PANAFRICA CHRISTIAN UNIVERSITY

END OF TRIMESTER EXAMINATIONS

BCM103/BUS2113- PRINCIPLES OF MACROECONOMICS

ONLINE

ATTEMPT FOUR QUESTIONS ONLY

TIME ALLOWED – 2 HOURS

SECTION ONE

QUESTION ONE (COMPULSORY) – 30 MARKS

A country has experienced rising inflation, increasing unemployment, and a declining rate of economic growth over the past year. The government is considering both fiscal and monetary policy interventions to stabilize the economy.

a) Explain three possible causes of inflation in this country (8 marks)

b) Using appropriate macroeconomic theory, analyze two fiscal policy measures that can be used to address Inflation and unemployment (8 marks)

c) Evaluate two monetary policy measures appropriate to control inflation in this context. (8 marks)

d) Discuss the potential trade-offs policymakers may face when implementing stabilization policies.
(6 marks)

SECTION TWO (ANSWER ANY THREE QUESTIONS) - 30 MARKS

QUESTION TWO

a) Define Gross Domestic Product (GDP) and explain any two methods used to measure it. (4 marks)

b) Discuss three limitations of GDP as a measure of economic welfare. (6marks)

QUESTION THREE

a) Explain the concept of aggregate demand and its components. (4marks)

b) Analyze any three factors that can cause a shift in the aggregate demand curve. (6 marks)

QUESTION FOUR

a) Define unemployment and explain two types of unemployment. (4 marks)

b) Discuss the economic and social costs of unemployment. (6 marks)

QUESTION FIVE

a) Explain the concept of money supply and its determinants. (4 marks)

b) Evaluate the functions of a central bank in managing the economy. (6 marks)