



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **ONE**
SECOND 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: 12/04/18

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

SEM 1, 17/18 main exam (01/12-14/12/17)

please turn over

Good Luck – Exams Office



QUESTION ONE (COMPULSORY)

- (a) Explain the classical theory of consumption [3 marks]
- (b) Point out any four concepts of national income [4 marks]
- (c) Describe the indicators of economic growth [6 marks]
- (d) Outline the challenges facing developing countries' economic advancement [6 marks]
- (e) Explain the uses of national income accounting. [6 marks]

QUESTION TWO

- (a) Briefly explain the main components of balance of payment account [6 marks]
- (b) Using the LM curve, examine the effect of interest rates on investments at various levels of income. [9 marks]

QUESTION THREE

- (a) Illustrate clearly by use of a diagram, the circular flow of income under Four sector economy [6 marks]
- (b) Unemployment is a disease to economic development of a country. Discuss [9 marks]

QUESTION FOUR

- (a) Examine the measures that can be used to curb the problem of unemployment in Kenya [7 marks]
- (b) 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 [8 marks]

QUESTION FIVE

- (a) Explain the benefits of economic planning in achieving positive economic growth [7 marks]
- (b) Explain the factors that affect the terms of trade for developing countries [8 marks]

QUESTION SIX

- (a) State and explain the methods that the Kenyan government is using to curb the problem of balance of payment disequilibrium [6 marks]
- (b) By use of Phillips curve, explain the relationship between the rate of unemployment and wage rates. [9 marks]

