NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

COURSE NAME: PRINCIPLES OF MACROECONOMICS	COURSE CODE: PMA512S
DATE: NOVEMBER 2023	SESSION: PAPER THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Ms. Precious Mwikanda
	Ms. Ms. Lavinia Hofni
MODERATOR:	Mr. Eslon Ngeendepi

INSTRUCTIONS
1. This question paper consists of 76 questions with total marks of 100.
2. Answer ALL sections on the Answer Sheet provided.
3. Shade your student number correctly with similar layer of shading.
4. Shade your answers correctly and neatly.
5. Remember, only ONE correct shaded answer per number, shading TWO circles on one number will result in loss of your point/mark even if one of them was correct.

THIS QUESTION PAPER CONSISTS OF 23 PAGES (Including this front page and answer sheet)

Instructions:

- Read all questions carefully

- Answer all questions on the provided sheet by shading one correct answer on each number

---

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.

2. If the banks in an economy operate with a reserve ratio of 20 per cent then the money multiplier is: [1 mark]

   A. 4

   B. 20

   C. 25

   D. 5

3. The Monetary Policy regime in Namibia maintains a: [1 mark]

   A. Managed exchange rate

   B. Free floating exchange rate

   C. Fixed exchange rate

   D. Interest - rate - based exchange rate.

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.

5. Assuming country B charges its residents a progressive tax rate, what does that imply to a high income earner who earns $20000 annually and to a low income earner who earns $8000 annually? [1 mark]

   A. A larger percentage tax income would be collected from the low earner.

   B. A smaller percentage tax income would collected from the high earner.

   C. A larger percentage tax income would be collected from the high earner.

   D. A lower income earner would be exempted due to lower earnings.

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

   A. You will order more quantities.

   B. You will order less quantities.

   C. You will order when the currency depreciates.

   D. You will put orders on hold.

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 must be positive.

   C. Exports exceed imports.

   D. Net exports are positive.

8. **Which of the following is not an argument used in favour of protectionism?** [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.

9. **If the marginal propensity to consume is equal to 0.60 and autonomous spending increases by N$10 million, by how much will the equilibrium income increase?**

    [1 mark]

    A. N$25 million

    B. N$10 million

    C. N$16.7 million

    D. N$16 million

10. **A country with a population of 50 million people, there are 20 million children under the age of 15 years, 16 million 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%

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.

12. **Which of the following groups benefits from inflation?**   [1 mark]

    A. borrowers

    B. savers

    C. landlords

    D. lenders.

13. **To derive GDP at market prices from Gross Domestic Expenditure, we must:** [1 mark]

    A. subtract spending on exports and add spending on imports.

    B. subtract spending on imports and add spending on exports .

    C. subtract spending on intermediate goods and add spending on exports.

    D. subtract spending on exports and add spending on intermediate goods.

14. **GDP per capita is a relatively good measure of:**   [1 mark]

    A. the distribution of income

    B. purchasing power

    C. household production

    D. the standard of living.

15. **Gross domestic product can be derived by:**   [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.

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.

17. The reason the dollar 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.

18. The "medium of exchange" function means money is used: [1 mark]

    A. as the common denominator of prices.

    B. as the common denominator of future payments.

    C. to accumulate wealth.

    D. to pay for goods and services.

19. Assume you are an exporter of horse mackerel to Indian based importers. What would be the effect of an appreciated domestic currency to 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.

20. 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.

21. The following are functions of money except [1 mark]

   A. Medium of exchange

   B. Unit of account

   C. Standard of deferred payment

   D. Measure of status

22. Consider an initial deposit of 2000 and a reserve requirement of 20% , the credit that would be created from this demand deposit is? [1 mark]

   A. 4000

   B. 8000

   C. 10000

   D. 12000

23. Interest rate control is one of the indirect monetary policy instrument used to influence either deposit rate or borrowing rate? [1 mark]

   A. True

   B. False

24. **If the Bank of Namibia wishes to apply an expansionary monetary policy and chooses to do this via the repo rate instrument. What policy direction will they follow?** [1 mark]

   A. decrease the repo rate

   B. Increase the repo rate

   C. Freeze repo rate for more than five years

   D. Maintain the repo rate at the rate commercial banks have unanimously agreed

25. **_____refers to the fixed part of consumption spending that does not change as the level of income changes.** [1 mark]

   A. Induced consumption

   B. Autonomous consumption

   C. fixed consumption

   D. Zero saving

26. **If the simple Keynesian income multiplier is 4, then MPC is____** [1 mark]

   A. 0.25

   B. 0.75

   C. 2.25

   D. 3.75

27. **Consider a money market equilibrium state, where the interest rate drops below equilibrium, this will motivate many people to hold more money by** [1 mark]

   A. reducing the holding of bonds.

   B. increasing the holding of bonds.

   C. not reacting to the change in interest rate.

   D. waiting for interest to drop further down before they can decide.

28. In the simple circular flow model_____are suppliers of both resources and products. [1 mark]

    A. Households

    B. Government

    C. Businesses

    D. Landlords

29. Per capita GDP measures the income per person and is calculated as: [1 mark]

    A. national income divided by the total labour force of the country in given year

    B. Real GDP divided by the total population in a given year

    C. National income divided by working population

    D. Annual GDP divided by labour productivity

30. GDP is referred to as "real" when the effects of inflation are discounted from the nominal value of the GDP. [1 mark]

    A. correctly stated

    B. Incorrectly stated

    C. Inflation is not considered to know the value of real GDP

    D. None of the above

31. 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. correctly stated

    B. Incorrectly stated

    C. The total volume of business sales can never be larger than GDP

    D. The total volume of business equals the GDP because business produce everything in the economy

32. 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.

[1 mark]

A. MPC is 0.55

B. MPC is 0.75

C. MPC is 0.8

D. MPC is 0.20

33. One of the most important views expressed by classical economists was that supply creates its own demand. [1 mark]

A. True

B. False

34. 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

The following data are estimates describing Zambia's economy in 2006 and 2007 (in millions of kwachas, in constant prices). Study the data and answer question No. 35 below.

	2006	2007
Consumption	84,000	89,000
Government expenditure	24,000	26,000
Investment	48,000	48,000
Exports	142,000	151,000
Imports	123,000	128,000
Subsidies	1,800	1,900
Taxes	500	500

35. **Which of the following is true regarding Zambia's economy after you have analysed the above data?** [2 marks]

   A. The change in GDP from 2006 to 2007 represented a peak in the business cycle.

   B. GDP decreased from 2006 to 2007.

   C. Net exports decreased from 2006 to 2007.

   D. Consumption was 48 percent of Zambia's GDP in 2007.

36. **The main considerations why valuing goods at their market prices is different than valuing them at their factor costs include:** [1 mark]

   A. depreciation and investment.

   B. exports and imports.

   C. personal taxes and corporate taxes.

   D. indirect taxes and subsidies.

37. **The word tax evasion tells us that:** [1 mark]

   A. People do not have information about paying taxes so they do not declare .

   B. Taxpayers know their obligation but are declaring incorrect amount of taxable income.

   C. Taxpayers use a legal provision in the law to avoid paying taxes.

   D. Taxpayers are free to choose paying taxes or not.

38. **If a country is experiencing a deflationary gap, the equilibrium level of income would be:** [1 mark]

   A. Greater than the full employment income.

   B. Less than the full employment income.

   C. Greater than the planned investment.

   D. Equal to the full employment income.

39. In 2020/21, "Namibia's total government expenditures were projected at N$52.8 billion to be expended on total estimated revenue of N$77.8 billion. What type of budget does this statement confirm? [1 mark]

A. Surplus budget

B. Deficit budget

C. Balanced budget

D. Emergency budget

Two friends, Abel and Abram both work in Namibia, Abel earns N$300,000.00 and Abram earns N$800,000.00 per year. They both get charged a fixed rate of 30% in income tax. Use this information to answer questions 40 to 43 below.

40. What is value of tax that Abel will pay per year? [2 marks]

A. N$100 000 tax payable

B. N$90 000 tax payable

C. N$150 000 tax payable

D. 75 0000 tax payable

41. What is value of tax that Abram will pay per year? [2 marks]

A. N$200 000 tax payable

B. N$300 000 tax payable

C. N$240 000 tax payable

D. N$160 000 tax payable

42. What form of tax system was used for this particular year? [1 mark]

A. Proportional tax

B. Progressive tax

C. Value added tax

D. Regressive

43. Which of the following is an example of the tax system described in your answers No.40 and 41 above? [1 mark]

A. Value added tax

B. affordability tax

C. Sin tax

D. Company tax

To answer questions 44 to 47 refer to the information below:

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 to answer the following questions:

44. 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]

A. $ 92.7

B. $0.87

C. $1.14

D. 0.67

45. An imported cell phone costs USD200 and the exchange rate is USD1 = N$9.20. How is the exchange rate calculated? [2 marks]

A. $200 X N$9.20

B. $200/N$9.20

C. $1/$200

D. N$9.20/$200

46. 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]

    A. $7142

    B. $140

    C. $1400

    D. $240

47. 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]

    A.   7.08

    B.   €87.5

    C.   €0.56

    D.   €1.08

48. Which of the following definition is correct to describe what an ad valorem tariff is

[1 marks]

    A. levied as a percentage of the value of the imported item

    B. A fixed amount that is levied on each imported item

    C. a percentage of tax levied based on the type of material imported

    D. levied based on the weight of the imported items

49. If the CPIs for December 2019 and for December 2020 were 130.5 and 140.2 respectively, the inflation rate in that country for 2020 was: [2 marks]

    A. 10%

    B. 6.7%

    C. 16.4%

    D. 7.43%

50. The supply of money can be influenced by: [2 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 factors above

Refer to the table below showing the trading combination for two countries and answer the question 51 to 56 below:

Table 1: production capacities between Uganda and Eritrea

Countries	Products	
	Fabric/day	Sorghum/day
Uganda	100 meter	50 kg
Eritrea	40 meter	10kg

51. Calculate the opportunity cost of producing 1 kg of sorghum in terms of fabric in Uganda. [2 marks]

    A. 2 meters

    B. 0.5 meter

    C. 4 meter

    D. 0.25 meter

52. Calculate the opportunity cost of producing one meter of fabric in terms of sorghum in Uganda? [2 marks]

    A. 2 kg

    B. 0.5 kg

    C. 4 kg

    D. 0.25 kg

53. Calculate the opportunity cost of producing 1 kg of sorghum in terms of fabric in Eritrea? [2 marks]

A. 2 metres

B. 0.5 metres

C. 4 metres

D. 0.25 metre

54. Calculate the opportunity cost of producing one metre of fabric in terms of sorghum in Eritrea?. [2 marks]

A. 2 kg

B. 0.5 kg

C. 4 kg

D. 0.25 kg

55. Which country has a comparative advantage in the production of fabric?1 mark]

A. Uganda

B. Eritrea

C. Both have comparative advantage in fabric

D. None of them.

56. Which country has absolute advantage in sorghum production? [1 mark]

A. Uganda

B. Eritrea

C. Both have comparative advantage in fabric

D. None of them.

You are given the following function, C = 150+ 0.75Y. Study the function and answer questions No. 57 to 61 below.

57. This function is known as? [1 mark]

   A. Investment function

   B. Saving function

   C. Consumption function

   D. Income function

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

   A. 452 250

   B. 4200

   C. 2250

   D. 2400

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

   A. 30150

   B. 150

   C. 50

   D. 250

60. Refer to the given function again. Calculate the income multiplier [3 marks]

   A. 8

   B. 4

   C. 12

   D. 6

61. Refer to the given function again. What does the figure 150 represent?

[1 mark]

A. Dissaving

B. Savings

C. Induced consumption

D. Autonomous consumption

The table below is a hypothetical industrial column for wine produced in Namibia during 2012. Use the data to answer questions 62 to 65 below.

Table 2: Market and Value added

Firm (N$)	Market Value (N$)	Value added (N$)
Farmer	10 000	?
Wine cellar	18 000	?
Wholesaler	20 000	?
Retailer	25 000	?
Total:	73000	?

62. Refer to the table above. What is the valued added at the farmer production's stage.

[1 marks]

A. 0

B. 8000

C. 10000

D. 28000

63. Refer to the table above. What is the valued added at the wine cellar's production stage [1 marks]

    A. 0

    B. 8000

    C. 10000

    D. 28000

64. Refer to the table above. What is the valued added at the wholesaler stage?

    [1 marks]

    A. 2000

    B. 8000

    C. 10000

    D. 12000

65. What is the valued added at the retailer stage. [1 marks]

    A. 0

    B. 5000

    C. 15000

    D. 20000

Table 3: Gambia statistics

Year	Nominal GDP N$ millions	Price index	Real GDP N$ millions
2013	540 000	108.00	?
2014	?	116.64	525 000

Gambia is a small country with a population of 2.5 million. Table 3 above shows some statistics regarding the Gambian economy. Use the statistics to answer the following questions, No. 66 to 70 below:

66. **Calculate the real GDP for 2013**   [2 marks]

    A. 300 million

    B. 580 million

    C. 500 million

    D 525 million

67. **Calculate the nominal GDP for 2014.**   [2 marks]

    A. 612.3 million

    B. 616.300 million

    C. 600 million

    D. 630 million

68. **Calculate the GDP growth rate for 2014.**   [2 marks]

    A. 7%

    B. 6%

    C. 5%

    D. 4%

69. **Calculate the GDP per capita for 2013.**   [2 marks]

    A. 300 000

    B. 200 000

    C. 400 00

    D. 500 000

70. **Calculate the inflation rate for 2014.**   [2 marks]

    A. 8%
    B. 7%
    C. 5%
    D. 4%

71. List the main sources of inflation. [2 marks]

A. Input costs and wages

B. Demand pull and demand push factors

C. Cost push and demand pull factors

D. Production and other hidden costs

For questions 72 to 76 below describe what type of unemployment is linked to each of the following statements.

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

A. Frictional unemployment

B. Structural unemployment

C. Cyclical unemployment

D. Seasonal unemployment

73. Unemployed workers who have insufficient skills to find a job. [1 mark]

A. Frictional unemployment

B. Structural unemployment

C. Cyclical unemployment

D. Seasonal unemployment

74. Unemployment that results from a temporary decrease in aggregate demand.

[1 mark]

A. Frictional unemployment

B. Structural unemployment

C. Cyclical unemployment

D. Seasonal unemployment

75. The use of automated robots in a factory.   [1 mark]

A. Frictional unemployment

B. Structural unemployment

C. Cyclical unemployment

D. Seasonal unemployment

76. An individual who cannot find work because his/her skills have become obsolete.

[1 mark]

A. Frictional unemployment

B. Structural unemployment

C. Cyclical unemployment

D. Seasonal unemployment

--END--

Surname, Initials

Study Mode/ Town

ZipGrade.com

Second Opportunity Exam (0832)

1 Ⓐ Ⓑ Ⓒ Ⓓ   25 Ⓐ Ⓑ Ⓒ Ⓓ   49 Ⓐ Ⓑ Ⓒ Ⓓ   63 Ⓐ Ⓑ Ⓒ Ⓓ
2 Ⓐ Ⓑ Ⓒ Ⓓ   26 Ⓐ Ⓑ Ⓒ Ⓓ   50 Ⓐ Ⓑ Ⓒ Ⓓ   64 Ⓐ Ⓑ Ⓒ Ⓓ
3 Ⓐ Ⓑ Ⓒ Ⓓ   27 Ⓐ Ⓑ Ⓒ Ⓓ   51 Ⓐ Ⓑ Ⓒ Ⓓ   65 Ⓐ Ⓑ Ⓒ Ⓓ
4 Ⓐ Ⓑ Ⓒ Ⓓ   28 Ⓐ Ⓑ Ⓒ Ⓓ   52 Ⓐ Ⓑ Ⓒ Ⓓ   66 Ⓐ Ⓑ Ⓒ Ⓓ
5 Ⓐ Ⓑ Ⓒ Ⓓ   29 Ⓐ Ⓑ Ⓒ Ⓓ   53 Ⓐ Ⓑ Ⓒ Ⓓ   67 Ⓐ Ⓑ Ⓒ Ⓓ
6 Ⓐ Ⓑ Ⓒ Ⓓ   30 Ⓐ Ⓑ Ⓒ Ⓓ   54 Ⓐ Ⓑ Ⓒ Ⓓ   68 Ⓐ Ⓑ Ⓒ Ⓓ
7 Ⓐ Ⓑ Ⓒ Ⓓ   31 Ⓐ Ⓑ Ⓒ Ⓓ   55 Ⓐ Ⓑ Ⓒ Ⓓ   69 Ⓐ Ⓑ Ⓒ Ⓓ
8 Ⓐ Ⓑ Ⓒ Ⓓ   32 Ⓐ Ⓑ Ⓒ Ⓓ   56 Ⓐ Ⓑ Ⓒ Ⓓ   70 Ⓐ Ⓑ Ⓒ Ⓓ
9 Ⓐ Ⓑ Ⓒ Ⓓ   33 Ⓐ Ⓑ Ⓒ Ⓓ   57 Ⓐ Ⓑ Ⓒ Ⓓ   71 Ⓐ Ⓑ Ⓒ Ⓓ
10 Ⓐ Ⓑ Ⓒ Ⓓ   34 Ⓐ Ⓑ Ⓒ Ⓓ   58 Ⓐ Ⓑ Ⓒ Ⓓ   72 Ⓐ Ⓑ Ⓒ Ⓓ
11 Ⓐ Ⓑ Ⓒ Ⓓ   35 Ⓐ Ⓑ Ⓒ Ⓓ   59 Ⓐ Ⓑ Ⓒ Ⓓ   73 Ⓐ Ⓑ Ⓒ Ⓓ
12 Ⓐ Ⓑ Ⓒ Ⓓ   36 Ⓐ Ⓑ Ⓒ Ⓓ   60 Ⓐ Ⓑ Ⓒ Ⓓ   74 Ⓐ Ⓑ Ⓒ Ⓓ

13 Ⓐ Ⓑ Ⓒ Ⓓ   37 Ⓐ Ⓑ Ⓒ Ⓓ   61 Ⓐ Ⓑ Ⓒ Ⓓ   75 Ⓐ Ⓑ Ⓒ Ⓓ
14 Ⓐ Ⓑ Ⓒ Ⓓ   38 Ⓐ Ⓑ Ⓒ Ⓓ   62 Ⓐ Ⓑ Ⓒ Ⓓ   76 Ⓐ Ⓑ Ⓒ Ⓓ
15 Ⓐ Ⓑ Ⓒ Ⓓ   39 Ⓐ Ⓑ Ⓒ Ⓓ
16 Ⓐ Ⓑ Ⓒ Ⓓ   40 Ⓐ Ⓑ Ⓒ Ⓓ
17 Ⓐ Ⓑ Ⓒ Ⓓ   41 Ⓐ Ⓑ Ⓒ Ⓓ
18 Ⓐ Ⓑ Ⓒ Ⓓ   42 Ⓐ Ⓑ Ⓒ Ⓓ
19 Ⓐ Ⓑ Ⓒ Ⓓ   43 Ⓐ Ⓑ Ⓒ Ⓓ
20 Ⓐ Ⓑ Ⓒ Ⓓ   44 Ⓐ Ⓑ Ⓒ Ⓓ
21 Ⓐ Ⓑ Ⓒ Ⓓ   45 Ⓐ Ⓑ Ⓒ Ⓓ
22 Ⓐ Ⓑ Ⓒ Ⓓ   46 Ⓐ Ⓑ Ⓒ Ⓓ
23 Ⓐ Ⓑ Ⓒ Ⓓ   47 Ⓐ Ⓑ Ⓒ Ⓓ
24 Ⓐ Ⓑ Ⓒ Ⓓ   48 Ⓐ Ⓑ Ⓒ Ⓓ

Student ID

Ⓞ Ⓞ Ⓞ Ⓞ Ⓞ Ⓞ Ⓞ Ⓞ Ⓞ Ⓞ
Ⓐ Ⓐ Ⓐ Ⓐ Ⓐ Ⓐ Ⓐ Ⓐ Ⓐ Ⓐ
② ② ② ② ② ② ② ② ② ②
③ ③ ③ ③ ③ ③ ③ ③ ③ ③
④ ④ ④ ④ ④ ④ ④ ④ ④ ④
⑤ ⑤ ⑤ ⑤ ⑤ ⑤ ⑤ ⑤ ⑤ ⑤
⑥ ⑥ ⑥ ⑥ ⑥ ⑥ ⑥ ⑥ ⑥ ⑥
⑦ ⑦ ⑦ ⑦ ⑦ ⑦ ⑦ ⑦ ⑦ ⑦
⑧ ⑧ ⑧ ⑧ ⑧ ⑧ ⑧ ⑧ ⑧ ⑧
⑨ ⑨ ⑨ ⑨ ⑨ ⑨ ⑨ ⑨ ⑨ ⑨