



# **MURANGA UNIVERSITY COLLEGE**

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

**MAIN CAMPUS**

**SPECIAL/SUPPLEMENTARY UNIVERSITY EXAMINATIONS**

**2014/2015 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**

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## **INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory

Answer TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

### **Question One**

- a) With the help of a diagram, explain what is meant by (6 Marks )
- i. An inflationary gap
  - ii. A deflationary gap
  - iii. Full employment
- b) Macroeconomics encompasses a variety of concepts and variables. Outline the key variables that determine economic activities and level of national income in an economy. (4 marks)
- c) 'Per capita income is not a good measure of material well being of the people'. Outline four reasons to support the statement. (4 Marks )
- d) Briefly discuss any two theories of consumption (4 Marks)
- e) Money is an asset that is generally acceptable in transactions. Discuss the distinctive motives for holding money as presented by Keynes. (6 Marks)
- f) The economy is in full employment, meaning all available resource, including human skills, are being engaged in production. Outline the policies for curing unemployment in a country (6 Marks)

### **Question Two**

- a) Inflation is particularly bad for the economy because it affects everybody and all segments of the economy, distorting prices and undermining the clear relationship that must exist between value and price, the very basis of market exchange. Discuss the policies/ measures that a country like Kenya could institute in order to control inflation. (10 Marks )
- b) Investment refers to the addition of capital stock in an economy. Outline the various types of investments (10 Marks)

### **Question Three**

- a) Macroeconomic analysis has been gaining strength ever since the publication of J.M. Keynes' General Theory of Employment Interest and Money. Outline the limitations of macroeconomics (6 Mark)

- b) National income is that part of the objective income of a community, which can be measurement in term of money, it also include income corned from abroad. Discuss factors determining size of an economy's national income. (8 Marks)
- c) National income can be measured using three different methods. Describe the approaches to measurement of national income. (6 Marks)

#### **Question Four**

- a) Full-employment Economy means the economy is in full employment, meaning all available resource, including human skills, are being engaged in production.
- i. Outline seven major causes of unemployment in Kenya? (7 Marks)
- ii. Describe seven types of unemployment (7 Marks)
- b) Inflation is particularly bad for the economy because it affects everybody and all segments of the economy, explain. (6 Marks)

#### **Question Five**

- a) Investment refers to the addition of capital stock in an economy. Explain ten determinants of investment in an economy? (10 Marks)
- b) Income is a major determinant of consumption. Discuss other determinants of consumption in an economy. (10 Marks)