PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF COMMERCE

END OF SEMESTER EXAMINATION – ONLINE

DEPARTMENT: BUSINESS

COURSE CODE: BCM 300

COURSE TITLE: INTERMEDIATE MACROECONOMIC THEORY

Time: 3 HOURS

Instructions

•***Read all questions carefully before attempting.***

•***Answer FOUR questions out of the SIX Provided***

•***Question ONE is Compulsory***

QUESTION ONE (Compulsory)

a. Citing relevant examples, discuss any two situations in Kenya which monetary policies are effective while fiscal policies are not (4 marks)

b. Discuss any two causes of scarcity of resources showing how you have been impacted by them (4 marks)

c. Briefly discuss whether it is possible for a nation to be producing goods and services in a way that is allocatively efficient, but productively inefficient, using a relevant example from your country of residence. (2 marks)

QUESTION TWO

a. Explain two reasons why the production possibilities frontier is typically drawn as a curve, rather than as a straight line, using practical examples (4 marks)

b. Highlight any three similarities between a consumer's budget constraint and society's production possibilities frontier. (6 marks)

QUESTION THREE

a. Discuss any two ways in which statisticians who calculate the Gross Domestic Product of an economy avoid the mistake of double counting, using your country as an example (4 marks)

b. Citing relevant examples, discuss any three reasons why per capita Gross Domestic Product might be an imperfect measure of a country's standard of living (6 marks)

QUESTION FOUR

Explain any five economic policies that the government of Kenya can implement to stimulate economic growth (10 marks)

QUESTION FIVE

a. Citing relevant examples, identify three ways in which borrowing money or running a trade deficit can result in a healthy economy (6 marks)

b. Discuss any two ways in which borrowing money or running a trade deficit can result in a weaker economy (4 marks)

QUESTION SIX

a. Discuss how the 2008-2009 Great Recession, can be explained using the Aggregate Demand/Aggregate Supply model. (4 marks)

b. Citing relevant examples, explain whether economists favour tax cuts or oppose them. (6 marks)