KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2020/2021 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 14th December, 2020
Time: 8.30am – 10.30am

KFI 202 - INTERMEDIATE MICRO ECONOMIC THEORY

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

a)   Differentiate between microeconomic theory and macroeconomic theory.
(6 Marks)

b)   Describe how fiscal policy tools can be used to solve macroeconomic problems during depression and inflation periods.
(8 Marks)

c)   Explain the conditions that must hold for an economy to operate at full employment level according to classical economists.
(6 Marks)

d)   Outline the permanent income hypothesis consumption theory.
(6 Marks)

e)   Illustrate IS curve in the open and closed economy.
(4 Marks)

QUESTION TWO (20 MARKS)

a)   Explain the distinction between the various opposing macroeconomic views.
(10 Marks)

b)   Using illustrations, explain the distinction between quantity theory of money and the equation of exchange. (10 Marks)

QUESTION THREE (20 MARKS)

a)   Using a proper diagram, discuss the classical crowding-out effect.
(10 Marks)

b)   Using an illustration demonstrate the Keynes' view of the labor market.
(10 Marks)

QUESTION FOUR (20 MARKS)

a)   Using an illustration of equilibrium in the classical labour market, explain the Pigou's suggestion to alleviate unemployment.

(10 Marks)

b)   Illustrate and explain the relative income hypothesis consumption theory.

(10 Marks)

QUESTION FIVE (20 MARKS)

a)   Demonstrate the effects of monetary policy in the three ranges of the LM curve.

(10 Marks)

b)   Explain and illustrate the derivation of BP curve.

(10 Marks)