

Dear Student,

The preliminary examination date is 8 November 2018. You will receive a letter from the Examination Department confirming the final date, time and your examination centre.

Here are some guidelines to help you with your exam preparation.

1. Prescribed material

(i) The learning units (chapters) and subsections, which must be studied for the examination are set out in the Study guide. All page references below refer to the 2018 Study guide.

(ii) Learning units 2, 3, 4, 6, 7, 8 and 9 will be covered in both sections of the exam paper. In other words: You can expect definitions, short and paragraph/longer questions and multiple-choice questions on learning units 2, 3, 4, 6, 7, 8 and 9.

On learning unit 1 and learning unit 5, you can expect only multiple-choice questions and/or definitions. You will not be tested in the exam on the calculations in subsections "Impact of interest rate and exchange rate" (pages 116 - 117 of the study guide) or "Interest parity condition" (pages 117 - 118 in the study guide).

The subsection "*The choice between SA bonds and US bonds*" (page 119 of the study guide) is prescribed.

You will not be tested in the exam on subsections "Determinants of the impact of fiscal policy" (pages 100 - 102 of the study guide) and subsection "Determinants of the impact of monetary policy" (pages 104 - 105 of the study guide).

(iii) The emphasis in this module is very much on the development of your understanding of different theories regarding the determination of output and income (Y) and a thorough understanding of the different building blocks of the various models.

You must understand all the different concepts, such as the different assumptions, which underlie the theoretical models, the interaction between the various macroeconomic variables, the different analytical tools, and the economic policy implications of each model.

In the examination, you will get questions on the goods market model, the financial market, IS-LM model, IS-LM model for an open economy, the labour market and the AS-AD model. You will also find questions on the impact of the stabilisation policies (monetary policy and/or fiscal policy) on the different models.

2. Examination preparation

In your preparation for the examination, we suggest the following strategy:

(i) Approach each learning unit in the study guide as follows: First read the learning unit outcomes which will help you to focus on the important aspects and issues in that unit. Then work/study through each section of the study guide! Refer to the textbook if you do not understand the explanation in the study guide or if there is a reference in the study guide to specific diagrams.

(ii) It is very important to work through ALL the activities provided in TL102 (workbook).

(iii) You will see that the activities test your understanding of the content and cover a range of the different types of questions that will be examined. You should also check your answers against the solutions provided. If you are not clear on certain concepts or theories, revise them before proceeding to the next section or learning unit.

(iv) The diagrams in the prescribed material are very important and you should be able to draw and explain the diagrams by using words and/or chain of events.

(v) In **TL103 you will find some guidelines on how to answer macroeconomic questions**. These examples are based on previous examination questions. Carefully work through the section on a "comparison" question.

(vi) Apart from giving you the opportunity to gain admission to the exam, the four assignments in Tutorial letter 101/2018 give you a chance to evaluate your progress and understanding of the prescribed material.

(vii) We have created **two Summaries of Macroeconomic Models** to help you better understand the relationships between the various models we develop through the course of this module.

Both the fiscal policy and the monetary policy (contractionary versus expansionary) are summarised in the different economic models

These two summaries are additional resources; you still need to study the whole syllabus to be successful in the examination. See "Additional Resources" on myUnisa.

(viii) Some previous examination papers are available on myUnisa under the "Official study material" tab. Please revise all the learning units before trying to complete the examination papers.

If you complete the papers do it under the same conditions as in the examination room. Therefore, do not consult the study guide or any other help. To concentrate only on previous examination papers will not guarantee a pass. You must be able to answer questions on all the prescribed work and study outcomes as indicated in the study guide.

3. The structure of the examination paper for OCT/NOV 2018 is as follows:

It is a two-hour paper and consists of 2 sections (A and B) making up a total of 100 marks.

In **section A** you must answer all the questions. You will be asked to explain certain concepts and relationships, paragraphs and short essay type questions with explanations (with or without diagrams) which are based on the content of the whole module.

The total number of marks for this section is **25 marks x 2 = 50 marks**. Please note that it differs from the previous examination papers (e.g. May 2017) where section A counted 50 marks (50 marks x 1 = 50).

Make sure that you read the questions carefully. If the question requires you to use a diagram, draw it neatly and large enough so that any descriptions are legible. Your explanation in words and/or chain of events must then be based on the diagram. In the workbook, you will find examples of essay-type questions, which ask you to explain or compare something.

When preparing for the examination keep in mind that, the focus of the module is on the impact of fiscal and monetary policy on the level of output and income in the different models. In other words, it will be expected of you to explain and compare the impact of fiscal and monetary policy on the level of output and income using the goods market model (fiscal policy only), financial market model (monetary policy only), the IS-LM model, the IS-LM model for an open economy and the AS-AD model.

Make sure that you understand the difference between fiscal and monetary policy and the policy variables. Also study the factors that will shift the different curves (e.g., the ZZ curve, the IS curve, LM curve, etc.).

Examples of these kinds of questions can be found in the study guide and the workbook (TL102).

IMPORTANT: FINANCIAL MARKET

In this module, we follow the traditional approach to money supply, which means that we assume the money supply is controlled by the central bank.

A decrease in the money supply (resulting from the central bank selling bonds on the open market) will decrease the real money supply which results in an increase in the interest rate (because the supply of bonds increases on the bonds market, and so the price of bonds decreases and the return on holding bonds, or interest rate, increases):

$$M^s \downarrow : S_B \uparrow \Rightarrow P_B \downarrow \Rightarrow i \uparrow.$$

In this module, the **central bank does not control the repo rate** or any other interest rate directly (as the SARB does in practice in South Africa).

The central bank influences the interest rate through the money supply. Therefore when describing monetary policy the chain of events cannot start with i – it starts with a change in M^s

Section B consists of **25 multiple-choice questions for 50 marks** (25 marks x 2 = 50 marks), based on the content of the whole module. Examples of multiple-choice questions appear throughout the workbook, the assignments and in previous examination papers. Please note that it differs from the previous examination papers (e.g. May 2017) where section B consisted of 20 multiple-choice questions for 50.

The use of non-programmable pocket calculators is permissible

Best of luck with your revision and the examination!

Your lecturers