



GARISSA UNIVERSITY

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

SUPPLEMENTARY/SPECIAL EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: ECO 211

COURSE TITLE: INTERMEDIATE MACROECONOMICS I

EXAMINATION DURATION: 3 HOURS

DATE: 23/03/17

TIME: 2.00-5.00 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) Outline and explain the types of investment [3 marks]
- (b) Define savings and derive the saving function from the consumption function $C = a + bY$ [14 marks]
- (c) Differentiate between Gross Domestic Product and Gross National Product [4 marks]
- (d) Explain the effect of cupping of interest rates by the Government of Kenya on the economy of Kenya [6 marks]
- (e) As an economist, suggest the measures that the Government of Kenya should take to reduce unemployment [7 marks]

QUESTION TWO

- (a) Suppose in an economy, autonomous investment (I) is Ksh. 600 and the following consumption is given, $C = 200 + 0.8Y$. Find the equilibrium level of income. [7 marks]
- (b) Explain the components of National Income [8 marks]

QUESTION THREE

- (a) Explain the causes of inflation in the Kenyan economy [6 marks]
- (b) Explain the fluctuations in the economy with help of the IS and LM curve. [9 marks]

QUESTION FOUR

- (a) What are the causes of disequilibrium on Balance of payments in Kenya [6 marks]
- (b) Explain the remedial measures adopted by the Kenyan Government to correct disequilibrium on the balance of payment [9 marks]

QUESTION FIVE

- (a) Explain the objectives of fiscal policy in Kenyan economy [6 marks]

QUESTION SIX

- (a) National Income Estimates are very useful in formulating plans of all sectors of the economy. Explain the three methods of Accounting National Income [9 marks]
- (b) Make brief notes on the following terms
- i. GDP [2 marks]
 - ii. Unemployment rate [2marks]
 - iii. Disposable income [2 marks]
- (b) Discuss the effects of economic growth in a developing economy [9 marks]

