



MANICALAND STATE UNIVERSITY OF APPLIED SCIENCES

FACULTY OF AGRIBUSINESS AND COMMERCE

DEPARTMENT OF AGRICULTURE ECONOMICS

AND

DEVELOPMENT

MACROECONOMICS FOR AGRICULTURE

CODE: AEDT122

SESSIONAL EXAMINATIONS

OCTOBER 2021

DURATION: 3 HOURS

EXAMINER: Mr N. JAMBO

INSTRUCTIONS

1. Answer any **Four** questions
 2. Be concise and clear
 3. Total marks 100
-

QUESTION 1

- a) Explain why the study of macroeconomics is important. [20]
- b) Distinguish between microeconomics and macroeconomics, giving relevant examples to support your answer. [5]

QUESTION 2

- a) Given the data table 1 below, use the Expenditures Approach to calculate GDP.

Table 1: GDP measurement variables

Personal consumption expenditures	\$400
Government purchases	\$128
Gross private domestic investment	\$88
Net exports	\$7
Net foreign factor income earned in Zimbabwe.	\$0
Consumption of fixed capital	\$43
Indirect business taxes	\$50
Compensation of employees	\$369
Rents	\$12
Interest	\$15
Proprietors' income	\$52
Corporate income taxes	\$36
Dividends	\$24
Undistributed corporate profits	\$22

[5]

- b) Determine whether the following are included or excluded from the year 2021's GDP in Zimbabwe. Explain your answer in each case.
- i. Social security payments received by a retired factory worker. [2]
 - ii. The unpaid services of a family member in painting the family home. [2]
 - iii. The income of a dentist in Mutare. [2]
 - iv. The monthly allowance a student at MSUAS received from home. [2]
 - v. Rent received on a two-bedroom apartment in Greenside. [2]

- vi.** The money received by Will when he resells his current bicycle. [2]
- vii.** The publication of a secondary school textbook. [2]
- viii.** The purchase of an insurance policy. [2]
- ix.** The purchase of land. [2]
- x.** The money received by Mitchel when she sells her sociology textbook back to the bookstore. [2]

QUESTION 3

- a)** Economists classify unemployment into three (3) categories by cause. Discuss the three (3) categories of unemployment giving relevant examples. [18]
- b)** Explain what full employment is. [2]
- c)** Suppose you are given in table 2 below, the data for Zimbabwe’s population.

Table 2: Data showing Population for Zimbabwe

Number of employed	6.56 million
Number of unemployed	340 thousand
Not in the labor force	8.12 million

Compute:

- i.** The Labor Force [1]
- ii.** The Unemployment Rate [2]
- iii.** The Labor Force participation rate [2]

QUESTION 4

- a)** Using the basic supply and demand model demonstrate cost-push, demand-pull, and pure inflation. [15]
- b)** News media generally describes inflation as increases in the CPI. Explain why it is not technically correct to use CPI as a measure of inflation. [5]
- c)** Clarify why Real GDP provides a better basis for judging long term national economic performance than Nominal GDP. [5]

QUESTION 5

- a) Explain the macroeconomic concept of business cycles. [6]
- b) What do you understand by the term Monetary Policy? [1]
- c) Discuss the role of the Reserve Bank of Zimbabwe (RBZ) in the economic development of Zimbabwe. [18]

END OF EXAMINATION