



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

SUPPLEMENTARY / SPECIAL UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER EXAMINATIONS

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

COURSE CODE: HBC 102125, HBT 2125, HBC 2111, HBT 2201

COURSE TITLE: MACROECONOMICS

DATE:

TIME:

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) You are given the following information about the economy of 'Utopia'.

$$Y = C + I + G$$

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

$$T = d + t(Y)$$

$$I = I_0$$

$$G = G_0$$

Where $a > 0$; $0 < b < 1$

$$d > 0$$
; $0 < t < 1$

T = taxes

I = Investment

G = Government expenditure

Required;

- i. Explain the economic interpretation of the parameter a b d and t (4mrks)
 - ii. Find the equilibrium values of income, consumption and taxes (10 mrks)
- (b) Why is it important to estimate the national income of a country? What difficulties are encountered in carrying out such a task particularly in developing countries? (12 mrks)
- (c) Differentiate between nominal national output and real national output figures in an economy (4mrks)

QUESTION 2

- (a) Trade between developed and developing countries is trade between unequal partners considering that many developing countries have liberalized their economies, discuss major negative consequences of free trade between developed and developing countries (10 marks)
- (b) Discuss the principles of a good tax system (10 marks)

QUESTION 3

- a) Discuss the principle objectives of a monetary policy in an economy (10 marks)
- b) A central bank is largely referred by economists as the bank at the apex with monetary authority. Clearly explain the major functions of a central bank. (10 mrks)

QUESTION 4

- a) Discuss the different approaches used in the measurement of the national income of a country (12 marks)
- b) Highlight the causes of budget deficits in developing countries (6 marks).
- (c) W.T.O performs several functions. Describe any two such functions (2 marks)