PAN AFRICA CHRISTIAN UNIVERSITY

SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF BUSINESS LEADERSHIP

BACHELOR OF COMMERCE

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

SEPTEMBER-DECEMBER 2019

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BUS2113|BCM106|BIT206

COURSE TITLE: PRINCIPLES OF MACRO ECONOMICS

EXAM DATE: MONDAY 2ND DECEMBER 2019

DURATION: 2 HOURS

TIME: 5:30PM-7:30PM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- This exam script consists of **Six (6)** questions.
- Answer **ALL questions in SECTION A (compulsory)** and **Any other three (3)** questions from **SECTION B**
- *ALL PAC University's examination rules and regulations apply*

SECTION A: COMPULSORY

QUESTION ONE (30mks)

a) Define the following concepts
   i. Microeconomics (2 Marks)
   ii. Macroeconomics (2 Marks)
   iii. National Income (2 Marks)

b) Explain THREE methods of measuring national income (6 Marks)

c) An open economy has the following details:
$C = 100 + 0.8Y$, $I = 1200 - 30r$.
There is a trade balance in the economy.
$MD_1 = 0.25Y$, $MD_2 = 1375 - 25r$, and $M_S = 2500$.

Find:
   (i) Interest Rate - r (4 Marks)

   (ii) Equilibrium national income (2 Marks)

d) Describe the FOUR types of inflation (8 Marks)

e) List the FOUR types of unemployment (UE) (4 Marks)

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION TWO (10mks)

a) Define Money (2mks)

b) Discuss the FOUR characteristics of money (8mks)

QUESTION THREE (10mks)

a) Using a diagram describe, the IS and LM curve (4mks)
b) Differentiate between monetary and fiscal policy (6mks)

QUESTION FOUR (10mks)

a) Define trade cycles (2mks)
b) Describe the phases in a trade cycle (8mks)

QUESTION FIVE (10mks)

a) An open economy has the following details:
$C = 1000 + 0.25Y$, $I = 900$ $G = 1000$. There is a trade balance in the economy.

(i) Find the equilibrium National Income (2mks)

(ii)Identify MPC and MPS (2mks)

b) Explain FIVE functions of Central Bank of Kenya (6mks)

QUESTION SIX (10mks)

a) An open economy has consumption function of
$C = 1000 + 0.75Y$, the import function is given by $M = 600 - 0.25Y$. Find the multiplier effect (4mks)
b) Discuss THREE types of demand for money (6mks)