



NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION
DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION : BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 07BECO	LEVEL: 7
COURSE CODE: IMA612S	COURSE NAME: INTERMEDIATE MACROECONOMICS
SESSION: NOVEMBER 2025	PAPER: THEORY (PAPER 1)
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions.2. Read all the questions carefully before answering.3. Number the answers clearly

THIS QUESTION PAPER CONSISTS OF 4 PAGES (Including this front page)

QUESTION 1**[20 Marks]**

1.1 Using the table below which shows the total output for the Namibian economy over 2 years, calculate:

- a) Nominal GDP for 2024. (4)
- b) Real GDP for 2024 using, 2023 as the base year. (3)
- c) Economic growth from 2023 to 2024. (3)

Year	Item	Price	Quantity
2023	Ice cream	N\$4.00	400 units
	Waffle cones	N\$2.00	200 units
	cherries	N\$0.75	100 units
2024	Ice cream	N\$4.25	500 units
	Waffle cones	N\$2.50	300 units
	cherries	N\$1.00	50 units

1.2

- i. Calculate the GDP deflator for each year in the table below. (6)

Year	Nominal GDP (billions)	Real GDP (billions)	GDP deflator
2022	864.5	845.5	a)
2023	882.6	851.9	b)
2024	923.4	875.1	c)

- ii. What is the rate of inflation from 2022 to 2024? (4)

QUESTION 2**[25 Marks]**

Consider an open economy with induced taxes and induced imports. The behavioural equations are:

Consumption: $C_0 + c(Yd - T)$

Taxes: $T = T_0 + tY$

Import: $M = M_0 + mY$

Investment: $I = I_0$ (autonomous)

Government expenditure G and exports X are autonomous.

Given the following numerical values:

$$C_0 = 50, c = 0.80, T_0 = 20, t = 0.20, I_0 = 40, G = 30, X = 25, M_0 = 10 \text{ and } m = 0.15$$

- a) Derive the equilibrium income (Y) algebraically and calculate its numerical value. (10)
- b) Derive the saving function using numerical values. (5)
- c) Derive the multiplier for this economy and compute its numerical value (show steps). (10)

QUESTION 3**[25 Marks]**

3.1 A transport company is considering buying a small truck with a life span of two years.

- The van is expected to generate cash inflows of N\$500 at the end of each year.
- The purchase price today is N\$850.
- The interest rate is 12 % per year.

- a) Compute the present value (PV) of the expected cash inflows. (5)
- b) Compare the PV with the purchase price and state whether the investment is profitable or not. (5)

3.2

- a) In year $t - 1$, the national income was N\$1,200, and in year, t , it increased to N\$1,300. If the capital-output ratio (ν) is 0.4, use the accelerator theory to calculate the level of net investment. (5)
- b) Following on question (a) above, assume annual depreciation is N\$1,000. Calculate the gross investment for the period. (5)
- c) Given Net Investment of N\$250, and income rose from N\$500 in year $t-1$, to N\$1000 in year, t . Derive the accelerator coefficient. (5)

QUESTION 4

[15 Marks]

The goods and money markets of a small open economy are represented by the IS and LM equations below:

$$\text{IS curve (goods market): } Y = 1200 - 20r$$

$$\text{LM curve (money market): } Y = 400 + 30r$$

Where:

Y =national income (in millions of dollars) and

r = interest rate (in percent).

- a) Derive the equilibrium values of income and the interest rate. Show all steps. (8)
- b) Suppose government spending rises so that the new IS curve becomes $Y = 1300 - 20r$. Calculate the new equilibrium income and interest rate and briefly explain the economic intuition behind the changes. (7)

QUESTION 5

[15 Marks]

Explain W.W. Rostow's five stages of economic development. In your answer clearly describe the main features of each stage and show how an economy progresses from one stage to the next. (15)

TOTAL MARKS: 100