



## Question Two

- i) Explain the main function of money. (5 marks)
- ii) Discuss the reasons why people hold money. (5 marks)
- iii) What are the likely effects of an expansionary monetary policies in an Economy. (5 marks)

## Question Three

- a) Recently the government has been emphasizing the concept of export-led growth. This has been well covered by the press and the media.
  - i) What is export led growth? (2 marks)
  - ii) Explain the impact of export-led growth on the balance of payments and terms of trade. (7 marks)
- b) What are the advantages of Kenya being a member of the International Monetary Fund. (6 marks)

## Question Four

- i) Explain any four types of unemployment experienced in Kenya. (4 marks)
- ii) Discuss ways and means of alleviating the unemployment problem in developing Countries. (5 marks)
- iii) Outline the economic effects of a high inflation level and suggest Economic measures to curb inflation. (6 marks)

## Question Five

- i) Differentiate between fiscal and monetary policies and show how the two policies are used to influence the Economy. (8 marks)
- ii) Assess the success of implementing the two policies in developing countries (7 marks)

## Question Six

- i) Show graphically how IS – LM curves are derived. (6 marks)
- ii) Using the IS-LM model show the effects on the equilibrium Income and the rate of interest of a change in money supply . (5 marks)
- iii) What could be the limitation of IS-LM model in a Developing Country like Kenya. (4 marks)