



# MANICALAND STATE UNIVERSITY OF APPLIED SCIENCES

**FACULTY OF AGRIBUSINESS AND COMMERCE**

**Department of Accounting**

**PRINCIPLES OF MACROECONOMICS**

**CODE: ECON 121**

**SESSIONAL EXAMINATIONS**

**FEBRUARY 2022**

**DURATION: 3 HOURS**

**EXAMINER: MR F. RUZHANI**

## ***INSTRUCTIONS***

- 1. Answer any Four (4) questions.*
- 2. Start a new question on a fresh page*
- 3. Total marks 100*

### Question 1

- a) Explain the major difference between Gross Domestic Product and Gross National Product. [4]
- b) With the aid of a diagram describe the circular flow model explaining clearly the flow of inputs/outputs as well as capital/revenue in the economy. [8]
- c) The table below shows goods produced in Zimbabwe in the year 2013 and 2021 and their respective prices. Use the table to answer the questions that follow.

	2013		2021	
	Q	P	Q	P
Soap	120	\$1.00	80	\$1.50
Oranges	100	\$1.00	110	\$1.50
Flour	160	\$2.50	180	\$3.00

- i) Calculate the Nominal GDP for the year 2013 and 2021. [4]
- ii) What was the percentage increase or decrease in Nominal GDP from 2013 to 2021? [1]
- iii) Calculate the Real GDP for 2013 and for 2021, using 2013 as the base year. [4]
- iv) Calculate the GDP deflator for 2013 and for 2021. [2]
- v) What is the actual Real GDP growth between 2013 and 2021? [2]

### Question 2

- a) Describe how unemployment rate is measured in Zimbabwe. [4]
- b) With the aid of a graph explain how minimum wage laws result in structural unemployment. [7]
- c) With the aid of a graph describe cost-push inflation. [4]
- d) Describe any **five** effects of inflation in Zimbabwe. [5]
- e) Explain measures that can be taken by the government to reduce the effects of inflation in Zimbabwe. [5]

### Question 3

- a) Using an Aggregate Demand-Aggregate Supply model explain the effect of a tax cut on output and the general price level in the economy. [6]
- b) *A number of theories explain why the short run aggregate supply curve slopes upwards.* Identify and explain any **two** theories that explain why the short run aggregate supply curve slopes upwards. [8]
- c) Using an Aggregate Demand-Aggregate Supply model explain the effect of an advance in technology on output and the general price level in the economy. [5]
- d) Explain any **three** government policies or initiatives that may promote productivity in the economy and thus enhance economic growth. [6]

### Question 4

- a) *Monetary policy is a measure employed by the central bank of a country to adjust the supply of money in the economy and achieve some combination of inflation and output stabilization.* With the aid of a graph explain the effects of a contractionary monetary policy on aggregate demand, supply and the general price level. [8]
- b) *Fiscal policy refers to the government's decisions about how much to tax and spend.* With the aid of a graph explain the effects of an expansionary fiscal policy on aggregate demand, supply and the general price level of goods and services [8]
- c) Differentiate between public debt and budget deficit. [4]
- d) Explain why a huge Debt: GDP ratio is undesirable for a country's economic growth and development. [5]

**Question 5**

- a) Identify and explain any **four** of Mankiw's ten principles of Macroeconomics. **[12]**
- b) The Expenditure approach can be used to measure the GDP of a nation. State the equation which represents the expenditure approach and identify all the five variables in the equation. **[6]**
- c) Discuss the policies that a government can implement in order to improve the standards of living of its citizens. **[7]**

**END OF EXAMINATION**