



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2015/2016 ACADEMIC YEAR

FIRST YEAR 2ND SEMESTER
MAIN EXAMINATION

**FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL
ECONOMICS & RESOURCE MANAGEMENT**

COURSE CODE: ECO 102

COURSE TITLE: INTRODUCTION TO MACROECONOMICS

DATE: 29TH APRIL 2016

TIME: 9AM – 11 AM

INSTRUCTIONS TO CANDIDATES

Answer all Questions in section A and any other two (2) Questions in section B.

TIME: 2 Hours

This paper consists of 2 printed pages. Please Turn Over



KIBU observes ZERO tolerance to examination cheating

SECTION A = 30 MARKS

Q1.

- a) In Jamaica, the relationship between aggregate consumption C and aggregate disposable income (Y^d) is given by the expression $C=150+0.8Y^d$, while investment is given by $I=75$. $Y^d=Y-T$.

Showing all your computations clearly, determine the levels of the following;-

- i) Equilibrium level of income, Y (3 marks)
- ii) Equilibrium level of savings, S (3 marks)
- iii) The effect of equilibrium income, Y if investment I were to rise to 150 (3 marks)
- iv) The value of the multiplier KI^* (3 marks)
- b) Why is the IS curve downward sloping and LM curve upward sloping? (4 marks)
- c) State four indices for macroeconomic measurements. (4 marks)
- d) Explain the types of money in any economy. (8 marks)
- e) Differentiate between a consumer price index and a producer price index. (2 marks)

SECTION B = 40 MARKS

Q2.

Explain the methods of computing national income account, taking precaution of the necessary adjustments in each case. (20 marks)

Q3.

Explain the concept of circular flow of income of an open economy and highlight its underlining assumptions using a diagram. (20 marks)

Q4.

- a) Discuss why is it important to estimate National Income of a country (10 marks)
- b) What difficulties do economists encounter while carrying out the task of national income estimation particularly in developing countries (10 marks)