

**THE NATIONAL UNIVERSITY OF LESOTHO
INSTITUTE OF EXTRA-MURAL STUDIES
DEPARTMENT OF BUSINESS & MANAGEMENT DEVELOPMENT
BACHELOR ARTS IN BUSINESS AND ENTREPRENEURSHIP
BBE2305- BUSINESS ECONOMICS 11**

JANUARY 2023

IME: 3 HOURS

MARKS:100

INSTRUCTION: Answer **any four (4)** questions

QUESTION ONE

Explain the following concepts

- a) Exchange rate depreciation (5)
- b) Investment (5)
- c) Disinflation (5)
- d) Consumption (5)
- e) Full employment (5)

[25 Marks]

QUESTION TWO

- a) Explain the income approach to measuring Gross Domestic product and state the challenges that may be encountered when using this approach. (15)
- b) Discuss any three costs associated with rapid economic growth. (10)

[25 Marks]

QUESTION THREE

- a) Explain how the following factors can cause economic growth.
 - i) Capital accumulation (5)
 - ii) Labour input (5)
 - iii) Total factor productivity (5)
 - iv) Institutions (5)
 - v) Free trade (5)

[25 Marks]

QUESTION FOUR

Based on your readings about economic growth experiences of Lesotho and Singapore from 1960s, compare and contrast causes of economic growth and pro-economic growth policies used in these two countries.

[25 Marks]

QUESTION FIVE

Discuss how the Russia -Ukraine War which erupted following the invasion of Ukraine by Russia in February 2022 will impact on the ability of the Government of Lesotho to achieve its different macroeconomic objectives.

[25 Marks]

QUESTION SIX

- a) Use the national income accounting information of Isoland for 2022 provided below to calculate the following:
 - i) Gross Domestic Product using expenditure approach (5)
 - ii) Net Investment (2)
 - iii) Net income from abroad (2)
 - iv) Fiscal budget balance (2)
 - v) Trade balance (2)

Component	Expenditure (in thousands Maloti)
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Old age pensions and other transfer payments	200
Depreciation	400
Private investment	600
Exports	300
Imports	400
Salaries earned by foreigners working in Isoland	200
Household consumption	900
Government purchases	1000
Salaries earned by Isoland residents working abroad	350
Tax revenue	950

- b) Suppose printers, notebooks and green tea are the only three goods in Iziland. The following table gives the quantity of each produced (in millions) and their price in the years from 2015 to 2017. P denotes the price and Q quantity.

	Printers		Notebooks		Green tea	
	P	Q	P	Q	P	Q
2015	1500	7	100	7	2	25
2016	1200	9	110	9	4	30
2017	1000	9	130	10	4	40

- i) Calculate nominal GDP and real GDP using 2015 as the base year for each year. (12)

[25 Marks]