PAN AFRICAN CHRISTIAN UNIVERSITY (PAC)

EXAMINATION 2020/2021

BACHELOR IN BUSINESS INFORMATION TECHNOLOGY

BCM 211: SPECIAL INTERMEDIATE MACROECONOMICS - ROYSAMBU DAY

DATE: AUGUST 2020 **TIME: 2 HOURS**

QUESTION ONE COMPULSORY (10mks)

a) 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)

b) Differentiate between the Keynesian and Classical theories of economics (4 Marks)

SECTION B: ANSWER ANY THREE QUESTIONS
QUESTION TWO (10mks)

a) Define money (2 Marks)

b) Explain FOUR characteristics of money (4 Marks)

c) Differentiate between CPI (consumer price index) and inflation (4 Marks)

QUESTION THREE (10mks)

a) Discuss economic growth theory (4 Marks)

b) Differentiate between monetary and fiscal policy (6 Marks)

QUESTION FOUR (10mks)

a) Define economic cycles (2 Marks)

b) Describe the phases in an economic cycle (8 Marks)

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 (2 Marks)

(ii)Identify Marginal Propensity to Consume (2 Marks)

iii. Identify Marginal Propensity to Save (2 Marks)

b) Explain THREE functions of Central Bank of Kenya (6 Marks)

QUESTION SIX (10mks)

a) Discuss the neo-classical theory of distribution (2 Marks)

b) Based on Euler's theorem, the economic profit is zero. Explain the existence of profit in the economy (3 Marks)

c) Derive the real wage of a firm based on the neo - classical theory of distribution

(5 Marks)