UGANDA MARTYRS UNIVERSITY

MANAGERIAL ECONOMICS TWO TEST FOR BAM 1 E AND MICROFINNANCE 1E

AS ON 14TH MARCH 2018

Instructions: Attempt all questions. Time allowed: 1 hour

SECTION A : Respond by circling the most appropriate answer

1. The study of behavior of the overall economy is

A. Positive economics
B. Microeconomics
C. Normative economics
D. Macro economies

2. Which of the following is NOT a central issue in macroeconomics?

   a. How should the central bank of a country fight inflation?
   b. What is responsible for high and persistent un employment?
   c. How do tax changes influence consumers' choices of what to buy?
   d. What factors determine economic growth?
   e. What can or should the government do to stabilize the economy?

3. Macroeconomics does NOT focus on

   A. Policies that affect consumption and saving
   B. Policies that affect the performance of health care providers
   C. The determination of changes in wages and prices
   D. The determination of interest rates
   E. None of the above, all of them are micro economics issues

4. In consumption function c=a+by

A. B is intercept
B. B Slope of the function
C. C .MPC
D. D.a & C

5. In Keynesian Framework Income is measured along

A. 45 degree line
B. Verticle axis
C. Horizontal axis
D. All are correct

6. If investment is exogenous to the Income determination model it can be shown as

   A. A. Verticle line
   B. B. Horizontal line
   C. C. All of the above
   D. D. None of the above

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7. In closed economy GDP equals

    A. A. C+I+X-N
    B. B. C+I
    C. C. C+I+G
    D. D. All of the above

8. In the model Y=C+I+G and C=a+by , Where b=0.8 , the expenditure multiplier is

$$K = \frac{1}{1 - 0.8} = \frac{1}{0.2}$$

    A. A. 1
    B. B. 4
    C. C. 5
    D. D. None of the above

9. An economy that interacts with other economies is known as

    A   A balanced trade economy
    B   An export economy
    C.   An import economy
    D   A closed economy
    E.   An open economy

10. Which of the following isn't a central issue in macro economics

    A. The deregulation of banking industry
    B. Inflation of prescription drug prices
    C. The effect of exercise taxes on consumer's buying patterns
    D. None of the above

11. The Phillips curve is often used to show the relationship between

    a. GDP and unemployment in a given year
    b. The rates of inflation and unemployment over time
    c. Employment and GDP
    d. Changes in GDP and the rate of inflation.
    E). Unemployment and GDP growth.

12. When the economy goes into a recession, we can generally expect that

    a. Inflation will decrease while output will increase
    b. Inflation will increase while unemployment will decrease
    c. Inflation and output will increase
    d. Inflation will decrease while unemployment will increase
    e. None of the above

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13. **Which of these people could officially be counted as unemployed?**

A. A garage attendant who got fired from his old job two months ago but will start a new job in two weeks

B. A busboy who weeks only four hours a day, five days a week, but would full-m time as a waiter

C. An accountant who quit her job when she had a baby two months ago

D. A woman who joined the babysitter's union several months ago and averages about five customer's week at her $10/hour rate.

E. None of the above

SECTION B: COMPULSORY (Fill in appropriately)

16. The unit of analysis in the macroeconomics is.........................

17. The percapita income of the country measures.. The contribution of each national of National Income

18. A country is declared inflation when there is .persistent... increase in the general price level of goods and services

19.Marginal propensity to save (MPS)is computed by... 1 - mPC ....

20.. Wage-wage Inflation..and .. price - wage Inflation.. are the key forms of cost push inflation.

SECTION C: COMPULSORY (write on note more than 4 pages)

2a) With an Illustration, explain the 2 sector circular flow of income in a macro economy(5mks)

b) Derive the expression for equilibrium national income in the 4 sector economy(3mks)

c)In a 4 macro economy, Given that: $C=200+0.8Yd$, $T=100+0.2y$, $I=600$, $G=500$.

   i.   Compute the equilibrium level of national income(3mks)

   ii.   The level of consumption(2mk)

   iii.   The level of saving(2mks)

   iv.   Determine the Level of autonomous spending(2mks)

   v.   Calculate and interpret the government multiplier (2mk

3a) Given the above Philips curve, explain the short run tradeoff between Inflation and Unemployment (3mks)

3b) briefly state and explain the long term cost of unemployment and inflation to your economy. (8mks)

SUCESS