



GARISSA UNIVERSITY

**UNIVERSITY EXAMINATION 2017/2018 ACADEMIC YEAR ONE
FIRST SEMESTER EXAMINATION**

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: ECO 111

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

EXAMINATION DURATION: 3 HOURS

DATE: 08/12/17

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- The examination has SIX (6) questions
- Question ONE (1) is COMPULSORY
- Choose any other THREE (3) questions from the remaining FIVE (5) questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of TWO (2) printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) Briefly explain the main components of balance of payment account [6 marks]
- (b) Unemployment is a disease to economic development of a country. Discuss briefly [5 marks]
- (c) Distinguish between gross national product and net national product [4 marks]
- (d) In the recent years Kenya has been experiencing inflation tendencies making people worse off. Discuss by use of examples the various types of inflation in Kenya [7 marks]
- (e) Explain the classical theory of consumption [3 marks]

QUESTION TWO

- (a) Using the LM curve, examine the effect of interest rates on investments at various levels of income. [9 marks]
- (b) Discuss the THREE indicators of economic growth [6 marks]

QUESTION THREE

- (a) Discuss the challenges to economic advancement in developing countries [6 marks]
- (b) Illustrate clearly by use of a diagram, the circular flow of income under Four sector economy [9 marks]

QUESTION FOUR

- (a) Explain the benefits of economic planning in achieving positive economic growth [8 marks]
- (b) Examine the measure that can be used to curb the problem of unemployment in Kenya [7 marks]

QUESTION FIVE

- (a) State and explain the methods that the Kenyan government is using to curb the problem of balance of payment disequilibrium [7 marks]
- (b) Explain the factors that affects the terms of trade for developing countries [8 marks]

QUESTION SIX

- (a) Explain the uses of national income accounting. [6 marks]
- (b) By use of Phillips curve explain the relationship between the rate of unemployment and wage rates. [9 marks]

