



1st SEM. 2011/2012

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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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QUESTION ONE

- (a) Draw a well labeled diagram to illustrate the circular flow of expenditure and income and briefly explain why the value of production equals total income equals total expenditure. **18 MARKS**
- (b) Explain how Fiscal Policy can influence the capital market. **7 MARKS**

QUESTION TWO

- (a) Distinguish between GDP Deflator and Consumer Price Index (CPI) as measures of the price level and show with examples how to calculate economic growth rate and inflation rate. **10 MARKS**
- (b) Explain the main sources of bias in the CPI. **8 MARKS**
- (c) Distinguish the three types of unemployment and explain how they change over the business cycle? **7 MARKS**

QUESTION THREE

- (a) List the tools that the Central Bank of Swaziland (CBS) can use to control the quantity of money and briefly explain how each tool works. **15 MARKS**
- (b) Briefly explain the economic functions of financial institutions **10 MARKS**

QUESTION FOUR

- (a) Briefly discuss the balanced budget multiplier. **7 MARKS**
- (b) Discuss the sources that can start demand pull inflation and cost push inflation **18 MARKS**