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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR ONE**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: ECO 126**

**COURSE TITLE: INTRODUCTION TO MACROECONOMICS**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 17/08/2021 TIME: 3.00-5.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of TWO (2) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

1. Differentiate between economic growth and economic Development **[6 marks]**
2. Keynes contended that an individual’s aggregate demand for money in any given period Will be the result of a single decision that would be a composite of three motives. Discuss. **[6 marks**]
3. Briefly explain the main components of balance of payment  **[6 marks]**
4. State any four strategies that the government can adopt to solve the problem of unemployment **[4 marks]**
5. Highlight on any four role of the central Bank of Kenya. **[4marks]**
6. State any four factors that affects the terms of trade for developing countries in relation to

International trade **[4 marks]**

**QUESTION TWO**

1. Explain any five benefits of economic growth to a county. **[10 marks]**
2. Monetary policy is the regulation of the economy through the control of the quantity of

Money available and through the price of money. Discuss. **[10 marks]**

**QUESTION THREE**

1. Elaborate on any five Factors affecting the size of a National Income **[10 marks]**
2. Discuss the Common characteristics of developing countries. **[10 marks]**

**QUESTION FOUR**

(a)The consumption function is the relationship between planned consumption and other

Independent variables, particularly income. Explain any five factors that influence Consumption.  **[10 marks]**

(b) Monetary policies are a deliberate action by either government or central bank use the monetary system to regulate the economy towards a desired direction. Discuss **[10 marks]**

**QUESTION FIVE**

1. Explain any five types of unemployment common to most economies of the word. **[10 marks]**
2. Inflation has different effects on different economic activities on both micro and macro levels. Explain. **[10marks]**