

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS DEPARTMENT OF ECONOMICS SECOND YEAR SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF ECONOMICS

BACHELOR OF ECONOMICS & STATISTICS

BACHELOR OF ECONOMICS & FINANCE

BACHELOR OF ARTS

EAE 308: INTERNATIONAL ECONOMICS II

DATE:25/7/2019 TIME: 8:30 -10:30 AM

INSTRUCTIONS:

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

QUESTION ONE (COMPULSORY)(30 MARKS)

a) Explain the following concepts

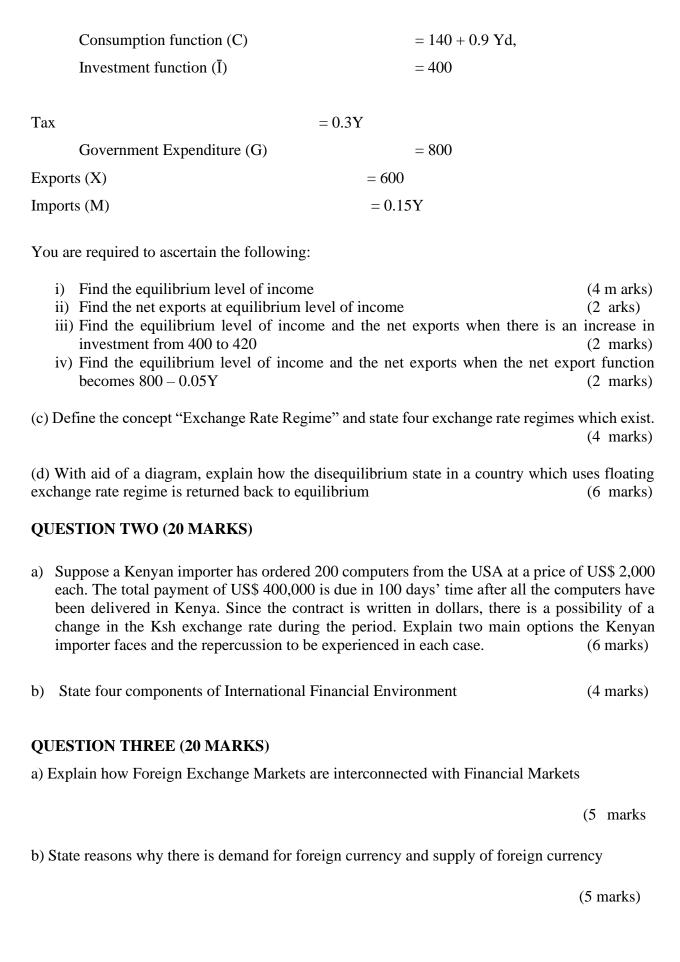
i) Devaluation (2 marks)

ii) Balance of Payments (2 marks)

iii) Nominal Price (2 marks)

iv) Hedging (2 marks)

b) The fundamental equations in an economy are given as:



QUESTION FOUR(20 MARKS)

- a) Explain the concept "Balance of Payment Deficit" (2 marks)
- b) Explain how balance of payment Deficit is corrected under fixed exchange rate (8 marks)
- c) Explain how IMF, World Bank and World Trade Organisation were founded, for what purpose and how they operate (10 marks)

QUESTION FIVE (20 MARKS)

- a) With aid of a well labeled diagram explain decrease in autonomous imports of the simultaneous equilibrium in the real and monetary sectors of the economy (10 marks)
- b) Explain welfare effects of economic integration for a small country (10 marks)