



**MASENO UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2016/2017**

**FOURTH YEAR FIRST SEMESTER EXAMINATIONS FOR  
THE DEGREE OF BACHELOR OF ARTS IN ECONOMICS  
WITH INFORMATION TECHNOLOGY**

**CITY CAMPUS**

**AEC 407: INTERNATIONAL ECONOMICS**

Date: 8<sup>th</sup> December, 2016

Time: 9.00 - 12.00. noon

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**INSTRUCTIONS:**

- Answer question ONE and any other TWO questions.
- Question ONE carries 30 marks and the rest 20 marks each.

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ISO 9001:2008 CERTIFIED



Q1(a) Explain the meaning of International economics ( 3 marks)

(b) Suppose elasticity of demand for a computer  $-0.6$ , Elasticity of computer supply is  $0.4$ , and the government Imposes a tax of Kshs. 100 per computers.

**Required**

(i) Calculate tax burden on the computer buyer (3 marks)

(ii) Explain why a computer buyer bears lower tax burden (4 marks)

(c) With the help of Internal exchange ratio and a schedule, explain the theory of comparative advantage and its assumptions (20 marks)

**SECTION B**

Q2(a) Explain the meaning of a tariff (2 marks)

(b) Explain how government intervene with the market mechanism through taxation, subsidy controls and regulations that are used widely, affect the operation of market systems in Kenya (8 marks)

(c) Critically discuss six effects of imposing a tariff and Show how they affect the operation of our market (10 marks)

Q3(a) Examine five(5) main reasons why many developing Countries have changed their policy on import substitution (10 marks)

(b) By citing relevant examples explain Gross Barter terms of trade (10 marks)

Q4(a) Discuss the various forms of economic integration in East and Central Africa (10 marks)

(b) Explain three (3) categories of balance of payment of a Country (10 marks)

Q5(a) Discuss the role of International Monetary Fund (IMF) in the developing Countries of the World (20marks)