

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF AGRICULTURE AND ENVIRONMENTAL SCIENCE

AGM 218

**Department of Agricultural Economics, Education and Extension
BSc Agricultural Economics and Management Part II Examination
Intermediate Macro-economics for Agriculture**

3 HOURS (100 Marks)

INSTRUCTIONS

Answer any **FOUR** questions. Each question carries **25 marks**.

1. Explain the following terms:
 - i. Keynesian cross [5 marks]
 - ii. Fisher equation [5 marks]
 - iii. Permanent Income hypothesis [5 marks]
 - iv. Quantity theory of money [5 marks]
 - v. Marginal Propensity to Consume [5 marks]

2. (a) Describe the effects of money injection into the economy. [10 marks]
(b) Discuss the reasons for interest rate changes [15 marks]

3. (a) Explain the cost of holding on to money. [5 marks]
(b) With the aid of a diagram explain the effects of a tax increase. [10 marks]
(c) Explain how the exchange rate can be determined. [10 marks]

4. Describe measures which can be used by the government to reduce a budget deficit. [25 marks]

5. Describe measures which can be used to correct for balance of payment deficit.

[25 marks]

6. Describe the roles of the following:

i. International Monetary Fund

[15 marks]

ii. World Bank

[10 marks]

End of Paper