



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS 2017/2018 ACADEMIC YEAR FOURTH YEAR SECOND SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS BACHELOR OF BUSINESS MANAGEMENT/BACHELOR OF EDUCATION

COURSE CODE: BBM 417

COURSE TITLE: INTERNATIONAL ECONOMICS

DATE: 24TH APRIL 2018

TIME: 08:30 – 10:30AM

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** questions

*This paper consists of **TWO** printed pages. Please turn over.*

QUESTION ONE

- a) "The trade between developed and developing countries is characterised by the former exporting manufactured products while the latter export primary products". Discuss this statement with reference to your country **(8marks)**
- b) Explain the mercantilists' main beliefs **(6marks)**
- c) Discuss David Ricardo's contributions to international trade **(6marks)**
- d) Faced with a balance of payment deficits, what are the policy options available to Kenya to correct it? **(5marks)**

QUESTION TWO

- a) "Many nations continue to engage in trade despite some of them being heavy losers in international transactions". Discuss this in relation to Kenya's trade with developed nations. **(8marks)**
- b) Explain some of the weaknesses of mercantilism **(7marks)**

QUESTION THREE

- a) Use the concept of opportunity cost to explain Comparative advantage **(8marks)**
- b) Explain the SIX main assumptions of the Ricardian model **(7marks)**

QUESTION FOUR

- a) "Whenever covered interest parity does not hold, there are opportunities to make **risk- less** profit through interest arbitrage". Discuss this statement in relation to the activities of arbitrageurs in bringing the foreign exchange and financial markets into equilibrium. **(8marks)**
- b) Draw a graph to show how the production possibilities frontier explains or can be used to show how resources combine to produce goods and services required in a country. Explain your graph. **(7marks)**

QUESTION FIVE

- a) Explain the gains from international trade **(8marks)**
- b) Explain the development of money **(7marks)**

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