AGRICULTURE

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UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
SECOND YEAR 1st SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURE ECONOMICS & RESOURCE MANAGEMENT

COURSE CODE: ECO 205

COURSE TITLE: INTERMEDIATEMACROECONOMICS

DATE: 27TH JULY 2018   **TIME: 9 AM – 11 AM**

INSTRUCTIONS TO CANDIDATES

Answer **Question 1** and any other two (2) Questions.

QUESTION ONE

a) Given the following macroeconomic model:

$C = 68 + 0.77Yd$ (consumption function)
$I = 114 + 0.1Yd - 8r$ (Investment function)
$T = -10 + 0.25Y$ (Tax function)
$G = 250$
$Md = 5 + 0.25Y - 10r$ (Money demand)
$Ms = 205$ (money supply)

    i)   Define and derive the IS and LM curves (9mks)
    ii)   Calculate equilibrium rate of interest and income (5mks)

b) Highlight the importance of national income determination. (10mks)
c) Discuss three motives of holding money (6mks)

QUESTION TWO

Discuss balance of payment problems faced by Kenya and solutions adopted as remedy (20mks)

QUESTION THREE

Inflation in Kenya has been rising overtime, explain various types of inflation and possible monetary policies used to reduce inflation (20mks)

QUESTION FOUR

With the aid of diagrams derive the IS-LM curve, discuss what causes and directions of shifts in IS and LM curves (20mks)