NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS HONOURS	
QUALIFICATION CODE: 08HECO	**LEVEL: 8**
COURSE CODE: AME8020S	**COURSE NAME**: ADVANCED MACROECONOMICS
SESSION: NOVEMBER 2025	**PAPER:** THEORY
DURATION: 3 HOURS	**MARKS:** 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	**DR P. OKWOCHE**
MODERATOR:	**DR ANTHONY ADEYANJU**

INSTRUCTIONS
1. Answer ALL the questions. 2. Write clearly and neatly. 3. Number the answers clearly.

PERMISSIBLE MATERIALS

1. PEN,
2. PENCIL
3. CALCULATOR

THIS QUESTION PAPER CONSISTS OF 3 PAGES (Including this front page)

Question 1 **[25 marks]**

Suppose Nangula consumes only maize meal. The following table presents the prices and quantities of two variants of maize meal – white maize and yellow maize – from 2022 to 2024. Using 2022 as the base year, compute the following and compare the results between 2022 and 2024:

Year	White maize (per kg)	Yellow maize (per kg)	Nangula's purchase
2022	N$10	N$20	100 kg white
2024	N$20	N$10	100 kg yellow

(a) The CPI for maize [5]

(b) Nangula's nominal spending each year [5]

(c) Nangula's real spending [5]

(d) The implicit price deflator [5]

(e) Suppose that Nangula is equally happy eating white maize or yellow maize. How much has her true cost of living increased? Compare the answer with (a) and (b) and explain briefly what it shows about the Paasche and Laspeyres price indexes [5]

Question 2 **[25 marks]**

(a) The Keynesian cross model shows how income Y is determined for any given level of planned investment I and fiscal policy G and T. Equilibrium in this model is achieved at the equality of actual expenditure (Y) and planned expenditure (PE). Show how disequilibrium appears in this model and explain the adjustment process. [5]

(b) Use the model to predict the impact of the following on equilibrium GDP. In each case, show the direction of the change and provide a formula for the size of the impact

(i) An increase in G [5]

(ii) A decrease in T [5]

(iii) Equal-sized increase in G and T [10]

Question 3 **[25 marks]**

Use the standard small open economy model to predict the effect of each of the following events on the trade balance, the real exchange rate, and the nominal exchange rate.

(a) Consumers become less confident about the future, spending less and saving more [5]
(b) A tax reform increases incentives for firms to invest in new factories [5]
(c) A new line of foreign cars becomes fashionable, raising demand for foreign goods [5]
(d) The central bank doubles the money supply [5]
(e) Regulations restricting credit card use increase the demand for money [5]

Question 4 **[25 marks]**

Consider hypothetical small open economy described by the following equations:

$$C = 50 + 0.75(Y - T)$$
$$I = 200 - 20r$$
$$NX = 200 - 50\varepsilon$$
$$\frac{M}{P} = Y - 40r$$
$$G = 200$$
$$T = 200$$
$$M = 3000$$
$$P = 4$$
$$r^* = 5$$

(a) Derive and graph the IS^* and LM^* curves [5]
(b) Calculate the equilibrium exchange rate, income and net exports [6]
(c) Assume a floating exchange rate: Calculate what happens to the exchange rate, income, net exports and money supply if the government purchases increase by 50 [7]
(d) Now assume a fixed exchange rate. Calculate what happens to the exchange rate, income, net exports, and the money supply if the government purchases increase by 50 [7]