

UNIVERSITY OF SWAZILAND
DEPARTMENT OF ECONOMICS
FINAL EXAMINATION MAY 2013

PAPER TITLE : PRINCIPLES OF MACROECONOMICS
COURSE CODE : ECON 104

INSTRUCTIONS:

- 1. ANSWER ANY FOUR QUESTIONS**
- 2. ALL QUESTIONS CARRY 25 MARKS EACH**
- 3. TIME ALLOWED IS THREE (3) HOURS**

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

QUESTION 1 [25]

Discuss the term "Inflationary gap" under the following sub-headings:

- A. the economic meaning of this term; (8)
- B. its effects on economic conditions; (7)
- C. provide the diagramme and explain. (10)

QUESTION 2 [25]

Describe the concepts of investment and consumption under the following sub-headings:

- A: Factors determining Investment. (10)
- B: Factors affecting Investment. (8)
- C: Factors determining Consumption. (7)

QUESTION 3 [25]

A. Distinguish between the relative income hypothesis and permanent income hypothesis.

- (10)
- B. Explain the main functions of the Central Bank of Swaziland (15)

QUESTION [25]

Describe **Four** main factors causing the supply of money to rise.

QUESTION 5 [25]

A. Discuss the integration of the goods and money markets using the IS-LM framework

- (13)
- B. Use diagrammes to support your answers (12)

QUESTION 6 [25]

Explain the meaning of the following elasticities

- A. Elasticity of the IS curve and elasticity of the LM curve (10)
- B. State the main factors both elasticities depend on (15).