

**AKENTEN APPIAH-MENKA UNIVERSITY OF SKILLS TRAINING AND
ENTREPRENEURIAL DEVELOPMENT
FACULTY OF EDUCATION AND COMMUNICATION SCIENCES
DEPARTMENT OF INTERDISCIPLINARY STUDIES
END OF SECOND SEMESTER EXAMINATION (AUGUST 2021)**

COURSE TITLE	PRINCIPLES OF MACROECONOMICS
COURSE CODE	ECNS 121
DURATION	2 HOURS
LECTURER	ISAAC ADDAI
INSTRUCTIONS	ANSWER ANY THREE QUESTIONS

1. Explain in writing and with the aid of a suitable diagram, the circular flow macroeconomic model.
2. If GDP does not adequately measure economic well-being, what adjustments could be made to obtain a better measure of economic well-being?
3. In the AAMUSTED economy, National income (Y) is GHS 5000, Personal Disposable income (Y_d) = GHS 5100 and government budget deficit is GHS 100. Consumption Expenditure is GHS 3,800 and the trade deficit is GHS 100. Find out the size of investment, savings and government spending.
4. (a) Are trade deficit a problem to an economy?
(b) Distinguish between foreign direct investment (FDI) and portfolio investment (PI) by citing relevant examples from the economy of Ghana.
5. Critically examine in writing, the difficulties the government encounter in implementing discretionary fiscal policy measures.
6. The sum of the government deficit ($G - T$) and the private sector deficit ($I - S$) has to be met by borrowing from abroad or through capital inflows. An increase in government expenditures or a reduction in private sector savings will lead to an increase in the deficit. If the fiscal deficit increases, the government's demand for borrowing increases. If this is not financed by a change in domestic investment, it has to be financed by borrowing from abroad through the issue of government bonds to foreigners. The larger trade deficit and the larger rate of borrowing that goes with it, may involve foreigners increasing the quantity of domestic government bonds that they own or buying property or shares in companies in the domestic economy. Explain in writing and with the relevant examples, how this macroeconomic statement is characteristics of the economy of Ghana.
7. Explain in writing, the following:
(a) Flexible Exchange Rates Regime

(c) Revaluation of a currency

(d) Devaluation of a currency

(e) The theory of purchasing-power parity (PPP) is based on a principle called the *law of one price*.

8. Milton Friedman has argued that inflation is everywhere and always a monetary phenomenon. Do you agree with him? Justify your answer in writing.