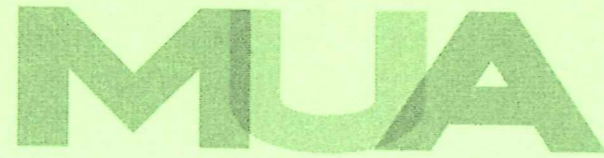


The
Management
University
of Africa



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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

BCM 123: MACROECONOMICS

DATE: 6TH AUGUST 2024

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.

- iii. "Since the beginning of the COVID-19 crisis in early 2020, it is also evident that fiscal policy can be a significant driver of inflation." Critique this statement.
(3 Marks)
- iv. "Each of these schools emphasizes different forces that drive inflation and recommends a distinct policy response." Explore ~~for~~ causes of inflation and propose a solution to each cause. (8 Marks)
- v. Explain the trade-off that arises when monetary policies aim to reduce high inflation while still ensuring financial stability. (2 Marks)

QUESTION TWO

- a) Explain the concept of Gross Domestic Product (GDP) and its significance in measuring a country's economic performance. (6 Marks)
- b) Distinguish between expansionary and contractionary fiscal policies. (4 Marks)
- c) Describe all five roles of households in the circular flow of income. (5 Marks)

QUESTION THREE

- a) State TWO theories of consumption. (1 Mark)
- b) Explore the below types of unemployment and their respective causes.
- i. frictional unemployment (3 Marks)
 - ii. structural unemployment (3 Marks)
- b) Explain FOUR factors that impact the size of National Income in economies. (8 Marks)

QUESTION FOUR

- a) Evaluate the impact of international trade on consumer welfare. **(4 Marks)**
- b) Suppose the consumption function for a household is given by $C=60+0.8Y$.
- Calculate the consumption spending when disposable income is Ksh. 1,000. **(1/2 Mark)**
 - Determine the marginal propensity to Save (MPS) from the given consumption function. **(1/2 Mark)**
 - If disposable income increases by Ksh. 500, calculate the change in consumption spending. **(2 Marks)**
- c) Discuss FOUR factors that determine the demand for money. **(8 Marks)**

QUESTION FIVE

- a) Explain the concept of absolute advantage in international trade, providing an example. **(5 Marks)**
- b) Differentiate between fiat money and commodity money. **(2 Marks)**
- c) Describe the difference between a tariff and a quota and discuss their impact on international trade. **(8 Marks)**

QUESTION SIX

- a) Compare and contrast the Consumer Price Index (CPI) and the Producer Price Index (PPI) as measures of inflation. **(4 Marks)**
- b) Differentiate between GDP and National Income. **(1 Mark)**
- c) Assess FIVE social and economic implications of high levels of unemployment being experienced in Kenya. **(10 Marks)**

