MUEO

MOI UNIVERSITY
OFFICE OF THE CHIEF ACADEMIC OFFICER

UNIVERSITY EXAMINATIONS
2010/2011 ACADEMIC YEAR
FIRST YEAR SECOND SEMESTER EXAMINATION

FOR THE DEGREE OF

BACHELOR OF ARTS (ECONOMICS)

COURSE CODE: ECO 111

COURSE TITLE: INTRODUCTION TO MACRO-ECONOMICS

DATE: 20TH APRIL, 2011   **TIME:** 2.00 P.M. – 5.00 P.M.

INSTRUCTION TO CANDIDATES

- ATTEMPT ANY FOUR QUESTIONS.

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QUESTION ONE
a) Explain the importance and limitations of macro- economics (15mks).
b) Distinguish between micro-economic and macro-economics and state the relation between the two (10mks).

QUESTION TWO
a) Examine the various factors that affects the consumption function (9mks)
b) What are the measures that can be used to raise the marginal propensity to consume (8mks)
c) What are factors that determine the investment function (8mks)

QUESTION THREE
a) With specific examples from Kenya, explain the problems encountered in the measurement of national income (9mks)
b) Under what condition are changes in national income regarded as bringing negligible changes in the economic welfare of the community (8mks)
c) One of the reasons why the national income in the developing countries is said to be low is as a result of income inequalities, justify the reasons you think that income inequalities can be reduced. (8mks)

QUESTION FOUR
a) Explain the implication of J.B. says law in our modern economic setup (9mks)
b) What are the characteristics of Keynes theory of employment (8mks)
c) What are the general criticism leveled against the classical theory of employment (8mks)

QUESTION FIVE
a) Show graphically how IS-LM curves are derived (10mks)
b) Explain the importance of IS-LM model and outline some of the limitations of the model in a developing economy like Kenya (15mks)

QUESTION SIX
Write short notes on the following:
a) Motives for holding money balances (5mks)
b) Personal and disposable income (5mks)
c) The multiplier effect and the accelerator (5mks)
d) Methods of measurement of national income (5mks)
e) Importance of national income estimates (5mks)