

THARAKA



UNIVERSITY

COLLEGE

UNIVERSITY EXAMINATIONS

SECOND YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE

ECON 222: INTERMEDIATE MACROECONOMICS THEORY

STREAMS: BCOM (Y2S2)

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 15/04/2020

8.30 A.M. – 10.30 A.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE

- (a) (i) Explain notion income [1mark]
- (ii) Discuss the circular flow model of an economy whose government actively participate in economic activities. [7

marks]

- (b) (i) Explain money [2 marks]
- (ii) Discuss the two versions of quantity theory of money. i.e. the Fischer and Cambridge theory [8

marks]

- (c) (i) With the help of a diagram discuss the effect of the shift in demand for labour in classical model [7

marks]

- (ii) Discuss the paradox of thrift with original savings functions 'S' and investment function (I) [5 marks]

QUESTION TWO

Discuss 4 theories of consumption [20 marks]

QUESTION THREE

Key economic actors in every economy consists of government households, firms and foreign sectors/the rest of the world. Suppose in such an economy the following functions exists

- Determine
- (i) , & [8 marks]
- (ii) Autonomous investment multiplier [2 marks]
- (b) Discuss the essentials of a good tax system [10 marks]

QUESTION FOUR

- (a) (i) Explain unemployment [2 marks]
- (ii) Discuss the long run tradeoff between inflation and unemployment [8 marks]
- (b) (i) Explain public sector [1 mark]
- (ii) Discuss the reasons of existence of public sectors in Kenyan economy. [9 marks]
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