

2nd SEM. 2015/2016



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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: BSc. in Agricultural Economics and Agribusiness
Management Year III

COURSE CODE: AEM 307

TITLE OF PAPER: INTERMEDIATE MACROECONOMICS

TIME ALLOWED: TWO (2): HOURS

INSTRUCTION: 1. ANSWER ALL FOUR QUESTIONS
2. EACH QUESTIONS CARRIES 25 POINTS

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CHIEF INVIGILATOR

Question 1

- a) Differentiate between real and nominal GDP, and discuss why economists make the distinction between real and nominal GDP.

17 MARKS

- b) What is the expenditure approach to measuring GDP? In addition, define the components of the expenditure approach to calculating GDP.

8 MARKS**Question 2**

- a) What is a business cycle and what are its phases and turning points? In addition, draw a diagram illustrating the business cycle phases and turning points.

16 MARKS

- b) Differentiate between structural and cyclical unemployment, and which form of unemployment changes with the business cycle.

9 MARKS**Question 3**

- a) Define money and describe its functions

8 MARKS

- b) Explain and illustrate using a diagram, how an increase in labour productivity changes potential GDP?

17 MARKS**Question 4**

- a) The economy of Swaziland produces three goods: Maize, Sugarcane, and Cotton. The table below shows the output and prices for years 2006 and 2007.

Year	Maize		Sugarcane		Cotton	
	Price	Quantity	Price	Quantity	Price	Quantity
2006	E100	1	E10	8	E5	4
2007	E110	1	E12	10	E4	5

Given the above table:

- i. Calculate the nominal GDP for 2006 and 2007.

2 MARKS

- ii. Compute the percentage growth in nominal GDP from 2006 to 2007.

2 MARKS

- iii. Using 2006 as the base year, calculate the real GDP for 2007. **2 MARKS**
- iv. What is the GDP deflator for 2007? **2 MARKS**
- v. What was the inflation rate between 2006 and 2007? **3 MARKS**
- vi. Compute the real rate of output growth from 2006 to 2007. **2 MARKS**
- b) Using the information in the table below compute the following:

Item	Emalangeni
Transfer Payments	54
Interest Income	150
Depreciation	36
Wages	67
Gross Private Investment	124
Business Profits	200
Indirect Business Taxes	74
Rental Income	75
Net Exports	18
Net Foreign Factor Income	12
Government Purchases	156
Household Consumption	304

- i. GDP using the expenditure approach. **6 MARKS**
- ii. GDP using the income approach. **6 MARKS**