



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER EXAMINATIONS

**FOR THE DEGREE
OF
BACHELOR SCIENCE IN HRM, BCOM & BIT**

COURSE CODE: HPS 2215; HBC 2125; HBC 2111

COURSE TITLE: MACROECONOMICS

DATE: 18TH APRIL 2016

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer question one (compulsory) and any other two questions

MRUC observes ZERO tolerance to examination irregularities

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

QUESTION ONE

(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 (4 marks)
- (ii) Find the equilibrium values of income, consumption and taxes (10 marks)
- (b) Justify the need to estimate the national income of a country (10 marks)
- (c) Explain the effects of inflation on each of the following (4 marks)
 - (i) Savings
 - (ii) Consumption

QUESTION TWO

- (a) Argue the case against international trade (10 marks).
- (b) Discuss the principle objectives of a monetary policy in an economy (10 marks)p23

QUESTION THREE

- a) 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 marks)
- b) Highlight the causes of budget deficits in developing countries (8marks).

QUESTION FOUR

- a) Argue the case against a policy of protectionism. What are the common forms of protectionism (10 marks)
- b) Country X has experienced a high inflation rate over the past one year. Discuss any five effects of the high inflation rate on the economy of country X. (10 marks).