KIBABII UNIVERSITY COLLEGE (KIBUCO)

MAIN CAMPUS

UNIVERSITY EXAMINATIONS
2014 /2015 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER EXAMINATIONS

MAIN EXAMINATION (TOWN CAMPUS)

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: ECO 311

COURSE TITLE: INTERMEDIATE MACROECONOMICS

DATE: 14TH 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 the importance of studying macroeconomics (5 marks)

(b) Describe the factor income approach as a method of measuring National income (10 marks)

(c) Explain the importance of National Income statistics in an economy (10 marks)

(d) Given $Y=C+I$

Where $C=a+by$

Determine the equilibrium C and Y in the above model. (5 marks)

SECTION B

Answer any two questions from this section

Q2 (a) Discuss the circular flow of income (7 marks)

(b) Explain aggregate supply and aggregate demand in two sector model (4 marks)

(c) State the relationship between Mps and Mpc (4 marks)

(d) Explain THREE objectives of the monetary policy (6 marks)

Q3 (a) Explain the five functions of money (10 marks)

(b) Highlight THREE reasons for demand for money (6 marks)

(c) Given the following consumption function:

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

Where $C=100+0.75Y^d$

$I=200$

$G=T=100$

$Y^d=(Y-To)$

Find the equilibrium National Income (4 marks)

Q4. (a) Explain the term balance of payments. (6 marks)

(b) Discuss the role of International Monetary Fund (IMF) in developing countries.

<div align="right">(8 marks)</div>

(c) Write short notes on;

(i) Consumer Price Index   (3 marks)

(ii) Transfer payments   (3 marks)

Q5 (a) Differentiate between the following as sued in economics:-

i)	Nominal GDP and Real GDP	(2 marks)
ii)	Per Capita Income and Aggregate income	(3 marks)
iii)	Gross National Product (GNP) and Gross Domestic Product (GDP)	

<div align="right">(3 marks)</div>

(b) Explain THREE positive effects of tax cuts on the economic performance of developing countries   (6 marks)

(c) Propose THREE ways that may be used to correct balance of payments disequilibrium.

<div align="right">(6 marks)</div>