



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Engineering & Technology

DEPARTMENT OF COMPUTER SCIENCE & INFORMATION TECHNOLOGY

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY

HBC 2125: INTRODUCTION TO MACRO ECONOMICS

SUPPLEMENTARY/SPECIAL EXAMINATIONS

SERIES: MARCH 2014

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
This paper consists of Two printed pages
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QUESTION 1 (Compulsory)

- a) International trade is encouraged by countries all over the world. However, there are a few countries which are against international trade. Explain why these countries are against international trade. **(10 marks)**
- b) Discuss the limitations of national income statistics as a measure of economic welfare. **(14 marks)**
- c) Explain **THREE** measures that are used when dealing with a deficit in balance of payment. **(6 marks)**

QUESTION 2

- a) Describe the **THREE** approaches used in measuring national income. **(10 marks)**
- b) It is clear that most commercial banks prefer short term lending to long term lending. Discuss. **(10 marks)**

QUESTION 3

- a) Why fiscal policy is a better measure of dealing with a deflation than monetary policy. **(12 marks)**
- b) Briefly explain **FOUR** roles of foreign exchange reserves in a country. **(8 marks)**

QUESTION 4

- a) Discuss **FIVE** factors that affect the exchange rate of a country. **(10 marks)**
- b) Describe **THREE** macro economic paradoxes. **(10 marks)**

QUESTION 5

- a) Describe the **THREE** credit control techniques the Central Bank employs in controlling money supply. **(12 marks)**
- b) Using the LM-IS model, describe the impact of:
- i) Expansionary monetary policy **(4 marks)**
 - ii) Expansionary fiscal policy **(4 marks)**