



MUEG

MOI UNIVERSITY

OFFICE OF THE DEPUTY VICE CHANCELLOR (A,R&E)

UNIVERSITY EXAMINATIONS 2020/2021 ACADEMIC YEAR FIRST YEAR SECOND SEMESTER EXAMINATIONS

FOR THE COMMON COURSES

COURSE CODE: ECO 111/ ECF 123

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

DATE: 10/08/2021 **TIME:** 2.00-5.00 PM

INSTRUCTION TO CANDIDATES

SEE INSIDE

SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF ECONOMICS
2019/2020 ACADEMIC YEAR
FIRST YEAR SECOND SEMESTER EXAMINATIONS
ECO 111/ ECF 123: INTRODUCTION TO MACROECONOMICS

➤ **INSTRUCTIONS TO CANDIDATES:**

➤ **Answer Question one and Any OTHER THREE Questions**

QUESTION ONE

- a) Identify and briefly explain three approaches used in measuring national income of a country. (6 marks)
- b) Explain the significance of national income statistics in a country. (10 Marks)
- c) Assume a simple two sector model where $Y = C + I$. $C = a + bY$ and $I = I_0$. Assume in addition, that $a = 85$, $b = 0.45$ and $I_0 = 55$. Determine the level of output, Y and consumption C , at equilibrium. (9 Marks)

QUESTION TWO

- a) Developing countries have experienced persistent and rising inflation
 - i) Discuss the major effects of inflation to the economy (7 Marks)
 - ii) Discuss various types of inflation (8 Marks)

QUESTION THREE

- a) Explain how the banking system creates money and examine its limitations.(8 marks)
- b) Examine the significance of money in an economy (7 Marks)

QUESTION FOUR

- a) Explain the term unemployment rate (2 Marks)
- b) What are the measures that can be put in place to reduce unemployment rate in Kenya (8 Marks)
- c) Highlight various types of unemployment in developing countries (5 Marks)

QUESTION FIVE

- a) Explain Consumption function and examine the measures which can be adopted to raise the propensity to consume. (9 marks)
- b) Discuss four monetary instruments used by Central Bank to regulate money supply in an economy. (8 marks)

QUESTION SIX

Distinguish between the following

- a) Per capita income and disposable income (4 Marks)
- b) Deflationary gap (3 Marks)
- c) Induced expenditure and autonomous expenditure (4 Marks)
- d) Accelerator and multiplier (4 Marks)

XXXENDXXX

