UNIVERSITY OF EDUCATION, WINNEBA.

COLLEGE OF TECHNOLOGY EDUCATION - KUMASI
DEPARTMENT OF ACCOUNTING STUDIES EDUCATION

END OF SECOND SEMESTER EXAMINATIONS MAY 2019

COURSE TITLE	INTRODUCTION TO MACROECONOMICS
COURSE CODE .	ECO 121
DURATION	TWO HOURS 10 MINUTES
NAME OF LECTURER	WILLIAMS KWASI BOACHIE
INSTRUCTIONS	ANSWER ANY FOUR QUESTIONS

Q1. You are given the following information about an economy.

Exports	2000
Imports	1500
Taxes on income	3000
Rent	4000
GDP at market prices	80,000
Taxes on expenditure	1000
Subsidies	3000
Depreciation	1000
Net property income from abroad	5000

a. From the data above, calculate
   i. GDP at factor cost
   ii. NDP at market prices
   iii. GNP at market prices
   iv. GNP at factor cost
   v. NNP at factor cost

b. Do you have sufficient information to calculate the GNP per capita for this economy? Explain your answer.

c. Mention any **four** weaknesses of the GNP as a measure of welfare.

Q2.

a. Explain any **three** causes of inflation and suggest any **three** solutions of inflation

b. Discuss any **three** economic costs of unemployment to your country.

c. Explain any **three** methods of measuring welfare in your country.

Q3.
In a particular economy, aggregate income, consumption expenditure and investment levels are presented on this table.

Aggregate income(Y) in $ Mn	Consumption expenditure (C) in $ Mn	Investment expenditure (I) in $ Mn
0	100	800
100	180	800
200		800
300		800
400		800
500		800
600		800
700		800
800		800
900		800
1000		800

With the aid of the table above, answer the following questions.

a. What type of economy does the data above represent and why?
b. State the value of autonomous consumption in this economy
c. Determine the value of the marginal propensity to consume in this economy.
d. Derive the consumption function.
e. Complete the table by inserting in the missing values.
f. Calculate the average propensity to save at Y= 200 and at Y=800.
g. What is the equilibrium income in this economy?

Q4. An open economy is in equilibrium when $Y = C + I + G$

$C = 80 + 0.8Y$; $I = 70$; $G = 130$;

a. Determine the equilibrium level of national income

b. At the equilibrium level of national income, calculate the value of

i. consumption ii. savings iii. Imports

c. Explain Walter Rostow's **four** preconditions that are necessary for a smooth Developmental take off

Q5.

An index of clothing prices for 2004 based on 2000 is to be constructed. The clothing items considered is shoes and dresses. The information for quantities for both years is given below. Use 2000 as the base period and 100 as the base value.

	2000		2004	
Item	price	Qty	Price	Qty
Dress (each)	$75	500	$85	520
Shoes (pair)	40	1200	45	1300

a) Determine the simple average of the price indexes.
b) Determine the aggregate price indexes for the two years.
c) Determine Laspayres price index
d) Determine the Paasche's price index
e) Determine Fisher's ideal index