MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE DEGREE OF BACHELOR OF EDUCATION ARTS WITH INFORMATION TECHNOLOGY

HOMA-BAY CAMPUS – SCHOOL BASED

AEC 102: INTRODUCTION TO MACRO-ECONOMICS

Date: 24th June, 2017

Time: 9.00 - 12.00 noon

INSTRUCTIONS:

- Answer ANY FOUR questions.

QUESTION ONE

a) Describe macroeconomics and explain the reasons for studying macroeconomics. (5marks)

(b). Explain why it is important to estimate National Income of a country.

(5marks)

(c). What difficulties do economists encounter while estimating National income particularly of developing economies? (5marks)

QUESTION TWO

(a) Distinguish between "excess demand" and "cost-push" causes of inflation.

(6 marks)

(b) Explain the policy measures that a country can use to control inflation.

(9marks)

QUESTION THREE

(a)With the help of a diagram, describe the circular flow of income between household and business sectors. (6marks)

(b). State the assumptions of the circular flow of income. (4marks)

(c). Explain any three significance of the circular flow of income to policy makers in an economy. (5marks)

QUESTION FOUR

(a). Discuss the factors which limit the effectiveness of monetary and fiscal policies in developing countries. (10marks)

(b). Explain the goals of monetary policies. (5marks)

QUESTION FIVE

In a certain economy, the marginal propensity to save is 0.2 and the autonomous consumption equals 1000.

(a) Formulate the consumption function. (4marks)

(b) If the Government's expenditures were increased by 500USD, what would be the resultant change in National Income? (4marks)

(c) If there is a deflationary gap of 4billion in an economy, how much should the government raise from taxes to move the economy to full employment level? (7marks)

QUESTION SIX

a). Define the term un employment. (2marks)

b). Describe any three types of unemployment. (6marks)

c). Explain the causes and consequences of unemployment in an economy.

(7marks)