



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of BUSINESS AND SOCIAL STUDIES

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF COMMERCE

BAC 4128/BFI 4102: MACRO ECONOMICS

END OF SEMESTER EXAMINATIONS

SERIES: AUGUST 2013

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) What do you understand by the market price and factor cost in National income accounting. **(4marks)**
- b) What is the meaning of a peak or a trough in macroeconomics? **(5marks)**
- c) What do you understand by the term consumer price index (CPI) how does it differ from GDP deflators? **(5marks)**
- d) What do you understand by the transmission mechanism of monetary policy? **(5marks)**
- e) Discuss the meaning of National debt and budget deficit. **(5marks)**
- f) Government spending can be broken into 3 main categories. Discuss. **(6marks)**

QUESTION 2

- a) Discuss the meaning of the 'Twin deficit' syndrome. **(10marks)**
- b) Discuss the various factors that may cause an increase in interest rates. **(10marks)**

QUESTION 3

- a) Discuss any FIVE uses of National income statistics. **(10marks)**
- b) Discuss in detail your understanding of the term capital market. **(10marks)**

QUESTION 4

- a) Discuss the accelerator effect with the use of appropriate examples. **(10marks)**
- b) Discuss the FIVE ways in which national debt directly affects the people. **(10marks)**

QUESTION 5

- a) What are the major objectives of macroeconomic policy and how are they measured? **(10marks)**
- b) Explain any five(5) limitations to the credit creation process of commercial banks. **(10marks)**