UNIVERSITY OF SWAZILAND

DEPARTMENT OF ECONOMICS

FINAL EXAMINATION MAY 2011/2012

TITLE PAPER	:	PRINCIPLES OF MACROECONOMICS
COURSE CODE	:	ECON 104
INSTRUCTIONS	:	1. ANSWER TWO QUESTIONS IN SECTION A AND TWO QUESTIONS IN SECTION B.
		2. ALL QUESTIONS CARRY 25 MARKS EACH.
		3. DECIMAL NUMBERS ARE TO BE ROUNDED TO TWO (2) DECIMAL PLACES.
		4. QUESTION 2 IS COMPULSORY.
TIME ALLOWED	:	THREE (3) HOURS

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

SECTION A

ANSWER TWO QUESTIONS FROM THIS SECTION

Question 1

1.1 Describe the components of aggregate expenditure in Swaziland and provide its
  expression.   (20)

1.2 Justify or support your answer by providing the necessary diagramme.   (5)

(25 Marks)

Question 2

Support Mr. Andile spends all his income on the following items and in the following
quantities:

  (a) Fast food (43 units)
  (b) Leisure (16 units)
  (c) Care expenses (12 units)
  (d) Accommodation (4 units)

The prices of the items in 2010 and 2011 are as follows:

ITEMS	2010	2011
Fast food	E75	E90
Leisure	E180	E240
Car Expenses	E2000	E2300
Accommodation	E2500	E3000

Answer the following questions:

2.1 Calculate Mr. Andile's total expenditure for 2010.   (8)

2.2 In order to see the importance of each item, calculate the weight spent on each item. (8)

2.3 In order to know change in price calculate price index for each item.   (9)

(25 Marks)

Question 3

3.1 Describe the term "multiplier" (5)

3.2 Discuss this concept according to Keynes, and support your answer with a diagramme. (20)

(25 Marks)

Question 4

Distinguish between Deflationary Gap and Inflationary Gap and provide the diagramme for each.

(25 Marks)

SECTION B

Question 5

The relationship between consumption and national income in Swaziland can be expressed as follows: $C = f(y)$

N1 (E bn)	C (E bn)
0	10
15	20
30	30
45	40
60	50
75	60
90	70
105	80
120	90

5.1 Calculate the MPC? (2)

5.2 Calculate the Consumption function (C) (3)

5.3 Represent the diagramme. (5)

5.4 Determine the equation of saving when $C = a + b$ and $S = Y - C$ if $a = 30$ and $b = 0.70$. (10)

5.5 What are the main forces of an economic system and why? (5)

(25 marks)

Question 6

6.1 Describe four principles of a good tax system. (16)

6.2 Briefly outline the different taxation systems and the **ONE** used in Swaziland and why? (9)

(25 marks)

Question 7

7.1 What is dualism in economy? (5)

7.2 Describe the origins of economic dualism in Swaziland. (20)

(25 marks)

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SECTION B

Question 5

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(25 marks)

4

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Question 8

8.1 Express the quantity theory of money and explain.   (8)

8.2 What are the main functions of the Central Bank of Swaziland?   (17)

(25 marks)