

**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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**University Examinations 2015/2016**

FIRST YEAR SECOND SEMESTER AND

FIRST YEAR FIRST SEMESTER EXAMINATION FOR

DIPLOMA IN

BUSINESS ADMINISTRATION

DIPLOMA IN PURCHASING AND SUPPLIES MANAGEMENT

**BED 2151: INTRODUCTION TO MACRO-ECONOMICS**

**DATE: AUGUST 2016 TIME: 1 ½ HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

1. Briefly differentiate the following :
2. Micro economic and macro-economic (4 marks)
3. Gross domestic product and Gross National product (4 marks)
4. Autonomous consumption and induced consumption. (4 marks)
5. Briefly explain five major macro-economic goals in Kenyan economy. (5 marks)
6. State any five functions of central bank (5 marks)
7. Using a well labeled diagram, explain a two sector circular flow of income and expenditure (8 marks)

**QUESTION TWO (20 MARKS)**

1. Consider the following National income model for an economy with no external trade.



Calculate:

1. Equilibrium income (4 marks)
2. Equilibrium consumption (2 marks)
3. Equilibrium tax (2 marks)
4. Discuss the three approaches used in national income accounting (12 marks)

**QUESTION THREE (20 MARKS)**

1. Explain five causes of unemployment (10 marks)
2. Discuss how monetary policy can be used to control inflation in a country (10 marks)

**QUESTION FOUR (20 MARKS)**

Write short notes on the following as used in economics

1. Credit creation (4 marks)
2. Multiplier (4 marks)
3. International trade. (4 marks)
4. Consumption function (4 marks)
5. Fiscal policy (4 marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss five determinants of consumption function (10 marks)
2. Discuss five methods of protecting the local industries against foreign competition (10 marks)