

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**FACULTY OF BUILT ENVIRONMENT**  
**DEPARTMENT OF QUANTITY SURVEYING**  
**PART I SECOND SEMESTER EXAMINATIONS – JUNE 2010**  
**PRINCIPLES OF MACROECONOMICS – AQS1204**

Time: 3 Hours

Total Marks: 100

**Instructions**

Answer ANY Four Questions. All Questions Carry Equal Marks.

Start each question on a fresh page and write clearly.

Whole question may be attempted in any order.

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**QUESTION ONE**

(a) (i) Briefly describe the income and expenditure approaches of measuring national income. (6 marks)

(ii) What are the shortcomings of national income statistics? (6 marks)

(b) From the data below, calculate the Net National Product at factor cost.

Imports	10 000
Gross Domestic Private Investment	500
Government Expenditure	1000
Exports	25 000
Value of Physical increase in stock	6 000
Net Property Income from Abroad	1 200
Consumer Expenditure	58 000
Capital Consumption	800
	(13 marks)

## **QUESTION TWO**

- (a) Briefly define import substitution industrialization and assess its relevance to the Zimbabwean economy. (10 marks)
- (b) Discuss the effectiveness of a wage and price freeze for a developing country economy. Cite relevant examples to demonstrate the impact of the policy. (15 marks)

## **QUESTION THREE**

- a) What are the arguments for and against trade restrictions? (10 marks)
- b) The following is data which shows a summary of Eldorado's balance of payments for a particular year. The items are presented in random order:

	\$Billions
Visible exports	400
Net Private Investment	320
Visible Imports	480
Repayment to IMF loan	100
Balancing item	120
Invisible exports	240
Change in reserves	?
Invisible imports	200

### **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 change in reserves as a result of these flows? (4 marks)

**QUESTION FOUR**

- a) “Keynesians argue that a budget deficit will stimulate the economy. The historical evidence of the Zimbabwean economy is highly inconsistent with this view. For the past 10 years, deficit spending has been associated with recessions, not expansions.” Discuss this observation about Zimbabwe’s economy. (15 marks)
- b) What is meant by exchange rate devaluation? (5 marks)
- c) Distinguish between depreciation and devaluation. (5 marks)

**QUESTION FIVE**

- a) Briefly define any two instruments of monetary policy. (10 marks)
- b) What are the consequences of inflation and what policy measures can the authorities take to reduce inflationary pressures? (15 marks)

**QUESTION SIX**

Identify two types of unemployment that exist in the Zimbabwean economy and suggest how government can solve each of the different types of unemployment? (25 marks)