



MURANG'A UNIVERSITY OF TECHNOLOGY

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF HUMAN RESOURCE

UNIVERSITY ORDINARY EXAMINATION

2017/2018 ACADEMIC YEAR

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF BUSINESS INFORMATION TECHNOLOGY**

HBT 2201 - MACROECONOMICS

DURATION: 2 HOURS

DATE: 7TH DECEMBER, 2017

TIME: 2.00 – 4.00 P.M.

Instructions to Candidates:

1. Answer **Question 1** and **Any Other Two** questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION ONE - COMPULSORY

QUESTION ONE

- (a) Explain the relationship between the multiplier and the marginal propensity to consume (MPC) (2 marks)
- (b) In the content of international trade, explain the theory of comparative advantage and summarize the limitation to the theory (10 marks)
- (c) Discuss four ways in which contractionary monetary policy could be used to combat inflation in a country (8 marks)
- (d) Identify two causes of demand pull inflation in an economy (2 marks)
- (e) Describe three reasons why unemployment is a major policy issue in developing countries (6 marks)
- (f) identify any two roles of the international monetary fund (IMF) in the economies of third world member (2 marks)

SECTION TWO – ANSWER ANY TWO

QUESTION TWO

- (a) With reference to Keynes liquidity preference theory distinguish between speculative motive and precautionary motive of holding wealth as money (4 marks)
- (b) Discuss five problems that economists encounter in National Income Accounting particularly in developing countries (10 marks)
- (c) Explain four factors that limits credit creation by commercial banks (4 marks)
- (d) Distinguish between disguised unemployment and demand deficient unemployment (2 marks)

QUESTION THREE

- (a) Discuss five canons of public expenditure (10 marks)
- (b) Describe how the activities of commercial banks and non-bank financial institutions contribute to economic growth and development in developing countries (5 marks)
- (c) “The size of public debt has immensely increased all over the world”. Explain five reasons that may have contributed to this trend (5 marks)

QUESTION FOUR

- (a) Discuss three forms of protectionism as used in international economics (6 marks)
- (b) Justify the need to estimate the national income of a country (10 marks)
- (c) Explain four factors that limits the application of the multiplier in economic management (4 marks)