UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: B.Sc. in Agriculture V (AEM OPTION)

COURSE CODE: AEM 504

TITLE OF PAPER: MACROECONOMICS

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: 1.   ANSWER ALL QUESTIONS
**   2.   EACH QUESTION CARRIES TWENTY FIVE (25)**
**   MARKS**

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THE CHIEF INVIGILATOR

QUESTION ONE

(a) Begin with the formula showing how households can divide their income. Then use this formula and the expenditure approach to GDP to show how investment is financed from three sources. **12 MARKS**

(b) What is the difference between real and nominal GDP and why do economists make this distinction? **13 MARKS**

QUESTION TWO

(a) Define and give examples of how a spell of frictional and structural unemployment can begin. **12 MARKS**

(b) Explain the relationship between real GDP and potential GDP and between the unemployment rate and the natural unemployment rate as the economy moves through a business cycle. **13 MARKS**

QUESTION THREE

(a) Explain the difference between the long-run aggregate supply and the short-run aggregate supply curves. **8 MARKS**

(b) Explain how the labor market and the production function determine potential GDP? **8 MARKS**

(c) What is the influence of the expected profit rate and the real interest rate on the amount of investment made by firms? **9 MARKS**

QUESTION FOUR

(a) List and discuss the four economic functions that depository institutions provide their customers. **13 MARKS**

(b) List the tools that the Central Bank of Swaziland uses to control the quantity of money. Explain how each tool works. **12 MARKS**