

MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2016/2017 ACADEMIC YEAR**

**FIRST YEAR, SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BSc. AGRICULTURAL ECONOMICS AND RESOURCE MANAGEMENT, BSc. AGRIBUSINESS MANAGEMENT, BSc. ECONOMICS, BSc. FINANCIAL ECONOMICS, BSc. ECONOMICS AND STATISTICS**

**COURSE CODE: ECO 1203**

**COURSE TITLE: INTRODUCTION TO                                  MACROECONOMICS**

**DATE: 18TH MAY 2017 TIME: 0830-1030 HRS**

**INSTRUCTIONS TO CANDIDATES**

Answer Question **ONE** and any other **THREE** questions

*This paper consists of 3 printed pages. Please turn over.*

**QUESTION 1**

1. What is macroeconomics? Explain why we study macroeconomics. **(3 marks)**
2. Given a consumption function as **C= 300 + O.75Y, I = 600, G=1080, X= 260** and **M= 470**. Determine the equilibrium level of ;
3. National income (**Y**) **(2 mark)**
4. Consumption ( **C** ) **( 2 mark**)
5. Savings (**S**) **(2 mark)**
6. What is a macroeconomic model? How is it constructed **(4 marks)**
7. Given a hypothetical economy with the following functions;

**C= 100 + 0.8Y**

**S= -400 + 0.2 Y**

**I = 340- 10r**

**Ms = 140**

**Md = 0.4Y – 10r**

**Determine**

1. The IS – curve equation **(2 Marks)**
2. The LM- curve equation **(2 marks)**
3. Income at general equilibrium **( 4 Marks)**
4. Interest rate at equilibrium **(4 marks)**

**QUESTION 2**

1. Distinguish between the following national income concepts
2. GNP and GDP **(1 mark)**
3. Nominal GNP and Real GNP **(1 mark)**
4. Given an hypothetical data set of an economy

|  |  |  |
| --- | --- | --- |
| Year  | Nominal GNP in billion kshs | Whole sale price index (PIN) 2013-2014 = 100 |
| 2013- 2014 | 12,277 | 100 |
| 2014-2015 | 14,326 | 109.8 |
| 2015 - 2016 | 15,876 | 114.9 |

Compute

1. Real GNP (2014-15 and 2015-16) **(2marks)**
2. GNP deflator (2014-15 and 2015-16) **( 2 marks)**
3. Implicit GNP deflator(2014-15 and 2015-16) **(2mark)**
4. Rate of inflation (2015-16) **(2 marks)**
5. Outline five determinants of the size of national income **(5 marks)**

**QUESTION 3**

1. Explain an economy as circular flows of income and expenditure. Illustrate your answer using two sector model (**5 marks)**
2. Discuss the problems encountered in GNP measurement. (**5mks)**
3. Microeconomics and Macroeconomics? [**5 Marks**]

**QUESTION 4**

1. What is macroeconomic policy? Explain the relevant four monetary and four fiscal tools of controlling and regulating monetary and fiscal variables            **( 9 marks)**
2. What are the different types of unemployment? How are they different from one another? **(6 marks)**

**QUESTION 5**

1. Describe the classical theory of inflation? Does this theory fully explain the phenomenon of inflation? **(7 marks)**
2. What is cost- push inflation? What factors contribute to the cost –push theory of inflation? **(8 marks)**

**//END**