

# **TECHNICAL UNIVERSITY OF MOMBASA**

## SCHOOL OF BUSINESS

DEPARTMENT OF MANAGEMENT SCIENCE

# **UNIVERSITY EXAMINATION FOR DEGREE IN:**

BACHELOR OF COMMERCE, BACHELOR OF BUSINESS ADMINISTRATION & BACHELOR

## OF BUSINESS AND OFFICE MANAGEMENT

## **BFI 4103: INTRODUCTION TO MACROECONOMICS**

# END OF SEMESTER EXAMINATION

## SERIES: SEPT. 2017

## **TIME: 2**

# HOURS

#### **Instructions to Candidates**

You should have the following for this examination -Answer Booklet, examination pass and student ID This paper consists of FIVE questions. Attempt question One(Compulsary) and any other TWO questions.

Do not write on the question paper. This Paper consists of Two printed pages

#### **Question ONE(Compulsary)** (**30 MARKS**)

- (a) Given below is national income equation for a hypothetical economy, Y=C + I + G + X Mwhere, Consumption(C) = 16400, Investment (I) = 1400, Government spending (G) = 2000Exports(X) = 1500, Imports (M)=2500, Tax (T) = 0.25Y.
  - From the above information compute

	i. National Income	(3 marks)
	ii. Disposable income	(3marks)
i	ii. Trade balance position and explain the position	(4 marks)
b) Write	e short notes on the following terms as used in macroeconomics	
i.	disposable income	(2 marks)
ii.	Balance of Payment	(2 marks)
iii.	Balance of trade	(2 marks)
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iv v c) Dis		(2 marks) (2 marks) (10 marks)	
Question	TWO (20 MARKS)		
(a)	Explain the lifecycle hypothesis of consumption; compare the major differences of	of this	
	hypothesis with the permanent income hypothesis of consumption.	(12 marks)	
(b)	Examine four determinants of consumption	(8 marks)	
Question	THREE (20 MARKS)		
(a)	Briefly explain through the use of short notes the distinctive motives for holding	money	
	according to keynes	(10 marks)	
(b)	Using graphical illustration explain the effects of money supply on interest rate	(10 marks)	
Question FOUR (20 MARKS)			
(a) Differentiate between the following as used in foreign exchange market			
(i)	Exchange rate and terms of trade	(4 marks)	
(ii)	Depreciation and Devaluation of domestic currency	(4 marks)	
(iii)	Revaluation and Appreciation of Domestic currency	(4 marks)	
(b) Discuss the methods used by most countries in an attempt to correct trade deficit (8 marks)			
Question	FIVE (20 MARKS)		
(a) Most of the developing countries are faced with the problem of unemployment. Discuss the			
ma	jor causes of unemployment in Kenya	(10 marks)	
(b) Explain the policies that developing countries adapt to cure the problem of unemployment			
		(10 marks)	

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