



1st SEM. 2008/2009

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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: B.Sc. in Agricultural Economics and Agribusiness Management

COURSE CODE: AEM 401

TITLE OF PAPER: INTERMEDIATE 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) How does the production of a firm owned by a Swazi National and located in South Africa affect Swaziland GDP? How does the production of a Taiwanese firm located in Lavumisa affect Swaziland GDP? **6 MARKS**

(b) 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. **8 MARKS**

(c) Explain how GDP is measured according to the expenditure and income approaches. **8 MARKS**

(d) Is it possible for nominal GDP to increase while real GDP does not change? **3 MARKS**

Question Two

(a) 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. **8 MARKS**

(b) Is the CPI a biased measure of the inflation rate? Explain your answer. **10 MARKS**

(c) The table below indicates that Sugarland produces only Sugar and Maize. The base year is 2003.

Item	2003		2004	
	Quantity	Price	Quantity	Price
Sugar	100	10	120	15
Maize	500	5	520	6

(i) Calculate Sugarland's nominal GDP in 2003 and 2004 **3 MARKS**

(ii) Calculate Sugarlands price level in 2004 **2 MARKS**

(iii) Calculate Sugarland's economic growth rate. **2 MARKS**

Question Three

The table below shows aggregate demand and aggregate supply schedules of the economy of country Z. The potential GDP for country Z is E 675 billion.

Price level	Real GDP demanded (billion emalangeni)	Real GDP supplied (billion emalangeni)
70	825	375
80	750	450
90	675	525
100	600	600
110	525	675
120	450	750
130	375	825
140	300	900

- (i) Plot the aggregate demand curve, the short-run aggregate supply curve, and the long-run aggregate supply curve. **6 MARKS**
- (ii) What are the short-run and long-run equilibrium real GDPs and price level in country Z? **4 MARKS**
- (iii) Is the country's short-run macroeconomic equilibrium a full-employment equilibrium, below full-employment equilibrium, or above full-employment equilibrium? What is the recessionary gap (if any)? What is the inflationary gap (if any)? **5 MARKS**
- (iv) Suppose aggregate demand increases by E150 billion. Plot the new aggregate demand curve. How do real GDP and the price level change in the short run? **5 MARKS**
- (v) Is the country's new short-run macroeconomic equilibrium a full-employment equilibrium, below full-employment, or above full-employment equilibrium? What is the recessionary gap (if any)? What is the inflationary gap (if any)? **5 MARKS**

Question Four

- (a) List and discuss the economic functions that depository institutions provide their customers. **12 MARKS**
- (b) What is job rationing and why does it occur? Discuss **13 MARKS.**