SIR ARTHUR LEWIS COMMUNITY COLLEGE
ACADEMIC YEAR (2024/2025) – SEMESTER ONE
END OF SEMESTER EXAMINATION

COURSE CODE	:	**ECO217**
COURSE TITLE	:	**INTERMEDIATE MACROECONOMICS**
LECTURER(S)	:	**PERSAD, DENESE**
DATE	:	**WEDNESDAY 11TH, DECEMBER, 2024**
TIME	:	**1:00 PM**
DURATION	:	**1 HOUR 30 MINUTES**
STUDENT ID #	:	____________________

GENERAL INFORMATION AND INSTRUCTIONS

- Students must sign **IN** and **OUT** on the examination class list.
- Write your ID number on the question paper.
- This paper has THREE questions. Answer **ALL** questions.

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SECTION A

1) The following information is given for an economy

Consumption function $C = 200 + 0.7Y$
Investment function $I = 1000$

a) Determine the following:

(i) Marginal propensity to consume (1 mark)

(ii) Marginal propensity to save (2 marks)

(iii) Calculate the equilibrium level of national income (5 marks)

(iv) Calculate the value of the multiplier (2 marks)

(v) What is the value of autonomous consumption? (1 marks)

(vi) What is the value of induced consumption? (3 marks)

(vii) What is the value of consumption when Y is at equilibrium? (2 marks)

(viii) If investment increases by $50 by how much would Y change? (4 marks)

2)

Macroeconomic Variable	Amount in $ Billions
Domestic debt	30
External debt	60
Domestic Interest Payment	1.2
External Interest Payment	1.8
Domestic Principal Payment	3
External Principal Payment	6
Exports	24
GDP	100

Calculate the following:

a. Total debt (1 mark)

b. Domestic Debt service (2 marks)

c. External debt service (2 marks)

d. Debt to GDP (1 mark)

e. Debt Service (2 marks)

f. Debt service ratio (2 marks)

g. Domestic debt service ratio (1 mark)

h. External debt service ratio (1 mark)

3) a) Define investment (1 marks)

b) Explain how the following factors would affect investment. (5 marks)

(i) interest rates (ii) consumer demand

c) Distinguish between the multiplier and the accelerator (2 marks)

END OF EXAM