

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2014/2015**

**YEAR I SEMESTER II EXAMINATION FOR THE DEGREE OF BACHELOR COMMERCE/PURCHASNG AND SUPPLY YEAR I SEMESTER I BUSINESS INFORMATION TECHNOLOGY/INFORMATION TECHNOLOGY**

**HBC2125/HPS 2215/HPS 2103: INTRODUCTION TO MACRO-ECONOMICS**

**DATE:AUGUST 2015 TIME: 2 HOURS:**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS.**

**QUESTION ONE (30 MARKS)**

a. Briefly distinguish between micro-economics and macro-economics. (5 marks)

b. Outline the five principles of taxations. (5 marks)

c. Differentiate between Gross domestic product (GDP) and Goss National product (GNP) (3 marks)

d. Discuss the functions of money. (5 marks)

e. What are the advantages and disadvantages of economic intergration. (8 marks)

f. Distinguish between balance of trade and balance of payment. (4 marks)

**QUESTION TWO (20 MARKS)**

a. Discuss the approaches to measuring of National income. (10 marks)

b. What are the difficulties of measuring national income. (8 marks)

c. What are the advantages of computing National income using final goods and not intermediate goods.

 (2 marks)

**QUESTION THREE (20 MARKS)**

a. Define the trade cycle. Discus different phases of a trade cycle. (10 marks)

b. Define the following terms as used in economics.

 i. price index

 ii. Multiplier

 iii. Accelerator

 iv. Monetary policy

 v. Fiscal policy (10 marks)

**QUESTION FOUR (20 MARKS)**

a. Commercial banks can create money even when (as normal) they have no legal authority to point bank notes. Discuss. (10 marks)

b. What monetary measures might a contract bank use to control the money supply.

 (10 marks)

**QUESTION FIVE (20 MARKS)**

The hypothetical data for a certain country was collected and indicated as follows:

Consumption (c) and National Income Y.

|  |  |
| --- | --- |
| C | Y |
| 100 | 115 |
| 160 | 160 |
| 200 | 190 |
| 300 | 265 |

Required

a. Calculate the marginal propensity to consume given that the consumption function is given as C=a+cy.

b. Derive the saving function from the consumption function given that y=C+1 and Y=S+C

 and calculate the marginal propensity to solve. (10 marks)

c. Calculate the values for a and c respectively and plot the graph for the consumption and the saving function. (10 marks)