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KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

SPECIAL/SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: ECO 121/ECO 102

COURSE TITLE: INRODUCTION TO MACROECONOMICS

DATE: 12TH FEBRUARY, 2021 TIME: 2.00PM – 4.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

QUESTION ONE

- a) Briefly explain the three approaches of measuring national income (6 marks)
- b) Briefly define unemployment and highlight any three types of unemployment
- c) What are the causes of inflation (5 marks)
- d) Define money and highlight its functions (5 marks)
- e) Highlight the importance of protectionism in international trade (4 marks)
- f) Distinguish between multiplier and accelerator (4 marks)

(Total 30 marks)

QUESTION TWO

- a) Discuss the difficulties encountered in measuring national income (10 marks)
- b) Explain why the GDP of developing countries is higher than the GNP (5 marks)
- c) Consider the equation below

$$\begin{aligned} Y &= C + I + G \\ C &= a_0 + b(Y - T) \\ T &= d + tY \\ I &= I_0 \\ G &= G_0 \end{aligned}$$

Required calculate equilibrium income

(5 marks)

TOTAL 20 MARKS

QUESTION THREE

- a) Distinguish between absolute advantage and comparative advantage (5marks)
- b) Highlight methods of achieving import restriction (5 marks)
- c) What are the reasons for unfavorable terms of trade in developing countries (10 marks)

TOTAL 20 MARKS

QUESTION FOUR

- a) Using the Philips curve show the relationship between unemployment and inflation
- b) What are the control measures in inflation
- c) What are the policy measures to solve the unemployment problems (10 marks)

QUESTION FIVE

- a) Discuss the functions of the Central bank (10 marks)
- b) Discuss the monetary policy instruments used by monetary authority to regulate money supply in the economy (10 marks)

TOTAL 20 MARKS