



GARISSA UNIVERSITY COLLEGE

(A Constituent College of Moi University)

**UNIVERSITY EXAMINATION 2016/2017 ACADEMIC YEAR ONE
SECOND SEMESTER EXAMINATION**

SUPPLEMENTARY/SPECIAL EXAMINATION

SCHOOL OF SCHOOL OF BUSINESS & ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: ECO 111/BHR 105

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

EXAMINATION DURATION: 3 HOURS

DATE: 27/09/17

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) Do you agree that competition is part and parcel of the market economy. Discuss. [5 marks]
- (b) Explain Product method as one of the methods of measuring national income [5 marks]
- (c) Describe the characteristics of a good tax system. [5 marks]
- (d) Explain discretionary fiscal policy as one of the tools for controlling inflation or deflation [5 marks]
- (e) Briefly describe the limitations of using national income statistics to indicate the standard of living. [5 marks]

QUESTION TWO

- (a) What do you understand by market economy? Explain its merits [10 marks]
- (b) Is Kenya a market a market economy? Support your answer. [5 marks]

QUESTION THREE

- (a) Define direct taxes [3 marks]
- (b) Describe the merits and demerits of direct taxes [12 marks]

QUESTION FOUR

- (a) What does fiscal policy mean? [2 marks]
- (b) Explain the objectives of fiscal policy. [13 marks]

QUESTION FIVE

With special reference to Kenya describe the role of the government in economic growth. [15 marks]

QUESTION SIX

Write short notes on the following;

- i. Demerits of indirect taxes [5 marks]
- ii. Anti-deflationary fiscal policies [5 marks]
- iii. Demerits of a market economy [5 marks]

