



# **MURANGA UNIVERSITY COLLEGE**

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

**MAIN CAMPUS**

**ORDINARY UNIVERSITY EXAMINATIONS**

**2014/2015 ACADEMIC YEAR**

**SECOND YEAR SECOND SEMESTER EXAMINATIONS**

**FOR THE DEGREE  
OF  
BCOM, BBIT, BIT, BHRM**

**COURSE CODE: HBC 2125, HBT 2125, HBC 2111, HBT 2201**

**COURSE TITLE: MACROECONOMICS**

**DATE:**

**TIME:**

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## **INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory  
Answer THREE (3) questions

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 2 Printed Pages. Please Turn Over. ►

**QUESTION 1**

(a) The following data relate to the commodity and money markets of the economy of country XYZ

$$Y = C + I$$

$$C = 50 + \frac{2}{5} Y$$

$$I = 790 - 21r$$

$$M_{DT} = \frac{1}{6} Y$$

$$M_{DS} = 1200 - 18r$$

$$MS = 1250$$

**Required:**

- (i) Derive the IS curve (2 marks)
- (ii) Derive the LM curve (2 marks)
- (iii) Equilibrium level of national income (4 marks)
- (iv) Equilibrium interest rate (4 marks)

(b) Discuss the causes of budget deficits in developing countries (6 marks).

(c) Argue the case for and against international trade restrictions among countries (12 marks).

**QUESTION 2**

(a) Explain the major goals of macroeconomic policy (10 marks)

(b) Briefly describe any five positive effects of inflation (10 marks)

**QUESTION 3**

a) Discuss the importance of national income statistics in modern economic analysis (10 marks)

b) Describe the instruments of monetary policy used to control and regulate money supply in a country (10 marks).

**QUESTION 4**

(a) Explain the role of international monetary fund (IMF) in the economies of third world countries (10 marks)

(b) With reference to Keynes liquidity preference theory, distinguish between “speculative motive” and “precautionary motive” of holding money. (4 marks)

(c) Discuss the factors that limit the application of the multiplier in modern economic analysis (6 marks)

**QUESTION 5**

(a) )

(b) Distinguish between balance of payment and balance of trade (4 marks)

(c) Discuss the different approaches used in the measurement of the national income of a country. (12 marks)