



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: VARIOUS (SERVICE COURSE)	
QUALIFICATION CODE: VARIOUS CODES	LEVEL: 7
COURSE CODE: PMA512S	COURSE NAME: PRINCIPLES OF MACROECONOMICS
SESSION: DECEMBER 2025	SESSION: PAPER THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	MS. PRECIOUS MWIKANDA
MODERATOR:	Mr. ESLON NGEENDEPI
INSTRUCTIONS	
<ol style="list-style-type: none">1. Answer all questions in this question paper.2. Read all the questions carefully before answering.3. Section A and B should be answered on the attached sheets provided at the end of the question paper found on page 16 and 17 (detach them now).4. Question 1 to 6 of Sections: C, D, and E should be answered in the answer book.5. Ensure to enclose the Multiple Choice and True and False Answer Sheet in your Examination Answer Book.	
PERMISSIBLE ITEMS:	<ul style="list-style-type: none">✓ Ruler✓ Calculator✓ Pencil✓ Pen (blue or black)

THIS QUESTION PAPER CONSISTS OF 17 PAGES (Including this front page)

SECTION A

20 MARKS

Instructions:

Select one correct answer and write your answers on the answer sheet provided on page 16.

Tear the page off and place it inside your examination script.

1.1 The supply of money is mainly influenced by: [1 mark]

- a) Depositors, commercial banks, foreigners.
- b) Foreign trade, International capital flows, government transactions.
- c) Depositors, government, demanders for money.
- d) Both a and b.

1.2 The supply of money is determined by: [1 mark]

- a) the demand for money.
- b) the supply curve.
- c) the interest rates.
- d) The monetary authority.

1.3 In the open market operations, when the central bank decreases the price of securities this will cause..... [1 mark]

- a) Money supply to increase.
- b) Interest rate to increase.
- c) Interest rate to decrease.
- d) None of the above

1.4 Which of the following is not classified as indirect tax: [1 mark]

- a) Customs duties.
- b) Excise duties.
- c) Value added tax.
- d) Income tax.

1.5 An expansionary fiscal policy entails: [1 mark]

- a) Increasing taxes and reducing government spending.
- b) Reducing taxes and increasing government spending.
- c) Increasing taxes and increasing government spending.
- d) Increased borrowing and reducing interest rates.

1.6 Assume you are an exporter of horse mackerel to European based importers. What would be the effect of a depreciated domestic currency for your exports? [1 mark]

- a) I will sell more horse mackerel than before.
- b) I will sell less horse mackerel than before.
- c) I will supply same quantities regardless of the exchange rate.
- d) I will wait for favourable price to export.

1.7 Which of the following statements is true about a country with a trade surplus? [1 mark]

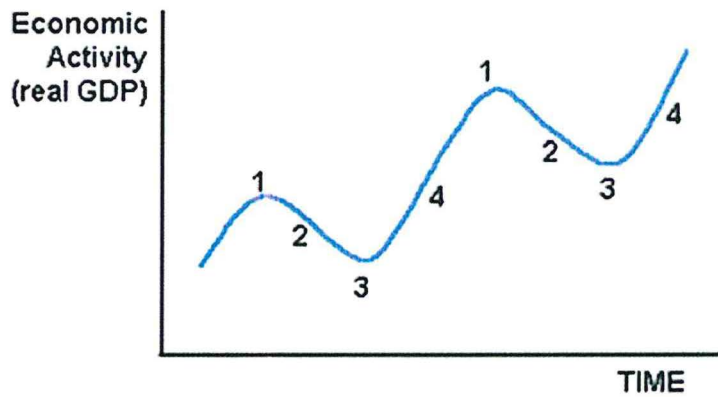
- a) Net exports are negative.
- b) Net capital outflow are positive.
- c) Imports exceed exports.
- d) Net exports are positive.

1.8reflects life expectancy, literacy and the standard of living of the population of a country. [1 mark]

- (a) GDP per capita.
- (b) income purchasing power.
- (c) human development index.
- (d) economic growth rate.

1.9 The diagram below illustrates the pattern of..

[1 mark]



- a) GDP
- b) Business cycle.
- c) Aggregate supply.
- d) CPI.

1.10 A fall in the general price level indicates a situation of..

[1 mark]

- a) Stagflation.
- b) Deflation.
- c) Hyperinflation.
- d) Zero Inflation.

1.11 Potential GDP is the output that would be produced if the economy was at a production level of...

[1 mark]

- a) Below full employment
- b) Above full employment
- c) full employment
- d) future employment.

- 1.12 Which of the following explains why the demand curve slopes downward. [1 mark]
- a) world economy fluctuations.
 - b) preferences of consumers.
 - c) wealth effect.
 - d) money wage effect.
- 1.13 Abelieves that the economy is self-regulating and that it will normally operate at full employment, provided that monetary policy is not erratic and that the pace of money growth is kept steady. [1 mark]
- a) Keynesian
 - b) Capitalist
 - c) Monetarist
 - d) New Monetarists.
- 1.14 If a rise in the expected inflation rate makes buying goods cheaper today, then aggregate demand would..... [1 mark]
- a) Decrease.
 - b) Increase.
 - c) No effect.
 - d) None of the above.
- 1.15is an example of a proportional tax. [1 mark]
- a) Income tax
 - b) Company tax.
 - c) VAT.
 - d) Sin tax.
- 1.16 The government borrows when they are faced with: [1 mark]
- a) Balanced budget.
 - b) Surplus budget.
 - c) Actual budget.
 - d) Deficit budget.

1.17 Increasing tax rates is a policy option associated with.... [1 mark]

- a) Contractionary fiscal policy.
- b) expansionary fiscal policy.
- c) restrictive monetary policy.
- d) expansionary monetary policy.

1.18 Economic growth can be caused by.... [1 mark]

- a) Increase in physical capital.
- b) Increase in price level.
- c) Increase in income.
- d) Increase in profits.

1.19 In 2019 Real GDP for country X was \$30500 and by 2020 it was \$39800. By how much did the country's economy grow or decline? [1 mark]

- a) Declined by 30.5%
- b) Grew by 30.5%
- c) Declined by 23.4%
- d) Grew by 23.4%

1.20 Given that MPC is 0.65, what is the change in income of an investment amount of N\$100000. [1 mark]

- a) N\$200 000.00
- b) N\$285714.29
- c) 153 846.15
- d) 253846.15

SECTION B

20 Marks

Instructions:

In the following questions select one correct answer, either A or B, and write your answers on the answer sheet provided on page 17. Tear the page off and place it inside your examination script.

QUESTION 1

1.1 The motives for holding money as a transactionary or precautionary motive explains the active balances of money. [1 mark]

- A) True
- B) False

1.2 Consider a money market equilibrium state, when the interest rate drops below equilibrium, this will motivate many people to hold more money by reducing the holding of bonds? [1 mark]

- A) True
- B) False

1.3 Imagine a country where all people working are taxed at the same rate of tax, we refer to this country as having a progressive tax system. [1 mark]

- A) True
- B) False

1.4 Consider Charles who works in a prestigious company, he arranges with his friend in the salary office not to be deducted taxes on his earnings, this confirms that Charles is practising tax evasion. [1 mark]

- A) True
- B) False

1.5 One of the reasons why countries are involved in international trade is because they want to showcase their production capabilities on the world market. [1 mark]

- A) True
- B) False

1.6 If Namibia dramatically increases imports from the UK, we will witness an increase in the demand for GBP and the N\$ would depreciate. [1 mark]

- A) True
- B) False

1.7 If government imposes high tariffs on an imported product, we expect local production of the same good to increase and imports to decrease. [1 mark]

- A) True
- B) False

1.8 Inflation increases the purchasing power of your money, meaning that it buys you less today than last year. [1 mark]

- A) True
- B) False

1.9 Autonomous consumption is independent of income and occurs even when disposable income is zero. [1 mark]

- A) True
- B) False

1.10 As money moves from households to firms and back, some leak out in the form of savings, investment and taxation. [1 mark]

- A) True
- B) False

- 1.11 Job is frictionally unemployed, because he resigned from his job in Karibib to pursue further studies in Windhoek. [1 mark]
A) True
B) False
- 1.12 The LAS curve demonstrates that in the long run the quantity of real GDP supplied is the value of potential GDP. [1 mark]
C) True
D) False
- 1.13 In the short run macroeconomic equilibrium when real GDP is below equilibrium GDP then firms would increase production and raise prices. [1 mark]
A) True
B) False
- 1.14 In economics an externality can be defined as a cost borne by parties not directly involved in an economic activity. [1 mark]
A) True
B) False
- 1.15 An appreciated currency is good for exporters. [1 mark]
A) True
B) False
- 1.16 A comparative advantage refers to a country's ability to produce more with fewer resources than other countries would. [1 mark]
A) True
B) False
- 1.17 To calculate GDP per capita, we need to have the value of real GDP and number of employees who were actively involved in production. [1 mark]
A. True
B. False

1.18 Equilibrium in a two- sector economy is shown by the equation $Y = C + I + G$. [1 mark]

- A. True
- B. False

1.19 According to the Keynesian Model, dissaving occurs when consumption expenditure is greater than disposable income. [1 mark]

- A. True
- B. False

1.20 If the world price of a product is lower than the domestic price, a country does not have a comparative advantage and wouldn't become an exporter of that product [1 mark]

- A. True
- B. False

SECTION C
20 Marks

QUESTION 1

[10 MARKS]

- 1.1 Consider the following demand deposits and the given reserve requirement. Calculate the value of the money created from the initial deposit. Copy the table into your answer book and fill in your answer for the missing value. [10 marks]

Table 1: money multiplier

Demand deposit (DD)	Reserve requirement	Increase in Money (DD)
N\$5000	15	i) ? (2 marks)
	12	ii) ? (2 marks)
	10	iii) ? (2 marks)
	8	iv) ? (2 marks)
	2	v) ? (2 marks)

QUESTION 2

[10 MARKS]

- 2.1 Consider the market for USD. Explain whether the USD would appreciate or depreciate and whether the demand for the USD would increase or in each of the following scenarios.

- a) More foreign tourist visits South African holiday resorts [2 mark]
- b) Chase Manhattan, a major US bank buys Standard Bank South Africa [2 mark]
- c) South Africa discovers a large oil field off the coast and as a result their oil imports decrease substantially [2 mark]
- d) An imposition of an import quota against Chinese reduces South Africa's clothing imports from China (assume that the Chinese' trade contract with South African importers is in UD dollars). [2 mark]
- e) More South Africans decide to go to the US for holiday [2 mark]

SECTION D
20 Marks

QUESTION 3

10 MARKS

3.1 Refer to the table below and calculate the inflation rates for the period 2021 to 2022 and 2022 to 2023 using the information shown in Table 2 below. [6 marks]

Table 2: CPI

Year	CPI
2021	147.8
2022	163.5
2023	179.3

3.2 Explain the difference between progressive and regressive taxes and give an example of each. [4 marks]

QUESTION 4

10 MARKS

4.1 Copy the Table below into your answer book and fill in the missing values of the value added at each stage of production. [5 marks]

Table 3: Cotton dresses

Activity	Market value	Value added
(i) Cotton farmers produce cotton	240 000	?
(ii) Weavers produce cotton cloth	285 000	?

(iii) Dressmakers produce unlabelled dresses	320 000	?
(iv) Shops sell labelled dresses to consumers	440 000	?
TOTALS:	1 285 000	?

4.2 You are given the flowing consumption function:

$$C = 130 + 0.7Y$$

- (a) Calculate the MPS. [1 mark]
- (b) If Y is given as N\$2 000, calculate the total amount of consumption. [2 marks]
- (c) Calculate the income multiplier. [2 marks]

SECTION E
20 Marks

QUESTION 5

10 MARKS

5.1 Trade barriers, mainly import tariffs, are evident when countries are dealing in international trade. What are the two arguments against import tariffs? [2 marks]

5.2 Refer to the picture below and mention two factors of production by listing the factor and the example of object that represents that factor. [2 marks]

Picture 1: Factors of production



5.3 Explain how future expectations and government regulation in the form of monetary policy can affect aggregate demand. [4 marks]

5.4 Explain how restrictive monetary policy can be used by the central bank to combat inflation. [2 marks]

QUESTION 6**10 MARKS**

6.1 Refer to the table below and copy the table into your answer book. Calculate the missing value and fill in the missing values for columns (3) and (4). [10 marks]

Table 4: Consumption

	(1) Disposable income (Y) N\$	(2) Consumption (C) N\$	(3) MPC	(4) Net saving
A	10 000	10 000		
B	10 700	10 455		
C	11 400	10 966		
D	12 100	11 582		

All the best. The end!!