

BSc in Export Agriculture
Third Year First Semester Examination – July/August 2018

Macroeconomics (EAG 332-2)

Section II – Essay Questions

Instructions:

Answer all questions in the given booklet.

No. of questions : Three (03)

No. of pages : Two (02)

Time : One (01) hour

Total marks allocated : 60%

1. Write short notes on four of the followings;

- (I) The business cycle and the output gap (25 marks)
- (II) National Income Accounting Identity (25 marks)
- (III) Aggregate Supply (25 marks)
- (IV) Aggregate Demand (25 marks)
- (V) The multiplier (25 marks)
- (VI) GDP, GNP and NDP (25 marks)

2.

- (I) Differentiate a small open economy from a large open economy (25 marks)
- (II) Using graphical illustrations, briefly explain
 - a) Savings and Investments in a small open economy (25 marks)
 - b) Fiscal expansion at home in a small open economy (25 marks)
 - c) The impact of expansionary fiscal policy at home on the real exchange rate (25 marks)

3.

- (I) What is meant by equilibrium output in the economy? (20 marks)
- (II) Derive an equation for equilibrium output in the economy (20 marks)
- (III) How do you explain the disequilibrium in the economy based on unplanned inventory investments? (30 marks)

- (IV) Suppose the consumption function is given by $C = 100 + 0.8Y$, while investment is given by $I = 50$.
- a) What is the equilibrium level of income in this case? (05 marks)
 - b) What is the level of saving in equilibrium? (05 marks)
 - c) If, for some reason, output is at the level of 800, what will the level of involuntary inventory accumulation be? (05 marks)
 - d) If I rises to 100, what will the effect be on the equilibrium income? (05 marks)
 - e) What is the value of the multiplier, α , here? (05 marks)
 - f) Draw a diagram indicating the equilibrium in both (a) and (d). (05 marks)

[End of Section II]