



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY  
SCHOOL OF BUSINESS & ECONOMICS  
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS  
ADMINISTRATION WITH IT  
2<sup>ND</sup> YEAR 2<sup>ND</sup> SEMESTER 2015/2016 ACADEMIC YEAR  
MAIN CAMPUS**

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**COURSE CODE: AEC 205**

**COURSE TITLE: INTERMEDIATE MACRO-ECONOMICS**

**EXAM VENUE:**

**STREAM: (BBA )**

**DATE: 04/05/16**

**EXAM SESSION: 2.00 – 4.00 PM**

**TIME: 2 HOURS**

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**Instructions:**

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

## **QUESTION ONE**

1 {a} A national income model is given below.

$C = 50 + 0.4 y_d$  {consumption function}

$I = 200$  {investment function}

$G = 100$  {Government expenditure}

$X = 300$  {Export expenditure}

$T = 50 + 0.2y$  {Tax function}

$M = 20 + 0.5y$  {import function}

Compute the:

- i. Equilibrium level of income. {6mrks}.
- ii. Consumption function {2mrks}
- iii. Tax function {2mrks}.

What is the position of Trade {1mrk}.

{b} Briefly explain any Four importances of studying Macroeconomics. {8mrks}.

{c} Distinguish between the following terms.

- i. Aggregate demand function {price} and aggregate supply function {price}.
- ii. Frictional and structural unemployment.
- iii. Gross domestic product I and Net national product. {6mrks}

{d} State any five determinants of money supply. {5mrks}

## **QUESTION TWO**

{a} The following information is given of an hypothetical simple closed economy with only two sectors, the money and commodity markets.

$C = 200 + 0.5y$  consumption function.

$I = 4000 - 4.2r$  investment.

$MS = 2000$  money supply.

$MDT = 0.3y$  transaction and precautionary demand of money.

$MDS = 10 - 4r$  speculative demand of money.

- i. Derive the LM and IS curves. {6mrks}
- ii. Calculate the equilibrium level of income and interest rate that clear both money and products markets. {4mrks}

{b} Define national income and explain the importance of national income determination in modern economies. {10mrks}

### **QUESTION THREE**

- a. Briefly explain the classical theory of employment and point out Keynesian criticisms on the theory. { 10mrks }
- b. Define unemployment and explain any five main causes of unemployment in developing countries according to Keynes. { 10mrks }.

### **QUESTION FOUR**

{a} Define inflation and explain the effectiveness of monetary policy in controlling it in developing countries.

{ 10mrks }.

{b} Suppose the income of country X increases by 300 million out of which 1.5 million is consumed.

Define and calculate marginal propensity to consume and briefly explain three factors influencing consumption function. { 10mrks }

### **QUESTION FIVE**

- a. Given the following information.  
 $I = 400$  {Autonomous investment.}  
 $C = 300 + 0.8y$  {consumption function}.  
Calculate the income equilibrium level { 3mrks }
- b. What is the economic growth. Give any four factors that influence growth in an economy. { 9mrks }.
- c. Explain four reasons why the study of International trade is important { 8mrks }.

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AND TECHNOLOGY**

**KISII**

**INTERMEDIATE MACRO ECONOMICS**

**2<sup>ND</sup> Years 2<sup>ND</sup> Semester 2016**

**COURSE OUTLINE**

**Contact : 45hours**

**Lecture : 42hours**

**Lecture name : Danvas Okero Mogire**

**Credit : 45 hours**

**Course code : AEC 205**

**Title : Intermediate Macro Economics**

**Pre-Requested : None**

**Purpose:-**to prepare students into understanding the functioning and economic operations of the economy and the rest of the world.

**Expected outcomes;** - by the end of the course unit the learner s should be able to:

1. Distinguish between macro and micro economics.
2. Understand theories of employment and their application.
3. Explain the role of modern economics in present economics.
4. Explain the terminologies used in macro economics.
5. Describe the complexity of modern world economy.

<b>WEEK</b>	<b>CONTENT</b>
<b>Week 1</b>	introduction, relationship between micro and macro economics, scope and importance of macro economics
<b>Week 2 and 3</b>	Theories of employment <ul style="list-style-type: none"> <li>➤ Classical theory of employment</li> <li>➤ Effective aggregate demand(Keynes)s</li> <li>➤ Aggregate demand price and aggregate supply price</li> </ul>
<b>Week 4</b>	Banking systems-demand and supply of money
<b>Week 5 to 6</b>	National income determination(models). National income concept Consumption function Investment and saving Multiply and accelerator theory
<b>Week7</b>	<b>CAT</b>
<b>Week 8</b>	Inflation, types, causes and remedies
<b>Week 9</b>	Unemployment, types, causes and remedies
<b>Week 10</b>	International trade Comparative cost theory
<b>Week 11</b>	<b>CAT</b>
<b>Week 12</b>	Theory of economic growth Effects of economic growth
<b>Week 13 &amp; 14</b>	<b>REVISION</b>

**Teaching methodology:** - A combination of lectures, tutorials, class discussion,

Peer teaching.

Instruction methodology: - handouts, chalk board.

**Course assessment:** - end of semester examination 70% continuous assessment (exercises and tests) 30%, total 100%

**Core text books.**

- i. KK Dewet: - Modern Economic Theory.
- ii. Olivier Blanchard 2008 Macro Economics 5<sup>th</sup> Edition.
- iii. Rodiger Dornbush 2005 Macro Economics.
- iv. M & Taylor 2007 Macro Economics Thomas Learning224