



INFORMATION AND COMMUNICATIONS UNIVERSITY

END OF SEMESTER EXAMINATION

Course	:	INTRODUCTION TO MACROECONOMICS
Time Allowed	:	3 Hours
Date of Examination	:	DECEMBER 2022
Marks	:	100

INSTRUCTIONS

- The exam consists of SIX questions. You are required to answer a total of FIVE questions in this paper
- Questions **ONE** and **TWO** are COMPULSORY.
- Answer any THREE from the remaining Questions.
- Each question carries equal marks.

READ THE QUESTIONS CAREFULLY!

QUESTION ONE

- a) Explain five goals of macroeconomic policy. [10 marks]
- b) Explain the five-banking supervision of the central bank. [10 marks]

QUESTION TWO

- a) The following is about the labour market given to you. The number of people considered to be employed in the economy is 121,166,640 when 10.4% is the unemployment rate with a labour force participation rate of 72.5%. Calculate the following:
 - i. Labour Force [5]
 - ii. Unemployed people [5]
 - iii. Working age population [5]
- b) Evaluate the negative impact of unemployment? [5 marks]

QUESTION THREE

- a. Define barter system [1 mark]
- b. Explain the three limitations of the barter system of transactions. [6 marks]
- c. Outline the four functions of money [8 marks]
- d. Explain the five functions of the central bank [5 marks]

QUESTION FOUR

- a) Explain the five roles of the public sector [10 marks]
- b) Distinguish between fiscal policy and monetary policy. How is monetary policy helpful in generation of employment opportunities in the economy? [10 marks]

QUESTION FIVE

- a) Discuss five benefits of international trade. [10 marks]
- b) Explain briefly:
 - i) The comparative cost (comparative advantage) theory of trade.
 - ii) The terms of trade
 - iii) Exchange rate determination [10 Marks]

1 b

liquidity
Profitability

Suppose autonomous investment $I=K200$, $MPC=0.75$ autonomous consumption=80

i) Find the saving function [3 marks]

ii) Find the equilibrium level of National income. [4 marks]

b) Suppose a function $C=100+0.75Y$ $I=200$

i) Find the equilibrium level of National income [5 marks]

ii) Find Y , C and S [3 marks]

c) Explain the sources of government revenue in Zambia. [5 marks]

$$C = (a + by)$$

$$C = I + S$$

$$= S$$

$$b. \quad Y = C + I$$

$$C = S + I$$

$$100 + 0.75Y = 200 + I$$

$$C = S + I$$

$$C = S + I + G$$

$$a + by$$