

**TECHNICAL UNIVERSITY OF MOMBASA
SCHOOL OF BUSINESS**

DEPARTMENT OF MANAGEMENT SCIENCE

**DIPLOMA IN PROCUREMENT AND MATERIALS MANAGEMENT
DIPLOMA IN HUMAN RESOURCE MANAGEMENT
DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN ACCOUNTANCY
DIPLOMA IN BUSINESS MANAGEMENT
DIPLOMA IN SALES MANAGEMENT**

BAC 2105: MACROECONOMICS

END OF SEMESTER EXAMINATIONS

SERIES: MAY 2016

TIME: 2 HOURS

INSTRUCTIONS:

- This paper consists of Sections **A** and **B**.
- Section **A** is **Compulsory**. Answer any **TWO** questions in Section **B**.
- Mobile phones are not allowed into the examination room.
- Cheating leads to disqualification.

SECTION A (COMPULSORY)

QUESTION ONE:

(a) Define the following economic terms:-

- (i) Gross Domestic Product (G.D.P)
- (ii) Per Capital Income
- (iii) Monetary Policy
- (iv) Balance of Payment (B.O.P)
- (v) Commercial Bank

(10 marks)

(b) Consider the following economy with the following functions:-

$$C = 50 + 0.75Y$$

$$I = 100$$

$$G = 50$$

$$X = 20$$

$$M = 10 - 0.2Y$$

$$T = 20$$

Required:-

Determine the equilibrium level of national income

(5 marks)

© Justify the theoretical relationship between inflation and unemployment using the Phillips curve.

(5 marks)

(d) Outline **FIVE** objectives that monetary policies seek to achieve in an economy.

(5 marks)

(e) Study the table below showing output levels of two countries in two commodities given the same units of labour, and answer the questions that follows:-

Country	Commodities	
	Generators	Coffee
Kenya	400	600
Uganda	100	300

(i) State the country with absolute advantage in production of both commodities.

(2 marks)

- (ii) Calculate the opportunity cost of producing each commodity in each country (2 marks)
- (iii) In which commodity should each country specialize? (1 mark)

SECTION B

QUESTION TWO:

- (a) Discuss any **FIVE** roles commercial banks play in an economy of a country. (10 marks)
- (b) Describe **FIVE** economic policies options that are available to a government that wishes to promote economic growth in the country. (10 marks)

QUESTION THREE:

- (a) As an advisor of the government of Kenya, suggest any **FIVE** measures that would be used to reduce the level of unemployment in the country. (10 marks)
- (b)
 - (i) Briefly discuss the **THREE** distinctive motives for holding money by an individual. (6 marks)
 - (ii) Highlight **TWO** types of inflation that a country may face over a given period of time. (4 marks)

QUESTION FOUR:

- (a) Recently the government has been emphasizing the concept of protectionism. This has been well covered by the press and the media. Argue the case for protectionism pursued by the government. (10 marks)
- (b) Explain **FIVE** limitations of using national income statistics to compare the standards of living in different countries. (10 marks)

QUESTION FIVE:

- (a) Discuss any **SIX** roles played by the private sector in Kenya. **(12 marks)**
- (b) Account for any **FOUR** causes of the poor performance of public enterprises in Kenya, a case study of Kenya Airways. **(8 marks)**