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**GARISSA UNIVERSITY**

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

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

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

**COURSE CODE: ECO 211**

**COURSE TITLE: INTERMEDIATE MICROECONOMICS 1**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 25/08/2021 TIME: 09.00-11.00 AM**

**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. Explain the distinction between macroeconomics and microeconomics (6marks)
2. Describe difference between Gross National Product and Gross Domestic Product (6marks)
3. Monetary policy is instrumental in controlling money supply. Discuss. (6marks)
4. Discuss the implications of deflationary gap in an economy. (6marks)
5. Explain the main problems associated with national income accounting in developing countries (6marks)

**QUESTION TWO**

1. Discuss the different approaches used in the measurement of national income of a country. (9marks)
2. Assume that a=170, b= 0.05, Io=120 and Go= 40, derive the equilibrium level of national income in an open economy. (Use simple Keynesian model). (11marks)

**QUESTION THREE**

1. Describe the role of monetary policy in enhancing economic growth in the country. (10 marks)
2. The commodity and money markets of a given market are presented hypothetically below:

C= 100+0.8y

S= -100+0.2y

I= 120-5i

MS= 120

MD= 0.2y-5i

1. Derive IS and LM equations from the above information (5marks)
2. Derive the equilibrium level of income and interest from the above information (5marks)

**QUESTION FOUR**

1. Balance of payments in developing countries is in disequilibrium. Discuss (10marks)
2. By the use of clearly illustrated curves describe demand pull inflation (10 marks)

QUESTION FIVE

1. Calculate personal disposable income from the following information

**Sh in millions**

1. Receipts of factor income from the rest of the world = sh 6500
2. Payment of factor income to the rest of the world = sh 150
3. Depreciation = sh 225
4. Indirect taxes minus subsidies = sh700
5. Corporate profits =sh1,200
6. Dividends =sh600
7. Transfer payments to persons =sh 1300
8. Personal taxes =sh1,500 (8marks)

(b) Discuss the working of a tax multiplier as a fiscal instrument (12marks)

**QUESTION FIVE**

Write short notes on the following

1. Macro stabilization policies adopted by developing countries (5 Marks
2. Objectives of fiscal policy (5 Marks
3. Problems of measurement of national income (5 Marks
4. Working of tax multiplier (5 Marks