NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF BANKING

PRINCIPLES OF MACRO ECONOMICS
CBA 1205

SUPPLEMENTARY EXAMINATION   **AUGUST 2008**

TIME: 3 HOURS

INSTRUCTIONS TO CANDIDATES

Answer any FOUR (4) questions.

Indicate on your answer booklet whether you are in the conventional or parallel programme.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [ ] at the end of each question or part question.

Questions may be written in any order, but must be legibly numbered.

The businesses in this question paper are intended to be fictitious.

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[Turn over]

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)	Hyper inflation and stagflation.	(5 marks)
(e)	Depreciation and devaluation of currency.	(5 marks)

TOTAL   **[25 MARKS]**

QUESTION 2

(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)

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

TOTAL   **[25 MARKS]**

QUESTION 3

(a) What are the arguments for and against trade restrictions? ([10 marks)

(b)

Visible exports	200
Net Private Investment	160
Repayment to IMF loan	50
Visible Imports	240
Balancing item	60
Invisible imports	100
Change in reserves	?
Invisible exports	120

The table above shows a summary of a country's balance of payments for a particular year. The items are presented in a random order.

Calculate;

i)	The Balance of Trade.	(3 marks)
ii)	The Balance on Current Account.	(4 marks)
iii)	The balance for official financing.	(4 marks)
iv)	What will be the change in reserves as a result of these flows?	(4 marks)

TOTAL   **[25 MARKS]**

QUESTION 4

(a)   What are the functions of money?   (13 marks)
(b)   How do banks create money?   (12 marks)

                    TOTAL   **[25 MARKS]**

QUESTION 5

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

                    TOTAL   **[25 MARKS]**

QUESTION 6

Unemployment is regarded as a serious problem facing Zimbabwe. What are the causes of
unemployment in Zimbabwe? What can be done to solve the unemployment problem in
Zimbabwe?

                                                            (25 marks)

                    TOTAL   **[25 MARKS]**