**MAIN EXAM**

**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**

**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. **[6marks**]
3. Briefly explain the main components of balance of payment  **[6 marks]**

 **(d)** State any four strategies that the government can adopt to solve the problem of unemployment **[4marks**

e) Highlight on any four role of the central Bank of Kenya. **[4marks]**

 (f) State any four factors that affects the terms of trade for developing countries in relation to

 International trade **[4marks** **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. **[10marks** **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. **[ 10marks]**

**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.  **[10marks]**

 (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 **[10marks]**

**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]**