF EXAMINATION PAPER