END OF SEMESTER EXAMINATION

BCM300 INTERMEDIATE MACROECONOMICS THEORY

JANUARY-APRIL 2024 TRIMESTER

QUESTION ONE: COMPULSORY

(a) Differentiate between two macro-economic analysis used to analyze a particular economy **(4Marks)**

b) Discuss any THREE tax policies which affect the amount of investment undertaken by investors **(6 marks)**

QUESTION TWO:

(a) Briefly discuss any four goals and aims of the macroeconomic policy **(4 Marks)**

(b) Describe any three methods that can be used to control inflation in any country **(6Marks)**

QUESTION THREE:

a) Explain any TWO key differences between the Consumer Price Index and the Gross Domestic Product Deflator. **(4 marks)**

b) Discuss the effect of an expansionary monetary policy on the economy **(6 marks)**

QUESTION FOUR:

a) Write short notes amount the following

(i) Aggregate Demand (**1Mark)**

(ii) Deflationary Gap (**1Mark)**

(iii) Aggregate Supply Curve (**1Mark)** (iv)Inflationary Gap **(1Mark)**

b) Explain briefly the various components of Gross Domestic Product **(4Marks)**

c) State one assumption of the Mundell- Fleming model **(1mark)**

QUESTION FIVE:

a) According to the Mundell-Fleming model, explain whether fiscal or monetary policy will be more successful when the exchange rates are fixed and capital is perfectly mobile. **(4 marks)**

b) Discuss the THREE types of exchange rate systems, giving examples of countries that are currently using them. **(6 marks)**

QUESTION SIX:

a) Distinguish between Crowding Out and Liquidity Trap concepts **(4 marks)**

b) Describe how the Sticky-Wage Model operates in an economy **(6 marks)**