

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

# **UNIVERSITY EXAMINATIONS 2014/2015**

**FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE, BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT, BACHELOR OF BUSINESS INFORMATION TECHNOLOGY, BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY AND BP SUPPLY**

**HBC 2125 : INTRODUCTION TO MACROECONOMICS**

**DATE: AUGUST 2014 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS. USE GRAPHICAL ANALYSIS WHERE APPROPRIATE**

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**QUESTION ONE**

1. Illustrate any two reasons that lead to failure of classical economic theory of determining national income. [4 marks]
2. Justify the need for a separate theory of macroeconomics from microeconomics. [4 marks]
3. Outline some of the basic factors that determine foreign exchange rate of any country. [4 marks]
4. Economic growth of developing country have been held back by persistent fall in terms of trade over a long period. Making reference to East African economies, explain the factors facilitating the condition. [8 marks]
5. In the long run, natural rate of unemployment prevails whatever the existing rate of inflation. Making reference to Philips curve, discuss. [10 marks]

**QUESTION TWO**

1. Elaborate on some of the limitations associated with calculation of national income. [3 marks]
2. Illustrate some of the basic functions of commercial banks in Kenya. [8 marks]
3. Using the Keynesian theory of demand for money, explain why people demand for money. [9 marks]

**QUESTION THREE**

1. Clearly illustrate the understanding of Keynesian when determining national income. [10 marks]
2. Discuss the concept of payment and show how some policy measures can be implemented during the case of disequilibrium / unfavorable. [10 marks]

**QUESTION FOUR**

1. Money is what money does. Discuss. [8 marks]
2. Central bank has a responsibility of ensuring smooth working of a country’s financial system. Explain. [12 marks]

**QUESTION FIVE [20 MARKS]**

Give an explanation of the following concepts as used in macroeconomics theory.

1. Macroeconomics aggregate [4 marks]
2. Instruments [4 marks]
3. GDP expenditure based approach [4 marks]
4. Floating exchange rate system [4 marks]
5. Selective credit control measure. [4 marks]