1st OPPORTUNITY EXAMINATION QUESTION PAPER

This paper consists of 2 pages, including this front page. The paper is applicable to the full-time, part-time, as well as, the distance learning candidates.

INSTRUCTIONS

1. A pocket calculator may be used
2. Candidates must answer all four (4) questions.
3. All questions have equal marks as shown against the question.
4. Show all your working, including the formula used and round off all your answers to 2 decimal places.
5. Number your answers in accordance with the question paper.
6. Start each question/answer on a new page.
7. Write clearly and legibly.
QUESTION 1

Discuss any eight (8) obstacles to development faced by the Namibian economy.

QUESTION 2

2.1 Duesenberry argues that when absolute income increases, absolute consumption also increases, but when absolute income decreases, households do not cut their consumption in proportion to the fall in their income. With the aid of a diagram explain the Ratchet effect in consumption.

2.2 List the three (3) major shortcomings associated with the Relative Income Hypothesis.

QUESTION 3

Consider an open economy described by the following Keynesian model:

\[ C = 100 + 0.9Y_d \]
\[ I = 15 \]
\[ G = 59 \]
\[ T = 10 + 0.1Y \]

where \( C \) is consumption, \( Y_d \) is disposable income, \( I \) is planned investment, \( G \) is government spending, \( T \) is taxes, and \( Y \) is gross income. All variables are measured in nominal million dollars.

3.1 Derive the saving function for this economy.

3.2 What is the value of disposable income in equilibrium?

3.3 Determine the equilibrium level of Consumption.

QUESTION 4

After winning N$70 000 in a lotto, Mr Ngeendepi intends to invest 25% of his winning in a project for a return of N$ 17 500 after 10 years, at the interest rate of 2%.

Required:

a) Calculate the NPV of the proposed investment.

b) Should Mr Ngeendepi go ahead with this investment? Comment on your answer

c) Comment upon two advantages and disadvantages of the NPV method of investment appraisal.

TOTAL MARKS: 100