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: O7BEC0, 07BOAC AND 07 BACC	**LEVEL: 7**
COURSE CODE: IMA612S	**COURSE NAME**: INTERMEDIATE MACROECONIMICS
SESSION: NOVEMBER 2023	**PAPER:** THEORY
DURATION: 3 HOURS	**MARKS:** 100

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

INSTRUCTIONS
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 4 PAGES (Including this front page)

QUESTION 1   **[10 Marks]**

Table 1: Hypothetical Nominal and GDP deflator for the Namibian Economy

Year	Nominal GDP (N$)	GDP deflator
2018	500	100 (base year)
2019	550	110
2020	610	115
2021	680	123
2022	680	120

a) Given the figures in table 1 above, calculate real GDP for each year.   (5)

b) Using the GDP deflator values in the table above, determine the inflation rate for each subsequent year.   (5)

QUESTION 2   **[25 Marks]**

a) Suppose you are measuring annual GDP of a country by adding up the final value of all goods and services produced in the economy. Determine the effect on the country's GDP for each of the following transactions.

    i.   A seafood restaurant buys N$100 worth of fish from a fisherman.   (2)

    ii.   A family spends N$100 on a dinner at a restaurant.   (2)

    iii. South African Airways buys a C919 jet, manufactured in China, for ¥58 billion (R9.5 billion) instead of a Boeing or an Airbus.   (2)

    iv. The national airline of your country buys a new jet from Boeing for N$200 million.   (2)

    v.   A European airline sells one of its Airbus to a private company for €100 million.
                                                                                             (2)

b) During a given year, suppose the following activities occur in an economy.

An automobile manufacturing company pays its workers N$10 million to assemble 5,000

cars. The cars are then sold to an automobile store for N$12 million.

That year, the store pays N$1 million in wages to its salespeople, who sell the cars

directly to consumers for N$15 million.

a) Using the production-of-final-goods approach, what is GDP in this economy?   (6)

b) What is the value added at each stage of production? Using the value-added approach,

what is GDP?   (4)

c) What are the costs incurred in terms of wage payment and the profits earned? Using

the income approach, what is GDP?   (5)

QUESTION 3   [25 Marks]

a) Suppose that the Namibian economy is characterised by the following behavioural
equations:

$C = 160 + 0.6Y_d$

$I = 150$

$G = 150$

$T = 100$

Solve for:

i.   Equilibrium for the equilibrium level of income for Namibia.   (8)

ii.   Disposable income.   (4)

iii.   Consumption spending.   (4)

iv.   When investment spending is changed by a certain amount, the resulting
change in income becomes ?   (4)

v.   Calculate and explain the average propensity to consume and the average
propensity to save.   (5)

QUESTION 4   **[40 Marks]**

(a)   Critically comment on the difference between the Permanent Income Hypothesis, Relative Income Hypothesis and the Life Cycle Hypothesis.   (30)

(b)   The projected cash flow stream for a project proposal is given as follows: (The interest rate 5% and present cost is N$309629-00.

YEAR	CASH INFLOWS (N$)
1	60000
2	70000
3	80000
4	50000
5	40000
6	30000
7	10000

Determine the acceptability of this project proposal using the Present value technique.

(10)

TOTAL = 100 MARKS