FACULTY	AGRICULTURE, ENGINEERING AND NATURAL RESOURCES		
SCHOOL	AGRICULTURE AND FISHERIES SCIENCE		
DEPARTMENT	ANIMAL PRODUCTION, AGRIBUSINESS AND ECONOMICS		
SUBJECT	INTERMEDIATE MACROECONOMICS		
SUBJECT CODE	AEI 3682		
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DURATION	3 HOURS	MARKS	100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER

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This question paper consists of two (3) pages including the front page

Instructions

- Answer all questions
- All questions carry equal marks (25 marks each)
- Please write legibly and number your questions clearly
- Show your calculations to tow decimal places

UNIVERSITY OF NAMIBIA EXAMINATIONS

Question 1 **[25]**

Assume that an economy produces four goods: Potatoes, Beef, Tomatoes, and Milk. Quantities and prices per unit for years 2021 and 2022 were as follows:

	2021		2022	
Goods	**Quantity**	**Price (N$)**	**Quantity**	**Price (N$)**
Potatoes	100	78	110	78
Beef	17	50	20	75
Tomatoes	25	15	30	20
Milk	40	11	45	15

Using the table provided answer the following questions;

a) Calculate Nominal GDP in 2021 and 2022 and by what percentage does nominal GDP changes from 2021 to 2022? [5]

b) Using the base year's prices, calculate Real GDP in 2021. Indicate the percentage change of real GDP from 2021 to 2022? [5]

c) Calculate GDP deflator and the inflation rate for 2021 and 2022. [5]

d) Briefly differentiate between normal GDP and real GDP. [5]

e) Calculate CPI for year 2021 and 2022, and the CPI inflation rate. [5]

Question 2 **[25]**

Consider the following IS-LM model and answer the following questions:

$$C = 200 + 0.25Y_D$$

$$I = 250 + 0.3Y - 2500i$$

$$G = 250;\ T = 250$$

$$\frac{M_d}{P} = Y - 10{,}500i$$

$$M_s = 1000; P = 20$$

a) Derive IS relation [5]

b) Derive LM relation [5]

c) What are the short-run equilibrium values of $Y, i\ and\ C$? [5]

d) Assume government spending (G) increases by 75 (to 325). Using the appropriate fiscal policy multiplier (FPM) calculate the new equilibrium output (Y) IN short-run? [5]

e) Assume that money supply (Ms) increases by 400 (to 1400). Calculate the new equilibrium economic output (Y) and interest rate (i). [5]

Question 3 **[25]**

a) What is money? and how is the quantity controlled in the economy? [5]
b) Why is fiat money without any intrinsic value considered valuable? [5]
c) Briefly discuss the Fisher Effect. [10]
d) Briefly explain what happens if government print more money and run an expansionary budget without a commensurate increase in the productive capacity of the economy?[5]

Question 4 **[25]**

a) Briefly discuss the importance of any sector of own choice to the economy of the country and how this sector is influenced by macroeconomic factors? [10]
b) Using the AS-AD model illustrate the dynamic effects of the reduction in budget deficit on the output and interest rate in an economy? [10]
c) Differentiate between expansionary and contractionary fiscal policy? [5]

GOOD LUCK!!