UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

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

COURSE CODE: AEM 307

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) Define and discuss GDP.   **12 MARKS**

(b) Use the idea of the circular flow diagram to explain why the value of production equals total income equals total expenditure.   **13 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.   **16 MARKS**

(b) The table below indicates that Dreamland produces only Sugar and Maize. The base year is 2008.

Item	2008		2009	
	Quantity	Price	Quantity	Price
Sugar	100	10	120	15
Maize	500	5	520	6

(i) Calculate Dreamland's nominal GDP in 2008 and 2009   **3 MARKS**
(ii) Calculate Dreamland's price level in 2009   **3 MARKS**
(iii) Calculate Dreamland's economic growth rate.   **3 MARKS**

Question Three

(a) Give a brief explanation of the factors that can increase labor productivity.
                                                              9 MARKS
(b) Briefly explain the factors that influence and change the demand and supply of loanable funds.   **9 MARKS**
(c) With help of a well labeled figure explain how borrowing and lending in the global loanable funds market takes place.   **7 MARKS**

Question Four

(a) Explain briefly the functions that are served by money.   **8 MARKS**
(b) Discuss the economic functions that depository institutions provide their customers.   **9 MARKS**
(c) Provide a brief explanation of how savings are used to finance investment through relevant financial markets.   **8 MARKS**