

**UNIVERSITY OF SWAZILAND**  
**DEPARTMENT OF ECONOMICS**  
**SUPPLEMENTARY EXAMINATIONS 2014**

**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).