



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2011/2012

FIRST YEAR, SECOND SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF COMMERCE. YEAR ONE , SEMESTER TWO, BACHELOR OF BUSINESS INFORMATION TECHNOLOGY, YEAR TWO, SEMESTER ONE , BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT, YEAR TWO, SEMESTER TWO, BACHELOR OF INFORMATION TECHNOLOGY AND YEAR ONE, SEMESTER TWO BACHELOR OF SCIENCE IN STATISTICS

HBC 2125/HPS 2215: INTRODUCTION TO MACRO-ECONOMICS

DATE: APRIL 2012

TIME: 2 HOURS

INSTRUCTIONS: Answer question *one* and any other *two* questions

QUESTION ONE (30 MARKS)

- a. Explain the following concepts as applied in economics. (10 Marks)
 - i. Empirical economics
 - ii. Economic theory
 - iii. Assumptions in economics
 - iv. Economic growth
 - v. Full employment
- b. Explain the difficulties in measuring the National Output in Kenya. (6 Marks)
- c. A county experiences a 20% growth in G.D.P while population growth was 10% develop and explain.
 - i. The changes in per-capita (2 Marks)
 - ii. The changes in development (2 Marks)
- d. Explain the determinants of investment (4 Marks)
- e. State the assumptions of comparative advantaged theory (6 Marks)

QUESTION TWO (20 MARKS)

- a. Develop and explain the main lessons why a county freely trades with other countries. (6 Marks)
- b. Develop the methods of coming up with an exchange rate. (6 Marks)
- c. Show and explain the circular flow of income of an open market economy. (8 Marks)

QUESTION THREE (20 MARKS)

- a. Using relevant illustrations explain the following:
 - i. Money supply and money demand (8 Marks)
 - ii. Liquidity trap (4 Marks)
- b. What is the protection policy and explain the various tools used to practice protection policy. (8 Marks)

QUESTION FOUR (20 MARKS)

- a. Explain the determinants of aggregate demand and aggregate supply. (12 Marks)
- b. Using the Keynesian Theory explain the macro economic equilibrium. (4 Marks)
- c. Explain the IS and LM curves. (4 Marks)

QUESTION FIVE (20 MARKS)

- a. Using a numerical illustration develop and explain the National income Multiplier. (10 Marks)
- b. Explain the functions of the central Bank on Kenya to the Government. (10 Marks)