



MANICALAND STATE UNIVERSITY OF APPLIED SCIENCES

FACULTY OF AGRIBUSINESS AND COMMERCE

DEPARTMENT: AGRICULTURAL ECONOMICS AND
DEVELOPMENT

MODULE: INTERMEDIATE MACROECONOMICS FOR
AGRICULTURE

CODE: AEDT 222

SESSIONAL EXAMINATIONS

JULY 2022

DURATION: 3 HOURS

EXAMINER: MR. F MADZOKERE

INSTRUCTIONS

1. Answer any **five** questions
2. Start a new question on a fresh page
3. Total marks 100

Additional material(s): Calculator

QUESTION 1

Consider a closed economy with expenditure totals given by:

Consumption $C = \$ 2300$ million

Investment $I = \$700$ million

Government spending $G = \$ 800$ million

Government transfers $F = \$ 100$ million

Interest on government debt $N = \$ 100$ million

Taxes $T = \$ 800$ million

- a. Write the national income identity equation? [2]
- b. What is GNP? [2]
- c. What is private savings? [2]
- d. What is government savings? [2]
- e. What is total savings? [2]
- f. Show that total savings is equal to investment? [2]
- g. What is the government budget deficit? [2]
- h. Suppose that money equals \$ 600 million and government bonds \$ 800 million at the start of the year. Assume 80 % of government deficit is financed by issuing bonds, calculate the new levels of bond and money holdings. [4]
- i. What would happen if government deficit was financed by printing money? [2]

QUESTION 2

How can a fiscal deficit be financed and what are the advantages and disadvantages associated with each financing method? [20]

QUESTION 3

Explain whether the current turnaround measures being implemented have been effective in solving Zimbabwe's economic problems. What are the challenges that the country is likely to encounter in its bid to turnaround its economic fortunes? [20]

QUESTION 4

- a. With the aid of a diagram, explain the Keynesian multiplier concept. [8]

b. In a closed economy the marginal propensity to consume is 0.7. if the economy receives an injection in investment equal to \$1 million, what is the resultant change in income. [7]

c. i. What is the importance of the multiplier concept [2]

ii. Outline three factors that can limit significance of the multiplier [3]

QUESTION 5

The exchange rate is determined by speculation. Discuss. [20]

QUESTION 6

Within the IS-LM curve model, show how income and interest rate are affected by each of the following;

a. An increase in money supply [10]

b. An autonomous decline in investment spending [10]

END OF EXAMINATION