



**ALUPE UNIVERSITY
COLLEGE**

... Bastion of Knowledge ...

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**OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS**

**UNIVERSITY EXAMINATIONS
2019 /2020 ACADEMIC YEAR**

...3rd.... YEAR ...2nd..... SEMESTER REGULAR EXAMINATION

FOR THE DEGREE OF BACHELOR OF SCIENCE ECONOMICS

COURSE CODE: ECO 320/ ECO 211

COURSE TITLE: INTERMEDIATE MACROECONOMICS

DATE:27/10/2020

TIME: 2.00-5.00PM

INSTRUCTION TO CANDIDATES

- *Answer Question ONE and any other TWO questions*
- *Question ONE carries 30 marks*
- *Time allowed: 3 hours*

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

Handwritten signature and date: 27/10/2020

MAIN EXAM

QUESTION ONE

- a. Define the following terms as used in macroeconomics
 - i) Gross Domestic Products and Gross national product (2mks)
 - ii) Fiat money and commodity money (2mks)
 - iii) Fiscal policy and monetary policy (2mks)
 - iv) Average propensity to save and marginal propensity to save (2mks)
- b. Consider a hypothetical economy described by the following equations:

$$C=100+0.8Y_d \text{ (Consumption function)}$$

$$I= 200 \text{ (Investment)}$$

$$G=100 \text{ (Government)}$$

$$X=10 \text{ (Export)}$$

$$M= 2+0.25Y \text{ (Import function)}$$

$$T= 25+0.3Y \text{ (Tax function)}$$

Where Y =National Income and Y_d =National income after Tax

Compute:

- i) The equilibrium level of income (4mks)
 - ii) The level of consumption, income after tax and the net exports that correspond to the level of national income (3mks)
 - iii) From (ii) above, identify the balance of trade: which type of countries are associated with this balance and why? (4mks)
 - iv) Compute and interpret government expenditure multiplier and tax multiplier (4mks)
- c. Briefly explain challenges experienced while measuring national income (5mks)

QUESTION TWO

- i. Discuss any five monetary policy instruments used to control and regulate money supply in an economy (10mks)
- ii. Discuss the cost of inflation in a country. (10mks)

QUESTION THREE

- i. Clearly discuss the "Life cycle income Hypothesis" theory of consumption (10mks)
- ii. Describe how fiscal policies can be used to curb inflation (10mks)

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QUESTION FOUR

- i. Explain the factors that influence the level of investment in the economy (10mks)
- ii. Discuss functions of money in the society (10mks)

QUESTION FIVE

- i. Explain the methods of computing national income account, taking precaution of the necessary adjustments in each case (10 marks)
- ii. Explain five factors determining the rate of interest in an economy (10 marks)