



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FIRST YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF ECONOMICS AND FINANCE

EET 101: MACROECONOMIC THEORY I

DATE:

TIME:

INSTRUCTIONS: Answer Question ONE and any other TWO questions

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Give an eloquent account on the Concerns of Macroeconomics as field of study (10 marks)
- b) Suppose the consumption (C) and investment functions are given as
- $$C = \alpha + \beta Y; \quad 0 < \beta < 1$$
- $$I = I_0 - kr; \quad 0 < k < 1$$
- Where; I_0 = autonomous investment; α = autonomous consumption; r = interest rate and β & k = parameters
- i. Using the expenditure approach of derive the IS equation, and we assume absence of government (10 marks)
- c) Discuss some factor affecting Investments decisions in an economy (10 marks)

QUESTION TWO (20 MARKS)

- a) Discuss four functions of money while highlighting the corresponding properties (10 marks).
- b) The Kenya Annual budget economic growth is a good step towards informing the public on the performance of the economy, however it has some shortcomings if not addressed we will have not have the economic performance in real term. Discuss (10marks).

QUESTION THREE

a) Briefly discuss the meaning of the following concepts as used in macroeconomics

- i. Leakages and injections (3 marks)
- ii. Paradox of Thrift (3 marks)
- iii. Liquidity preferences (4 marks)

b) State and discuss the methods of measuring national income (10 marks)

QUESTION FOUR

a) Developing countries have experienced persistent and rising inflation ,Suggest any five economic policies that may be used to reduce the magnitude of their major problem

(10 marks)

b) With aid of diagrams, discuss any four theories of consumption (10 marks)

QUESTION FIVE

a) Using appropriate diagrams of the LM and the IS curves .Explain factors that cause shifts on the two curves (LM and IS) (10 marks)

b) Briefly discuss any five types of unemployment experienced in Kenya and their possible causes (10 marks)