

**SIR ARTHUR LEWIS COMMUNITY COLLEGE**  
 Division of Technical Education and Management Studies

DTEMS PAST PAPERS  
 MANAGEMENT STUDIES

**EXAMINATION** : December 2011 Examinations

**EXAMINATORS** : Ms. D. Persad, Ms. L. Phillips,  
Mrs. P. Roberts

**PROGRAMME CODE(S)** : 3BS-ABA-AD – Year 2

**PROGRAMME TITLES** : Applied Arts – Business Administration

**COURSE TITLE** : Macroeconomics

**COURSE CODE** : ECO103

**DATE** : Wednesday 7<sup>th</sup> December, 2011

**COMMENCEMENT TIME** : 9:00 a.m.

**DURATION** : 2 ½ hours

**INVIGILATOR(S)** : Ms. J. Mitchel Mr. S. Auguste, Mr. N. Hyacinth,  
Mrs. D. Preville-Alfred

Ms. U. Joseph Ms. T. Warner  
Mr. P. Jn Francois Mrs. F. Beerom-Henry

**ROOM(S)** : CEHI-R2 (Sections A and B)  
OTW-R3 (Section C)  
CEHI-R3 (Section D)

#M163

**RESERVE**  
 14 OCT

**INSTRUCTIONS**

This examination contains two (2) sections. Read **all** sections carefully.

**Section A – Data Response**

- Answer **ALL** questions in this section
- Use spaces provided to answer questions

**Section B – Essays**

- Answer **ONE** question from this section

Show all working.

You will be provided with foolscap sheets.

Borrowing or lending is prohibited.

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- Students are advised to use a pen to write this examination
- Write your ID number on *each* answer sheet
- All cell phones must be turned off during the examination
- **Note: Bags, books as well as writing paper not given by the invigilator should be deposited at the front of the examination room or as otherwise indicated.**

Students **must** sign **IN** and **OUT** on the examination class list

All examination papers and scripts **must** be submitted to the invigilator at the end of the examination.

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## Section A

**Instructions:** There are FIVE (5) questions in this section. Candidates must answer ALL in the spaces provided to answer questions

1. Study the data below and then answer the questions that follow:

Capital consumption allowance	\$12,570
Corporate income taxes	25,000
Consumption expenditure	48,000
Subsidies	35,900
Transfer payments	23,990
Government expenditure	30,450
Undistributed profits	7,000
Value of physical increases in stock	1,200
Exports	70,000
Investment expenditure	35,780
Personal income taxes	12,000
Income received from abroad	75,000
Imports	65,700
Income paid to abroad	58,600
National insurance contributions	16,560
Indirect taxes	66,700

Calculate:

- GDP at market prices (4 marks)
- GDP at factor cost (3 marks)
- GNP at factor cost (3 marks)
- National income (3 marks)
- NNP at factor cost (1 mark)
- Personal income (4 marks)
- Disposable income (2 marks)

2. (a) The following figures were taken from the Balance of Payments accounts of Country X for a given year. Show calculations on the 'Blank Sheet'.

**Calculate the missing values:**

Imports \$5,060, exports \$4,780, Net government current expenditure (\$480), Net interest, profits and dividends \$490, Net services and transfers \$160.

- Visible balance \$ \_\_\_\_\_
- Invisible balance \$ \_\_\_\_\_
- Current balance \$ \_\_\_\_\_

- (b) Suppose that one unit of input can produce the following units of output in Cucumberland and Thumberland:

	<u>Wine</u>	or	<u>Cloth</u>
Cucumberland	150		300
Thumberland	100		100

- Which country has an absolute advantage in the production of which commodity (commodities)?  
Country: \_\_\_\_\_ Commodity: \_\_\_\_\_ (2 marks)

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ii. Which country should specialize in wine production? \_\_\_\_\_ (1 mark)

Explain and show working clearly here: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_ (2 marks)

iii. Which country should specialize in cloth production? \_\_\_\_\_ (1 mark)

Explain and show working clearly here: \_\_\_\_\_  
 \_\_\_\_\_ (2 marks)

3. Given  $C = 20 + 0.5Y$  and  $I = 40$  (Show all working on the sheet marked 'BLANK SHEET')

- i) Calculate the APS when income is \$400. \_\_\_\_\_ (2 marks)
- ii) Calculate the equilibrium level of income \_\_\_\_\_ (3 marks)
- iii) What is the size of the multiplier? \_\_\_\_\_ (2 marks)
- iv) If investment decreases by 10 and simultaneously, autonomous consumption increases to 40, determine the new equilibrium level of income \_\_\_\_\_ (4 marks)

4. Match the following lettered terms on the left with the appropriate numbered descriptions on the right.

- |                            |  |
|----------------------------|--|
| _____ A. Appreciation      | 1. Systematic records of all transactions between residents of one country and the rest of the world .                                       |
| _____ B. Liquidity         | 2. The direct regulation of wages  |
| _____ C. Legal tender      | 3. The ratio of the change in equilibrium output to the change in Autonomous spending that caused the change in output.                      |
| _____ D. Store of Value    | 4. An increase in the value of goods as a result of production   |
| _____ E. Fiscal Policy     | 5. A rise in the international value of a currency   |
| _____ F. Per capita income | 6. Any asset or wealth set aside for future use  |
| _____ G. Money supply      | 7. The rate at which units of one product can be exchanged for units of another product as measured by the index of export and import prices |

- |         |                     |     |   |
|---------|---------------------|-----|---|
| _____ H | Closed economy      | 8.  | Anything that a government has decided must be accepted in payment of debt  |
| _____ I | Budget deficit      | 9.  | Changes in money supply to assist the economy to achieve a full-employment non-inflationary level of total output       |
| _____ J | Induced consumption | 10. | A payment of funds by a government to business firms or households for which it receives no goods or services in return |
| _____ K | Incomes Policy      | 11. | GNP divided by total population   |
| _____ L | Balance of Payments | 12. | Exports exceed imports  |
| _____ M | Multiplier          | 13. | Income available for spending and saving  |
| _____ N | Market prices       | 14. | Speed and certainty with which an asset can be converted into money   |
| _____ O | Transfer Payments   | 15. | A way of valuing domestic output inclusive of indirect taxes and subsidies on goods and services.                       |
| _____ P | Trade surplus       | 16. | The excess of government outlays over government receipts   |
| _____ Q | Terms of Trade      | 17. | The part of consumption expenditure related to the level of income  |
| _____ R | Disposable income   | 18. | Value of stock of money, the medium of exchange, in circulation   |
| _____ S | Value added         | 19. | Government decisions about spending and taxes   |
| _____ T | Monetary policy     | 20. | An economy which does not transact with the rest of the world.  |
- (10 marks)

5. (a) **Match the following cases with the type of unemployment it exemplifies: frictional, cyclical, structural, disguised, seasonal**

- i. A construction worker made redundant at one site because all the work there was finished: \_\_\_\_\_ (1 mark)
- ii. A housewife with a part-time job who would like a full time one: \_\_\_\_\_ (1 mark)
- iii. A boat builder made redundant a year ago and who cannot get a job in the region. \_\_\_\_\_ (1 mark)
- iv. A hotel worker is laid off in July. \_\_\_\_\_ (1 mark)
- v. An electronics worker made redundant because of the recession \_\_\_\_\_ (1 mark)
- vi. A worker trained as an agriculturalist but who cannot find a job and is working as a cashier. \_\_\_\_\_ (1 mark)

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- (b) Indicate which of the functions of money is demonstrated in each of the following:
- i. Mrs. Smith puts cash in a mattress: \_\_\_\_\_ (1 mark)
  - ii. A shop attendant earns \$1,000 per month \_\_\_\_\_ (1 mark)
  - iii. A salesman totals his sales for the day \_\_\_\_\_ (1 mark)
  - iv. A minibus driver buys \$400 petrol per week \_\_\_\_\_ (1 mark)
  - v. The Greene family buys an oriental rug with the thought that it will keep its value for a long time  
\_\_\_\_\_ and \_\_\_\_\_ (2 marks)

### SECTION B

**Instructions:** Candidates are required to answer **ONE (1)** question (Total 20 marks)

6. a) Differentiate between the following pairs of terms providing examples where necessary
  - i) Gross domestic product at market prices and Gross national product at factor cost (4 marks)
  - ii) Absolute advantage and comparative advantage (4 marks)
  - iii) Involuntary unemployment and voluntary unemployment (2 marks)
  - iv) Balance of trade and terms of trade (2 marks)
- b) Discuss the characteristics of any **TWO** phases of a typical business/trade cycle. (8 marks)
7. a) Explain **FOUR (4)** obstacles to economic growth in low-income countries. (10 marks)
- b) Describe **THREE (3)** policies that could be used to correct Balance of Payments deficits. (10 marks)
8. a) Describe the **FOUR (4)** functions of money and explain the extent to which these functions are being fulfilled in present-day society. (10 marks)
- b) Explain **TWO** of Keynes' motives for holding money. (10 marks)

**END OF EXAMINATION**

