



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBC 2111

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

DATE: TIME: 2 Hours

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory

Answer TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE

- a) Differentiate between Macroeconomics and Microeconomics as the main factions of Economics and give examples of each. (4marks)
- b) Macroeconomics environment is vital in making decisions by various economic stakeholders. Clearly explain the major aims of macroeconomic policies. (10 marks)
- c) National income is an important variable to guide the economic strength of a country. Explain the three approaches of measuring National income of a country. (6 marks)
- d) Give a mathematic expression of consumption function explaining all its components and represent the function on a graph. (6 marks)
- e) Distinguish between fixed exchange rate regime and flexible exchange rate regime for the foreign currency market. (4 marks)

QUESTION TWO

- a) The GNI per capita of Kenya may rank well in the African continent, critically discuss the practical implication of the value and whether this is a reflection of the general citizens of Kenya. (10 marks)
- b) Theories of consumptions will help understand consumptions patterns of individuals. Discuss the permanent income hypothesis. (10 marks)

QUESTION THREE

- a) As a medium of exchange explain the properties of money. (10 marks)
- b) Discuss the motives of holding money as explain by Keynesian theory of demand for money. (10 marks)

QUESTION FOUR

- a) Unemployment is rampant in developing countries and its consequences are felt by individual households. Discuss any four types of unemployment in Kenya. (10 marks)
- b) Equilibrium in balance of payments implies that net inflow or outflow of foreign currency is zero. If the economy has a balance of payments deficit explain the steps it will take to correct this deficit. (10 marks)

QUESTION FIVE

- a) Define inflation and discuss the internal disadvantage of inflation. (10 marks)
- b) Discuss cost push inflation and demand- pull inflation (10 marks)