



(The University of Choice)

**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

KISUMU CAMPUS

**EXAMINATIONS
2015/2016 ACADEMIC YEAR**

FIRST YEAR SECOND SEMESTER EXAMINATIONS

**FOR BACHELOR
OF
COMMERCE**

COURSE CODE: ECO 102

COURSE TITLE: INTRODUCTION TO MACRO ECONOMICS

DATE: SEPTEMBER 2016 TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer question **One** and any other **Two** questions

Question One

- a) Explain **THREE** key issues/points in Macroeconomic analysis (3marks)
- b) State the difference between 'GNP at factor cost' and 'GNP at market prices' (2marks)
- c) State the meaning of 'labour force' and 'participation rate' (2marks)
- d) Highlight the implications of 'an unbalance in the BOP account' in case of a deficit (3 marks)
- e) Differentiate 'Economic Growth' and 'Economic Development' (4marks)
- f) State **FOUR** defects of commodity money (4marks)
- g) Explain the Keynesian theory of demand for money. Identify **THREE** motives for demanding money as given by the theory (5marks)
- h) State the **TWO** types of inflation based on government inflation (2marks)
- i) Explain **THREE** functions of commercial banks (3marks)
- j) Distinguish between public expenditure and public revenue (2marks)

Question Two

- a) One of the measures that may be taken to reduce unemployment is to promote self-employment among the youth. Explain the ways in which such self-employment may be encouraged (10marks)
- b) One of the ways of raising government revenue is through foreign borrowing. Explain the benefits that a country may derive from adopting this method of raising revenue (10marks)

Question Three

- a) There are certain qualities that a commodity should possess for it to serve effectively as money. Describe these qualities. (12marks)
- b) Country X calculates its national income as net national product at factor cost. Highlight the adjustment that should be made to make the income gross domestic product at market prices (8marks)

Question Four

- a) Outline the indicators that should be considered in assessing the economic development of a country (10marks)
- b) Outline **FIVE** benefits that electronic banking may offer to the banking sector in Kenya (10marks)

Question Five

- a) Explain **FIVE** measures that should be taken to eliminating a balance of payment deficit in an economy (10marks)
- b) Explain **FIVE** uses of the national income statistics in an economy (10marks)