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:

$$C \quad = \quad 700 + 0.9\,Y$$
$$I \quad = \quad 500$$
$$G \quad = \quad 650$$

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