nAmIBIA UnIVERSITY
OF SCIEnCE AnD TECHnOLOGY

FACULTY OF   **MANAGEMENT**
SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 07BECO	**LEVEL:** 7
COURSE CODE: IMA612S	**COURSE NAME**: INTERMEDIATE MACROECONOMICS
SESSION: JANUARY 2020	**PAPER:** THEORY
DURATION: 3 HOURS	**MARKS:** 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	MS. NN SHITENGA Mr. P. NANGULA MS. K. MACKENZIE
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INSTRUCTIONS
1. This paper consist of section **A and B**
2. Answer **ALL** questions.
3. Number your answers in accordance with the question paper.
4. Start each section Answer on a new page
5. Write clearly and legibly

PERMISSIBLE MATERIALS

1. Pen
2. Ruler
3. Calculator

THIS QUESTION PAPER CONSISTS OF _6_ PAGES (Including this front page)

SECTION A: MULTIPLE CHOICE QUESTIONS

1. Inflation:
   a) Always reduces the cost of living
   b) Always reduces the standard of living
   c) Reduces the price of products
   d) Reduces the purchasing power of a pound

2. An increase in injections into the economy may lead to:
   a) An outward shift of aggregate demand and demand-pull inflation
   b) An outward shift of aggregate demand and cost-push inflation
   c) An outward shift of aggregate supply and demand-pull inflation
   d) An outward shift of aggregate supply and cost-push inflation

3. An increase in the marginal propensity to consume will:
   a) Lead to the consumption function becoming steeper
   b) Shift the consumption function upwards
   c) Shift the consumption function downwards
   d) Shift the savings function upwards

4. If the Keynesian consumption function is $C = 10 + 0.8\,Y_d$ then, if disposable income is £1000, what is amount of total consumption?
   a) £0.8
   b) £800
   c) £810
   d) £0.81

5. An increase in consumption at any given level of income is likely to lead to:
   a) Higher aggregate demand
   b) An increase in exports
   c) A fall in taxation revenue
   d) A decrease in import spending

6. Lower interest rates are likely to:
   a) Decrease consumption
   b) Increase cost of borrowing
   c) Encourage saving
   d) Increase borrowing and spending

7. The effects of inflation on the price competitiveness of a country's products may be offset by:
   a) An appreciation of the currency
   b) A revaluation of the currency
   c) A depreciation of the currency
   d) Lower inflation abroad

Please read the following scenario and answer questions 8 to 10 below,

Scenario: Real GDP: Suppose that in year 1, an economy produces 100 golf balls that sell for $3 each and 75 pizzas that sell for $8 each. The next year the economy produces 110 golf balls that sell for $3.25 each and 80 pizzas that sell for $9 each.

8. (Scenario: Real GDP)The growth rate of nominal GDP from year 1 to year 2 is:
   A.   19.72%.
   B.   10%.
   C.   7.8%.
   D.   8.8%.

9. (Scenario: Real GDP)Using year 1 as the base year, real GDP in year 2 is:
   A.   N$900.
   B.   N$970.
   C.   N$1,000.
   D.   N$1,077.50

10. (Scenario: Real GDP)The value of nominal GDP in years 1 and 2 respectively is:
   A.   N$180,000; N$257,400.
   B.   N$900; N$990.
   C.   N$900; N$1,077.50.
   D.   N$1,000; N$1,005.

QUESTION 1   [14 MARKS]

Given the information in the following tables, fill the blanks (assuming that the consumption function is linear with respect to disposable income). Find the tax function, consumption function with respect to disposable income, the consumption function with respect to output, the savings function with respect to disposable income, and the savings function with respect to output, please note that Progressive Taxes:

Y	T	Y-T	C	S
0	-20		110	
100	0		150	
200				
	80			
			390	

Taxes are a function of income (i.e. T = c + dY)

a) Fill the gap in the table above   (0.5 *16 = 8 Marks)
b) Consumption Function with respect to Y   (2 Marks)
c) Savings Function w/ respect to Y   (2 Marks)
d) What is the level of Output for this economy   (2 Marks)

QUESTION 2   [44 MARKS]

Consider the economy with the following information about goods and money market:

$C_d = 200 + 0.5Y - 500r$
$I_d = 200 - 500r$
$(M/P)_d = 0.5Y - 250r$
$G = 150$
$M = 4900$
$Y = 1000$

a) What are the general equilibrium levels of the real interest rate r, the price level P, desired aggregate consumption Cd, and desired investment Id? (*keep the answers to 2 decimal places*) (20 Marks)

b) Suppose that the majority of economic activity in this economy is bread making. Because wheat plantations received good rain this year, let us imagine that the weather this year is unusually conducive to growing wheat. In the IS-LM framework, this situation represents a beneficial supply shock. Specifically, suppose the full-employment level of output Y1 increases temporarily to Y2 = 1050. Show what happens to the economy in a graph. What will be the new short-run equilibrium value of r and how will the new general equilibrium come

about? What is the new price level P? *(keep the answers to 2 decimal places)* **(24Marks)**

QUESTION 3

Economic growth can be defined as an increase in a country's productive capacity, identifiable by sustained rise in real national income over a period of years, Most of influential economist have developed models in an attempt explain the concept of economic growth;
a) Discuss in details the main factors influencing the economic growth of a country **(12 Marks)**
b) Outline the major three benefits and three costs that result from economic growth?
    (6 Marks)

<center>**MARKS:100**</center>

Student number:...

Name of lecturer:...

ANSWER SHEET FOR SECTION A

Mark the correct answer with an X.

	A	B	C	D
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				