

NATIONAL UNIVERSITY OF LESOTHO
FACULTY OF AGRICULTURE
DEPARTMENT OF AGRICULTURAL ECONOMICS & EXTENSION
SEMESTER 2
UNDERGRADUATE EXAMINATIONS
AEC 1301/2508: ADVANCED AGRICULTURAL ECONOMICS

MAY 2023

MARKS: 60

TIME: 3HRS

INSTRUCTIONS:

1. Answer **Questions 1 and 2** and any **two** other questions.
2. Start each question on a new page.
3. Each question carries **15 Marks**.
4. Marks allocated for each question are in brackets.

QUESTION 1.

- (a) Mention the 4 goals of macroeconomics that a country usually tries to achieve. (2)
- (b) Explain clearly the terms (i) stock variables (ii) flow variables. (4)
- (c) Give two examples of stock variables and two examples of flow variables. (2)
- (d) Provide a diagrammatic representation of the circular flow of income and product in a two sector closed economy. (4)
- (e) What are the 4 assumptions of the two sector model? (2)
- (e) In your own opinion do you think the circular flow of income and expenditure in a two sector model is a realistic model ? (1)

QUESTION 2.

- (a) Define Aggregate Supply and Aggregate Demand. (2)
- (b) Draw a separate curve each for Aggregate Supply and Aggregate Demand. (3)
- (c) What is the difference between Aggregate Supply and Aggregate Demand curves. (1)
- (d) List 3 reasons that are responsible for the shape of Aggregate Demand curve. (1.5)
- (e) Give a definition of Gross Domestic Product. (1.5)
- (f) Provide one reason why it is only the final goods and services that are included in the computations of GDP. (0.5)
- (g) The following information refer to a hypothetical economy:
Value of GDP=\$2 trillion,
Total population= 2 million people.
 - (i) Calculate the value of per capita GDP or income (2.5)
 - (ii) Interpret the value you obtained in question (2g)(i) (1)
 - (iii) Which of the Macroeconomic goals is your calculation in question (2c)(i) referring to? (2)

QUESTION 3.

- Provide detailed explanations for the following types of unemployment:
- (a) Frictional unemployment.(3)
 - (b) Seasonal unemployment. (3)
 - (c) Cyclical unemployment. (3)
 - (d) Structural unemployment.(3)
 - (e) Suppose you are the Minister of Finance of your country, discuss how you will provide solution to the unemployment problems you have explained above.(3)

QUESTION 4.

- (a) Explain the 3 types of deposits that Commercial Banks accept. (9)
- (b) Give the differences between a loan and an overdraft. (6)

QUESTION 5.

- (a) Explain what is meant by the following terms:
 - (i) Taxation **(2)**
 - (ii) Direct taxes **(2)**
 - (iii) Indirect taxes **(2)**
- (b) Give 2 examples of Direct taxes and 2 examples of Indirect taxes **(4)**
- (c) Provide 4 differences between Direct and Indirect taxes. **(4)**
- (d) In not more than one sentence, explain how taxation can be used to redistribute income. **(1)**