UNIVERSITY REGULAR EXAMINATIONS

FACCULTY OF EDUCATION AND SOCIAL SCIENCES (FESS)

2013 /2014 ACADEMIC YEAR

1ST YEAR 1ST SEMESTER EXAMINATIONS

DEPARTMENT OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF B.COM AND BACHELOR OF EDUCATION (ARTS)
MAIN EXAMINATION

COURSE CODE: ECO 102/ECO 111

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

DATE: 28TH AUGUST,2014   **TIME:** 2:00P.M. – 5:00P.M.

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INSTRUCTIONS TO CANDIDATES:

Answer Question ONE(COMPULSORY) and any other THREE Questions from section B.

SECTION A.(COMPULSORY)

1. a) Highlight four limitation of macroeconomics. (4mks)
   b) Distinguish between Gross Domestic Product (GDP) and Gross National Product (GNP). (3mks)
   c) Explain four precautions considered when using the income method of measuring National Income. (4mks)
   d) Highlight four social and economic costs of unemployment. (4mks)
   e) Explain the Phillips Curve. (3mks)
   f) State four ways which the government can use to intervene against inflation using the fiscal policy. (4mks)

   g) Explain the accelerator principle. (3mks)

SECTION B.

2. a) Explain four levels of inflation. (4mks)

   b) Explain four measures that may be instituted to control inflation. (8mks)

   c) Explain the concept of liquidity trap. (3mks)

3. a) Define the term monetary policy. (1mk)

   b) Discuss any four instruments of monetary policy used to control and regulate money supply in the economy by the central Banking Authorities. (8mks)

   c) Explain the various motives of holding money. (6mks)

4. a) Differentiate between seasonal and functional unemployment. (3mks)

   b) Explain the life cycle theory of consumption. (4mks)

   c) Examine four policy measures that could be adopted to minimize unemployment in developing counties. (8mks)

5. a) Explain the expenditure method of computing National Income, highlighting the necessary precautions. (5mks)

   b) Distinguish between balance of payments and balance of trade. (2mks)

   c) In the context of developing countries suggest a possible policies that can be adapted to reduce the unfavorable balance of payments. (8mks)