



National University of Science and Technology

Think in Other Terms



FACULTY OF COMMERCE

DEPARTMENT OF FINANCE

BACHELOR OF COMMERCE HONOURS DEGREE IN FISCAL STUDIES

PART IV- FINAL EXAMINATION – APRIL 2014

NATIONAL INCOME ACCOUNTING – CFS 4204

TIME ALLOWED: 3 HOURS

INSTRUCTIONS TO CANDIDATES

- Answer any FOUR (4) questions.
- Start the answer to each full question on a fresh page of the answer sheet.
- Show all workings.
- Questions may be written in any order, but must be legibly numbered.

INFORMATION FOR CANDIDATES

The paper contains six (6) questions.

All whole questions carry equal marks [25 marks] and part marks are indicated in brackets at the end of each part question.

ADDITIONAL REQUIREMENTS

Graph Paper

QUESTION 1

- a) Use the open economy circular flow model of national income to explain the following concepts:
- i. Budget position [6 marks]
 - ii. Twin deficits hypothesis [7 marks]
- b) Analyze two main problems that developing economies face in compiling accurate national income statistics. [12 marks]

[25 MARKS]

QUESTION 2

- a) A study of linkages among different industries in an emerging economy yielded the following results:

Technical Coefficients Matrix

	Agriculture	Factory
Inputs - Agriculture	0.149	0.144
Inputs - Factory	0.167	0.296

Matrix of Primary inputs for determining income multipliers

Sector	Agriculture	Factory
Household	0.466	0.415
Government	0.045	0.055
Imports	0.166	0.086

Use the matrix approach to Input-Output analysis to analyze the impact of the following:

- i. A \$1 change in final demand for the output of the agricultural sector. [7 marks]
 - ii. \$1.5 million dollar change in final demand for the output of factory sector. [8 marks]
- b) Analyze the extent to which the Happy Life index augments conventional national income statistics. [10 marks]

[25 MARKS]

QUESTION 3

- a) Compare and contrast the principal accounts of any two economies that you have studied. To what extent do the national accounting systems converge to or diverge from the United Nations (UN) System of National Accounts (SNA) of 1993. [16 marks]

- b) Given the following items in the Balance of Payments (BOPs) schedule for Paradiso Republic:

	\$ billions
Eden invisible exports	100
Net Transfers	(80)
Net Foreign Factor Incomes	(1.5)
Paradiso invisible imports	115
Balancing item	8
Paradiso visible imports	67
World Bank loan to Paradiso	24
Paradiso contributions to the United Nations	86
Paradiso visible exports	10

Deduce the:

- i) Official Reserves Account balance [3 marks]
ii) The Balance of Payments (BOPs) position [6 marks]

[25 MARKS]

QUESTION 4

- a) Use two case studies to evaluate the feasibility of greening of conventional national income accounts. [15 marks]
b) Assess the effect of any two aspects of national accounts on computations that are made in compiling national income statistics. [10 marks]

[25 MARKS]

QUESTION 5

- a) The table below contains a Gross Domestic Product (GDP) series from 1948 to 1958. Study the table and attempt the questions that follow:

Year	Gross Domestic Product (GDP) \$ billions
1948	50.0
1949	36.5
1950	53.2
1951	44.5
1952	46.2
1953	38.1
1954	34.6
1955	40.4
1956	44.6
1957	46.2
1958	48.8

- i. Calculate a centred 4 year moving average. [6 marks]
 - ii. Depict the 4 year moving average on a graph paper and comment on the trend of Gross Domestic Product (GDP) over the 11 year period. [4 marks]
- b) Most developed economies now compile quarterly national income statistics to facilitate accurate policy making and sound investment decision making. Discuss the feasibility of producing quarterly national income accounts for any emerging economy that you have studied. [15 marks]

[TOTAL 25 MARKS]

QUESTION SIX

- a. Use national income equations to explain exhaustive and non-exhaustive expenditures. [15 marks]
- b. Explain the methodological limitations that are encountered by national income accountants in measuring and compiling items of the Balance of Payments. [10 marks]

[TOTAL 25 MARKS]

END OF EXAMINATION PAPER