



NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF THE BUILT ENVIRONMENT

DEPARTMENT OF QUANTITY SURVEYING

PRINCIPLES OF MACRO-ECONOMICS

AQS 1204

Main Examination Paper

May 2015

This examination paper consists of 4 pages

Time Allowed: 3 hours

Total Marks: 100

Special Requirements: None

Examiner's Name: C. Kusaziya

INSTRUCTIONS

1. Answer any four (4) questions
2. Each question carries 25 marks

MARK ALLOCATION

QUESTION	MARKS
1.	25
2.	25
3.	25
4.	25
5.	25

QUESTION 1

- a) Define the term “aggregate demand”, giving relevant examples, as applicable to National Income Determination (5 marks)
- b) With the aid of a well labeled diagram, illustrate and explain the concept of equilibrium national income. (10 marks)
- c) Draw well labeled diagrams to illustrate :
- i. A deflationary gap (5 marks)
 - ii. An inflationary gap (5 marks)

QUESTION 2

- a) Define, with the aid of relevant examples, the following terms:
- i. Gross Domestic Product (GDP) (3 marks)
 - ii. Gross National Product (GNP) (3 marks)
 - iii. Net National Product (NNP) (3 marks)

- b) Study the data below for an imaginary country, Zimbaland

Value of physical increase in stock and work in progress	\$400 million
Imports of goods and services	\$37 000 million
General government final consumption	\$27 000 million
Gross domestic fixed capital formation	\$23 000 million
Exports of goods and services	\$35 000 million
Depreciation	\$14 000 million
Taxes on expenditure	\$17 000 million
Net income from abroad	\$ 1000 million
Consumer expenditure	\$74 000 million
Subsidies	\$3 000 million

Calculate:

- i. Total Domestic Expenditure at market price (4 marks)
- ii. Gross Domestic Expenditure at factor cost (4 marks)
- iii. Gross National Expenditure (4 marks)
- iv. Net National Expenditure (4 marks)

QUESTION 3

- a) Identify the types of unemployment that exist in the Zimbabwean economy and suggest how government can solve each of the different types of unemployment. (10 marks)
- b) Examine the causes of inflation and suggest possible measures to overcome inflation. (10 marks)
- c) Given the following information: change in income \$2000, change in consumption \$1560. Compute:
 - i. The Marginal Propensity to save (3 marks)
 - ii. The multiplier (2 marks)

QUESTION 4

- a) Evaluate the arguments in favour of protectionism, explaining the measures that might be used to provide effective protection. (10 marks)
- b) Study the following table and answer the questions which follow:

COUNTRY	BRICKS (TONNES)	STEEL (TONNES)
A	1	4
B	0.5	5

- i. State which country has an absolute advantage in the production of bricks and steel. (2 marks)

- ii. Compute the opportunity cost ratios and present them in a well labelled table. (4 marks)
- iii. State six problems in using national income statistics when comparing standards of living among different countries. (6 marks)
- c) Briefly explain what is meant by fixed exchange rate regime (3 marks)

QUESTION 5

- a) List and explain any five (5) characteristics of good money (10 marks)
- b) Giving relevant examples, outline the main functions of money in an economy (5 marks)
- c) The Keynesian 'speculative demand for money' suggests that a fall in the rate of interest will cause investors to switch from holding assets such as bonds to holding cash, thereby increasing the demand for money. Discuss giving examples. (10 marks)