

UGANDA MARTYRS UNIVERSITY

NKOZI

UNIVERSITY EXAMINATIONS

END OF SEMESTER II FINAL ASSESSMENT 2018/19

FIRST YEAR BACHELOR OF BUSINESS ADMINISTRATION AND BACHELOR OF MICRO FINANCE (NKOZI AND LUBAGA)

MANAGERIAL ECONOMICS II

DATE: Thursday 02 May 2019

TIME: 09:30AM – 12:30PM

Instructions:

1. Attempt any **FOUR (04)** questions
 2. All questions carry equal marks
 3. Do not write anything on the questions paper.
 4. Carefully read through ALL the questions before attempting.
 5. No **names** should be written anywhere on the examination booklet.
 6. Ensure your work is **clear** and **readable**. Untidy work shall be penalized.
 7. Any type of examination Malpractice will lead to automatic disqualification.
 8. Ensure that your **ID number** is indicated on all pages of the examination answer booklet.
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QUESTION ONE

- a) Conceptually distinguish between macroeconomics and microeconomics (10mks)
- b) Of what relevance is macroeconomics to the management of business operations (15mks)

QUESTION TWO

- a) Define National Income and explain the approaches to national income determination in the different economies. (10mks)
- b) Examine the role of compiling national income statistics in your country (15mks)

QUESTION THREE

- (a) Distinguish between Structural Unemployment and Frictional Unemployment. (05mks)
- (b) How does Unemployment affect business practice (05mks)
- (c) As a manager, suggest possible cures to Unemployment problem in your country (15mks)

QUESTION FOUR

- (a) Inflation presents both pros and cons to running and operations of Businesses. Examine the validity of this statement (15mks)
- (b) Examine the fiscal and monetary policies that may be employed by economy managers to control the problem of inflation. (10mks)

QUESTION FIVE

- (a) With an Illustration, explain the 2 sector circular flow of income in a macro economy (6mks)
- (b) Consider the following Keynesian National income model

$$Y = C + I + G, C = C_0 + bY_d, Y_d = Y - T + T_{ro}, T = T_0 + t_y.$$

Clearly Identify the endogenous and exogenous variables in the model (6mks)

- (c) Suppose $C = 40 + 0.8(Y - T + T_{ro})$, $T = 20 + 0.2Y$, $T_{ro} = 10$, $I = 30$, $G = 20$

Obtain

- I. The value of equilibrium National income (5mk)
- II. The level of saving (2mks)
- III. Government multiplier (3mks)
- IV. Government budget position (3mks)

QUESTION SIX

- a) Explain briefly the role of money in running of different economic affairs of any country (05mks)
- b) What factors determine money supply in a growing economy (10mks)
- c) Describe any 5 tools that can be used by the central bank to regulate money supply in an economy (10mks)

QUESTION SEVEN

Given the following assumptions

- i. Presence of many banks say A, B, C, D....in the banking system
- ii. 20% cash ratio
- iii. The first bank has USh 200,000 as deposits
- iv. The loan amount drawn by customer in one bank is deposited in full in the second bank

Basing on the above assumptions explain the process of credit creation by

- i. With working, tabulate the credit creation process for the 4 banks (15mks)
- ii. What would be the total deposit created (05mks)
- iii. Calculate the credit multiplier (05mks)

QUESTION EIGHT

Write short but concise notes on the following as used in advanced macroeconomics policy analysis (25mks each 5mks)

- i) Business cycle and seasonal fluctuations
- ii) Automatic stabilizers and restrictive monetary policies
- iii) A healthy economy and an efficient economy
- iv) Reasons why countries give foreign aid
- v) Money multiplier and bank multiplier

GOOD LUCK