



# NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF THE BUILT ENVIRONMENT  
DEPARTMENT OF QUANTITY SURVEYING  
PRINCIPLES OF MACRO-ECONOMICS  
AQS 1204

Supplementary Examination Paper

July 2015

This examination paper consists of 3 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) Describe the three methods of measuring national income. (9 marks)
- b) State any seven uses of national income statistics. (7 marks)
- c) Discuss the major shortcomings encountered in the measurement and use of national income figures. (9 marks)

QUESTION 2

The following is a national income model:

$$C = 650 + 0.9 Y$$

$$I = 500$$

$$G = 650$$

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

- a) Referring to the above model
- State the equilibrium condition and calculate the equilibrium level of national income. (6 marks)
  - Show the following situation on the income-expenditure diagram:  
Investment rises by \$100 to \$600, so that  $I = 600$ . (6marks)
  - Determine the economy's national income multiplier. (3 marks)
- b) Briefly state some of the factors that limit the size of the multiplier in an economy. (5 marks)
- c) Giving relevant examples, define the following terms :
- Gross Domestic Product
  - Gross National Product (5 marks)

QUESTION 3

- a) Briefly define any two instruments of monetary policy. (10 marks)
- b) Briefly discuss the effectiveness of monetary policy in controlling the level of money supply in an economy. (10 marks)
- c) Discuss the merits and demerits of undertaking international trade. (5 marks)

QUESTION 4

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

QUESTION 5

- a) Enumerate four characteristics of good money. (4 marks)
- b) Describe the main functions of money in an economy (6 marks)
- c) Distinguish between depreciation and devaluation. (5 marks)
- d) Examine the various methods that monetary authorities can use to ensure price stability and employment. (10 marks)