



KIBABII UNIVERSITY COLLEGE (KIBUCO)

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
2014 /2015 ACADEMIC YEAR**

SECOND YEAR FIRST SEMESTER EXAMINATIONS

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: ECO 205 (ECO 311)

COURSE TITLE: INTERMEDIATE MACROECONOMICS

DATE: 21ST JANUARY 2015

TIME: 11.30-1.30 P.M.

INSTRUCTIONS TO CANDIDATES:

Answer Question ONE and any other Two Questions

TIME: 2 Hours

SECTION A (COMPULSORY)

- Q1. (a) Explain Four wheels of economic growth (8 marks)
- (b) Define IS and LM curves (4 marks)
- (c) Explain four roles of foreign aid in developing countries. (8 marks)
- (d) Highlight five effects of inflation to the economy of Kenya (5 marks)

SECTION B

Answer any Two questions from this section

- Q2. (a) Define the term Monetary Policy (2 marks)
- (b) Discuss any four monetary policy instruments used to control and regulate money supply in the economy. (8 marks)
- (c) What limits the successful application of monetary policies in developing countries? (6 marks)
- (d) Explain FOUR limitations of the multiplier (4 marks)

Q3 (a) the following information represents the National Income model of an imaginary economy.

$$Y = C + I + G$$

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

$$T = d + tY$$

$$I = I_0$$

$$G = G_0$$

Where

$$a > 0; 0 < b < 1$$

$$d > 0; 0 < t < 1$$

T = Taxes

I = Investments

G = Government Expenditure

- (i) Explain the economic interpretation of the parameters a,b,d and t. (4 marks)
 - (ii) Find the equilibrium values of Income consumption and taxes (5 marks)
- (b) Discuss the Income Approach used in measuring the national income of a country. (6 marks)
- (c) Highlight Five problems facing tabulation of national income statistics (5 marks)
- Q4. (a) What is International trade? (2 marks)
- (b) Explain the concept of Comparative advantage with specialization, as used in International trade. (8 marks)
- (c) Explain Five ways in which Kenya benefits from participating Kenya benefits from participating in International trade. (10 marks)
- Q5. (a) Outline the major functions of money (5marks)
- (b) Explain Keynes THREE motives of holding money (6 marks)
- (c) Explain five functions of the Central Bank of Kenya (5 marks)
- (d) Explain four shortcomings of barter trade. (4 marks)