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**University of Swaziland
Final Examination Paper
Supplementary 2005**

Title of Paper : Macroeconomics

Course Code : IDE- ECON 203-2

Time Allowed : TWO (2) Hours

Instructions:

- 1. Answer ANY THREE Questions.**
- 2. All Questions Carry Equal Marks of 25 each.**

**DO NOT OPEN THIS QUESTION PAPER UNTIL THE INVIGILATOR
HAS GRANTED PERMISSION.**

QUESTION 1

- (a) Various factors have been cited as responsible for the appreciation of the Rand that began late 2003. Outline factors. (5 marks)
- (b) The case for fixed exchange rates is based on monetary discipline, speculation and uncertainty. Discuss each in detail. (10 marks)
- (c) Discuss the nature and functions of the foreign exchange market. (10 marks)

QUESTION 2

- a) Compare and contrast the effects of an expansionary fiscal policy on equilibrium income in the Simple Keynesian, IS/LM and AD/AS Model. Use graphs to illustrate your points. (20 marks)
- b) Explain the concept of neutrality of money. (5 marks)

QUESTION 3

Write short explanatory notes on each of the following:

- (a) Hedging and Speculation in the foreign exchange market.
- (b) Short run aggregate supply curve depicting the 3 ranges.
- (c) Lags in policy formulation.
- (d) Any two types of unemployment.
- (e) Leading, lagging and coincident indicators.

(5 marks each)

QUESTION 4

- (a) Enumerate the main differences between demand – pull and cost – push inflation (8 marks)
- (b) Use the IS/LM Model, incorporating the foreign sector, to analyse the effect of an increase in exports on equilibrium output and the trade balance. (12 marks)
- (a) Define and draw a business cycle, showing all the phases.