



MUEO

MOI UNIVERSITY

**OFFICE OF THE DEPUTY VICE CHANCELLOR, ACADEMIC AFFAIRS,
RESEARCH & EXTENSION**

**UNIVERSITY EXAMINATIONS
2015/2016 ACADEMIC YEAR**

FIRST YEAR END OF SEMESTER EXAMINATION

**FOR THE DEGREE OF BUSINESS
MANAGEMENT**

EXAM CODE: ECO 111

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

DATE: 13TH APRIL, 2016 TIME: 2.00PM- 5.00PM

INSTRUCTIONS TO THE CANDIDATES

PLEASE TURN OVER

MOI UNIVERSITY
SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF ECONOMICS
FIRST YEAR OF STUDY BBM, SECOND SEMESTER, ACADEMIC YEAR: 2014/2015
ECO 111: INTRODUCTION TO MACROECONOMICS EXAMINATION
DURATION: 3 HOURS

INSTRUCTIONS TO THE CANDIDATES: ANSWER ANY FOUR (4) QUESTIONS, ALL QUESTIONS CARRY EQUAL MARKS

QUESTION ONE

- a) Define the following terms:
- a) The Multiplier (3 marks)
 - b) Inflation (3 marks)
 - c) GNP (3 marks)
 - d) Labor Force (3 marks)
 - e) GDP (3 marks)
- b) Distinguish using appropriate diagrams the LM and the IS curves (10 marks)

QUESTION TWO

- a) Using appropriate diagrams demonstrate how equilibrium is achieved in the product and the money market respectively (10 marks)
- b) In reference to Kenya, examine any five (5) problems that one may encounter in the measurement of National Income (15 marks)

QUESTION THREE

- a) Using appropriate diagrams discuss any two motives of holding money (8 marks)
- b) State and discuss the methods of measuring national income (12 marks)
- c) Compare and contrast the classical and the Keynes theories of employment (5 marks)

QUESTION FOUR

Developing countries have experienced persistent and rising inflation and unemployment problems

- a) Define each problem and explain their major causes (10 marks)
- b) Suggest economic policies that may be used to reduce the magnitude of the problems. (15 marks)

QUESTION FIVE

- a) Briefly discuss any five types of unemployment (12 marks)
- b) Discuss functions of money (13 marks)

QUESTION SIX

- a) Discuss effectiveness of fiscal and monetary policies in Kenya (10 marks)
- b) In the theory of savings and investment function, discuss the induced and autonomous investment (8 marks)
- c) What are the measures that can be put in place to stimulate private investment? (7 marks)