

**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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**University Examinations 2014/2015**

FIRST YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR DEGREE OF BACHELOR OF COMMERCE

AND

SECOND YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR DEGREE OF BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT

**BEC 3150: PRINCIPLES OF MACROECONOMICS**

**DATE: OCTOBER 2015 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Distinguish between the following:
2. G.D.P deflator and Consumer Price Index (4 Marks)
3. Norminal G.D.P and Real G.D.P (4 Marks)
4. Gross National Product and Net National Product (4 Marks)
5. Given that the following are the statistics of a countries income:

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Calculate:

1. The equilibrium national income (4 Marks)
2. The multiplier (2 Marks)
3. State the component of the balance of payment (4 Marks)
4. State the determinants of investment (4 Marks)
5. Outline the process of money development (4 Marks)

**QUESTION TWO (20 MARKS)**

1. Explain the assumptions of the comparative advantage theory (10 Marks)
2. State and explain the reasons for exchange rate fluctuations (10 Marks)

**QUESTION THREE (20 MARKS)**

1. Discuss the various methods of controlling inflation (12 Marks)
2. Explain the effects of adverse terms of trade (8 Marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss the stages of the aggregate supply curve (10 Marks)
2. Using the Keynesian Cross discuss the National Income Equilibrium (10 Marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss the circular flow of income in a closed economy with a government (10 Marks)
2. Explain the determinants of the national income according to the Keynesian Theory of Employment (5 Marks)
3. Discuss the process of credit creation (5 Marks)