



MUEO

MOI UNIVERSITY

OFFICE OF THE DEPUTY VICE CHANCELLOR Academics, Research, Extension
and Student Affairs

UNIVERSITY EXAMINATIONS

2023/2024 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER REGULAR
EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF ARTS IN ECONOMICS BACHELOR OF SCIENCE IN PROJECT MANAGEMENT

COURSE CODE: ECO 111

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

DATE: 19TH DECEMBER 2023 **TIME:** 9.00-12.00 NOON

INSTRUCTION TO CANDIDATES

SEE INSIDE

THIS PAPER CONSISTS OF THREE (3) PRINTED PAGES

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Department of Economics
Moi University
P. O. Box 3900
ELDORET

Daniel

INSTRUCTIONS: Answer question one and any other three questions

QUESTION ONE

- a) Define the following concepts as used in macroeconomics (4 Marks)
- i. Paradox of thrift
 - ii. Full employment
- b) Distinguish between the average propensity to save and the marginal propensity to save (4 Marks)
- c) Discuss at least two determinants of money supply in an economy (4 Marks)
- d) With the aid of a well labeled diagram explain the circular flow of income in a three sector model (4 Marks)
- e) Explain are three functions of foreign exchange market (3 Marks)
- f) Explain significance of national income in the study of Macroeconomics (2 Marks)
- g) Use IS-LM framework to explain the joint determination of the rate of interest and the level of income (5 marks)
- h) Distinguish between the following terms as applied in macroeconomics (4 Marks)
- i. Demand-pull and cost-push inflation.
 - ii. Future and forward transactions in foreign exchange market

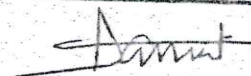
QUESTION TWO

- a) Explain any two policy responses to trade deficit in a developing country (4 Marks)
- b) Explain the concept of propensity to consume and show how it occupies a strategic position in boosting employment level (4 Marks)
- c) Briefly describe any two types of unemployment (2 Marks)

QUESTION THREE

- a) "Inflation is unjust and deflation is inexpedient." Discuss. (4 marks)
- b) Discuss the three motives for holding money according the Keynesian theory of money demand (6 marks)

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QUESTION FOUR

- a) Distinguish between fiat money and near money assets (4 marks)
- b) Briefly explain any two the functions of money (2 marks)
- c) Describe the process of credit creation by commercial banks. What are the limitations to such credit creation by banks? (4 marks)

QUESTION FIVE

- a) Distinguish between flexible exchange rate and pegged exchange rate (4 Marks)
- b) Explain the J-Curve effect (4 Marks)
- c) Explain any two properties of money. (2 Marks)

QUESTION SIX

- a) Describe any two limitations of per-capita GDP as measure of economic welfare (2 Marks)
- b) Explain any two functions of a Central Bank (4 Marks)
- c) Explain any two ways in which inflation can be controlled? (2 Marks)
- d) Discuss any two determinants of investment in an economy (3 Marks)

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