



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: NOVEMBER 2025	SESSION: PAPER THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST 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 8 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

Instruction:

- 1. Choose only one option / answer when answering questions 1.1 to 1.20 below.**
 - 2. Answer on the answer sheet provided on page 16.**
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1.1 The quantity of money demanded for transactions and precautionary purposes is related to the: [1 mark]

- a) interest rate
- b) level of income in the economy
- c) inflation rate
- d) None of the above

1.2 If the banks in an economy operate with a reserve requirement of 20 per cent, the money multiplier is: [1 mark]

- a) 4
- b) 20
- c) 25
- d) 5

1.3 When the Monetary Policy Committee raises the repo rate, money supply will [1 mark]

- a) Increase.
- b) Decrease.
- c) Neither increase nor decrease.
- d) No direct effect on money supply.

1.4 A restrictive fiscal policy would result in government: [1 mark]

- a) Decreasing taxes and decreasing government spending at the same time
- b) Increasing taxes and decreasing government spending
- c) Increasing government spending and increasing taxes at the same time
- d) None of the above options

1.5 Two individuals, John and Joseph earn N\$200000 and \$8000, annually, respectively. These individuals both are taxed in Namibia. This means... [1 mark]

- a) A larger percentage tax income would be collected from the low earner.
- b) A smaller percentage tax income would collect from the high earner.
- c) Both taxpayers would be taxed a fixed rate.
- d) The lower income earner would be exempted due to the Namibian tax threshold.

1.6 Assume you are a regular importer of a popular shoe brand from the US. Your domestic currency suddenly appreciates in value, what effect will this have on your importing decision? [1 mark]

- a) You will import more quantities.
- b) You will import less quantities.
- c) You will order when the currency depreciates.
- d) You will pay more US dollars.

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

- a) Net exports are negative.
- b) Net capital outflow are in a plus..
- c) Exports exceed imports.
- d) Net exports are positive.

1.8 Which of the following is not an argument used in favour of protectionism of industries?

[1 mark]

- (a) to protect domestic jobs.
- (b) to protect an "infant" industry.
- (c) to reduce prices paid by domestic consumers.
- (d) to provide government revenue.

1.9 Indirect tax such as Value-added tax (VAT) can be classified as: [1 mark]

- (a) progressive taxes
- (b) proportional taxes
- (c) regressive taxes
- (d) Uniformity taxes.

1.10 In a country with a population of 50 million people, where 20 million children are under the age of 15 years, 16 million are employed, 9 million pensioners, 4 million unemployed and 1 million people who are physically unable to work. The unemployment rate in this country equals: [1 mark]

- (a) 25%
- (b) 20%
- (c) 13.3%
- (d) 10%

1.11 Which of the following can create demand-pull inflation? [1 mark]

- (a) recessions and depressions.
- (b) sharply rising oil prices.
- (c) excessive aggregate spending.
- (d) higher labour costs.

1.12 Which of the following groups benefits from inflation? [1 mark]

- (a) borrowers
- (b) savers
- (c) landlords
- (d) lenders

1.13 A business cycle is a period of time in which: [1 mark]

- (a) a business is established and ceases operations
- (b) rise and fall of economic activity that occurs around the growth trend.
- (c) the price level cycle.
- (d) expansion and contraction of economic activity at the same time.

1.14 In a long run macroeconomic equilibrium if real GDP is above equilibrium GDP, then firms.... [1 mark]

- (a) Increase production and raise prices.
- (b) decrease production and lower prices
- (c) decrease production and raise prices to sell more.
- (d) Increase production and lower prices to clear surplus.

1.15 Gross domestic product is defined as: [1 mark]

- (a) disposable income + taxes + investment spending + exports + imports
- (b) consumer spending + government purchases + financial spending + exports – imports
- (c) consumer spending + government purchases + investment spending + exports – imports
- (d) consumer spending + government transfers + investment spending + exports - imports

1.16 Which of the following does not represent a key macroeconomic variable? [1 mark]

- (a) The production of beef in Namibia.
- (b) The inflation rate.
- (c) The unemployment rate.
- (d) Gross domestic product.

1.17 The reason the \$ value of only final goods and services are counted in GDP is that:

[1 mark]

- (a) intermediate goods reduce GDP.
- (b) if we counted the value of all goods we would count inputs, such as the value of steel in a new car, more than once.
- (c) only final goods and services matter for the economy.
- (d) we can only measure the value of final goods and services and cannot measure the value of inputs.

1.18 The “unit of account” as a function of money means

[1 mark]

- (a) prices of goods and services are denominated in money.
- (b) as the common denominator of future payments.
- (c) to accumulate purchasing power.
- (d) to pay for goods and services.

1.19 Assume you are an exporter of horse mackerel to a European based importer.

What would the effect of an appreciated domestic currency have on your exports.

[1 mark]

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

1.20 An increase in expected future profits boosts firms’ investment, this would cause to increase.

[1

mark]

- (a) Prices level.
- (b) Aggregate demand.
- (c) Demand.
- (d) profits.

SECTION B
20 Marks

Instructions:

This section should be answered on the provided sheet on page 17. Tear the page off and place it inside your examination script. Select either A or B ONLY. No two choices allowed.

QUESTION 1

[20 marks]

- 1.1 If in 2023 the GDP per Capita for Namibia was \$4260 and in 2025 it decreases to \$4126 This means that the living standard of an average Namibian has improved. [1 mark]
A) True
B) False
- 1.2 Given an initial deposit of 2000 and a reserve requirement of 5%, would the money multiplier grow to 20000? [1 mark]
A) True
B) False
- 1.3 Interest rate control is an indirect monetary policy instrument used to discourage heavy borrowing by individuals. [1 mark]
A) True
B) False
- 1.4 The crowding out effect is an economic theory arguing that rising public sector spending drives down private sector spending due to high interest rates in the economy. [1 mark]
A) True
B) False
- 1.5 If the Bank of Namibia wishes to apply an expansionary monetary policy, it can decrease the Repo rate and buy government securities from the banks. [1 mark]
A) True
B) False
- 1.6 Given that the number of unemployed people is 250 000 and the number of employed people is 450 000, while the figure for discouraged workers is 20 000 , the labour force in this country is 720 000. [1 mark]
A) True
B) False

- 1.7 According to Adam Smith's theory of absolute advantage, each country will specialize and trade in the product for which it has the lowest opportunity cost. [1 mark]
A) True
B) False
- 1.8 The Direct quotation of determining the exchange rate implies that we quote to know how many cents of our domestic currency we can get in terms of 1 unit of a foreign currency [1 mark]
A) True
B) False
- 1.9 Induced consumption refers to the fixed part of consumption spending that does not change as the level of income changes. [1 mark]
A) True
B) False
- 1.10 If in the simple Keynesian model, the income multiplier is 4, then MPC is 6. [1 mark]
A) True
B) False
- 1.11 Consider a money market equilibrium state, where 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
- 1.12 In times of economic upswing, unemployment should decrease, and output should increase. [1 mark]
A) True
B) False
- 1.13 In the simple circular flow model firms are suppliers of both resources and products. [1 mark]
A) True
B) False
- 1.14 Per capita GDP measures the income per person and is calculated as national income divided by the total labour force of the country. [1 mark]
A) True
B) False

- 1.15 The GDP per capita is the average amount produced by each member of the population. [1 mark]
A) True
B) False
- 1.16 The total volume of business sales in our economy is several times as large as the GDP because the GDP excludes intermediate transactions. [1 mark]
A) True
B) False
- 1.17 If households' income changes from N\$14 200 to N\$16 200 and consumption spending changes from N\$12 000 to N\$13 100, then the MPC equals 0.55. [1 mark]
A) True
B) False
- 1.18 In most countries, approximately half of personal consumption expenditure is made up of the consumption of fixed capital. [1 mark]
A) True
B) False
- 1.19 One of the most important views expressed by classical economists was that supply creates its own demand. [1 mark]
A) True
B) False
- 1.20 In economics, economic growth can best be described as a period of growth in the nominal GDP of a country. [1 mark]
A) True
B) False

SECTION C
20 Marks

QUESTION 1

[5marks]

Two taxpayers' income is given, Lena and Leah both work in Namibia, Lena earns N\$300,000.00 and Leah earns N\$800,000.00, per year. Use the Namibian tax table below to calculate the two taxpayers' tax payable to Namra.

Table 1: Namibia Tax rates

Taxable income	Tax rate
0 - 100 000	Not taxable
100 001 - 150 000	18% for each N\$ above 100 000
150 001 - 350 000	9000 +25% for each N\$ above 150 000
350 001 - 550 000	59 000 + 28% for each N\$ above 350 000
550 001 - 850 000	115 0 + 30% for each N\$ above 550 000

1.1 What is value of tax that Lena will pay per year. Show your calculations clearly. [2 marks]

1.2 What is value of tax that Leah will pay per year. Show your calculations clearly. [2 marks]

1.3 What form of tax system does Namibia use? [1 mark]

QUESTION 2**[10 marks]**

Countries involved in international trade follow both direct and indirect methods of determining exchange rate when exporting and importing their goods and services. Use the knowledge you acquired in international trade and finance to answer the following questions:

- 2.1 A bottle of beer costing N\$9 is exported to the United States. What is the price of this bottle of beer in US dollars if the exchange rate is USD1 = N\$10.30? [2 marks]
- 2.2 An imported cell phone costs USD200 and the exchange rate is USD1 = N\$9.20. What is the price of the cell phone in Namibia dollars? [2 marks]
- 2.3 The price of a painting is N\$1 000. What is the price of the painting in US dollars if the exchange rate is N\$1 = USD0.14? [2 marks]
- 2.4 If a can of Coke costs N\$7 and the exchange rate is N\$1 = €0.08. What is the price of the can of Coke in Euro? [2 marks]
- 2.5 Distinguish between economic growth and economic development [2 marks]

QUESTION3**[5 marks]**

Countries which have prudent macroeconomic policies such as fiscal policy in place follow a system of budgeting.

- 3.1 List and explain the three types of budgets that a government can experience in any particular financial year. [3 marks]
(Mentioning only will give you only 0.5 mark, mention and explain)
- 3.2 Explain what is meant by long run aggregate supply [2 marks]

SECTION D
20 Marks

QUESTION 4

[5 marks]

Refer to the table below showing the trading combinations for two countries and answer the questions which follow:

Table 2: Production of cotton and maize

Countries	Products	
	Cloth	Maize
Malawi	100 meter	50 kg
Kenya	40 meter	10 kg

- 4.1 Calculate the opportunity cost of producing 1 kg of maize in terms of cloth and one meter of cloth in terms of maize in Malawi? [2 marks]
- 4.2 Calculate the opportunity cost of producing 1 kg of maize in terms of cloth and one meter of cloth in terms of maize in Kenya? [2 marks]
- 4.3 Which country has a comparative advantage in maize and which one has a comparative advantage in cloth production? [1 mark]

QUESTION 5

[5 marks]

5.1 Draw and demonstrate the effect of an increase in potential GDP on the Long -Run Aggregate Supply of such a country. Only draw and label all points.

QUESTION 6

[10 marks]

You are given the following function.

$$C = 150 + 0.75Y$$

6.1 What is this function called? [1 mark]

6.2 Refer to the given function above. Determine by how much savings (S) will increase if income (Y) increases by N\$200? [2 marks]

6.3 Refer to the function above. If disposable income (Y) is given as N\$3 000, calculate the total amount of consumption (C). [3 mark]

6.4 Refer to the function above. Calculate the income multiplier. [3 marks]

6.5 Show how the formula for saving function is written. [1 mark]

SECTION E
20 Marks

QUESTION 7

[5 marks]

The table below is a hypothetical industrial column for cotton dresses produced in Namibia during 2012. Use the data to answer the questions below.

7.1 Copy the Table into your answer book and fill in the missing values.

[5 marks]

Table 3: Cotton dresses

	Activity	Market value	Value added
(i)	Cotton farmers produce cotton	240 000	?
(ii)	Weavers produce cotton cloth	?	45 000
(iii)	Dressmakers produce unlabelled dresses	320 000	?
(iv)	Shops sell labelled dresses to consumers	?	120 000
TOTALS:		1 285 000	?

QUESTION 8

[15 Marks]

Country Zed with a population of 2.5 million has the statistics listed in table 4 below. Use the information to answer the following questions:

Table 4 : Country Zed statistics

Year	Nominal GDP N\$ millions	Real GDP N\$ millions	Price index
2023	540 000	?	108.00
2024	?	525 000	116.64

8.1 Copy table 3 above into your answer book and calculate the **real GDP** for 2023 and the **nominal GDP** for 2024. Calculate and fill in the missing real GDP and nominal GDP values:
[2 marks]

8.2 Calculate the GDP growth rate for 2024. [2 marks]

8.3 Calculate the GDP per capita for 2023. [2 marks]

8.4 Calculate the inflation rate for 2024. [2 marks]

8.5 List the two main sources of inflation. [2 marks]

8.6 What type of unemployment is represented by each of the following statements?

(a) New entrants into the labour market looking for their first job. [1 mark]

(b) Unemployed workers who have insufficient skills to find a job [1 mark]

(c) Unemployment that results from a temporary decrease in aggregate demand. [1 mark]

(d) The use of automated robots in a factory. [1 mark]

(e) An individual who cannot find work because his/her skills have become obsolete. [1 mark]

**All the best!!
The End**

Student number:.....

ANSWER SHEET FOR SECTION A

Mark the correct answer with an X.

	A	B	C	D
1.1				
1.2				
1.3				
1.4				
1.5				
1.6				
1.7				
1.8				
1.9				
1.10				
1.11				
1.12				
1.13				
1.14				
1.15				
1.16				
1.17				
1.18				
1.19				
1.20				

Student number:.....

ANSWER SHEET FOR SECTION B

Mark the correct answer with an X.

	TRUE	FALSE
1.1		
1.2		
1.3		
1.4		
1.5		
1.6		
1.7		
1.8		
1.9		
1.10		
1.11		
1.12		
1.13		
1.14		
1.15		
1.16		
1.17		
1.18		
1.19		
1.20		