



KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

SPECIAL/SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: ECO121/ECO102

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

DATE: 27TH JULY, 2022 TIME: 8.00AM -10.00AM

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

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

(Total 30 marks)

QUESTION TWO

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

$$Y = C + I + G$$

$$C = a_0 + b(Y - T)$$

$$T = d + tY$$

$$I = I_0$$

$$G = G_0$$

Required calculate equilibrium income

(5 marks)

TOTAL 20 MARKS

QUESTION THREE

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

TOTAL 20 MARKS

QUESTION FOUR

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

QUESTION FIVE

(10 marks)

a) Discuss the functions of the Central bank

b) Discuss the monetary policy instruments used by monetary authority to regulate money supply in the economy

(10 marks)

(TOTAL 20 MARKS)