



UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND
LEADERSHIP/BACHELOR OF COMMERCE

BML 205/BCM 214 : MACRO-ECONOMICS/ INTERMEDIATE
MACRO ECONOMICS

DATE: APRIL 2026

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.

- 7. Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

MACROECONOMIC POLICY TRADE-OFFS IN A DEVELOPING ECONOMY

Many developing economies have, in recent years, faced a combination of slow economic growth, rising public debt, persistent unemployment, and external shocks such as global financial tightening and supply-chain disruptions. Governments have responded using a mix of fiscal expansion, monetary adjustments, and structural reforms aimed at stabilising output while maintaining long-term fiscal sustainability.

However, the effectiveness of these interventions has been uneven. While expansionary policies can stimulate short-term demand, they may also increase inflationary pressures and debt vulnerabilities. At the same time, insufficient public investment in infrastructure and productive sectors can constrain long-term growth and private-sector confidence.

Required:

- a) Analyse the key macroeconomic policy objectives that governments in developing economies attempt to balance during periods of economic instability **(10 Marks)**
- b) Evaluate the extent to which expansionary fiscal policy can stimulate economic recovery without undermining fiscal sustainability **(10 Marks)**
- c) Assess the role of public investment in infrastructure in supporting long-term macroeconomic stability **(5 Marks)**

QUESTION TWO**UNEMPLOYMENT AND LABOUR-MARKET RIGIDITIES**

Despite episodes of economic growth, many economies continue to experience high unemployment, particularly among young people and low-skilled workers.

- a) Examine the structural and cyclical factors that contribute to persistent unemployment in developing economies

(10 Marks)

- b) Assess the effectiveness of government policy interventions in addressing unemployment challenges

(5 Marks)

QUESTION THREE

MONEY, INTEREST RATES, AND ECONOMIC ACTIVITY

Central banks influence economic conditions by managing liquidity, interest rates, and inflation expectations.

- a) Analyse how changes in monetary conditions influence investment and aggregate demand in an economy **(10 Marks)**

- b) Evaluate the limitations faced by central banks when using monetary policy to control inflation **(5 Marks)**

QUESTION FOUR

INTERNATIONAL TRADE AND EXTERNAL STABILITY

As economies integrate into global markets, managing external balances becomes increasingly important.

- a) Analyse the key components of the balance of payments and their relevance to macroeconomic stability

(10 Marks)

- b) Assess the macroeconomic consequences of persistent balance-of-payments imbalances

(5 Marks)

QUESTION FIVE

ECONOMIC GROWTH, DEVELOPMENT, AND WELFARE

Sustained economic growth does not always translate into improved living standards or reduced inequality.

- a) Assess the major determinants of long-term economic growth in developing economies

(10 Marks)

- b) Examine the relationship between economic growth and economic development

(5 Marks)

QUESTION SIX

PUBLIC DEBT, INVESTMENT, AND GROWTH

Governments often rely on borrowing to finance development programmes and stabilisation measures.

- a) Evaluate the long-term macroeconomic implications of rising public debt on investment and economic growth

(10 Marks)

- b) Assess the key factors that influence investment decisions in an economy

**(5
Marks)**