

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF THE BUILT ENVIRONMENT
BACHELOR OF QUANTITY SURVEYING (HONOURS) DEGREE
PART I SECOND SEMESTER EXAMINATIONS- AUGUST 2009**

PRINCIPLES OF MACROECONOMICS – AQS 1204

FINAL EXAMINATIONS

TIME: 3 HOURS

TOTAL MARKS: 100

INSTRUCTIONS TO CANDIDATES:

Answer any FOUR questions

Question 1

- a) Describe the three methods of measuring national income. [9]
- b) State any seven uses of national income statistics. [7]
- c) What are the major shortcomings encountered in the measurement and use of national income figures? [9]

Question 2

The following is a national income model:

$$\begin{array}{lcl} C & = & 700 + 0.9 Y \\ I & = & 500 \\ G & = & 650 \end{array}$$

Where C = Consumption expenditure; I = Investment expenditure;
G = Government expenditure

- a) State the equilibrium condition and calculate the equilibrium level of national income. [6]
- b) Show the following situation on the income-expenditure diagram:
Investment rises by \$100 to \$600, so that I = 600. [6]
- c) Determine the economy's national income multiplier. [3]
- d) Briefly state some of the factors that limit the size of the multiplier in an economy. [5]
- e) Explain briefly the multiplier-accelerator interaction. [5]

Question 3

a) Given the following items in the Balance of Payments:

| | \$Billion |
|-------------------------------|-----------|
| Zimbabwe visible exports | 100 |
| Net transfers | +80 |
| Net investment income | 15 |
| Zimbabwe invisible imports | 115 |
| Zimbabwe visible imports | 67 |
| Balancing item | 8 |
| Zimbabwe invisible exports | 210 |
| Capital inflow to Zimbabwe | 24 |
| Capital outflow from Zimbabwe | 76 |

Calculate:

- i) The Balance of Trade [3]
 - ii) The Balance on Current Account [4]
 - iii) The Balance of the Capital Account [4]
 - iii) The Balance for Official Financing [4]
- b) What are the arguments for and against trade restrictions? [10]

Question 4

- a) Enumerate four characteristics of good money. [4]
- b) What are the main functions of money in an economy? [6]
- c) What in your view contributed to the collapse of the Zimbabwe dollar? [5]
- d) Examine the various methods that monetary authorities can use to ensure price stability and employment. [10]

Question 5

From the year 2000 to the year 2008 Zimbabwe experienced a number of chronic macroeconomic problems. Identify those problems and suggest possible solutions to them. [25]

Question 6

- a) Briefly explain what is meant by the following terms:
- i) Fixed exchange rate regime [3]
 - ii) Floating exchange rate regime [3]
 - iii) Managed or dirty floats [3]
- b) What is meant by exchange rate devaluation? [5]
- c) Distinguish between depreciation and devaluation. [5]
- d) Examine the importance of a stable currency to economic growth and development. [6]

END OF EXAMINATION