



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATIONS : BACHELOR OF ECONOMICS, BACHELOR OF ACCOUNTING GENERAL AND BACHELOR OF ACCOUNTING (CHARTERED)	
QUALIFICATION CODE: 07BEC0, 07BOAC AND 07 BACC	LEVEL: 7
COURSE CODE: IMA612S	COURSE NAME: INTERMEDIATE MACROECONIMICS
SESSION: NOVEMBER 2023	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Mr Eslon Ngeendepi
MODERATOR:	Miss Ndeshi Shitenga

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions.2. Write clearly and neatly.3. Number the answers clearly.

PERMISSIBLE MATERIALS

1. Pens/pencils/erasers
2. Calculator
3. Ruler

THIS QUESTION PAPER CONSISTS OF 5 PAGES (Including this front page)

QUESTION 1**[22 Marks]**

According to the Director General of the Namibia Statistics Agency (NSA) Mr Alex Shimuafeni, during the month of August 2022, the annual inflation rate stood at 7.3 percent and is expected to decrease to below 5% in August 2023. Given these predictions by the Director General of NSA compute the August 2023 inflation rate by completing the table below. (Answer on this table and tear this page and place in your answer sheet). **(44*0.5 = 22)**

Table 1: Namibia CPI; Group contribution to overall CPI (Dec 2012=100)								
		Weights	Base index	Index		Annual inflation rate	Contribution	
			Dec-12	Aug-22	Aug-23	Aug-23	% points of total change	% of total change
01	FOOD AND NON-ALCOHOLIC BEVERAGES		100.00	180.0	198.0			
02	ALCOHOLIC BEVERAGES AND TOBACCO	12.59	100.00	167.6	180.8			
03	CLOTHING AND FOOTWEAR	3.05	100.00	96.5	98.4			
04	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	28.36	100.00	137.8	141.7			
05	FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE	5.47	100.00	148.9	158.8			
06	HEALTH	2.01	100.00	147.0	153.2			
07	TRANSPORT	14.28	100.00	180.4	176.3			
08	COMMUNICATIONS	3.81	100.00	111.2	112.6			
09	RECREATION AND CULTURE	3.55	100.00	154.2	169.1			
10	EDUCATION	3.65	100.00	186.1	193.2			
11	HOTELS, CAFES AND RESTAURANTS	1.39	100.00	164.6	177.5			
12	MISCELLANEOUS GOODS AND SERVICES	5.39	100.00	153.6	162.1			
	ALL ITEMS							

QUESTION 2**[18 Marks]**

The country of Asgard produces bread and potatoes. Asgard imports wine from Matamata, while it exports potatoes to Matamata. Below are some data from Asgard's account to be used to answer the questions that follow. Assume that 2019 is the base year.

Table 2: National Accounts of Asgard

Year	Quantity			Price		
	Bread	Potatoes	Wine	Bread	Potatoes	Wine
2019				N\$10	N\$5	N\$5
2020	900	500	100	N\$10	N\$5	N\$8
2021	850	400	97	N\$12	N\$7	N\$9

- a) Using information in table 2 above, redraw table in your answer sheet and complete the table below. Round off answer to one decimal place after each stage of your calculations. (12)

	Nominal GDP	Real GDP	GDP Deflator
2020			
2021			

- b) Was there economic growth or decline experienced in this economy? Show all your calculations. (2)
- c) Explain the major differences between the GDP deflator and the inflation rate. (4)

QUESTION 3**[30 Marks]**

- I. Suppose you are presented with an opportunity to buy a 1200m^2 plot for N\$70 000. The plot is estimated to be worth N\$100 000 in five years' time.
- a) Should you buy the plot if the interest rate is 5%? Show your calculation and state the reason that informs your decision. (5)
- b) Should you buy the plot if the interest rate is 10%? Show your calculation and state the reason that informs your decision. (5)
- II. Enumerate and explain relationship between absolute income hypothesis and relative income hypothesis. (10)
- III. Suppose that income in the current period Y_t is given as N\$10 000, net investment is N\$50 000 and the accelerator coefficient is 2. Given this information answer questions (a) and (b) below:
- a) Calculate the value of national income in the previous period. (5)
- b) If the depreciation value is N\$5000, derive Gross investment. (5)

QUESTION 4**[15 Marks]**

An economy is represented by the following macroeconomic equations:

$$\begin{aligned} Y &= C + I + G \\ C &= 30 + 0.5Y \\ G &= 50 \\ I &= 90 - 10r \\ M^d &= 0.5Y - 10r \\ M/P &= 90 \end{aligned}$$

- (a) Determine the equilibrium values of Y and r . (10)
- (b) Solve for the equilibrium levels of C , I and M^d . (5)

QUESTION 5

[15 Marks]

- i. List the Rostow's five (5) stages of development. (5)
- ii. Outline two (2) benefits and costs associated with economic growth (4)
- iii. Discuss four (4) key limitations of the Harrod Domar Growth Model (4)
- iv. Suppose the capital-output ratio, v , is equal to 5 and the saving proportion, s , equal to 0.25. what is the warranted rate of growth? (2)

TOTAL = 100 MARKS