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) A computer systems engineer could paint his house but hires a painter to do it. Explain why this decision is beneficial from an economics point of view. (2 marks)

b) Briefly explain how globalization has affected the Kenyan economy over the past decade (2 marks)

c) Citing relevant examples, distinguish between monetary and fiscal policies (2 marks)

d) Highlight any two causes of scarcity of resources (2 marks)

e) 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 (2 marks)

QUESTION TWO

a) Citing a relevant example, define comparative advantage (2 marks)

b) Briefly explain why the production possibilities frontier typically drawn as a curve, rather than as a straight line. (2 marks)

c) Using examples, discuss why societies cannot make a choice above their production possibilities frontier and should not make a choice below it. (3 marks)

d) Highlight any three similarities between a consumer's budget constraint and society's production possibilities frontier. (3 marks)

QUESTION THREE

a) State the difference between a series of economic data over time measured in nominal terms versus the same data series over time measured in real terms (2 marks)

b) Discuss how statisticians who calculate the Gross Domestic Product of an economy avoid the mistake of double counting. (2 marks)

c) Explain the two main difficulties that arise in comparing different countries' Gross Domestic Product, giving examples (3 marks)

d) Citing relevant examples, discuss why per capita Gross Domestic Product might be an imperfect measure of a country's standard of living (3 marks)

QUESTION FOUR

a) Define an aggregate production function, giving an example of an input and output variable (2 marks)

b) Discuss how girls' education and economic growth relate in low-income countries (4 marks)

c) Explain the policies that the government of a free-market economy can implement to stimulate economic growth (4 marks)

QUESTION FIVE

a) Distinguish between being unemployed and being out of the labour force (2 marks)

b) Giving relevant examples, define structural unemployment (2 marks)

c) Using examples in each case, explain the periods when cyclical unemployment is expected to be:

   i. Rising (3 marks)

   ii. Falling (3 marks)

QUESTION SIX

a) Highlight the eight major categories in the Consumer Price Index, giving an example of each (4 marks)

b) In the year 2008, a loaf of bread in Zimbabwe was costing 550 million Zimbabwean dollars

i. Discuss any 3 reasons why the above situation could have occurred (3 marks)

ii. Give a remedy for each of the reason stated above (3 marks)