



# MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

SECOND YEAR ..... SEMESTER EXAMINATION FOR

BACHELOR OF .....

AGB 204:.....

DATE:

TIME:

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## INSTRUCTIONS:

- (i) Answer question ONE and any other two questions
- (ii) Do not write on the question paper
- (iii) Show your working clearly

### QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Using a simple open economy Derive equilibrium income
  - i. Define term multiplier (2 marks)
  - ii. Derive import, interest rate and government purchase multipliers (5 marks)
- b) Give an eloquent account on the Concerns of of Macroeconomics as field of study (10 marks)
- c) Using appropriate diagrams of the LM and the IS curves .Explain factors that cause shifts on the two curves (LM and IS) (8 marks)

### QUESTION TWO (20 MARKS)

- a) In reference to Kenya, examine any five (4) problems that one may encounter in the measurement of National Income (8 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 (12 marks)

**QUESTION THREE (20 MARKS)**

- a) Using appropriate diagrams discuss three motives of holding money according to Keynesian demand for money (8 marks)
- b) State and discuss the methods of measuring national income (12 marks)

**QUESTION FOUR (20 MARKS)**

- a) Developing countries have experienced persistent and rising inflation and unemployment problems explain any three of the major causes and Suggest any four economic policies that may be used to reduce the magnitude of their major problem (12 marks)
- b) Using hypothetical open economy derive the general equilibrium income and interest in the money and goods market; (8 marks)

**QUESTION FIVE (20 MARKS)**

- a) Briefly discuss any five types of unemployment experienced in Kenya and their possible causes (10 marks)
- b) Suggest any five measures that can be put in place to stimulate private investment. (10 marks)