



MUEO

MOI UNIVERSITY

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

**UNIVERSITY EXAMINATIONS
2016/2017 ACADEMIC YEAR**

END OF SEMESTER EXAMINATIONS

**FOR THE DEGREE
IN BACHELOR OF BUSINESS AND ECONOMICS**

EXAM CODE:- ECO 111

COURSE TITLE:- INTRODUCTION TO MACRO-ECONOMICS

DATE:-6TH JUNE, 2017

TIME:- 9.00A.M. – 12.00NOON.

INSTRUCTION TO CANDIDATES

➤ SEE INSIDE.

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ECO 111: INTRODUCTION TO MACRO-ECONOMICS

DATE: JUNE 2017

TIME: 3 HOURS

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS

QUESTION ONE

- a. Discuss methods of measuring National Income. (5 marks)
- b. Distinguish between Average and Marginal propensities to consume. (7 marks)
- c. Discuss the motives of holding money. (7 marks)
- d. Distinguish between induced and autonomous investment. (6 marks)

QUESTION TWO

Developing countries have for a long time faced inflationary challenges with specific examples, explain the causes of such inflation and discuss the long-term measures Kenya can put in place to control it. (15 marks)

QUESTION THREE

- a) Compare and contrast the classical and the Keynesian theories of employment. (9 marks)
- b) What are the limitations in solving the problems of unemployment in a developing country like Kenya? (6 marks)

QUESTION FOUR

- a. Show graphically how IS-LM curves are derived. (5 marks)
- b. Explain the importance of IS-LM model and outline some of the limitations of the model in a developing economy like Kenya. (10 marks)

QUESTION FIVE

- a. Define money. (5 marks)
- b. Explain the function of money. (10 marks)

QUESTION SIX

Distinguish between the following concepts

- a. Demand pull and cost-push inflation. (5 marks)
- b. Fiscal and monetary policies. (5 marks)
- c. Personal income and disposable income. (5 marks)