

KENYA METHODIST UNIVERSITY

**END OF 2ND TRIMESTER 2014 (PT) EXAMINATION**

**SCHOOL : BUSINESS AND ECONOMICS**

**DEPARTMENT : ECONOMICS AND STATISTICS**

**UNIT CODE : ECON 102**

**UNIT TITLE : PRINCIPLES OF MACROECONOMICS**

**TIME : 2 HOURS**

**INSTRUCTIONS**

*Answer question one and any other two questions*

**Question One**

1. Explain the following concepts
2. Gross national product (2 Marks)
3. Gross domestic product (2 marks)
4. Discuss five advantages of foreign trade (10 marks)
5. Explain five determinants of money supply in the economy (10 Marks)
6. Discuss two types of inflation (6 Marks)

**Question Two**

1. Discuss five methods that can be applied by government to combat inflation in our country
2. Explain the measures that are being used to reduce the rate of unemployment in our country

**Question Three**

1. Discuss five canons or principles of taxation as developed by Adam Smith (10 marks)
2. Explain five obstacles to economic development in our country (10 marks)

**Question Four**

1. Explain five problems faced by economic integration in developing countries (10 marks)
2. Discuss five disadvantages of a fixed exchange rate system (10 marks)

**Question Five**

1. Discuss five functions of central bank of Kenya (10 marks)
2. Discuss five functions of money and the effect of inflation on function of money (10 marks)