



2<sup>nd</sup> SEM. 2017/2018

page 1 of 2

UNIVERSITY OF SWAZILAND

SUPPLEMENTARY EXAMINATION PAPER

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

COURSE CODE: AEM 204 / 307

TITLE OF PAPER: INTERMEDIATE MACROECONOMICS

TIME ALLOWED: TWO (2) HOURS

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

DO NOT OPEN THIS PAPER UNTIL PERMISSION HAS BEEN GRANTED BY THE CHIEF INVIGILATOR

**QUESTION ONE**

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.

**[25 MARKS]**

**QUESTION TWO**

- a) Discuss the effects of an increase in the population on potential GDP, the quantity of labour, and the real wage rate **[15 MARKS]**
- b) 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]**

**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) Explain how Fiscal Policy can influence the capital market. **[10 MARKS]**

**QUESTION FOUR**

- (a) Explain the main sources of bias in the Consumer Price Index. **[15 MARKS]**
- (b) Why does GDP equal aggregate income and also equal aggregate expenditure? **[10 MARKS]**