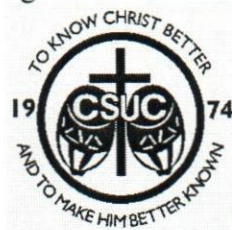


Index Number.....Signature.....Date.....



**CHRISTIAN SERVICE UNIVERSITY COLLEGE  
KUMASI, GHANA**

**CSUC SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**END OF FIRST SEMESTER EXAMINATIONS – 2018/19 ACADEMIC YEAR**

**LEVEL 100**

**CSBF 136: PRINCIPLES OF MACROECONOMICS**

**MAY, 2019**

**70 MARKS**

**TIME ALLOWED: 2 HOURS, 30 MINS.**

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**GENERAL INSTRUCTIONS TO CANDIDATES:**

- Answer **three** questions in all:
- Answer all questions in Sections A and B and choose **one** question from Section C.
- Write your index number on top of the question paper and every page of the answer booklet used.
- Do not attempt to take your examination questions out of the examination hall. Put it inside your answer booklet before you leave.
- Clarity of expression and well- labelled diagrams will be rewarded.

*Examiner: Abigail Asamoah*

## SECTION A

**This section contains 2 data response Questions. Students must answer all. This section is worth 20 marks.**

1a. The following are information about an economy:

$$C = \$150$$

$$CCA = \$30$$

$$X = \$55$$

$$IBT = \$20$$

$$I = \$270$$

$$G = \$350$$

$$(X-M) = \$40$$

$$RI = \$250$$

Where C= Consumption Expenditure

CCA= Capital Consumption Expenditure

X= Export

IBT= Indirect Business Taxes

I= Gross Private Domestic Expenditure

G= Government Expenditure

(X-M)= Net Export

RI= Rental Income

Using the above information,

- i. Derive the Aggregate Demand Function. (2 marks)
- ii. Calculate National Income by the Expenditure Approach. ( 8 marks)

1b. The table below shows the information on the Ghanaian economy from 2010 to 2012.

YEAR	2010		2011		2012	
ITEM	QTY (TONS)	PRICE PER TON (,000USD)	QTY (TONS)	PRICE PER TON (,000USD)	QTY (TONS)	PRICE PER TON (, 000USD)
<b>COCOA</b>	1500	150	2005	145	1000	135
<b>COFFEE</b>	2400	200	1700	218	2010	140
<b>TIMBER</b>	1870	175	4500	300	3500	200
<b>GOLD</b>	3000	273	1300	454	4200	315

Using the table above, answer the following questions.

- Assuming the year 2010 is the base year, calculate the real GNP for the years 2011 and 2012. ( 6 marks)
- Calculate the nominal GNP for the year 2012. ( 4 marks)

### SECTION B

(Choose True or False and Explain your choice of answer)

This section has 10 questions with **True** or **False** as the answer options. Choose the answer applicable and explain your choice of answer. Each question is worth 2 marks.

- The exchange of money for goods and services is known as Barter. **True/ False. Explain.**
- The Labour Force can also be termed as the Working Population. **True / False. Explain.**
- The national income by the normal residents is Gross National Product. **True/ False. Explain.**
- Nominal GNP measures changes in the physical output in the economy between different time periods in base year prices. **True/ False. Explain.**



Index Number.....Signature.....Date.....

5. Opportunity cost of holding money is interest rate forgone. **True/ False. Explain.**
6. Money must be portable. **True / False. Explain.**
7. Business Cycle is the same as cyclical unemployment. **True / False. Explain.**
8. Depreciation Allowance is not needed when using the Income Approach. **True / False. Explain.**
9. Per Capita Income (PCY) is the income of small section of the nation. **True/ False. Explain.**
10. Everyone who is not working can be considered as unemployed. **True/ False. Explain.**

### SECTION C

**(There are 2 questions in this section. Students must answer one for 30 marks)**

#### Questions One

- a) Define Aggregate Demand? **( 2 marks)**
- b) Explain the two issues that inform the movement along the Aggregate Demand curve. **( 8 marks)**
- c) Explain the causes of movements along the Short Run Aggregate Supply (SAS) and the Long Run Aggregate Supply (LAS) **( 5 marks)**
- d) With the aid of diagrams, explain 2 factors that can lead to a decrease in Aggregate Demand. **(15 marks)**

#### Questions Two

- a) Define Aggregate Supply? **( 2 marks)**
- b) Distinguish the Macroeconomic short –run from the Macroeconomic Long- run. **( 5 Marks)**
- c) What is the difference between real GDP and potential GDP? **( 5 marks)**
- d) Why is the potential GDP curve vertical? **( 3 marks)**
- e) With the aid of diagrams explain two (2) factors that can lead to an increase in the Short Run Aggregate Supply curve. **( 15 marks)**

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